



# Revitalizing Neighborhoods, Empowering Residents

**Economic Development in  
Disinvested Communities**



ECONOMIC DEVELOPMENT  
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*International Economic  
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# **REVITALIZING NEIGHBORHOODS, EMPOWERING RESIDENTS**

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## **ECONOMIC DEVELOPMENT IN DISINVESTED COMMUNITIES**



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## Introduction

At the heart of the economic development profession is the principle of raising the level of prosperity for all of a place's residents. In recent years, inequality in America has grown, and poverty has become more concentrated. Neighborhoods and entire cities have fallen into cycles of persistent disinvestment and distress. The call for economic developers to take action has amplified;<sup>1</sup> economic developers who take action on these difficult issues can not only improve the livelihoods of low-income residents of distressed neighborhoods, but improve the economic well-being for all of a place's citizens.

In recent decades, low-income populations have increasingly concentrated in distressed neighborhoods.<sup>2</sup> Since the 1970s, the number of neighborhoods in the United States defined as 'high-poverty' has tripled; the number of poor people living in such neighborhoods has doubled.<sup>3</sup> Moreover, the concentration of poverty is no longer limited to inner cities; the population of distressed neighborhoods in suburban areas grew 139 percent from 2000 to 2012.<sup>4</sup>

Public policy on housing and education, economic shifts such as the dispersion of jobs, and outright discrimination have all played a role in concentrating poverty. Concentration of poverty worsens serious issues of crime, ill-health, and poor educational attainment. This concentration increases the barriers faced by residents of distressed communities as they seek employment, education, capital, and business opportunities.<sup>5</sup>



The economic and social issues that affect distressed neighborhoods—such as poor housing quality, high unemployment, lack of training opportunities, decaying infrastructure, ill-health, bad schools, and high crime—are interdependent. Therefore, effective efforts to transform these areas require coordinated efforts between many government, community, and private sector partners, which can be logistically and politically challenging.<sup>6</sup> However, the payoff is high: a successful effort to revitalize a distressed area not only can improve local residents' and business-owners' economic well-being, but also can reduce income inequality, de-concentrate poverty, and contribute to economic growth on a regional level.

This report groups strategies under two main headings. The first section presents approaches to stemming disinvestment and promoting growth; the second investigates ways that business developers and community developers can work together to combat displacement and promote equity.

## What Is A Disinvested Neighborhood Or Corridor?

A disinvested area can be a commercial strip, a neighborhood, or an entire city,<sup>7</sup> with some or all of the following challenges:

- High poverty rates (often 40 percent or more);<sup>8</sup>

<sup>1</sup> Elizabeth Keenbone, "[The Growth and Spread of Concentrated Poverty, 2000 to 2008-2012](#)," *Brookings Institute*, July, 2014.

<sup>2</sup> Ibid

<sup>3</sup> Joe Cortright and Dillon Mahmoudi, "[Lost In Place: Why The Persistence...](#)," *City Observatory*, 2014

<sup>4</sup> Elizabeth Keenbone, "[The Growth and Spread of Concentrated Poverty, 2000 to 2008-2012](#)," *Brookings Institute*, July, 2014.

<sup>5</sup> U.S. Department of Housing and Urban Development, "[Understanding Neighborhood Effects of Concentrated Poverty](#)," *Evidence Matters Periodical*, Winter 2011 issue.

<sup>6</sup> Shirley Franklin and David Edwards, "[It Takes a Neighborhood: Purpose Built Communities and Neighborhood Transformation](#)," *Investing in What Works for America's Communities*.

<sup>7</sup> This report contains strategies that can be useful to communities of any size, but strategies and tools should be adopted depending on local market realities and local capacity.

- High rates of residential, commercial, and industrial vacancy and abandonment;
- High levels of unemployment and underemployment, and low levels of workforce participation;
- Low rates of educational attainment and low skills levels (especially in comparison with city and regional averages);<sup>9</sup>
- Above average incidence of social problems such as crime, drug addiction, preventable diseases, and incarceration.

These challenges, taken together, usually result in very low levels of public and private capital investment into distressed areas.<sup>10</sup> In response, the public sector may concentrate its resources into these areas to spur private investment. For example, when the City of Los Angeles recognized that the private sector was not investing into distressed neighborhoods, the city focused its redevelopment dollars in distressed locations, which ended up making the neighborhoods attractive to private investment.<sup>11</sup>

## Displacement and Gentrification

As investment flows into an area, rising rents, property taxes, and prices for consumer goods can effectively displace established lower-income residents and the businesses that serve them in favor of better-heeled newcomers. This process is often referred to as “gentrification.” The parties responsible for encouraging investment should prioritize longtime residents and businesses, and be mindful of gentrification throughout the transformation process. When economic developers, community organizations, local residents, and business-owners are all actively involved in planning efforts to revitalize communities, new investment can be encouraged in a way that—instead of displacing residents and further concentrating poverty and income inequality—offers new economic opportunities to a wide spectrum of local residents.

## Causes and Effects of Displacement

As redevelopment occurs, existing residents of an area can be displaced by a variety of forces, including:

- Rent increases beyond existing residents' means to pay;
- Demolition and conversion of properties with affordable housing;
- Increases in the prices of non-housing essentials (e.g. groceries, retail goods);
- Tenant evictions by landlords hoping to profit from increases in property valuation or by governments that ramp up code enforcement;
- Relocation of local businesses and service providers upon which residents depend.<sup>12</sup>

## Why Displacement Hurts

As residents are displaced from a neighborhood, they may lose their shared sense of belonging, identity and community, which is not only psychologically damaging, but can also worsen labor market outcomes and stunt economic growth. Displacement can also further concentrate poverty geographically as existing populations are forced to move to worse living conditions. Isolated from established resources and networks displaced residents potential is further compromised.<sup>13</sup>

A 2006 study from New York City illustrates this well. Investigators conducted follow-up interviews with 10,000 people who were displaced, finding that many ended up living in overcrowded apartments, temporary shelters, or

<sup>8</sup> Elizabeth Keenbone, “[The Growth and Spread of Concentrated Poverty, 2000 to 2008-2012](#),” *Brookings Institute*, July, 2014.

<sup>9</sup> U.S. Environmental Protection Agency Office of Sustainable Communities, “[Attracting Infill Development in Distressed Communities: 30 Strategies](#),” May 2015.

<sup>10</sup> Karen J. Gibson, “Bleeding Albina: A History of Community Disinvestment,” *Transforming Anthropology*, Volume 15, 2007.

<sup>11</sup> Public Counsel, “[Reconsidering Redevelopment: A Closer Look at Neighborhood-Based Economic Development...](#),” 2012

<sup>12</sup> Florida Atlantic University, “[Florida Planning Toolbox](#),” *Center for Urban and Environmental Solutions*, 2007.

<sup>13</sup> U.S. Department of Housing and Urban Development, “[Understanding Neighborhood Effects of Concentrated Poverty](#),” *Evidence Matters Periodical*, Winter 2011 issue.



the streets.<sup>14</sup> These disadvantages can get passed on to younger generations. Research shows that low-income children experience housing-related stress, such as overcrowding and frequent moves. This often leads to higher absenteeism, poor academic performance, and this population completing fewer years of schooling than their peers.<sup>15</sup>

Gentrification, whereby the majority of previously low-income residents are replaced with wealthier residents, is an unintended consequence of the revitalization of distressed areas. The main concern around gentrification is that low-income existing residents will not experience the gains of new investments in a neighborhood, but will be forced out to more affordable neighborhoods. However, gentrification is not inevitable with new investment. In fact, investment attraction efforts can result in three different outcomes for local residents, with desirable outcomes in the first two scenarios:

1. Investment into low-income areas improves access to services and the physical environment while residents and businesses remain in-place with minimal displacement;
2. Redevelopment efforts cause a disinvested area to become more mixed-income as higher income residents move to the area or existing residents' incomes increase; or
3. Redevelopment efforts cause the displacement of the previous residents and businesses in favor of higher income residents (i.e. gentrification).<sup>16</sup>

Complete gentrification has occurred in only five percent of low-income urban neighborhoods since the 1970s, partly because distressed neighborhoods have remained persistently poor.<sup>17</sup> Gentrification can lead to the displacement of residents and businesses. Displacement is a more serious issue for economic developers as it leads to further concentration of poverty—worsening the social and economic outcomes of the people displaced.<sup>18</sup>

Partial displacement of residents can occur even when a neighborhood transitions to mixed-income status. For this reason, it is not always easy to ascertain whether this transition has benefitted existing residents.<sup>19</sup> Nonetheless, mixed-income development patterns are desirable because, compared with areas of more concentrated distress, they have lower crime rates and offer better access to local services. In mixed-income areas, low-income populations may also develop greater levels of social capital through interacting with higher-income residents who have access to information, resources, and additional connections.<sup>20</sup>

In order to realize these benefits, however, the transition to mixed-use income must be softened with social services, such as employment counseling.<sup>21,22</sup> For lower income residents to achieve genuine upward mobility, they also need services that help them improve their employment outcomes.<sup>23</sup> Therefore, community development programming must be offered in conjunction with housing and business development in order to deliver the greatest socioeconomic benefits of neighborhood revitalization.<sup>24</sup>

<sup>14</sup> Justin Fledman, "Gentrification, urban displacement and affordable housing: Overview and research roundup." Journalist Resource. *Harvard Kennedy School*. Accessed February 2016.

<sup>15</sup> Mary Cunningham and Graham MacDonald, "[Housing as a Platform for Improving Education Outcomes among Low-Income Children](#)," *Urban Institute*, May 2012.

<sup>16</sup> Karen Chapple and Rick Jacobus. "Retail trade as a route to neighborhood revitalization." Nancy Pindus, Howard Wial, and Harold Wolman (Eds.) *Urban and Regional Policy and its Effects*, 2009.

<sup>17</sup> Joe Cortright and Dillon Mahmoudi, "[Lost In Place: Why The Persistence...](#)," *City Observatory*, 2014

<sup>18</sup> Elizabeth Keenbone, "[The Growth and Spread of Concentrated Poverty, 2000 to 2008-2012](#)," *Brookings Institute*, July, 2014.

<sup>19</sup> Paul C. Brophy, and Rhonda N. Smith. "Mixed-income housing: Factors for success." *Cityscape*, 1997.

<sup>20</sup> Erin M. Graves, "Mixed Outcome Developments: Comparing Policy Goals to Resident Outcomes in Mixed-Income Housing." *Journal of the American Planning Association*, 77.2 (2011): 143-153.

<sup>21</sup> Ibid

<sup>22</sup> Diane K. Levy, Zach McDade, and Kassie Dumlao, "Effects from living in mixed-income communities for low-income families." *Urban Institute*, 2010.

<sup>23</sup> David Erickson, et al., "[The Enduring Challenge of Concentrated Poverty in America...](#)," *Federal Reserve System*, 2008.

<sup>24</sup> Paul C. Brophy, and Rhonda N. Smith. "Mixed-income housing: Factors for success." *Cityscape*, 1997.

## Why Economic Developers Should Address Disinvested Areas

There are many reasons that economic developers should be concerned with distressed areas. Most importantly, economists now agree that high levels of income inequality have a negative effect on economic growth. A 2014 study notes, "It would still be a mistake to focus on growth and let inequality take care of itself, not only because inequality may be ethically undesirable, but also because the resulting growth may be low and unsustainable."<sup>25</sup> From 1990 to 2010, income inequality decreased national economic growth in the United States by about six to seven percentage points.<sup>26</sup> The effects of income inequality and poverty can be even more substantial at a local scale.

Disinvested neighborhoods suffer from various afflictions that further reduce their growth prospects. A Gallup-Knight Foundation study found that local economic growth is strongly correlated with the degree of emotional attachment that residents feel towards their community. Attachment, in turn, was predicated upon "social offerings, openness and aesthetics."<sup>27</sup> Distressed communities often lack the attributes that generate attachment, and thus, economic growth, creating another impetus for economic developers to alleviate the symptoms of disinvestment in urban and suburban areas.

Another reason that economic developers should concern themselves with disinvested neighborhoods is that they often represent both a tremendous waste of resources, and simultaneously, untapped assets. Distressed areas are often home to physical assets such as valuable land, underused infrastructure, and attractive historic buildings. Even more importantly, they are also home to intangible assets possessed by residents, including ideas, culture, and human capital, which often go underutilized.<sup>28</sup>



Abandoned homes

## Urban and Suburban: Different Problems, Different Solutions

To be effective, strategies of revitalization must be sensitive to their context, as urban and suburban distressed neighborhoods have different characteristics and thus require different approaches and strategies.

Urban areas tend to have higher population and building density than suburban areas. Many distressed urban areas have resulted from failed urban renewal efforts and the emigration of middle class residents. These distressed areas have been persistently disinvested for decades.

Suburban areas of disinvestment have appeared more recently, in particular in the 'first ring' neighborhoods developed in the 1950s and 1960s. These areas tend to have dated homes and infrastructure, and their design is often based on the predominance of automobile transportation. Suburban disinvestment has occurred for a variety of reasons, including the continued movement of younger, middle-class residents to more peripheral suburbs or city cores, leaving elderly residents of lesser means behind. At the same time, as property values have risen in downtown areas, many low-income residents have relocated to first ring suburbs. Owing to their relatively affordable housing, first ring suburbs have also increasingly become the landing place for less affluent immigrant populations.<sup>29</sup>

<sup>25</sup> Jonathan Ostry, et. al, "[Redistribution, inequality, and growth](#)," *International Monetary Fund*, 2014.

<sup>26</sup> Organization for Economic Co-operation and Development, "[FOCUS on Inequality and Growth](#)," December 2014.

<sup>27</sup> Gallup Inc, "[Knight Soul of the Community](#)," 2016.

<sup>28</sup> U.S. Department of Housing and Urban Development, "[Understanding Neighborhood Effects of Concentrated Poverty](#)," Evidence Matters Periodical, Winter 2011 issue.

<sup>29</sup> Robert Puenets, David Warren, "[One-fifth of America: A comprehensive guide to America's first suburbs](#)," Brookings, 2006.



## Historical and Modern Causes of Disinvestment

The causes of disinvestment are complex and multivariate. This section summarizes some of the principal forces that have caused neighborhood disinvestment in the second half of the twentieth century.

### The Mid-Century Roots of Disinvestment

In the twentieth century, the primary site of new housing and industrial development in the United States shifted from urban cores to suburbs. Higher-income Americans moved to the suburbs seeking better schools, lower pollution, and lower crime. This shift was exacerbated by federal and state policies that encouraged building new homes and infrastructure on cities' low-density suburban peripheries, rather than in established urban areas. At the same time, through federal and local policies of 'slum clearance,' mixed-income, mixed-use developments in older core cities were replaced with publicly-built affordable housing developments, which served to concentrate low-income populations.

The shift from city to suburb as the center of American economic life had a number of highly visible effects. As property values declined, the number of vacant, abandoned, and contaminated parcels in the urban core grew, further depressing property values. Long-term, persistent joblessness grew in urban neighborhoods, as jobs moved to suburbs inaccessible by public transportation.<sup>30</sup>

### Urban Renewal

One major cause of historic disinvestment was the project of urban renewal undertaken in many cities beginning prior to the Second World War<sup>31</sup>. With the intent of spurring redevelopment of city cores, municipal redevelopment authorities demolished neighborhoods, resulting in the loss of many viable housing units and business locations, leading to the displacement of residents and businesses.

The 1949 Housing Act accelerated the pace of urban renewal. The Act provided local governments with the power to demolish areas designated as 'slums,' and then to develop public housing units from the cleared lands. It has been suggested, however, that the designation of these slum areas was often politically motivated, with the intent of clearing the way for valuable commercial development by removing minority residents. Thousands of housing units were demolished for redevelopment, but the promised new housing developments were built much more slowly: it was not until 1969, 20 years after the Act was passed, that the units to meet the goal were completed.<sup>32</sup> Urban renewal, undertaken to help low-income populations by improving their housing conditions, ended up exacerbating the issue, as public housing developments concentrated populations of poverty and increased social problems such as crime and underemployment.

#### Spotlight: Urban Renewal Failure in Newark's Little Italy

Newark, New Jersey's Little Italy, the nation's fourth largest Italian enclave, was a vibrant neighborhood, home to hundreds of social clubs, restaurants, and businesses. The neighborhood was nonetheless slated in 1952 under the city's urban renewal program for redevelopment into high-rise public housing.

As a result of the redevelopment, most of the small businesses left the area, and a majority went out of existence permanently. While lower income residents moved into the public housing that replaced their original neighborhood, those residents with the means to do so moved to the suburbs. Very quickly, the new high-rise towers became overrun by crime; longtime residents noted that the new neighborhood was nowhere as safe or attractive as it was in its vibrant past.

Source: Information extracted from "Planning, Slum Clearance and the Road to Crisis in Newark," The Newark Metro, 2005.

<sup>30</sup> Kenneth Jackson, "Crabgrass Frontier: The Suburbanization of the United States," Oxford University Press, 1987.

<sup>31</sup> Wendell E. Pritchett, "The Public Menace of Blight," Yale Law & Policy Review 21.1, 2003.

<sup>32</sup> Alexander Von Hoffman, "A study in contradictions: The origins and legacy of the Housing Act of 1949," Housing Policy Debate, 11.2 (2000): 299-326.

## Racially Prohibitive Mortgage and Deed Practices

Two additional practices that contributed to the concentration of poverty into urban enclaves--especially along racial lines--were the use of redlining and racially exclusionary covenants.

Redlining is the practice of deliberately steering racial groups away from certain neighborhoods by denying mortgage applications and other forms of credit. The term "redlining" was developed because maps were created with minority neighborhoods outlined in red, showing banks and realtors where not to do business. Redlining was particularly used by banks to prevent African Americans and other minority populations from purchasing homes in newly developing suburban neighborhoods, which had the effect of concentrating these populations in urban centers. Minority populations were often denied credit based on race rather than objective assessments of creditworthiness. Denied the opportunity to build equity through homeownership, many minority families were forced to rent housing from landlords who neglected property standards and charged high rents.<sup>33</sup> Small minority business-owners were also affected by a parallel practice called, retail redlining. For many such business owners, already squeezed by neighborhood decline, credit restrictions essentially spelled the end of their businesses.

Another tool of racial segregation was the racially exclusionary covenant, a deed restriction that prevented the sale, lease, or occupation of a property by members of particular religious or racial groups. African Americans were the largest group targeted by these covenants. In 1940, 80 percent of deeds in Chicago and Los Angeles carried covenants barring African American families.<sup>34</sup> Nonetheless, in the mid-century covenants restricted virtually every minority racial and religious group from living in certain areas of America's major cities. Notwithstanding their dubious constitutionality, courts continued to enforce these covenants until 1948.

## Current Causes of Disinvestment

The forces of neighborhood disinvestment and distress have continued to hamper efforts to revitalize these neighborhoods in the new millennium. For instance, redlining continues in more subtle ways, as vividly illustrated by high-profile cases such as a recent \$33 million settlement against Hudson City Savings Bank. The bank was found to have intentionally avoided making business loans and home mortgages to African American and Latinos between 2009 and 2013.<sup>35</sup> Many low-income and minority families looking to move closer to jobs and high-quality schools continue to face discriminatory housing policies that can prevent them from moving to communities with greater economic opportunity.<sup>36</sup>

Other modern day causes of disinvestment and the concentration of populations into distressed areas include the following:

### *Declining Housing Affordability*

In most U.S. cities, housing prices have risen much faster than family incomes over the past three decades, making homeownership, and even renting housing, significantly less affordable for lower and middle-income families.<sup>37</sup> Over the same timeframe, the federal government's investment in affordable housing has decreased substantially.<sup>38</sup> The search for affordable housing has pushed many lower income people from the urban core to the first-ring suburbs that are already economically distressed.<sup>39</sup>

### *City Core Redevelopment*

Many city cores across the nation have seen a surge in reinvestment as businesses and workers alike again seek to inhabit walkable, vibrant neighborhoods. Though generally a positive trend, the

<sup>33</sup> Karen J. Gibson, "Bleeding Albina: A History of Community Disinvestment," *Transforming Anthropology*, Volume 15, 2007.

<sup>34</sup> U.S. Commission of Civil Rights, "[Understanding Fair Housing](#)," Clearinghouse Publication 42, February 1973.

<sup>35</sup> Brentin Mock, "Redlining Is Alive and Well—and Evolving," *CityLab*. The Atlantic, Sept. 2015, retrieved Dec. 2015.

<sup>36</sup> U.S. Environmental Protection Agency, "[Creating Equitable, Healthy, And Sustainable Communities...](#)," Feb. 2013.

<sup>37</sup> Roger K. Lewis "[Decline of Affordable Housing Has Many Causes](#)," *The Washington Post*, Jan. 2012

<sup>38</sup> Kamila Rose, "[Combating Gentrification Through Equitable Development](#)," *Race, Poverty and the Environment*, Reimagine!.

<sup>39</sup> Chico Harlan, "[Poor People in the Deep South Are on Their Own](#)," *The Washington Post*, Dec. 2015.

redevelopment of distressed core neighborhoods has resulted in the displacement of many established residents to more affordable locations.<sup>40</sup> These new locations tend to be inner-ring suburbs; the population of distressed suburban neighborhoods more than doubled from 2000 to 2012.<sup>41</sup>

### *Housing Crisis*

The housing crisis contributed to disinvestment and distressed areas in numerous ways. In the early 2000s, housing prices rose quickly, and banks encouraged families to buy homes with very little equity. Starting in 2007, when the price of houses crashed, many homeowners were left with negative equity (i.e. their mortgage liabilities exceeded the market price of their home). Banks foreclosed on many home loans, and homeowners abandoned their homes en masse. This process of rapid abandonment contributed to severe blight in many neighborhoods—not only in central cities, but also in many suburban and exurban locations that had experienced rapid population growth a few years earlier.<sup>42</sup> This increased the size of distressed areas and further exacerbated housing affordability as equity was reduced or disappeared quickly.



**Many homes were abandoned during the housing crisis.**

The housing bubble hurt those of lower income more than higher income residents, and also affected races differently. With home equity accounting for a larger proportion of their wealth, and often saddled with predatory loan terms, African Americans were particularly affected by the housing crisis.<sup>43</sup> Compared with relevantly similar white populations (i.e. by education, wealth, income, age), African Americans have fallen further behind as their households lost 13 percent more of their wealth between 2009 and 2011.<sup>44</sup>

### *Aging Retail and Commercial Centers*

Many of the commercial corridors in distressed areas were built according to automobile-centric development patterns that prevailed in the midcentury. Many of these retail and commercial centers have now reached the end of their lifespan. The costs to redevelop these aging centers are a barrier to developers. These costs are higher in areas where modern land use policies also require infrastructure upgrades.

### *Aging Public Housing*

Much of the public housing built during the 1960s and 1970s is now functionally obsolete. Many buildings lack modern amenities, such as air conditioning. Outdated construction practices have left many buildings constructed of rotting concrete and still full of dangerous asbestos. Moreover, many housing authorities cannot fill housing projects because no one but the most destitute of tenants will agree to live in their dilapidated conditions. These obsolete affordable housing projects pose an enormous challenge for urban planners and economic developers who must resettle the remaining tenants, yet the valuable land they occupy also makes them attractive sites for new mixed-use, mixed-income developments.

### *Spatial Mismatch and Transportation*

In many cases, those who are poor face a spatial mismatch regarding where their jobs are versus where they live. This can present barriers in that residents either do not have access to private or public transportation to secure better paying jobs, or their existing jobs may be miles away. For metropolitan

<sup>40</sup> Kamila Rose, "[Combating Gentrification Through Equitable Development](#)," *Race, Poverty and the Environment*, Reimagine!.

<sup>41</sup> Elizabeth Keenbone, "[The Growth and Spread of Concentrated Poverty, 2000 to 2008-2012](#)," *Brookings Institute*, July, 2014.

<sup>42</sup> Federal Reserve Board, "[Have Distressed Neighborhoods Recovered?...](#)" 2015.

<sup>43</sup> Ibid

<sup>44</sup> Sarah Burd-Sharps and Rebecca Rasch. "[Impact of the US housing crisis on the racial wealth gap across generations](#)." *Social Science Research Council*, June 2015.

residents, only about one-quarter of jobs in low- and middle-skill industries are accessible within 90 minutes via public transportation.<sup>45</sup> This means that better paying jobs may be available, but commuting may not be possible. Relying on shared rides, walking, or long commutes presents many issues, such as reducing the amount of time at home (thus increasing childcare costs), time that could be spent working, or time to further one's education. Without access to higher-paying jobs, residents who are restricted geographically to distressed neighborhoods because of affordability do not have the level of income needed to buy or maintain housing, start businesses, or other measures that can assist in stopping disinvestment and the concentration of poverty.

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<sup>45</sup> Adie Tomer and Elizabeth Kneebone, et al., "[Missed Opportunity: Transit and Jobs in Metropolitan America](#)," *Brookings*, May 2011.



## Improving the Physical Place to Stem Disinvestment and Promote Social and Economic Growth

The first section of strategies in this report, focuses on addressing a common characteristic of a distressed area--abandoned property. By addressing vacancy and blight, economic developers can increase property values, which may create wealth for residents, while sending a signal to outside investors that an area is safe and bankable.

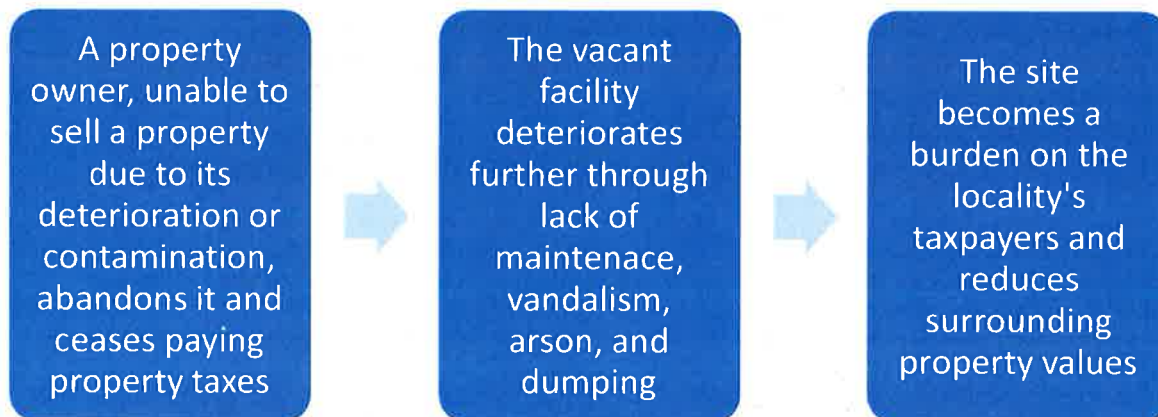
The next area discussed is stabilization and development of neighborhood retail businesses. Retail development can be a key element in a revitalization strategy for a distressed area as it fills vacant spaces and provides jobs to local residents. This section discusses the role of retail in neighborhoods, how retail can stem disinvestment, and strategies to promote neighborhood retail development.

The last section of this report focuses on combating residential displacement and making the most of human capital present in distressed neighborhoods. This includes re-training residents and promoting neighborhood-based entrepreneurship. These empowering options increase upward economic mobility (the ability to increase personal wealth) and reduce the incidence of poverty.

While these sections are presented separately, neighborhood revitalization strategies work best as part of a comprehensive approach that addresses these three issues simultaneously. The intended audience of this report is economic developers, but a successful neighborhood revitalization effort must also include a range of public and private parties at the local, regional, state, and federal levels.

### Strategies to Address Vacancy, Abandonment, and Redevelopment

An abundance of vacant and abandoned properties is a common characteristic of distressed areas. A typical cycle of vacancy and abandonment is as follows:



Vacant and abandoned properties reduce the property values of surrounding, occupied properties,<sup>46</sup> while offering a venue for criminal activity and posing a risk to public safety.<sup>47,48</sup> Large numbers of vacant and abandoned properties serve as a highly visible signal of neglect, which can frustrate efforts to retain and attract talented residents, successful businesses, and capital investment in real estate.<sup>49,50</sup> By addressing vacancy and abandonment, economic developers can help stem further disinvestment by reducing the negative spillover effect on nearby property values and sending an important signal of change.

Solving the issue of vacancy and abandonment can also substantially raise property values of adjacent properties, which can increase the wealth of residents with home equity. Increased property values can induce further private sector investment in the form of new construction and renovation. Finally, whether accomplished by demolition or renovation, addressing abandonment and vacancy creates new space for development.

However, unlike some midcentury urban renewal efforts, strategies to address vacancy and abandonment should treat demolition as a last option, rather than as a goal. They should prioritize the retention of existing businesses and residents. Economic developers should support building renovation whenever possible, demolishing only those buildings that are unstable and financially unfeasible for renovation. This following section outlines strategies the public sector can use to encourage the renovation and redevelopment of vacant and abandoned properties, while keeping incumbent residents and businesses in the area.

## Encouraging Infill and Redevelopment

Infill development is the rehabilitation of existing structures as well as construction on vacant and under-used parcels. Infill and redevelopment can help stabilize a blighted neighborhood by stopping further reduction in property value and signaling a change to attract additional investment. When designed as a mixed-use, mixed-income project, infill can bring the following benefits to distressed areas:

- Generation of greater property tax revenue per acre than sprawling, single-use greenfield development while imposing significantly lower costs for infrastructure construction, operation, and maintenance;<sup>51</sup>
- Creation of useable space for retail and community services;<sup>52</sup>
- By promoting different housing choices (i.e. townhomes, apartments, accessory dwelling units), infill and redevelopment can provide housing options to a variety of demographic segments;<sup>53</sup>
- Stabilization of an area against rapid change by preventing large displacement when neighborhood balances at a mixed-income level;<sup>54</sup>
- Support of walkability and transit service;<sup>55</sup> and
- Increase of property values for existing residents, which builds wealth through housing equity.<sup>56</sup>



**Vacant lot ready for infill development.**

<sup>46</sup> Brian A. Mikelbank, "Spatial Analysis of the Impact of Vacant, Abandoned and Foreclosed Properties," Federal Reserve Bank of Cleveland, 2008.

<sup>47</sup> U.S. Department of Housing and Urban Development, "[Vacant and Abandoned Properties: Turning Liabilities Into Assets](#)," Evidence Matters, Winter 20014.

<sup>48</sup> John Accordino and Gary T. Johnson, "[Addressing the Vacant and Abandoned Property Problem](#)," *Journal of Urban Affairs* 22:3, 2000.

<sup>49</sup> Richard Ball, "Economic Development: It's About Placemaking," *European Business Review*, September 19, 2014.

<sup>50</sup> Witold Rybczynski and Peter D. Linneman, "How to save our shrinking cities," *Public Interest*, 135, 1999.

<sup>51</sup> Robert W Burchell, et al., "[The Costs of Sprawl—Revisited](#)," *Transportation Research Board*, 1998.

<sup>52</sup> Urban Land Institute. "[Higher-Density Development, Myth and Fact](#)," 2005.

<sup>53</sup> U.S. Environmental Protection Agency Office of Sustainable Communities, "[Attracting Infill Development in Distressed Communities: 30 Strategies](#)," May 2015.

<sup>54</sup> Ibid

<sup>55</sup> Daniel Parolek, *Missing Middle Housing*, Opticos Design, Inc, 2010.

<sup>56</sup> Urban Land Institute, "[Higher-Density Development, Myth and Fact](#)," 2005.



Economic developers can encourage infill by reducing the barriers to this form of development often posed by existing zoning and planning regulations. Infill can be encouraged by:

- Reduction of the minimum parcel sizes needed for higher density development,
- Elimination of barriers to condominium and cooperative ownership structures,
- Increasing allowable height and unit density in distressed areas;
- Reduction or elimination of minimum parking requirements, and
- Streamlining building approval and permitting processes.<sup>57</sup>

These mechanisms are discussed further in the zoning and permitting section of this report.

## Land Banks

Land banking is the acquisition of real estate by a municipality or nonprofit. In the most distressed areas, land banks can stabilize property values by removing excess properties from the market. In areas slated for imminent redevelopment, land banks can mitigate the rapid land price increases that often result from speculation, which can slow genuine revitalization and hinder capital investment.

Land banks often concentrate their purchasing on the land that has the greatest impact on neighborhood stabilization. These purchases include high-profile vacant properties (large buildings or properties in high traffic areas, or well-known buildings), or individual lots that can contribute to a larger combined parcel of the sort that is most attractive for commercial development. Organizations that bank land often establish a separate fund for property acquisition, which works like a revolving loan fund. Funds are used to acquire and improve properties; revenues from the eventual sale of improved parcels replenish the fund, allowing for another round of acquisition and improvement. Alternatively, land from land banks may be disposed of strategically—for instance, where legislation allows, land can be sold below its market value to developers who agree to provide particular public benefits. When disposing of lands, land-banking organizations may use deed restrictions to retain control over future land use and design on the property. Such deed restrictions might, for example, require that lands be used for community purposes or affordable housing.



Demolition of an acquired property.  
Source: [www.cuyahogalandbank.org](http://www.cuyahogalandbank.org)

The principal disadvantage of land banking is that it is expensive. Unless the responsible agency can secure land through a mechanism such as tax seizure, it will have to pay the entire land acquisition costs—and unless the agency possesses powers of eminent domain, it will have to convince the landowner to sell. Holding the property can also be expensive, not only due to incurring maintenance costs, but also, depending on which organization performs the land banking, because of property taxes.

## Spotlight: Cuyahoga Land Bank

The non-profit agency Cuyahoga Land Bank, which serves the Cleveland, Ohio region, is one of the largest land banks in the country (based on its volume of acquisitions, demolitions, and redevelopments).<sup>58</sup> In 2006, officials in Cuyahoga County convened representatives from non-profit organizations, academia, and government to discuss a looming housing crisis, including the potential formation of a land bank. Shortly thereafter, a state law allowed county land banks to form and fund themselves through the payment of penalties on delinquent property tax bills.

In 2009 the Bank was launched as an independent, non-profit entity, a form that allowed it to purchase foreclosed properties from the federal Department of Housing and Urban Development at a discounted price, as well as to receive donations from various sources. The structure of the Bank allows it to:

- Purchase, transfer, hold, lease and, sell real property including unimproved, underutilized, and tax-forfeited property;

<sup>57</sup> Todd Litman, "Evaluating Affordable Housing Development Strategies," *Planetizen*, March 2016.

<sup>58</sup> Emily Engel, "Redefining Rustbelt: Mitigating Blight and Managing Vacancies...", *Chicago Federal Bank*, Mar. 2014.

- Contract with governments and private property owners for land improvements;
- Issue bonds, apply for grants, make loans, and borrow money.

The Bank receives properties primarily from HUD and local governments that have acquired property through tax foreclosures. When private financial institutions and the Federal National Mortgage Association ("Fannie Mae") donate property, they often also donate several thousands of dollars cash for demolition.

Each month, the Bank adds about 90 properties to its portfolio and demolishes between 50-80 structures. Once buildings are demolished, lots are leveled, seeded, and then repurposed for the use of neighboring residents or businesses, or transferred to land banks controlled by localities. The Cuyahoga Land Bank has transferred over 1,350 vacant lots to the City of Cleveland's land bank alone. In turn, that land bank has sold or donated many of these vacant lots to the owners of adjacent properties.

Although a majority of the distressed homes acquired by the Cuyahoga Land Bank require demolition, the Bank also renovates many of the homes it acquires. The Bank's Deed-in-Escrow Program allows qualified buyers—usually persons who intend to live on the property—to purchase properties under the guidance of Bank staff who assures that renovation is completed. In 2013, the Land Bank brought in \$2.7 million in revenue by selling properties through this program.

The Bank's activities are financed primarily by penalties and interest assessed on delinquent local real estate taxes. However, the Bank also receives grants and donations from various sources, and earns revenues from property sales to residents and housing developers. The Bank is contributing demonstrable benefit to the communities it serves—a 2012 study by the Federal Reserve Bank found that homes sold within 500 feet of a Cuyahoga Land Bank-owned property sold at prices approximately five percent higher than similar homes in the general vicinity.

Source: Information extracted from Cuyahoga County Land Reutilization Corporation, "2013 Annual Report," Jan. 2014.

## Brownfield Redevelopment

Distressed areas are often home to, or adjacent to, abandoned or vacant industrial areas. These "brownfield" sites, which vary in size from an area equivalent to a few housing lots (e.g. a former gas station) to covering massive areas (e.g. former major manufacturing plants), can be found across the country in urban, suburban, and rural settings. In the United States, there are estimated to be at least 425,000 brownfields; some five million acres of former industrial property sits abandoned in urban areas alone.<sup>59</sup>

Brownfields are often contaminated as a result of their former use, cause health problems for nearby residents. When redeveloped, however, brownfields can be transformed into neighborhood assets, increasing tax revenues, raising property values, and making cost-efficient use of land and infrastructure.<sup>60</sup> Economic developers often struggle to attract private redevelopment of these sites because of the prohibitive costs and uncertain liabilities of the necessary environmental cleanups. Economic developers can use a variety of tools to promote the redevelopment of these lands.



An abandoned gas station, one of the estimated 420,000 brownfields in the U.S.

The federal government has created incentives for brownfield remediation, including a tax deduction of qualified cleanup costs on eligible properties.<sup>61</sup> Many states and localities have also created incentives to leverage redevelopment. These tools include:<sup>62</sup>

- Tax increment financing districts that allow the issuance of bonds to cover development costs, such as infrastructure,

<sup>59</sup> Environmental Law Institute, "Brownfields Center," 2016.

<sup>60</sup> International Economic Development Council, "Incentives for the Twentieth-First Century," 2015.

<sup>61</sup> Environmental Law Institute, "Brownfields Center," 2016.

<sup>62</sup> International Economic Development Council, "Incentives for the Twentieth-First Century," 2015.

- Revolving loan funds,
- Enterprise zones,
- Property tax deferrals,
- Business tax rebates,
- Sales tax deferrals,
- Reduced fees for government services,
- Reduced fees for permits,
- Targeted use of eminent domain authority to assist with land assembly and clearing title,<sup>63</sup>
- Liability forgiveness, and
- Subsidized liability insurance.

These incentives, when used in concert with tools that mitigate residential and commercial displacement, can be used as a potent tools to address a common symptom of disinvested corridors and neighborhoods. The 2015 EDRP paper *Incentives for the Twentieth-First Century* contains further discussion of approaches to the incentivization of redevelopment on brownfield land.

### Going Green with Vacant Land

Vacant lots can be converted into parks, water management areas, wildlife habitats, or urban agriculture plots. A strategy of greening lots can improve safety, increase property values, better aesthetics, and provide public gathering space.

Philadelphia is home to one successful green lots program. In 1996, the City created the Philadelphia Land Care Program to remove debris from vacant lots and replace it with grass and trees. The program was initially piloted in the New Kensington neighborhood, where it received additional support from the Pennsylvania Horticultural Society (PHS) and the New Kensington Community Development Corporation. Partners concentrated greening efforts on large, high-visibility lots.<sup>64</sup> These early efforts worked—a study of the pilot program found that lot greening had increased the values of adjacent property up to 30 percent.<sup>65</sup> The program has since been expanded city-wide. A follow-up study of the economic impact confirmed that “Properties surrounding greened vacant lots had a greater increase in value than properties surrounding non-greened vacant lots.”<sup>66</sup>

### Urban Agriculture and Gardens

Community organizations in distressed areas throughout the U.S. have built urban agriculture plots and gardens to create jobs, green the local environment, foster a sense of community, and improve health by promoting active lifestyles and increasing access to nutritious food.<sup>67,68</sup> Food is grown on small plots in community gardens can meet individual families’ needs while scaled-up production across multiple blocks could be used to support small urban food businesses. Moreover, community gardens can increase property values. One study of community gardens in New York City found that the planting of a community garden had a significant positive impact on the sales prices of properties within 1,000 feet, an impact that compounded over time. The study also found that the greatest impact on property values was in the most disadvantaged neighborhoods. Improved property values near community gardens also increased city tax revenues.<sup>69</sup>

<sup>63</sup> Deason et al., “Public Policies and Private Decisions...,” 2001.

<sup>64</sup> Megan Heckert and Jeremy Mennis. “The Economic Impact of Greening Urban Vacant Land...,” *Environment and Planning*, 2012.

<sup>65</sup> Susan Wachter, “The Determinants of Neighborhood Transformation in Philadelphia...,” *Wharton School*, 2004.

<sup>66</sup> Megan Heckert and Jeremy Mennis. “The Economic Impact of Greening Urban Vacant Land...,” *Environment and Planning*, 2012.

<sup>67</sup> Mindy Goldstein, et al., “Urban agriculture: A sixteen city survey of urban agriculture practices across the country,” Survey written and compiled by Turner Environmental Law Clinic at Emory University Law School, 2011.

<sup>68</sup> Chris Lazarus, “Urban Agriculture: A Revolutionary Model for Economic Development,” *New Village Journal*, 2, 2000.

<sup>69</sup> Loan Voicu and Vicki Been. “The Effect of Community Gardens on Neighboring Property Values.” *Real Estate Economics*, 36.2, 2008.



More information about urban agriculture can be found in the [urban agriculture feasibility study](#) for Youngstown, Ohio.

### Spotlight: ReClaim Pittsburgh

Since 2006, ReClaim Pittsburgh has cleaned up 56 acres of vacant land in 33 Pittsburgh neighborhoods. Managed by the non-profit organization Growth Through Energy and Community Health (GTECH), ReClaim trains community members to complete green projects on vacant lots in their neighborhoods. ReClaim Pittsburgh is guided by a twofold approach that values both the empowerment of individuals through training, as well as the place-based improvement of neighborhoods.

The ReClaim program is supported by a local volunteer team of industrial designers, policy specialists, architects, and community group representatives. For each major project, the team begins by recruiting volunteers who commit to a year of service to their community. These individuals, called ambassadors, enter into a training program with monthly seminars on issues such as gaining legal access to vacant properties, gathering the right materials to fix them up, seeking funding for projects, and organizing volunteer help. Each ambassador is assigned an anchor institution such as a community organization, church, or school. Ambassadors, working with representatives from these organizations, are then responsible for planning and implementing the individual improvement projects to improve the neighborhood.



Ambassador Ayanna in her revitalized vacant lot.

Source: [www.gtechstrategies.org](http://www.gtechstrategies.org)

Source: Information extracted from G Tech web site, [www.gtechstrategies.org](http://www.gtechstrategies.org).

### Temporary Uses of Vacant Structures

Some cities have reactivated vacant structures with temporary tenancies, also known as “pop-ups.” Pop-up tenants are usually offered a steeply discounted rental rate for a month’s occupancy, with the option to lease for a full year if the location works. Temporary tenants help property owners to find longer-term tenants for their storefronts or other vacant buildings, while often generating low-cost public exposure. For budding entrepreneurs, pop-ups allow the testing of a product to in a real market. Pop-ups can generate the sales needed to finance expansion, or to convince investors or creditors that a business concept is bankable.<sup>70</sup>

### Spotlight: REVOLVE Detroit

REVOLVE is a program that fosters the evolution and vibrancy of Detroit’s neighborhood business districts. Run by the Detroit Economic Growth Corporation (DEGC) in concert with building owners, entrepreneurs, and artists; REVOLVE activates vacant storefronts by filling them with transformational pop-up businesses and art installations.<sup>71</sup> In addition to pop-ups, REVOLVE offers financing for building restoration and technical assistance for entrepreneurs.

At its core, REVOLVE uses “pop-ups” as a catalyst to accomplish three primary objectives:

- 1) recruit and grow full-time tenants,
- 2) spark public and private investment, and
- 3) change the image and experience of neighborhood business districts.

When a property owner approaches REVOLVE, the program then issues a call for proposals to entrepreneurs and artists who might fill the space. DEGC staff then work with the property owner to review applications and select a good fit.

<sup>70</sup> Ibid

<sup>71</sup> Detroit Economic Growth Corporation, “[REVOLVE Detroit](#),” 2008-2014.

This program has been successful. Michael Forsyth, of REVOLVE Detroit, states that in one year this initiative activated 17 previously vacant sites with 18 pop-up stores and 20 art installations. Eleven full-time businesses have started as a result of the initiative.

Source: Information extracted from REVOLVE Detroit website, [www.revolvedetroit.com](http://www.revolvedetroit.com).

## Permitting and Zoning

Many successful vacancy and abandonment reduction programs take a two-fold approach, changing permitting and zoning processes, while also confronting the owners of abandoned or vacant properties (often termed "absentee landlords") with stricter or innovative enforcement strategies. Incentives to spur development and investment into distressed neighborhoods and strategies to enforce zoning are detailed in the following pages. All of the strategies need to be adapted to local realities and examined to see how they will affect existing residents and businesses.

### Permitting and Zoning Incentives

- Streamlining and Expediting Permitting

Building delays increase holding costs and delay the start of leasing and operations for property developers and tenants.<sup>72</sup> Simplifying a community's planning and permitting processes reduces the timeline for completing an application, and thus saves the business money. Economic developers can help to delineate areas of disinvestment for "fast track" permitting. This incentive, which can also be used for renovations, infilling new construction, or repurposing of industrial properties, is lucrative for recipients but costs little to produce.

- Rehabilitating Older Buildings

Many distressed areas contain historical or culturally significant buildings that could contribute to the authentic character of the community, yet have fallen into disrepair or neglect. While sometimes more costly and risky than other forms of construction, rehabilitating these buildings creates not only opportunities for business and job creation but also builds a unique local sense of place.<sup>73</sup> To offset the costs and risks of rehabilitating older buildings, many cities and states offer incentives for this purpose, such as:

- Rehabilitation grants,
- Facade improvement grants,
- Revolving loan funds,
- Low-interest loans,
- Bonus development rights,
- Regulatory relief,
- Preservation easements, and
- Transferrable development rights.<sup>74,75</sup>

#### Spotlight: Abandoned Building Revitalization Act – South Carolina

South Carolina's Abandoned Building Revitalization Act (2013) provides developers a tax credit for up to 25 percent of rehabilitation costs of any building, regardless of historic status, that has been abandoned for more than five years. The credit can be used for expenses including renovation, environmental remediation, site improvement, and even expansion up to twice the existing square footage. For eligible buildings, the tax credits can be combined with state and federal historic tax credits. A developer undertaking a \$1 million renovation of a historic building, for example, would be eligible for credits worth \$550,000.

Evan Thompson, former executive director of the Preservation Society of Charleston, calls the Abandoned Building Revitalization Act, "The most powerful incentive for neighborhood revitalization that South Carolina has ever seen...The possibilities for stimulating community transformation are almost limitless."

Source: International Economic Development Council, ["Incentives for the Twentieth-First Century,"](#) 2015.

<sup>72</sup> Florida Atlantic University, ["Florida Planning Toolbox,"](#) Center for Urban and Environmental Solutions, 2007.

<sup>73</sup> Evan R. Thompson, ["What is so Magical about the Abandoned Building Revitalization Act?"](#) *Charleston City Paper*, January 29, 2014.

<sup>74</sup> Briana Paxton and Donovan Rypkema, "Making Downtown Revitalization Happen: Incentives at the Local Level," National Main Streets Conference, Atlanta, Georgia, 2015.

<sup>75</sup> International Economic Development Council, ["Incentives for the Twentieth-First Century,"](#) 2015.



- **Reducing or Eliminating Parking Requirements**

In many distressed areas, commercial zoning requires that businesses provide significant amounts of parking. These requirements, rooted in an earlier era's conception of urban planning and design, are not conducive to creating the walkable, dense, mixed-use commercial corridors desired by so many economic developers and residents of distressed areas. With parking costing as much as \$50,000 per space to construct in city cores,<sup>76</sup> insisting that businesses conform to onerous parking requirements can also depress wages and increase retail prices.<sup>77</sup>

Many areas have begun to re-write their parking requirements. The City of Portland, Oregon, for instance, has substantially reduced parking requirements in the urban core; since 2006, 55 buildings have been constructed there since 2006 without any parking.<sup>78</sup> In older areas that do not conform to the zoning code, rewriting parking structures can significantly reduce the costs of redevelopment thereby eliminating a significant barrier to a more vibrant neighborhood. In suburban environments, reducing parking requirements can allow for the partial redevelopment of parking lots. Relaxed parking standards are inexpensive to enact, yet can save property developers substantial sums of money, savings which are often passed on to tenants and shoppers.<sup>79</sup>

- **Reduction in Impact Fees**

Impact fees are charged to offset the costs of new infrastructure required to service development. By reducing or waiving impact fees, municipalities can spur development in a distressed area. Such policies are especially justified in places where most development is on the suburban fringe and impact fees are charged regardless of location, because, in disinvested areas, required infrastructure is often already in place.

- **Density Bonuses**

Density bonuses relax regulations that govern building height and bulk, as well as unit density, to encourage specific land uses and project features. Density bonuses are often granted to property developers in exchange for providing public benefits such as affordable housing, open space, transit infrastructure, or art spaces.<sup>80</sup> In a distressed neighborhood, this can assist in preventing displacement and make an area more attractive to private investment in infrastructure and other improvements.

- **Overlay Zoning**

An overlay zoning designation is used to modify existing use provisions for particular tracts of land while maintaining the overall code. For example, a residentially distressed area could receive an overlay zone that allows mixed-use development, making the different development possibility attractive to developers. Overlay zoning should be completed in conjunction with requirements of affordable housing and other strategies to prevent displacement.

- **Mixed-Use Zoning**

Mixed-use zoning permits the use of real estate for more than one purpose. For instance, mixed-use zoning would allow a building with residences, offices, and retail space. Mixed-use zoning can apply to a large parcel or individual parcels. In areas that previously were only single family homes, or strictly



**Abandoned apartment building**

<sup>76</sup> David Biell, "There's No Such Thing as Free Parking Spot," *Scientific American*, January 9, 2011

<sup>77</sup> Donald Shoup, "The High Cost of Free Parking," *APA Planners Press*, 2011.

<sup>78</sup> Rob Steuteville, "Portland Reimposes Parking Requirements," *Better Cities and Towns*, March 20, 2013.

<sup>79</sup> International Economic Development Council, "*Incentives for the Twentieth-First Century*," 2015.

<sup>80</sup> Puget Sound Regional Council. "*Featured Tool: Density Bonuses*". Housing Innovation Programs.



commercial, mixed-use can spur investment by providing additional housing and commercial options in a combined format.

- **Inclusionary Zoning**  
Inclusionary zoning is a mechanism that encourages developers to construct affordable housing as part of their new projects. In inclusionary zones, if developers include a set percentage of housing units defined as affordable or fund the development of nearby affordable housing, they are granted a density bonus or other relaxation to the strictures of the zoning code.<sup>81</sup>
- **Transfer of Development Rights**  
Development rights describe what can be developed on a property per the zoning code and other planning rules. In a transfer of development rights program, landowners are allowed to sell and purchase development rights. By buying these rights, land developers can achieve higher densities than are typically allowed through zoning, often sidestepping long and complicated approvals processes. For property owners who sell their development rights, cash can be used to start businesses or to upgrade the property. Selling development rights can also be a way to preserve existing affordable housing or historic structures.

### Zoning and Building Code Enforcement

Vacant and abandoned properties often violate municipal or county ordinances. However, building inspectors' attempts to enforce zoning and building codes can prove futile with absentee landlords or otherwise careless owners unless the enforcement is consistent, predictable, and relentless. Transitioning to a more intense enforcement regime may bring public backlash. Localities can avoid this backlash by engaging with residents and property owners throughout a shift to the new system.<sup>82</sup> The City of Warren, Michigan used such public engagement as it began targeted neighborhood enforcement cycles that aimed to identify code violations, part of the City's larger effort to reduce blight.

### Commercial Development and Stabilization

The revitalization of residential neighborhoods and nearby commercial districts is deeply intertwined; any successful neighborhood needs attractive and sustainable local businesses.<sup>83</sup> Stabilizing commercial property can create opportunities for employment and entrepreneurship for residents of local areas. Strong local business clusters can also generate positive local identity as well increase local tax bases.<sup>84</sup> Vibrant retail activity attracts further investment in the residential, office, and industrial property markets. By activating vacant storefronts with new businesses, economic developers can send a positive signal to investors about the attractiveness and sustainability of all forms of business investment in the area.

Surprisingly, low-income urban areas often possess more aggregate buying power per square mile than affluent suburban areas, due to their higher population densities. The market potential of such areas is often underserved and frequently overlooked.<sup>85</sup> As a result of their vacancies and retail mix, the commercial districts in many distressed areas are currently unable to meet the day-to-day needs of their residents, from grocery to clothing to pharmacy. Residents must shop elsewhere for these needs, which remove commercial dollars from the community. In fact, it is estimated that local retailers in inner cities do not meet 25 percent of the retail demand.<sup>86</sup> This shortage represents a tremendous opportunity for investment in core urban and inner suburban commercial corridors.

<sup>81</sup> International Economic Development Council, "Real Estate Development and Reuse," 2011.

<sup>82</sup> International Economic Development Council, "[Case Studies in Addressing Neighborhood Vacancy and Blight](#)," July 2014.

<sup>83</sup> Chapple, Karen, and Rick Jacobus. "[Retail trade as a route to neighborhood revitalization](#)." *Urban and Regional Policy*.

<sup>84</sup> Policy Link, "[Commercial Stabilizing](#)," *Economic Development Toolkit*, July 2002.

<sup>85</sup> Boston Consulting Group, "[Inner Cities Are the Next Retailing Frontier](#)," *Opportunities for Action*, retrieved February 2016.

<sup>86</sup> Deirdre M. Coyle Jr., "[Retail Opportunity: Progress And New Directions](#)," *IEDC Economic Development Journal*, Winter 2007.

## Commercial Revitalization Impacts

The revitalization of commercial corridors can help spur neighborhood resurgence when retailers that locate in an area meet local consumer demand. Many distressed communities lack grocery stores that stock fresh produce, presenting both economic and health challenges to residents; these are some of the most frequently needed retail outlets in disinvested corridors.<sup>87</sup> The establishment of some new business could, in fact, harm existing communities—either by contributing to gentrification or by aggravating existing social problems.<sup>88</sup> For instance, though many urban neighborhoods lack a grocery store, the attraction of a high-end grocery store that is unaffordable to residents could deliver limited local benefit while heightening social tensions. On the other end of the spectrum, businesses such as liquor stores, lottery outlets, and pay-day lending operations are often unwelcome, as they are perceived to prey on residents, rather than helping them to advance out of poverty.<sup>89</sup>

From the outset, economic developers should work with residents to determine the current inventory of retail services, as well as the types of establishments that the community would support—both politically and financially. The type of retail businesses targeted for attraction should improve residents' quality of life by enhancing their access to goods, especially necessities, as well as contributing to their vision for the retail mix in a particular corridor. These business types can be identified in a formal redevelopment or investment attraction plan for the area, documents that will also outline attraction strategies.

### Spotlight: The Shops at Park Village in Washington, D.C.

When Giant opened in The Shops at Park Village in the Congress Heights area of Washington D.C. on the site of the former Camp Simms army base, it was the neighborhood's first operating grocery store in many years. The \$20 million shopping center development came about through a public-private partnership of the William C. Smith land development company, the East of the River Community Development Corporation, Wachovia Bank, State Farm Insurance Company, and the Local Initiative Support Corporation (LISC). The development includes 112,000 square feet of leasable space, in addition to Giant, a hardware store, banks, a barber shop, and clothing stores. More than 300 permanent jobs for residents were created through in these retail outlets. The Shops at Park Village received the Washington Business Journal's "2008 Winner of the Best Raw Deals – Community Impact Award."

The assistance provided by LISC was particularly pivotal to launching this project. Founded in 1979, LISC transforms distressed neighborhoods across the country using loans, grants, and equity investments; policy support; and technical and management assistance. LISC has staff in major cities and rural areas across the country. In each neighborhood it serves, LISC works to assemble public and private resources to meet local goals for revitalization. At The Shops at Park Village, LISC provided \$18.6 million in New Market Tax Credits.

Sources: LISC, Website ([www.lisc.org](http://www.lisc.org)), and International Economic Development Council, *Neighborhood Development Strategies*, 2011

## Strategies to Promote Neighborhood Commercial Development

Public-led commercial development in distressed areas is similar to the ways that local governments promote retail development in others areas, namely, by providing grants, tax abatements, and financing, and by applying special policies to particular areas. Market-led commercial development, by contrast, is mainly initiated by private developers, but may still rely on a non-profit organization to provide market research and use promotional tactics to attract new retailers.<sup>90</sup>

<sup>87</sup> International Economic Development Council, "Neighborhood Development," 2011.

<sup>88</sup> Policy Link, "[Commercial Stabilizing](#)," *Economic Development Toolkit*, July 2002.

<sup>89</sup> Abby Goodnough, "[Vermont Towns Have an Image, and They Say Dollar Stores Aren't Part of It](#)," *New York Times*, May, 2013.

<sup>90</sup> Chapple, Karen, and Rick Jacobus. "[Retail trade as a route to neighborhood revitalization](#)." *Urban and Regional Policy and its Effects*, Nancy Pindus, Howard Wial, and Harold Wolman (Eds.) (2009).

## Commercial Overlay or Special Districting Zoning Changes

Commercial overlay zones, which are zoning mechanisms often applied to distressed areas, function to allow commercial development where it was previously not allowed—for instance, in residential areas. It is important that overlays be written to facilitate development, rather than causing additional complexity; to this end, overlays are often accompanied by streamlined permitting processes that fast-track building approvals.

### Spotlight: District Designation and Attracting Businesses – Freret Street, New Orleans

Even before Hurricane Katrina, New Orleans' Freret Street commercial district had been blighted, and the disaster created additional vacancies. To spur business activity, community leaders encouraged the City Council to designate Freret Street as an "arts and cultural overlay district." This designation, once achieved in 2008, streamlined the building occupancy permitting process for restaurants, entertainment venues, and galleries, making it faster and less costly. The designation spurred a small-business resurgence; 20 new businesses opened on the street in just four years. Freret Street is now called a "restaurant row;" businesses continue to open and flourish in the commercial district.

Source: M. Waller, "Freret Street Resurgence Continues With New Wave of Businesses Planning To Launch," *The Times-Picayune*, June 19, 2014.

## Commercial Land Trusts

Speculative pricing can force out commercial renters, especially after a redevelopment plan has been established in an area. Commercial trusts work to mitigate the effects of speculative pricing and thereby ensure long-term affordability. Traditionally, most land trusts were established to preserve affordable housing, but a similar model has arisen to preserve the affordability of commercial space for local business. Commercial land trusts purchase land and buildings, leasing commercial space to businesses at an affordable rate. Land trusts may also sell buildings to businesses, though they continue to ensure affordability by placing deed restrictions on resale and releasing.

## Commercial District Organized Resource Programs

Many communities throughout the U.S. have brought investment to disinvested areas through organized resource programs, such as special improvement districts, business improvement districts, and Main Street programs. These programs are so termed because they organize and aggregate resources for a targeted area by bringing interested parties together.

### Business Improvement Districts

Business Improvement Districts (BIDs), also known as Special Improvement Districts (SIDs) and Business Improvement Zones (BIZs), are designated geographic areas that receive a range of enhanced services from an organization that manages activities, events, and programs. These services supplement those provided by the public sector. More specifically, BIDs may:

- Undertake marketing and promotion, by:
  - Coordinating sales promotions for businesses,
  - Hosting festivals, concerts, and special events,
  - Promoting the district to new businesses,
  - Providing maps, banners, and ambassadors to guide visitors, and
  - Publishing media, such as newsletters.
- Perform maintenance and cleaning, by hiring personnel and purchasing equipment to:
  - Collect rubbish and remove litter,
  - Scrub sidewalks and shovel if needed, and
  - Maintain landscaping.



- Employ security personnel to
  - Patrol district streets,
  - Guard against petty crimes, and
  - Monitor surveillance equipment.
- Advocate for policy, by lobbying local and state lawmakers to support policies that would benefit the area's businesses; and
- Undertake small-scale capital improvements that improve the aesthetic and functional qualities of the district, such as installing
  - Infrastructure like streetlights, signs, bike lanes, or street furniture
  - Landscaping, like trees, flowers, or planters,
  - Façade improvements.<sup>91</sup>

Property and business owners within a particular area typically provide the stimulus for the establishment of a BID. Less often, public officials may initiate the creation of a BID. Whatever the impetus, BIDs must typically be authorized through state legislation; states usually require that a majority of affected property or business owners be in favor of the BID. The majority of BIDs are organized as non-governmental, nonprofit organizations, although a small number of BIDs, primarily in small towns, are structured as public agencies. BIDs are funded by grants, local tax dollars, and by special levies on affected businesses. BIDs are similar to a Main Street program in that they are an organized program of resources, but funding structure and assistance from a national center are a few differences.

### **Main Street Program**

Established by the National Trust for Historic Preservation in 1980, the Main Street Center is a “clearinghouse for information, technical assistance, research, and advocacy on preservation-based commercial district revitalization”<sup>92</sup> serving inner-city commercial districts, urban downtowns, inner-ring suburban strips, and rural centers.

The Center's Main Street Program aims to revitalize commercial districts through historic preservation and economic development. The program provides technical assistance on a range of activities, including planning and ordinance review; staff development and volunteer training; attraction of retail and light industrial businesses; landscape and district design; real estate development; and retail and tourism marketing.

This approach has been a successful model for generating economic development while preserving historic structures. Between its inception in 1980 and 2009, the amount of capital investment in Main Street Program participating districts totaled \$49 billion, equating to a “reinvestment ratio” of \$27 for every \$1 local communities spent operating their Main Street programs. These programs have together led to a net gain of 95,000 businesses and 418,000 jobs, as well as 215,000 building rehabilitations.<sup>93</sup>

<sup>91</sup> International Economic Development Council, “Neighborhood Development Strategies,” 2011.

<sup>92</sup> National Trust for Historic Preservation, [National Main Street Center web site](#), 2016.

<sup>93</sup> Ibid

## Combating Displacement and Creating Economic Opportunities: Economic Development and Community Development Working Together

When revitalization efforts are effectively conducted, economic developers can attract private investment while creating economic opportunities for existing residents that allow them to stay in place and improve their economic well-being. Many strategies outlined in this section are community development focused, and may seem outside of the day-to-day work of economic developers. Working with community developers, economic developers can bring about not only the “place prosperity” entailed by new real estate development but also “people prosperity” for the current lower income residents of historically disinvested neighborhoods.

### Need for Community and Neighborhood Support

To effectively combat displacement while attracting investment to a distressed area, economic developers need to ensure that all relevant parties—public and private; local, regional, and state; individual and corporate—are included in discussions of the area's future. The most relevant parties to engage will always be the area's current residents, business owners, and employees.<sup>94</sup> When residents and business owners can provide input into the community's future, they are more likely to support the result; an action plan is also likelier to be better and easier to implement. Each participant in the process has resources to draw upon for a more positive future. Many residents and businesses have expertise that when connected with organizations (i.e. non-profits, CDCs, BIDs) can help tight budgets go further and bring solutions tailored to local needs. For instance, residents who work as gardeners can share knowledge with CDC's or BIDs in designing low-maintenance gardens that double as rain gardens to beautify the area while helping to prevent localized flooding on taxed storm sewers. The key to neighborhood regeneration is to locate all of the available local assets and then connect them with one another in ways that multiply their power and effectiveness.<sup>95</sup>

### Using Housing to Combat Displacement and Build Equity

There are various strategies that can be used to stem displacement while encouraging investment in an area. Efforts to mitigate displacement include encouraging home ownership; preserving or creating affordable housing; and creating economically empowering opportunities such as jobs, training programs, or education opportunities. At the least, economic developers should encourage community developers to use these tools in the designated area. More often, economic developers will find themselves in the position of funding or managing some of the programs.

### Why Affordable Housing?

Many strategies put affordable housing at the center of efforts to stem displacement while promoting equitable growth. Stable, affordable housing is critical to strong communities because it improves education and employment outcomes for low-income children,<sup>96</sup> and allows for higher household budgets for other necessities, such as nutritious food, medication, and transportation to work and school.<sup>97</sup>

<sup>94</sup> International Economic Development Council, “Neighborhood Development Strategies,” 2011.

<sup>95</sup> Ibid

<sup>96</sup> Mary Cunningham and Graham MacDonald, “[Housing as a Platform for Improving Education Outcomes among Low-Income Children](#),” *Urban Institute*, May 2012.

<sup>97</sup> Harvard University, “The State of the Nation’s Housing,” *Joint Center for Housing Studies*, 2011.

### Limited-Equity Housing Cooperatives

In limited-equity housing cooperatives (LEHCs), residents purchase a share, granting them a unit of affordable housing and a vote in a cooperative corporation that manages the building collectively. The share also covers the operating expenses of the building.<sup>98</sup>

An LEHC can stabilize a neighborhood at risk of displacement by offering ownership opportunities at a lower cost than traditional routes.<sup>99</sup> To support LEHCs, economic developers should evaluate local regulations to ensure that this form of housing structure is allowed and eligible for government funding. Additional information can be found at <http://www.mitod.org/limitedequityhousingco-ops.php>.

### Community Land Trusts

Community land trusts (CLTs) differ from land banks in that their goal is long-term land stewardship, rather than shorter-term improvement. A CLT is a nonprofit organization, supported by public or private interests, that holds land in stewardship for the development of community assets. These assets could include affordable housing, civic buildings, community gardens, or commercial spaces. A CLT owns underlying land while individual homeowners, business owners, or housing cooperatives own the buildings occupying the land. Upon sale, the value of building improvements is usually credited back to the owner.<sup>100</sup> While a land bank aims to procure, improve, and dispose of real estate over a couple of years, the aim of the CLT is to own land in perpetuity.

When a CLT owns underlying land, it can control its transaction flow and resale price, protecting it from speculative price increases and ensuring that it can be used for generations. CLTs use a formula to determine the maximum resale price of buildings allowed on its land. There are many resale formulas in use, but the most effective ones require that if the property was bought with a limit of 30 percent average median income (AMI). The property's resale price should be set at the current 30 percent of AMI rate, plus a credit to the seller for any improvements made to the property.<sup>101</sup> This degree control makes CLTs an excellent tool for promoting homeownership, and thus equity building, among low-income populations.

CLTs are considered a great affordable housing tool because the benefits created by the subsidies stay with the housing indefinitely, even upon resale, thereby ensuring permanent affordability.<sup>102</sup> Additionally, research shows that 50 percent of first-time, low-income homebuyers revert to rental housing within five years of buying their first home. By contrast, within five years of buying a CLT home, nearly 90 percent of low-income, first-time CLT buyers remained in their CLT homes or had purchased another home with help from the equity they had built in the CLT home. Over the course of five years, CLT owners had grown an average of \$14,000 in equity, in the form of mortgage payments (\$4,300), price appreciation (\$7,900), and capital improvements (\$1,300).<sup>103</sup>

### Spotlight: Dudley Street Neighborhood Initiative

The Dudley Street Neighborhood Initiative (DSNI) of Boston is a nonprofit, community organization that comprehensively encourages economic, human, physical, and environmental growth in the Roxbury and North Dorchester neighborhoods. Residents formed the DSNI in 1984 in response to the costs imposed by arson, neglect, redlining, and property speculation on their neighborhood. Today, the DSNI is committed to revitalizing this culturally diverse neighborhood of 24,000 people while maintaining its character and affordability. To achieve this goal, DSNI works with a variety of partners, including community development corporations (CDCs), retail businesses, religious institutions, banks, governments, and foundations, to implement resident-driven projects.

<sup>98</sup> Coalition for Nonprofit Housing & Economic Development "A Study of Limited-equity Cooperatives in the District of Columbia," 2004.

<sup>99</sup> Ian Carlton, et al., "Mixed-Income Transit-Oriented Development Action Guide," *Reconnecting America*, 2016.

<sup>100</sup> John Emmeus Davis, ed., "The Community Land Trust Reader," *Lincoln Institute of Land Policy*, 2010.

<sup>101</sup> National Economic and Social Rights Initiative. "Community + Land + Trust: Tools for Development Without Displacement," Jan. 2016.

<sup>102</sup> Oksana Mironova, "The Value of Land: How Community Land Trusts Maintain Housing Affordability," *Urban Omnibus*, Apr. 2014.

<sup>103</sup> National Economic and Social Rights Initiative. "Community + Land + Trust: Tools for Development Without Displacement," Jan. 2016.



DSNI hosts one of the largest CLTs in the United States, the Dudley Neighbors. Covering over half of the land in the 62-acre neighborhood,<sup>104</sup> Dudley Neighbors obtained control over this land through eminent domain (working with the City), purchases, donations, and other tools. The CLT has also created 225 permanently affordable homeownership and rental housing units on these lands.<sup>105</sup> Attesting to the stability brought by the initiative, only four residents in the homeownership units of the land trust have experienced foreclosure since 1988.<sup>106</sup> DSNI has also assisted in the development of a 10,000-square foot greenhouse, community garden, charter school, and multiple parks.<sup>107</sup>

Sources: International Economic Development Council, "Real Estate Development and Reuse," 2011. Information extracted from Dudley Street Neighborhood Initiative's website. [www.dsni.org](http://www.dsni.org).

## Housing Trust Funds

Housing trust funds (HTFs) are financing programs administered by local, county, or state governments to preserve and create affordable housing.<sup>108</sup> HTFs are often funded by general government funds; special taxes, such as real estate transfer taxes (RETTs); and impact fees on development; though they may also receive private funding from foundations and corporations. Because they have a dedicated public revenue stream, HTFs can sustainably finance affordable housing programs over long periods. HTFs can be used to fund a variety of housing affordability building projects, including new construction, rehabilitation, and property acquisition. These funds can also be used to form CLTs and cooperatives, thus securing transitional housing, delivering rent subsidies, and providing housing services to tenants.<sup>109</sup>

Today, over 600 HTFs operate at the county and city level across the United States, in towns as small as 1,000 people.<sup>110</sup> These HTFs cumulatively allocate nearly \$1 billion for housing every year.<sup>111</sup>

## Spotlight: Regional Coalition for Housing (ARCH) - King County, Washington

ARCH was incorporated in 1993 and is a partnership between King County and the cities of the County. The housing trust fund helps combat the displacement of low-income individuals that has occurred as a result of rapidly rising home prices in the county.

Funding for ARCH draws revenue from a mixture of sources including transfers from county general funds, HUD Community Development Block Grant funds, payments by developers, loan repayments, and interest earnings. Each participating jurisdiction also contributes funds to ARCH. The fund's Parity Program mandates the amount of contributions to be made by participating jurisdictions and the distribution of HTF funding to each coalition member.<sup>112</sup>

Since 1993, the ARCH Housing Trust Fund has issued financing for \$30 million used in the creation of over 2,600 units of housing for families, seniors, and persons with special needs. ARCH has also assisted in the preservation of over 450 privately-owned, federally-assisted housing units. Additionally, ARCH has advocated for improved housing policies, such as accessory dwelling units. Since 12 cities that participate in the fund adopted regulations permitting accessory dwelling units, 500 accessory units have been built.<sup>113</sup>

<sup>104</sup> Jake Blumgart, "[Affordable Housing's Forever Solution...](#)," *Next City*, August 10, 2015.

<sup>105</sup> Ibid

<sup>106</sup> Ibid

<sup>107</sup> Ibid

<sup>108</sup> Center for Community Change, "[The Housing Trust Fund Project](#)" *The Housing Trust Fund Project*, 2016.

<sup>109</sup> Ibid

<sup>110</sup> Ibid

<sup>111</sup> Ibid

<sup>112</sup> Policy Link, [Case Studies](#). Web. Accessed February 2016

<sup>113</sup> ARCH - A Regional Coalition for Housing. "[About Arch](#)". 2013. Web. Accessed February 2016

### Real Estate Transfer Taxes

Real estate transfer taxes (RETTs) are imposed taxes when real estate is bought and sold. Revenue from these taxes are typically funneled into general funds, but can also be used to develop affordable housing.<sup>114</sup> Because the revitalization of a neighborhood is often associated with a high volume of real estate transactions, a RETT can be a ready source of funding that can help ensure residents remain in place by preserving or building affordable housing.<sup>115</sup> Where RETTs already exist, policymakers may redirect the revenues from these levies for affordable housing programs, such as HTFs. Policymakers should also ensure that, where a RETT is already in place, low-income housing is exempt.

### Community Development Corporations

Community Development Corporations (CDCs) are for-profit or nonprofit organizations that revitalize disinvested communities by developing affordable housing thus creating jobs for residents, attracting public and private capital investment, and helping to build local leadership capacity. Residents, small business owners, faith-based organizations, or other local stakeholders interested in revitalizing an area lead the formation of a CDC. As CDCs are governed by neighborhood representatives, they play an important role in advocating on behalf of residents as a neighborhood redevelops.

CDCs fill a variety of important roles in disinvested corridors. CDCs can help combat displacement by providing affordable rental and homeownership opportunities, and the support services required, such as counseling for first-time homebuyers. CDCs also frequently provided much needed social services, including early childhood education, workforce training, and youth leadership development. They often play an outsized role in neighborhood advocacy, as well community planning and organizing activities. Finally, many CDCs assist small businesses with loans, technical assistance, and low-cost, rehabilitated space.<sup>116</sup>

### Commercial Linkage Strategies

Commercial linkage fees are levied on large commercial developments to pay for nearby affordable housing. Linkage fees are established by local ordinance, and can be used for a variety of purposes, including building or preserving affordable housing, or funding a homeownership fund. Usually, cities with linkage ordinances require developers of large commercial properties to either pay a levy, which is assessed per square foot of development, or to construct a certain number of affordable housing units directly.<sup>117</sup>

### Inclusionary Zoning and Below Market Rate Ordinances

Inclusionary zoning (IZ) requires developers of large projects to rent, sell, or fund below-market units as a condition of approval. IZ requires setting aside a certain percentage of affordable housing units per building or requiring the payment of a fee to an affordable housing fund, similar to a linkage fee.<sup>118</sup>

Economic developers and planners should be careful in the application of IZ. The tool should only be implemented where housing demand is already strong. In weaker markets, IZ will cause developers to build fewer units overall, including moderately priced units; the perverse consequence being that cities end up with fewer homes and higher housing prices.<sup>119, 120</sup>

<sup>114</sup> Policy Link, "[Real Estate Transfer Taxes](#)," *Equitable Development Toolkit*, July 2002.

<sup>115</sup> International Economic Development Council, "Real Estate Development and Reuse," 2011.

<sup>116</sup> Ibid

<sup>117</sup> Policy Link, "[Commercial Linkage Fees](#)," *Equitable Development Toolkit*, July 2002.

<sup>118</sup> Florida Atlantic University, "[Florida Planning Toolbox](#)," *Center for Urban and Environmental Solutions*, 2007.

<sup>119</sup> Litman, Todd, "[Evaluating Affordable Housing Development Strategies](#)," *Planetizen*, March 2016.

<sup>120</sup> Tom Means and Edward Peter Stringham, "[Unintended or Intended Consequences...](#)," *San Jose State University*, 2012.

## Creating Economic Opportunities

One of the main roles of economic developers is creating economic opportunities for members of the community. For areas that are rapidly transitioning from disinvestment, economic developers should adapt their typical tools and practices to the area's population and demographics. Empowering residents and businesses can stem displacement by raising personal incomes in tandem with rising rents, as well as helping to make an area even more attractive for investment. Enticing several graduates from an incubator to locate in a targeted area, for instance, could signal neighborhood change to larger scale investors.

## Entrepreneurship

Residents who start new businesses can generate personal wealth. The Corporation for Enterprise Development explains, "...business ownership is second only to homeownership as a source of household wealth in our country."<sup>121</sup> By fostering entrepreneurship in disinvested areas, economic developers can potentially create jobs, generate tax revenue, and address vacant properties at the same time. In many cases, locally owned small businesses fill an underserved retail need in a community, providing goods or services for which residents otherwise needed to travel to purchase.

## Evaluate and Improve Current Offerings

The first step in promoting entrepreneurship is to evaluate existing entrepreneurship programs and strategies and to determine how they might be adjusted to better fit the needs of distressed areas and low-income populations. This evaluation should identify common barriers to entrepreneurship for low-income persons, such as lack of credit, financial literacy, or lack of transport. For instance, an evaluation may reveal that workshops on entrepreneurship are held far from the target area, in a location that is inaccessible by public transit. To address this barrier, some workshops might be offered directly within distressed neighborhoods at community centers or public libraries.

Another aspect of an evaluation might consider ways that existing programs could be leveraged to improve their benefits for disinvested communities. For instance, the operators of an existing incubator might be linked to owners of vacant property in distressed areas. These property owners could provide incubator graduates with free pop-up space, an approach discussed in greater detail in the REVOLVE Detroit Spotlight on page 23.

## Minority Business Enterprise (MBE) Programs

Distressed areas tend to have high minority populations. Minority business enterprise programs (MBE) are focused tools to foster entrepreneurship within these populations, generally concentrating on the unique barriers they face to starting a business. PolicyLink, a national nonprofit, outlines three common approaches to promoting minority-owned businesses:

- Passing a local ordinance that establishes a minimum percentage of the total value of each government-awarded contracts that must go to minority participants;
- Enacting community-benefits agreements that require publicly-subsidized developments to hire residents and contract with minority-owned businesses, and residents; and
- Offering financing and technical assistance to minority-owned businesses to help them build their capacity.<sup>122, 123</sup>

## Growing Arts and Culture

Once considered a fringe issue, promoting arts and culture has become a known way to create economic opportunities in distressed communities; creative industries "create jobs, attract investments, generate tax

<sup>121</sup> The Corporation for Enterprise Development, "[Statistics](#)," 2016.

<sup>122</sup> Florida Atlantic University, "[Minority Business Enterprise Program](#)," *Center for Urban and Environmental Solutions*, 2007.

<sup>123</sup> Policy Link, "Minority Business Enterprise," *Equitable Development Toolkit*, July 2002.



revenues, and stimulate local economies through tourism and consumer purchases.<sup>124</sup> Economic development is enhanced by concentrating creativity through both physical density and human capital.<sup>125</sup> Distressed neighborhoods or corridors, with their large amounts of the low-cost real estate, tend to be good locations for arts and culture districts. Once a neighborhood becomes home to a critical mass of affordable studios, galleries, and performance spaces, it may become a tourism destination, shopping area, and a gathering place for residents. Concentrating the location of firms, artists, and cultural facilities together enhances the multiplier effect that results.<sup>126</sup> Promoting a local arts and culture scene can also foster a positive sense of community as it creates a central identity that residents and businesses can rally around – especially since many long-stigmatized and distressed areas lack identities aside from being distressed.<sup>127</sup> Partnering with non-profits to help match landlords of vacant store fronts with artists can be a key component of an arts-based strategy to revitalize disinvested corridors.

## Workforce Development and Education

Improved education and workforce development are vital components of any plan to combat displacement and attract investment into a distressed area. Workforce development in distressed areas should foster opportunities for unemployed persons as well as those who lack the qualifications and skills for jobs already in an area, and those expected to come. Distressed areas need not only youth and school education but other education outreach efforts such as improving financial literacy. One area of education, mentorship, can foster the growth of a community and enhance the upward mobility of youth by improving behavioral, social, emotional, and academic aspects of youth development.<sup>128</sup>

### Spotlight: Westside Works

The non-profit Westside Works aims to increase employment in the distressed Vine City and English Avenue areas of Atlanta as part of a more comprehensive neighborhood redevelopment effort. Westside Works is an amalgamation of enterprises, which opened in 2014, providing residents with practical skills and accreditation applicable to the workforce through intensive training. The program commences with a skills assessment that then guides individuals into training in one of the several fields of work. Following training, the program supports participants in securing job placements and then provides services to help them integrate successfully into their new employment. The testimonials of participants have been overwhelmingly positive. In fact, members of the first graduating class received an average of 3.5 job offers each.

Source: Information extracted from Westside Works website, <http://www.westsideworks.org/>.

## Conclusion

Disinvested areas in America's cities and inner suburbs pose a serious challenge for economic developers. The concentration of poverty in these neighborhoods since the 1970s has increased dramatically<sup>129</sup>; distressed neighborhoods are home to underused, under-engaged human and physical capital.<sup>130</sup> The causes of disinvestment are interrelated and complex. It is unsurprising, then, that an effective solution to disinvestment must take a holistic approach. In distressed areas, economic developers cannot simply use traditional place-based tools in isolation to attract investment. Instead, they must work with partners across the public and private

<sup>124</sup> National Governors Association. "[Arts & the Economy: Using Arts and Culture to Stimulate State Economic Development](#)."

<sup>125</sup> American Planning Association. "[How the Arts and Culture Sector Catalyzes Economic Vitality](#)." 2016.

<sup>126</sup> M. Christine Dwyer and Kelly Ann Beavers. "[How the Arts and Culture Sector Catalyzes Economic Vitality](#)," *American Planning Association*, 2016.

<sup>127</sup> Ibid

<sup>128</sup> David L. DuBois, et al. "How Effective Are Mentoring Programs For Youth...", *Psychological Science in the Public Interest*, 12.2, 2011.

<sup>129</sup> Elizabeth Keenbone, "[The Growth and Spread of Concentrated Poverty, 2000 to 2008-2012](#)," *Brookings Institute*, July, 2014.

<sup>130</sup> U.S. Department of Housing and Urban Development, "[Understanding Neighborhood Effects of Concentrated Poverty](#)," *Evidence Matters Periodical*, Winter 2011 issue.



sectors to implement comprehensive reinvestment plans that address the socioeconomic well-being of residents. Only then will economic developers succeed in creating prosperous communities and local economies.

This paper has outlined different strategies that support such a holistic approach to attracting investment to distressed areas while mitigating displacement and promoting individual economic opportunity. Efforts to address abandoned buildings should be paired with those to preserve affordable housing; initiatives to beautify commercial corridors must be accompanied by real opportunities for local entrepreneurs to locate their new businesses there.

As a final thought, fixing historical disinvested neighborhoods or corridors cannot be done quickly. For economic developers working to attract investment to these areas, a holistic strategy will ensure that neighborhood residents have access to empowering opportunities for years to come. A local economy composed of thriving, inclusive neighborhoods, is a robust and sustainable economy.

