BUILDING A NEW FRAMEWORK FOR COMMUNITY DEVELOPMENT in WEAK MARKET CITIES

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COMMUNITY DEVELOPMENT PARTNERSHIP NETWORK

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DPN | THE COMMUNITY DEVELOPMENT PARTNERSHIP NETWORK

The Community Development Partnership Network (CDPN)
is a national organization of local community partnerships working together to build thriving communities. CDPN is member-formed, member-led, and member-directed. CDPN's mission is to assist community partnerships as they develop local strategies to build thriving communities while deepening our collective understanding of the impact and challenges of these strategies. CDPN achieves its mission by providing peer-learning, innovative research, access to information, and technical support.

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PREFACE

In mid-2002, the Community Development Partnership Network (CDPN), a group of 12 community development partnership organizations, began to collaborate with four of its members in Pittsburgh, Cleveland, Philadelphia, and Baltimore on a research project to explore some of the common challenges they were facing regarding inner-city reinvestment. Each of the four partnerships is engaged in community development initiatives and is working in what is defined below as a weak market city.

As a national network concerned with advancing community development as an approach to dealing with persistent urban problems, CDPN was interested in identifying the special community development challenges faced by these partnerships in weak market places. In July 2002, CDPN commissioned Brophy & Reilly LLC to complete this paper based on the community development work underway in these four CDPN cities.

This paper describes a comprehensive, equitable, and activist framework for community development that can create stronger cities and neighborhoods. The paper identifies the forces that define weak market cities, provides examples of successful initiatives and programs that address weak market concerns, and suggests an agenda for shaping policies that impact weak market places.

The work was conducted by Paul Brophy and by Peter Richardson, president of Housing Strategies Inc. Brophy or Richardson visited each city and met with key community development stakeholders, collected available data on community development needs and programs, and reviewed available literature. These cities were then placed in a national context.

EXECUTIVE SUMMARY

While the decade of the 1990s was a good one for most American cities, recovering health was not a uniform phenomenon among American cities or within them. Fifty-five percent of cities over 100,000 lost population, had no-growth, or experienced modest-population growth. Even in cities that experienced growth, the bulk of the growth was in neighborhoods on the edge of cities, with most cities seeing population losses in their core neighborhoods.

Weak market cities are places losing population, marginally growing, or that have declining cores

This group of cities—those that are losing population, those marginally growing, and those that have declining cores are "weak market cities." Weak market cities face challenges that are quite different from cities experiencing significant population growth. For weak market cities the primary threat is continuing population loss and stagnant economies.

For those living in weak market locations—many of whom are low and moderate-income households—continuing population decline has a very real impact on their ability to retain and build personal wealth and to access public services and amenities that improve their quality of life. To help individuals and families in poverty or near poverty levels accumulate wealth and build assets, community development strategies in weak market cities must:

• **strengthen the existing markets** to make these areas more competitive as places to live, work, and invest;

• **stimulate private market forces** to bring people and capital into these areas in order to create mixed-income communities of choice; and

• **promote equity** by ensuring that residents have the capacity to act as full partners in guiding investment in their neighborhoods.

This paper describes a more comprehensive, equitable, and market-oriented framework for community development in weak market cities than has traditionally been pursued. Based on the examination of work underway in four weak market cities, the analysis lays out a system, along with a set of policies and strategies, that is stimulating markets while ensuring equity by focusing on the needs of low and moderate income households and small businesses. This system includes: taking a partnership approach, using sophisticated market analysis, making regional connections, targeting neighborhood planning, marketing neighborhoods, aggressive land assembly, more diverse housing development/rehab tools, economic development, and procedures that measure impact.

While the system outlined here provides a powerful new context for shaping community development practice, these efforts have succeeded despite a policy and program environment that often fails to recognize the particular goals and needs of these weak market places. Shifts in policies and approaches at the national, state, and local levels would make it easier for these weak market cities and others like them to achieve their goals. The authors identify key components of a weak market policy framework, including: building a belief system for weak market cities, working at a scale that can achieve impact, forming new coalitions, repositioning key stakeholders, and developing the right policy and program tools to aid weak markets.

THE CHALLENGE OF WEAK MARKET CITIES

The decade of the 1990s was a good one for most American cities. The 1990s saw cities over 100,000 population grow at a median rate of 8.7%, more than double the rate of the 1980s.[1] Crime rates were down. Younger, affluent people chose to live in cities in increasing numbers, and housing values were up. A 2001 study of 24 large U.S. cities revealed that 18 saw a rise in their downtown population during the 1990s, and center cities throughout the country are experiencing a resurgence of development for commercial, entertainment and residential uses.[2] This is good news for America's cities overall.

However, recovering health is not a uniform phenomenon among American cities or within them. Fifty-three cities (27 percent) with populations over 100,000 lost population or were stagnant during the 1990s. Another 55 cities grew, but at a rate less than 10 percent. Together, these population losers, no-growth, and modest-growth cities account for 55 percent of cities over 100,000.

Even in cities that experienced growth, the bulk of the growth was in neighborhoods on the edge of cities, with most cities seeing population losses in their core neighborhoods—these are weak market neighborhoods that exist in otherwise strong-market settings. Sixty percent of city population growth occurred in outer ring neighborhoods compared to just 11% in inner core neighborhoods. In cities that lost population this phenomenon can be particularly severe, isolating the poor and leaving neighborhoods in deep distress.[3]

This group of cities—those that are losing population, those marginally growing, and those that have declining cores are described in this paper as "weak market cities." These weak market cities face challenges that are quite different from those cities experiencing significant population growth. While cities that are rapidly growing and are experiencing strong citywide and neighborhood market strength contend with the challenges of growth such as traffic congestion, increased need for affordable housing, gentrification, and the displacement of low and moderate-income households, weak market cities face the more fundamental challenge of building the economies of their neighborhoods, their cities, and, in some cases, their metropolitan areas. **For weak market cities and weak market neighborhoods continuing population loss and stagnant economies remain the biggest threats to their viability.**

CONTINUED POPULATION DECLINE AND STAGNANT ECONOMIES ARE THE BIGGEST THREATS FOR WEAK MARKET CITIES

1 Rebecca R. Sohmer and Robert E. Lang, "Downtown Rebound." Washington, D.C.: Fannie Mae Foundation and Brookings Institution, 2001.

2 Yet even with this robust gain, virtually all central cities grew more slowly than their suburbs, continuing a fifty-year trend of American suburbanization.

3 Alan Berube and Benjamin Forman, "Living on the Edge: Decentralization within Cities in the 1990s." Brookings Institution, October, 2002, p. 1.

One of the continuing challenges for those concerned with sound and equitable community development strategies and outcomes is to see to it that community development policies and approaches have a market orientation and fit market circumstances in each city. Cities and their neighborhoods encounter dynamic market forces. Neighborhoods, in effect, compete with each other for investment. The focus on weak markets in this paper is an attempt to frame the community development policy issues for those places that are experiencing decline or stagnant market conditions. Even in the four cities examined here, there are strong neighborhood markets to which the policies outlined in this paper should not be applied. Matching the correct intervention strategies to neighborhood market strategies is important, and cities using the kind of partnerships described here are more likely to get the fit right.

There are many reasons why a city or a neighborhood does not compete well and becomes a weak market place. At the broadest level, the relative success or failure of metropolitan areas to compete for investment and population internationally affects overall market strength. Within metropolitan areas, the market strength of central cities and their neighborhoods are affected by many big factors: residential preferences (people want suburban-type homes, not urban density); school quality declines; crime rises; the job base shifts due to a change in the area's economic base. The ongoing debate about effective strategies to deal with these deep urban problems is beyond the scope of this paper. Rather, what is reported here is that even within the context of these macro issues, tailoring community development policy to fit market conditions can help strengthen weak market places.

TABLE 1. POPULATION CHANGE IN SELECTED WEAK MARKET CITIES

	Change in Metropolitan Population (millions)			Change in City Population		
City	**1990**	**2000**	%	**1990**	**2000**	%
Pittsburgh	2.395	2.359	-1.5%	369,879	334,563	-9.5%
Cleveland	2.202	2.251	+2.2%	505,616	478,403	-5.4%
Philadelphia	5.893	6.189	+5.0%	1,585,877	1,517,770	-4.3%
Baltimore	2.348	2.512	+7.0%	736,014	651,154	-11.5%

Source: US Census Data

For those living in weak market locations—many of whom are low and moderate-income households— continuing population decline has a very real impact on their ability to retain and build personal wealth and to access public services and amenities that improve their quality of life. As Alan Berube and Benjamin Foreman write in a recent Brookings report:

Neighborhood population growth can raise local property values, attract commercial development and create job growth, all of which can improve citywide fiscal condition… Neighborhood population decline, on the other hand, may reflect increasing incidence of crime, may create greater concentrations of poverty and segregation, and may result in housing abandonment and the attendant negative impacts on neighborhood quality.[4]

[4] Ibid., pg.2

The experience in the four weak market cities studied confirms many of these assertions. Continuing out-migration raises the following key issues for low- to moderate-income families:

LOSS OF HOME VALUE AND EQUITY.

Efforts to alleviate poverty have focused on wealth creation as a key strategy, with growth in home equity as one of the ways of building wealth. However, in many neighborhoods in weak market cities, low, moderate, and middle-income people are losing equity in their homes due to declining property values. In many other instances—neighborhoods in Cleveland, for example, property values are rising, but the limited dollar amount of increase is low because housing prices generally are low compared with other locations. Appropriate policy in weak market cities is to develop strategies and programs that stabilize these neighborhoods through investments that lift property values to retain and build wealth for these households. Documented evidence in Pittsburgh and Cleveland indicates that where concentrated efforts have been underway with the intention of improving property values, housing prices have risen at a rate faster than other neighborhoods where action has not been taken.

DIMINISHING TAX BASE LEADS TO FEWER PUBLIC AMENITIES AND SERVICES.

Depressed housing prices in weak market settings are translating into a diminished tax base. Policies and programs must be put in place to increase real estate prices to strengthen the property tax base, thereby increasing the funds available for local governments and school systems for improving schools, police protection, parks, and other critical city services. Clearly there is a vicious cycle at work here. Services decline, people with choices leave, property values decline, city revenues drop resulting in a further erosion in the quality and quantity of services. The work in the four cities studied indicates that considerable progress in stabilizing neighborhoods can be made without solving the most intractable urban problems. Neighborhoods are improving in these cities despite continuing problems with public schools and high crime rates through neighborhood marketing and by providing support to those moving back in.

LARGE SCALE VACANT AND ABANDONED PROPERTY. Continued out-migration has led to the abandonment of a great deal of property in neighborhoods within weak market cities. A recent study released by the Brookings Institution indicates that vacant land in the 100 largest cities averages about 15 percent of the land areas of the cities. This means that "the 100 largest cities in the nation have the equivalent of the total combined land area of New York City, Los Angeles, Chicago, Houston, Philadelphia, and San Diego sitting idle."[5] Strategies must be put in place to strengthen market forces and enable the private sector to reclaim this land for residential and business use.[6]

[5] Paul C. Brophy and Jennifer Vey, "Ten Steps to Urban Land Reform," The Brookings Institution, October, 2002, p.2.

[6] Doing so will not only promote local economic wealth but also contribute to an effective smart growth strategy in metropolitan areas by presumably creating alternatives to the development of a great deal of undeveloped land at the edges of metropolitan areas.

CONCENTRATION OF POVERTY AND LOSS OF SOCIAL NETWORKS.

The flight from cites like Baltimore, Philadelphia, and others that continued through the 1990s is now more a flight of minority middle and working class families looking for places where city services are better and where they are likely to own a home that will build equity for them. One measure of this middle class flight is the increase in the number of city census tracts in which 30 percent or more of the population is below the poverty line. As Table 2 indicates, in each of the four cities studied, the number of these tracts grew from 1980 – 2000. Although the trend lines are not entirely consistent, this concentration of poverty is generally a result of the continuing exodus of people who are above the poverty line. The concentration leads to the persistence of poverty for many of these households. The continuing exodus from these cities and neighborhoods of people who can afford to leave and choose to do so is resulting in an increasing concentration of the poor in distressed areas and a loss of opportunity and access to jobs.

LOWER MEDIAN INCOME.

Finally, declining or slow growth is directly correlated with household income. Another report from Brookings written by Edward Glaeser and Jesse Shapiro indicates that income levels are directly correlated with city growth. Cities with a median income of less than $20,000 in 1989, grew less than one percent—only by .3 percent—during the 1990s, while cities with a median income of over $30,000 grew by 18.9 percent during the decade.[7]

TABLE 2. CENSUS TRACTS WITH OVER 30% POPULATION BELOW POVERTY LINE

	# Census Tracts with +30% Below Poverty Line			
City	**1980**	**1990**	**2000**	**% Change ’80 – ‘00**
Pittsburgh	27	35	34	+ 26%
Cleveland	74	121	108	+ 46%
Philadelphia	89	85	111	+ 25%
Baltimore	60	59	64	+ 7%

Source: The Urban Institute

[7] Edward Glaeser and Jesse Shapiro, "City Growth and the 2000 Census: What Places Grew and Why," Brookings Institution, 2001.

A WEAK MARKET CITY AT A GLANCE: BALTIMORE, MD

A closer look at Baltimore, MD illustrates many of the above trends.

• **Loss of Home Value & Equity:** Baltimore city government collects housing price data on 249 residential neighborhoods. Between 1998 – 2001, 25% of these neighborhoods showed a decline in the median sales price of homes. Another 28% reported a rise in property values of 10% or less. In many of these areas the rate of increase in home sale prices did not keep up with inflation, causing homeowners to lose value, not in absolute terms, but relative to other prices. They were equity losers. The remaining 47% of the neighborhoods increased in value at a rate higher than 10%.*(Source: Live Baltimore)*

• **Depressed Housing Prices:** In 2001, 85% of Baltimore neighborhoods reported a median sales price of less than $100,000. Two-thirds had median sale prices of $75,000 or less. Twenty-eight percent had median sales prices of $50,000 or less. And, at the other end of the continuum, only two neighborhoods had median sales prices of $300,000 or higher. *(Source: Live Baltimore)*

• **Diminishing Tax Base:** City officials estimate that if 100,000 homes in Baltimore were valued at $10,000 more than they currently are (even though this increase would still make them a housing bargain compared to the same house in a suburb), it would produce $24 million annually of additional property tax revenue for the city to use to provide services.

• **Vacant and Abandoned Structures:** 15,000 housing structures are vacant.

• **Concentrated Poverty:** 64 of Baltimore's census tracts have 30% or more of their populations living below the poverty line. *(Source: Urban Institute)*

• **2000 Median Income:** City of Baltimore = $30,078, Baltimore Metro Region = $47,345. City Income as % of Metro area income = 63.5% *(Source: 2000 Census)*

A MARKET-ORIENTED APPROACH FOR COMMUNITY DEVELOPMENT IN WEAK MARKET CITIES

One of the very promising developments within the policy world concerned with America's cities is a shift in orientation from a focus on the problems of cities and their dim future prospects to an emphasis on the potential for capturing market forces in urban areas. This is a major shift in perspective. Rather than look to government solutions and subsidies to solve urban issues, this newer approach centers on developing strategies to attract private market forces to invest in inner-city communities thereby stimulating their rebirth. There is emerging literature taking this viewpoint. One 1997 report expresses this hopeful view as follows,

National corporations and local entrepreneurs have an unprecedented opportunity to create new markets, new profits, and new communities, because these areas are a major untapped domestic market and business opportunity. In communities across the country, capitalism – community capitalism – can be made to work. By community capitalism we mean a for-profit, business-driven expansion of investment, job creation, and economic opportunities in distressed communities with government and the community sectors playing key supportive roles.[8]

UNLIKE CITIES CONFRONTING HIGH GROWTH AND ESCALATING REAL ESTATE PRICES, WEAK MARKET CITIES NEED COMMUNITY DEVELOPMENT STRATEGIES THAT WILL STIMULATE MARKETS TO HOLD AND ATTRACT A POPULATION WITH CHOICES

For the hopefulness expressed in "Community Capitalism" to result in improvements in weak market cities, policies and programs tailored to their economic conditions need to be put in place. Unlike cities confronting high growth and escalating real estate prices, weak market cities need strategies and tools to stimulate markets in order to hold and attract a population with choices into these cities. Such strategies reinforce national efforts to help individuals and families in poverty or at near poverty levels accumulate wealth and build assets.

The primary goals for weak market cities should be to:

• **strengthen the existing markets** to make these areas more competitive as places to live, work, and invest;

• **stimulate private market forces** to bring people and capital into these areas in order to create mixed-income communities of choice; and

• **promote equity** by ensuring that residents have the capacity to act as full partners in guiding investment in their neighborhoods.

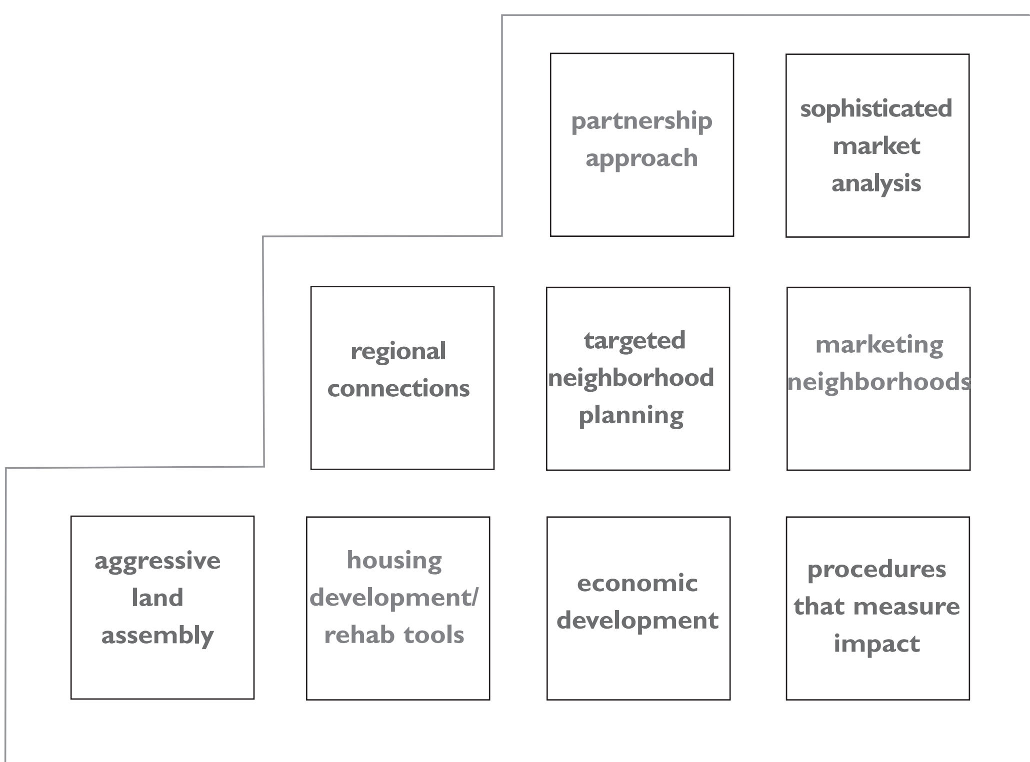
[8] The American Assembly, Community Capitalism, Rediscovering the Markets in America's Urban Neighborhoods, Columbia University, 1997, available at www.columbia.edu/cu/amassembly.

Yet the needs of these weak market places continue to be a neglected public policy issue. From a regional equity and social justice perspective, approaches to these weak market settings have gotten little attention. The community development field continues to be challenged by how to tackle these distressed areas and has done little to create tools that can be effective in strengthening them. This paper seeks to frame a more comprehensive, equitable, and activist community development policy agenda that will help these cities and neighborhoods become stronger. This framework assumes that the strategies involved in improving these areas are to create markets where they do not exist, and to strengthen them where they are weak.

The four weak market cities studied here provide some clues for such an agenda. They are, to one degree or another, building a system, along with a set of policies and strategies, that is stimulating markets while ensuring equity by focusing on the needs of low and moderate income households and small businesses. In fact, they are finding that strengthening neighborhood real estate markets and improving livability is an appropriate strategy to create wealth for residents living in targeted areas.

The work in these four cities indicates that weak market cities often need a different set of tools, policies, and programs than those that have been available in the traditional community development toolkit. Typically, these cities need affordable housing, but they also require market-building strategies and programs, which have not been commonly used in cities.

Based on the experience in these four cities, approaches to strengthening weak markets include at least nine components. These are: taking a partnership approach, using sophisticated market analysis, making regional connections, targeted neighborhood planning, marketing neighborhoods, aggressive land assembly, housing development/rehab tools, economic development, and procedures that measure impact. Examples of these successful and promising practices are illustrated in the sidebars that follow.



PARTNERSHIP APPROACH:

Collective, long-term, sustained, and strategic investments are needed in order to produce important community development outcomes. In each city studied, there is a community development partnership in place that is helping to combine resources and coordinate the efforts of city government, neighborhood leadership, lenders, business, the private for-profit and non-profit developers of real estate, foundations, and others. In the stronger partnerships, stakeholders are working toward a shared strategy and value base about improving market conditions in the neighborhoods in these weak market cities.

In addition to brokering a common agenda, these partnerships are building the capacity of community-based groups and other stakeholders to ensure strong local leadership. Depending on the needs of the individual city, partnerships are supporting community planning, providing intermediate capital from the private lending community, and stepping in where the private market will not, in order to achieve important real estate and community outcomes.

The partnership experience of these four cities also reveals the need for a diverse set of stakeholders that bring their specific expertise to the table—government, philanthropy, business, and community-based organizations—working in an organized partnership approach.

One of the remarkable success stories in many American cities over the past thirty years has been the development of public-private partnerships that focus on downtown revitalization and other regional issues. Typically, these partnerships involve an organized business group such as **Cleveland Tomorrow, the Allegheny Conference on Community Development, the Greater Baltimore Committee** or **the Downtown Partnership of Baltimore**, combined with efforts from local government. Downtowns are healthier as a result of these efforts.

To one degree or another, this partnership has broadened in the four cities studied. It has become a private-public-neighborhood partnership, a coalition of forces aimed at improving neighborhood conditions. These coalitions help increase the flow of resources into neighborhoods, define and execute market-based strategies, and develop new approaches to creating and seizing neighborhood development opportunities.

THROUGH COMMUNITY DEVELOPMENT PARTNERSHIPS, STAKEHOLDERS ARE WORKING TOWARD A SHARED VISION TO IMPROVE MARKET CONDITIONS IN WEAK MARKET NEIGHBORHOODS

PROMISING PRACTICE: PARTNERSHIP APPROACH

Neighborhood Progress, Inc.: Neighborhood Progress, Inc. (NPI) was established as a partnership with the mission to restore and maintain the health and vitality of Cleveland's neighborhoods through private investment and support for community initiative. NPI's current annual operating budget is $6 million with a staff of 15.

NPI grew out of a joint planning and partnership effort involving the Ford Foundation along with three Cleveland based foundations: The Cleveland Foundation, The George Gund Foundation, and the Mandel Foundation. Cleveland Tomorrow, a consortium of Cleveland's corporate community, also participated in this process. NPI's board represents the many partnerships NPI maintains with the philanthropic, banking, corporate, government, and nonprofit communities in Cleveland.

NPI's partnership has a targeted and integrated approach that strategically builds markets by utilizing each of the program components listed below many in tandem with one another. This approach has helped to build public/private partnerships that have led to the successful implementation of a variety of development initiatives from retail and commercial developments to affordable and market rate housing throughout Cleveland's neighborhoods.

<u>Cleveland Neighborhood Partnership Program (CNPP).</u> CNPP is a partnership in itself between NPI, the Local Initiatives Support Corporation, and The Enterprise Foundation. CNPP provides multi-year operating support grants to area CDCs. This past year, CNPP funded 16 groups totaling nearly $1.5 million.

<u>Quantum Leap</u> works with CNPP. It provides extensive training and technical assistance for the groups funded by CNPP with additional support for other CDCs based in Cleveland. Each funded group is fully assessed and then offered the technical assistance tools to develop better management programs and build staff leadership and overall organizational capacity.

<u>Village Capital Corporation (VCC)</u> is an independent subsidiary of NPI established to assist CDCs and other developers of neighborhood projects with hard to find low-interest financing. VCC provides gap financing and serves as a catalyst for private market development leveraging almost 10 private and public dollars for every VCC dollar invested. Since its inception, VCC has invested $23.5 million in CDC-sponsored real estate projects leveraging over $210 million.

<u>New Village Corporation (NVC)</u> is NPI's real estate subsidiary. It works directly with CDCs, the City of Cleveland, local bankers, and private developers as a facilitating partner and dealmaker around high-impact projects that have strategic opportunities. NVC has played an active role in a number of housing and retail development initiatives from large-scale market rate housing to the development of neighborhood shopping centers and grocery stores. Since its inception in 1991, NVC has completed nearly $60 million worth of direct development activity in Cleveland's neighborhoods.

To find out more, go to: www.neighborhoodprogress.org

SOPHISTICATED MARKET ANALYSIS:

The strategies at the neighborhood level are increasingly based on sophisticated analysis that matches community conditions—measured in market terms—with market intervention approaches. Those working in communities in distressed cities have become increasingly skilled in understanding market conditions and measuring them. There is a growing capacity to analyze neighborhood market conditions in ways that can inform the action agenda for these weak market settings. This has proven critical as a stepping stone for the development of targeted revitalization and reinvestment strategies.

PROMISING PRACTICE: SOPHISTICATED ANALYSIS

Market-Cluster Analysis: The Reinvestment Fund (TRF), on behalf of the City of Philadelphia, has created a detailed market typology of neighborhoods in the city. Examining a set of key indicators on a census tract and block group-level of analysis, TRF categorizes Philadelphia neighborhoods according to six real estate market clusters to foster targeted, market-driven revitalization. The six market clusters include:

<u>Regional Choice:</u> Primarily neighborhoods in the downtown and Chestnut Hill areas, these neighborhoods have the highest property values in the city, an eclectic mix of residential, commercial uses, and older housing typically in excellent condition. Actions for these areas include, building on special amenities, encouraging mixed-use development, and supporting Business Improvement Districts.

<u>High Value/ Appreciating:</u> Located throughout the city, these markets have high housing values and demonstrate population stability. Actions for these neighborhoods include supporting private market forces by removing barriers to new investment, active code enforcement, enhancing streetscape appeal and marketing neighborhood identity.

<u>Steady:</u> Housing prices in these neighborhoods are stable but appreciation has not been as strong as in other markets. Strategies for these markets include rapid-response to market changes that would foster neighborhood decline, including code enforcement and rapid response to vacant units or public nuisances.

<u>Transitional:</u> Further refined to denote whether a market is transitioning up or down, these neighborhoods feature volatility in population, higher than average housing values, however, in those places transitioning down, there is greater evidence of deteriorated housing stock and vacant housing and lots. A strategy of rapid response to stem neighborhood deterioration or facilitate appreciation is critical for these markets coupled with more aggressive programs to preserve existing neighborhood amenities.

<u>Distressed:</u> These places have had some of the most substantial population losses in the city. They have lower than average housing values, older and more deteriorated housing stock, and high levels of housing vacancy. Actions for these neighborhoods center on building from areas of market strength through strategic site acquisition and assembly, pursuing investment partnerships with neighborhood anchors, an vigorous block organizing and preservation investments.

<u>Reclamation:</u> Finally, these neighborhoods are those with the lowest housing values, oldest housing stock, high levels of vacancy, significant physical deterioration, and substantial population loss. Proposed strategy is to aggressively create conditions for market investment through large-scale site acquisition and parcel marketing, land banking, and large-scale development projects.

To find out more, go to: www.phila.gov or www.trfund.com

REGIONAL CONNECTIONS:

Partnership efforts in some weak market cities are connecting inner city community development efforts with regional improvement efforts, creating opportunities for alliances to form that are based on mutual goals. The alignment in goals between community development stakeholders and regional growth and regional equity advocates is becoming increasingly clear in weak market areas. It is more difficult to improve the markets of inner-city neighborhoods in regions where there is ongoing population decline—since without some regional population growth, new real estate development in the region typically means redistribution of population away from central cities and older suburbs. In areas where regional growth is strong, alliances between community development stakeholders and smart growth advocates can lead to approaches that are able to strengthen inner city markets by limiting suburban growth.

PROMISING PRACTICE: REGIONAL CONNECTIONS

Rally for the Region: The Citizens Planning and Housing Association and the Baltimore Urban League have joined forces with regional smart growth groups to form the Baltimore Regional Partnership, with the expressed goal of working toward a more equitable region. One element of the work is an annual Rally for the Region, which sets forth a regional Action Agenda that focuses on the following areas:

The Sustainable Communities Initiative: Uncontrolled growth in the Baltimore region has resulted in disorganized development as well as neglect in older urban and suburban communities. This initiative aims to clean up neighborhoods, not gentrify them. It calls for a $25 million competitive grant program to support improvements by current homeowners in older communities, mixed-income housing developments, and strategies to stop the cycle of social and physical decline.

Program Neighborhood Space: Recognizing that "cleaning and greening" helps stabilize, preserve, and revitalize older communities, this initiative calls for local government to aid community groups undertaking community greening. A regional land trust known as Program Neighborhood Space is proposed, which would hold title to small properties allowing communities to manage and maintain them.

Regional Workforce Investments: The Action Agenda proposes the Governor, Mayor, and County Officials invest in a $1 million State matching fund for joint workforce development among the metro area's workforce investment boards, as well as establish a Baltimore Regional Workforce Investment Board.

Seven-Day Rail: The Action Agenda charges that regional fragmentation is increased by the lack of an efficient and effective public transportation system. In order to seize employment opportunities, cut back pollution, and de-congest the roadways, the Agenda stipulates that existing rail lines must be operational for full hours of service.

To find out more, go to: www.cpharegionalcampaign.org/

TARGETED NEIGHBORHOOD PLANNING:

Community-based groups are becoming much more sophisticated about how they are planning and carrying out revitalization strategies – they are building from their strengths and connecting these strategies to larger markets and regional strategies. Part of the challenge of neighborhood planning in weak market settings is to understand what steps must be taken to make the neighborhood more competitive based on analysis of the neighborhood's assets and liabilities. They are also making choices about what residents and businesses they are seeking to attract to the area based on their specific strengths and weaknesses. This kind of planning is a major improvement over plans that are essentially wish lists that are devoid of any basis in market realities.

PROMISING PRACTICE: TARGETED NEIGHBORHOOD PLANNING

Healthy Neighborhoods: The Healthy Neighborhoods Initiative (HNI), a program of the Baltimore Community Foundation, grew out of work by the Citizen's Planning and Housing and Association (CPHA) to train a cadre of neighborhood and community development leaders to think in new ways about community revitalization for neighborhoods "in the middle." These are neighborhoods that appear to be stable, but are in fact fragile, with weak but still functioning real estate markets.

This philosophy focuses on helping people to build financial and social equity and defines a healthy neighborhood as a place where people are willing to invest their time, energy, and resources and where residents can manage their own problems. The core elements of the strategy include:

• a targeting of the strategy initially on the strongest blocks in a community;

• an emphasis on small and varied block projects to help re-weave the social fabric among neighbors and lead to visible changes in the neighborhood;

• below market rate financing for new and current residents to rehab their homes; without regard to the income of the homeowner in determining program eligibility;

• an emphasis on introducing positives into the neighborhood versus only focusing on solving problems – and marketing these positives to key audiences; and

• an orientation of community organization staff towards being community marketers and helping residents to be marketers as well.

The results after two years of the HNI pilot include 34 rehab and purchase/rehab loans have closed for a total of $1.1 million; 59 rehab and purchase/rehab loans are in the loan pipeline for a total of $2.7 million; and in one target area that had been scrambling for home buyers, home prices have increased 10 percent.

To find out more, go to: www.bcf.org/grants_HNI.html

MARKETING NEIGHBORHOODS:

A key component of a more targeted reinvestment and revitalization strategy is a proactive marketing approach for weak market neighborhoods. Community-based groups and cities are becoming much savvier as marketers – building on their assets, connecting to larger regional themes, and providing incentives, in order to draw new populations back into these neighborhoods. The need to use community resources to market neighborhoods may be a fully foreign idea in robust cities, but in weak market cities, it is an appropriate program strategy.

PROMISING PRACTICE: MARKETING NEIGHBORHOODS

16:62 Design Zone: Encouraged by City government and the Pittsburgh Partnership for Community Development (PPND), two community development corporations serving the working class neighborhoods of Lower and Upper Lawrenceville are collaborating to uncover a "market niche" to make their neighborhoods economically competitive.

Once they looked beyond the old boundaries of their neighborhood identities, they found they shared a large number of retail and wholesale suppliers of home and workplace design and improvement items. More than 100 businesses were located between 16th Street and 62nd Street—shops, showrooms, manufacturers, studios, galleries and sources for home and office furnishings, accessories, art, crafts, antiques, architecture, interior design, renovation, and construction.

A marketing campaign was developed to instill in the neighborhood and in the region an understanding that 16:62 Design Zone (named for the street boundaries) is <u>the</u> regional place for home products. An imaginative brochure/catalogue was developed. The marketing theme is "Places, Products, Services and People to Create, Build, Furnish, Renovate and Energize your Home and Workplace".

The result is that business is picking up, and the neighborhood has become a magnet for other businesses in the same business cluster, adding jobs to the neighborhood, and helping to lease up vacant commercial space. A new neighborhood, 16:62 was born. *To find out more, go to: www.1662designzone.com/*

Live Baltimore Home Center: The goal of Live Baltimore Home Center is to match prospective Baltimore residents to neighborhoods, based on the prospects' needs and preferences. This requires careful knowledge of the differences in neighborhood styles and living conditions, and housing markets. For example, one very specific approach markets neighborhoods near Baltimore's train station to Washington DC workers who might be enticed to live in Baltimore as a convenient and far less costly alternative to Washington, DC living. A walk to the train, and a reliable ride into Washington has attracted a number of new buyers. *To find out more, go to: www.livebaltimore.com.*

The Central Philadelphia Development Corporation is also in the beginning stages of a neighborhood marketing program that is similar to the Live Baltimore efforts. CPDC's initiative will focus on marketing six neighborhoods to middle income home-buyers by promoting the assets of urban living in general and selected neighborhoods in particular. *To find out more, go to: www.centercityphila.org/*

LAND ASSEMBLY:

In many instances, actions in weak markets cities need to be taken on a much larger scale than has been traditionally carried out by community development groups. The more widespread and deep the neighborhood distress, the more extensive is the scale of program intervention. To reach scale, new programs and policies must be put into place to help cities assemble parcels of land and make them ready for development. Doing so is enabling cities to match need and degree of distress with the scale of improvement needed to affect market change. Several weak market cities have developed promising strategies for land assembly.

PROMISING PRACTICE: LAND ASSEMBLY

Land Bank: Cleveland was one of the first cities to utilize a land bank for returning tax-delinquent properties to productive use. A tool for both for-profit and non-profit developers, the land bank has been a critical tool for CDCs. Prior to the land bank, CDCs hoping to develop land would have to identify the landowners and negotiate. Often when a landowner knew a CDC was interested in a piece of property, they would raise the price above what a CDC could afford to pay. Now CDCs interested in a parcel work with the city and county to get it into the land bank. Because the land bank land is so affordable, CDCs can use their scarce resources to focus on housing redevelopment and construction. The Land Bank has provided a remarkable revitalization stream of land that is funneled to CDCs for new housing development. About 90 percent of new residential construction – both CDC and private – involve land bank lots. *To find out more, go to: www.city.cleveland.oh.us/government/departments/commdev/cdneigdev/cdndlandbank.html*

Neighborhood Transformation Initiative: The Street Administration has made improving Philadelphia's depressed neighborhoods its top priority. NTI is being funded with nearly $300 million in bonds—the amount that can be supported by $20 million in annual debt service, an amount equal to what the City has been spending from its budget on building demolitions. Slightly more than 45% of these bonds have been sold, and proceeds are now available for use in the NTI program.

NTI's principal objectives are demolition of abandoned buildings and land assembly for new, larger scale development. Implementation involves unprecedented efforts to coordinate the major city departments of Housing and Community Development, The Redevelopment Authority, the Housing Authority, City Planning, Licenses and Inspections, Commerce, and Human Services. Though it is still in its early stages, such a comprehensive strategy for land assembly holds promise for other city officials looking for models to address these systemic issues. *To find out more, go to: www.phila.gov/mayor/jfs/mayorsnti/index.html*

Project 5000: Mayor Martin O'Malley has begun an aggressive program to acquire 5000 vacant properties for reuse. Similar in kind to Mayor Street's Neighborhood Transformation Initiative, Baltimore's Project 5000 seeks to assemble sites via the acquisition of vacant structures and lots that will permit aggressive, large-scale redevelopments to proceed, presumably strengthening their neighborhood markets as they are implemented. *To find out more, go to: www.baltimorehousing.org/index/cd_5000.asp*

HOUSING DEVELOPMENT/ REHAB TOOLS:

Weak market cities need to make it easier for developers to build and rehab housing for middle income buyers and renters as well as the long-established approaches to low and moderate income housing. New techniques to building and rehabbing mixed-income housing are being tested. Often this involves partnerships between CDCs and for-profit developers. Programs like the Maryland Historic Tax Credit that provides a substantial tax credit to developers and homeowners who rehab historic homes regardless of the income of the user, can be effective tools in many older neighborhoods. The challenge continues to be finding a set of tools that are aimed at housing development and rehab in these weak market settings that are not based on the income of the end user.

PROMISING PRACTICE: HOUSING DEVELOPMENT

Homeownership Choice Program: Since 2000, the Pennsylvania Housing Finance Agency (PHFA) has sponsored a comprehensive neighborhood revitalization program, the Homeownership Choice Program.

The program was the first attempt by the State to use homeownership as a tool to facilitate a comprehensive approach to community development. The program targeted older urban communities that have experienced dis-investment and a reduction in homeownership. The program encourages market-sensitive and innovative land use planning concepts in urban areas. It attempts to utilize the expertise developed by suburban homebuilders, to help rebuild urban communities. Highlights of the program include:

• The housing to be developed must be newly constructed and be part of a comprehensive effort to revitalize a community. This comprehensive effort should include economic development activities, infrastructure improvements, activities to address crime problems, and resident services.

• The housing developed must be for homeowners and be part of a mixed income community. The program funds can be targeted to families up to 115% of median income.

• The program requires a partnership between a for-profit homebuilder and a non-profit community development organization.

• The program focuses on developments of no less than 50 homeownership units in cities with a population of 50,000 or more and no less than 25 homeownership units in cities of 50,000 or less. These scale guidelines are aimed at achieving the "critical mass" required to generate spontaneous reinvestment in the community in order to have an impact on an urban area's economic and social viability.

• The program requires PHFA funds to be matched on a 1:1 basis by local applicants.

To date, the $17 million of program funds awarded through the program has assisted in leveraging the investment of over $154 million dollars in affordable housing and neighborhood development activities in 14 communities throughout Pennsylvania. For 2003, PHFA has allocated additional funds, not to exceed $7.5 million.

To find out more, go to: http://www.phfa.org/hcp/

ECONOMIC DEVELOPMENT:

Effective community development approaches in weak market settings must have as one of their components a strategy that develops the economy of the areas. A number of weak market cities are using methodologies developed by the Initiative for a Competitive Inner City and others that base economic development approaches on industry clusters that have promise for long term economic health. This approach is consistent with a more general "building from strength" theme. Often the points of strength are business clusters, and long-standing city-based institutions like universities and hospitals. In addition, neighborhood economic development strategies include efforts to strengthen older retail areas, helping them become areas able to serve improving neighborhoods.

PROMISING PRACTICE: ECONOMIC DEVELOPMENT

Cool Space Locator: The Cool Space Locator (CSL) is a nonprofit commercial real estate brokerage company that is helping to bring businesses back to Pittsburgh's inner-city neighborhoods. Founded in 2001 with seed funding from the Pittsburgh Partnership for Neighborhood Development, CSL is a joint venture between three community development corporations in the neighborhoods of Oakland, the South Side, and East Liberty.

The goal of CSL is to recycle forgotten buildings in the inner city for businesses in the new economy and in the process, create a model for sustainable growth. CSL focuses its site searches in a part of the city known as the "technology crescent"—a wide swath of the city that covers about 10 distinct neighborhoods. All are within a 15-minute drive of downtown Pittsburgh, and all are also convenient to the University of Pittsburgh, Carnegie Mellon University and several major hospitals. The eclectic character and historic architecture found in the Crescent neighborhoods enhance their appeal to CSL's primary customer – small tech and design firms looking to locate in an authentic urban setting.

Cool Space Locator takes on assignments for companies with tiny budgets and small space needs that a private real estate broker couldn't afford to spend time on. In general, its deals are small, between 500 and 5,000 square feet, and undertaken for companies that often are making their first move to formal office space. CSL charges commissions like other brokerages, with rates varying from deal to deal. To date, their accomplishments have been impressive. In 2002, CSL has helped 10 start-up companies find the space they need, and provided assistance to 71 others. In total, these new firms will bring approximately 335 new employees to these neighborhoods.

To find out more, go to: www.coolspacelocator.com/

MEASURING IMPACT:

Partnerships and others working in weak market cities are placing increasing emphasis on measuring results and impact of the community development system. There is a growing awareness to be able to translate short-term investments into long-term outcomes that improve the economic well being of residents. While progress has been made in this area, there is a continuing challenge to find ways to measure some of the less quantifiable outcomes of the community development system.

PROMISING PRACTICE: MEASURING IMPACT

Neighborhood Vital Signs Project: The Baltimore Neighborhood Indicators Alliance (BNIA) is providing detailed reporting on the changing conditions of that city's neighborhoods through their Neighborhood Vital Signs Project.

The vital signs were developed through a series of focus groups with neighborhood residents and leaders from across Baltimore. The groups were challenged to think differently about the future of their neighborhoods and come to consensus on long-term neighborhood goals and indicators to measure relative to the following topic areas: Housing and Community Development, Children and Family Health, Safety and Well-being, Workforce and Economic Development, City Services, Urban Environment and Transit, and Education and Youth.

The vital signs measure not only the current conditions of each neighborhood, but attempt to measure the improvement of these conditions over time and toward end goals that are collectively established by multiple stakeholders.

In November 2002, BNIA released the baseline report, Vital Signs for Baltimore Neighborhoods. The report provides the starting point from which the ups and downs of Baltimore neighborhoods' Vital Signs will be measured.

To find out more, go to: http://www.bnia.org/

BUILDING A WEAK MARKET POLICY FRAMEWORK

The examples described above, and the systems that have been created, have succeeded despite a policy and program environment that often fails to recognize the particular goals and needs of these weak market places. Shifts in policies and approaches at the national, state, and local levels would make it easier for these weak market cities to achieve their goals. The components of a weak market policy framework include:

1. BUILDING A BELIEF SYSTEM THAT IMPROVING MARKETS IN WEAK MARKET CITIES IS BOTH POSSIBLE AND DESIRABLE POLICY.

There are two obstacles to overcome. First, despite the evidence of progress in many weak market cities, in some circles there is still deep skepticism that markets can be strengthened in distressed cities. Some argue that these broad market forces are inevitable and that nothing can be done to reverse them. Second, and at the other end of the continuum, are those who believe that cities are so hot that it is only a matter of time before all markets take off. Those with this belief system argue that proper policy is to avoid stimulating markets because it will lead to gentrification at some future point.

Both of these positions must be confronted. Weak market cities can make the case that there are abundant examples of successes in creating stronger markets. The fear of gentrification is overstated in these locations because the strategies are multi-faceted and involve market building, affordable housing, and efforts to improve the economic opportunities for low-income persons.

2. GETTING TO SCALE.

The path to weak market success is typically not at the level of a single house or serving a particular need group, but rather at a scale that can have the desired market effects. This often means matching the approach to a market area so that the intervention can have the intended effect. This is more an art than science, but the principle remains valid, that the deeper and broader the distress, and the weaker the market setting, the more dramatic and comprehensive the approach that needs to be taken.

Working at the right scale is a challenge to a city's aggregate capacity—its overall ability to finance projects of large scale, its technical capacity to formulate strategies for large-scale interventions, and its overall capacity to execute large-scale efforts. Each community development partner must play the appropriate role.

In each of the cities studied, community development nonprofit groups are playing an important role, but typically their work only makes a modest contribution to large-scale projects because of inherent limitations on what community-based groups can handle. Because of the scale of abandonment in many of these neighborhoods and the investment that is needed, it is unrealistic to rely solely on community organizations to lead this change. Large-scale initiatives demand significant public investments and may benefit from for-profit developers partnering with non-profits. Community groups have a role to play in neighborhood change strategies but may not be the drivers of the agenda in every instance.

3. BUILDING MARKETS IN WEAK MARKET CITIES REQUIRES NEW COALITIONS.

The coalitions needed to support community development in weak market cities and regions are different from those in hot market cities. Building markets is difficult, particularly in areas where markets are growing very slowly (or not growing at all) regionally. Weak market cities demand recognition of interdependence among these stakeholders and a greater degree of cooperation and collaboration. Neighborhood, city, and regional agendas need to come together and there needs to be cooperation between entities.

These new coalitions however, will ask key stakeholders to look anew at how they go about their business. In order to work effectively in this new market-based context, key stakeholders will need to acquire new skills and, in some cases, re-orient their strategies for doing business. The challenges to the key stakeholders have the following dimensions:

Community-based organizations, especially CDCs. Community-based organizations are a critical part of any weak market agenda because they can help ensure that the approaches being taken are based on the realities of the market conditions in their areas. Community-based organizations, like real estate agents and others who have their ear to the ground and can read subtle changes in market forces, have the potential to shape community interventions based on knowledge of market forces.

However, for many neighborhood-based groups, working in a market context is a departure from their traditional way of looking at their communities. Many groups have looked at the problems in their neighborhoods—the deficiencies—and have sought to remedy them through government action. Because succeeding at transforming weak markets is, in large part, about creating communities of choice, community developers need new skills and tools to understand the market forces in which they operate – often some of the worst markets in the region. They need to develop strategies that leverage and connect those market forces to the larger region. Finally, because success depends on building partnerships with city and other civic leaders, community developers must learn to be politically savvy as well.

COMMUNITY DEVELOPERS NEED NEW SKILLS AND TOOLS TO UNDERSTAND THE MARKET FORCES IN WHICH THEY OPERATE – OFTEN SOME OF THE WORST MARKETS IN THE REGION

Local governments. Local governments must increase their skill level in setting strategies that (a) work in partnership with other community development stakeholders; (b) tailor their community development efforts to market conditions in various neighborhoods; (c) improve municipal services that are critical to strengthening markets—public safety, schools, neighborhood amenities; and, (d) distinguish between efforts that serve need groups with products and services, such as affordable housing and job training, from efforts to stimulate neighborhood markets and economies.

Working in weak markets also requires a degree of "tough love" on the part of local government leaders. From a regional or citywide perspective there must be the recognition that local governments do not have enough resources to do the job in all of the neighborhoods at once. So they must be selective in order to ensure impact – a process that inherently means difficult, and politically charged, decision-making.

State governments. State governments can play a very important role in partnering with local governments and other community development stakeholders in (a) directing economic development efforts to strengthening weak market locations—an approach that can be a critical part of smart growth strategies; (b) providing tax credits to businesses that make grants to nonprofits working in community development; and (c) directly funding nonprofit groups working on the improvement of weak market locations.

Federal Government. The Federal Government does not have an orientation or set of programs that are aimed at strengthening weak market cities. Programs like Live Baltimore Home Center that are working to attract people of all incomes to Baltimore receive no federal help. Philadelphia's Neighborhood Transformation Program is forced to proceed without the Federal Government as an important partner. While there are some programs that are helpful to weak market cities—Brownfields, HOPE VI, and the Historic Tax Credit, for example—for the Federal Government to be helpful it must accept that the goal of market building is as important to weak market cites and neighborhoods as is affordable housing.

Financial Institutions. The Community Reinvestment Act (CRA) and its regulations have stimulated significant lending from regulated banks for low and moderate-income people. A broadening of the guidelines regarding CRA to give credit toward meeting CRA requirements to lenders that are financing all kinds of real estate in weak market locations could increase the amount of capital provided to these areas.

The Business Sector. Over the past three years, ICIC and Inc Magazine have joined to name and honor annually the Inner City 100. These are businesses that are growing rapidly in inner cities throughout the nation. The identification and documentation process for this program has provided ample evidence that there are many companies thriving in what are weak market areas. The challenge to the business sector is to take a close look at the business opportunities that exist in these areas. Other key partners in the community development system need to make it clear to businesses that there are opportunities for honest profit in these areas.

Businesses and business organizations can also be effective civic partners in strengthening markets in these areas as well. Corporations, small business, and lenders have an especially important role to play as partners in working on the strengthening of markets in weak market areas. Leadership from the business sector can be very effective in moving government in the right direction.

In addition, private for-profit real estate developers can be crucial partners in building market strength. They often have large amounts of capital available and sophisticated real estate development capability. In each of the four cities studied, they are playing a welcome role in stimulating markets through their private real estate investments. Getting this sector to work in tandem with the other partners is key.

Large Urban Institutions. Hospitals, colleges and universities, and other institutions that are located in weak market cities have become important partners in developing programs and projects in their cities. An example of a partnership between a large institution and neighborhood-based groups is the University of Pennsylvania which is leading a coalition of community-based institutions and groups to improve a large area of West Philadelphia adjoining its campus. The work of this coalition has had neighborhood improvement and market change as its goal, and the results are striking. The population of the area increased, while Philadelphia's was shrinking. Housing values increased 59% from 1995-2001, well above the citywide average increase of 29%. Streets are cleaner, brighter, and safer; a new public school has been built, and commercial and residential blight is being removed and rehabilitated at scale. Large institutions like the University of Pennsylvania can be major leaders in helping weak market cities improve.

Philanthropies. The philanthropic sector has an important role to play as stewards for innovative strategies that are necessary but often fall outside of the more narrow limitations of governmental programs. Providing funding for innovative programs, research, and new ideas that will work to complement government policies and programs is critical to helping weak market cities get to scale. For example, philanthropies can support skill-building strategies to help community-based groups learn how to plan and implement market-based revitalization strategies. They can underwrite innovative programs to help build assets and wealth of low and moderate-income persons through economic development strategies such as small business development, housing rehab loan funds, and other programs that view economic growth as a desirable outcome. Philanthropies can also use their grant funds and capital from program related investments to provide credit enhancement in weak market locations to stimulate capital investment from others.

Community Development Partnerships. Though historically focused on capacity building strategies for CDCs, community development partnership organizations are uniquely positioned to be the place where the various interests involved in supporting community development come together and work on a common agenda. Because CDCs are typically not the exclusive entities working in neighborhoods, it is sometimes necessary that the partnership play a role of helping to bring the various development interests together; government, philanthropic, private sector, and other stakeholders.

The partnership can play several additional roles as well. It can "keep everyone honest" by maintaining learnings, setting standards, and documenting progress. It needs to help build specific capacities within the community-based organizations, particularly this market understanding and the political skills necessary to address neighborhood change. Finally, the partnership will need to assume a more significant role in policy, at the city and regional level, and as an advocate for the correct resources being brought to the table.

4. DEVELOPING THE RIGHT POLICY AND PROGRAM TOOLS TO AID WEAK MARKETS.

Weak market cities are in need of a different set of policy and program tools than fast growing markets or traditional community development initiatives. While we have cited some of these in the four cities studied, more flexibility and help is needed to achieve the level of innovation, replication, and scale that is required for weak market cities to succeed at a greater scale. In some cases, additional policies and reallocation of resources is necessary. Some of the program and polices areas to be addressed include:

Creating Home Ownership Opportunities. Few tools currently available provide support to cities that are seeking to strengthen markets. Weak market cities need tools that will encourage people to move in and buy homes. Programs at HUD, for example, are generally limited to low-and-moderate income groups—a set of Americans clearly in need of federal help. However, there is virtually no help to cities trying to hold and grow wealth among its residents by strengthening their neighborhoods.[9]

In weak market situations, funds are needed to help with income integration by providing an incentive to people above 80 percent of median to move into weak market neighborhoods. One example of such a program is the tax credit available today to any out-of-town buyers within certain income limits that buy a home in Washington, DC. Eligible buyers are able to take up to a $5,000 credit on federal taxes for purchasing a home anywhere in the District. Similar programs are needed in weak market cities.

Financing Tools. More flexible financing tools should be put in place to support mixed-income housing development. In addition, funds for rehab for homes in weak market cities are needed. The federal Community Reinvestment Act encourages financial institutions to make loans to low and moderate income borrowers and to others for the benefit of low and moderate-income users. However, there is no federal encouragement for lenders to provide financing in recovering neighborhoods to attract middle income buyers and investors looking to rent to middle income tenants. The development of additional financing tools that would help weak market cities finance mixed-income housing would be very helpful to these cities.

[9] Even the CDBG program is being reduced in weak market cities, in part, because the allocation formula reduces funding levels when populations shrink. Based on 2000 census information, each of the cities in this study will lose CDBG funds: Philadelphia: Loss of $5,587,000 (8.0%); Pittsburgh, loss of $1,180,000 (5.4%); Cleveland, loss of $1,549,000 (5.0%); Baltimore, loss of $1,619,000 (5.3%).

Land Assembly Policies. Weak market cities typically have a substantial amount of vacant buildings and land. One of the ongoing challenges is maneuvering through the city system to assemble and make ready these parcels for redevelopment. City government in weak market cities should prioritize the overhaul of these processes to enable redevelopment. Lessons can be learned from the four cities highlighted here.

At the federal level, with the exception of the Brownfields program, there are no federal programs that help weak market cities with land acquisition, clearance, environmental remediation, etc. Furthermore, there is no assistance from the federal government in helping cities with weak market projects of scale. Other than the Empowerment Program (not currently funded) and HOPE VI program, (for very special large-scale efforts), the federal government is not a partner with cities in large-scale efforts. Federal support for land assembly programs highlighted here, such as NTI in Philadelphia and Project 5000 in Baltimore are needed.

Economic Development. Funding to support neighborhood commercial revitalization efforts is in short supply. The National Trust for Historic Preservation's Main Street program has demonstrated that commercial streets, even in weak market locations, can be improved. Building thriving commercial districts is a key tool for recruiting and retaining residents in weak market neighborhoods. Foundations, government, and businesses can play a leadership role in supporting these efforts.

Community Organizing and Planning. Community-based groups need to increase their capacity to provide community leadership as well as to engage in more sophisticated planning efforts that relate to markets as well as the regional context and smart growth.

Analysis and Impact Assessment. Weak market cities need much better tools to analyze market conditions of neighborhoods, cities, and regions. They also need better mechanisms for assessing impact of local efforts and tracking economic changes among local residents. Again, this is an opportunity for philanthropy to step in as well as for local educational institutions to provide leadership and expertise.

MOVING AHEAD - ACTIONS FOR THE FIELD

In commissioning this paper, the Community Development Partnership Network (CDPN) hoped to provide a small, but critical, first step towards re-orienting local and national community development discussions and investments around the needs of weak market places. In particular, we hope that this paper provides a framework for developing a more market-oriented approach to local and national community development that seeks to stimulate investment while promoting equity for low and moderate income households and small businesses.

For each of the four cities studied here, we recommend that this paper be used to facilitate an internal dialogue among key local stakeholders that focuses on the programs, policies, and investments that are currently in place and examines their effectiveness in meeting the needs of weak markets. From this examination we hope that stakeholders will be able to identify where additional action is needed to fill in the gaps or bring programs to scale to more effectively build markets and stimulate investment. This paper can also be used to facilitate information sharing across these four constituencies to foster documentation and replication of promising practices.

At the national level, we offer this paper as a challenge to weak market constituents nation-wide to build a collective voice for their agenda. Perhaps this paper can be used as a basis for a national meeting of stakeholders from weak market cities representing both traditional and non-traditional community development interests — community development partnerships, community-based groups, local and national philanthropies, local and state government officials, business leaders, national intermediaries and policy organizations. We would encourage the participation of other national networks in this discussion including the National League of Cities and U.S. Conference of Mayors, the Neighborhood Funders Group and the Funders Network for Smart Growth, LISC and Enterprise, the National Congress for Community Economic Development, ICIC, PolicyLink, and others.

THIS PAPER PROVIDES A CRITICAL FIRST STEP TOWARDS RE-ORIENTING LOCAL AND NATIONAL COMMUNITY DEVELOPMENT DISCUSSIONS AND INVESTMENTS AROUND THE NEEDS OF WEAK MARKET PLACES

Such a convening would provide an important forum for sharing effective programs, policies, and tools as well as a platform for a dialogue on the unique community development needs of weak market cities and is an essential next step towards the identification of a fuller set of policy and program recommendations for these places.

NOTES

THE COMMUNITY
DEVELOPMENT
PARTNERSHIP NETWORK