

Managing Neighborhood Change

A Framework for
Sustainable and
Equitable Revitalization

By Alan Mallach

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MANAGING NEIGHBORHOOD CHANGE A FRAMEWORK FOR SUSTAINABLE AND EQUITABLE REVITALIZATION

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THIS PUBLICATION OFFERS CDCs, local officials, and other stakeholders, including local institutional, business, and community leaders, a new way to look at how they can manage neighborhood change in order to bring about sustainable and equitable revitalization. It is based on a simple idea: The most powerful lever for neighborhood change is change in the demand for housing in the neighborhood. Change in the residential real-estate market can lead to a stronger, healthier neighborhood. At the same time, market change can take problematic forms, leading to undesirable outcomes. It can be driven by speculation, triggering little or no improvement in the community's quality of life, or it can disrupt established communities, displacing long-time low- and moderate-income residents.

Higher house prices without improvement to neighborhood vitality and quality of life is neither positive nor sustainable, while change that leads to displacement of an area's lower-income residents is not equitable. This proposition defines the central question for all those struggling with the task of revitalizing urban neighborhoods: how to build both a stronger housing market and a healthier neighborhood while ensuring that the community's lower-income residents benefit from the neighborhood's revitalization.

The discussion that follows is designed to help answer that question. It shows how community stakeholders can help unleash the power of housing-market demand, but also where necessary harness it in the interest of equitable revitalization. In particular, it addresses how to know when to pursue which strategy or combination of strategies, in order to bring about sustainable and equitable neighborhood revitalization.

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I. FRAMING THE ISSUE

NEIGHBORHOOD CHANGE IS a constant in American cities. After World War II, older cities lost much of their population and economic activity to the emerging suburbs. Many once-stable urban neighborhoods collapsed as their middle class left, leaving lower-income people with diminishing employment opportunities, dilapidated housing, poor schools and public services, and rampant crime. Other neighborhoods lost vitality, as abandoned properties began appearing on well-maintained streets, crime rose, and vacant storefronts punctuated once-thriving neighborhood commercial strips.

Private capital fled these cities and neighborhoods. Fewer people—particularly people with money—chose to live in urban areas, older industries became less competitive, and fewer new businesses chose to locate in urban downtowns or neighborhood commercial corridors.

As real-estate values declined, many owners stopped investing in their properties, creating the blight of abandoned properties that still characterizes many American cities.

That pattern has changed dramatically since the 1990s. Demand for urban living has grown, fueled by immigration, increased demand for lively, walkable environments, a growing preference for urban environments on the part of both young adults and empty-nester baby boomers, constraints on suburban development, and the emergence of new enterprises and technologies more oriented to urban life. Since 2000, these forces have fueled dramatic increases in home prices not only in global cities such as New York, Chicago, and Los Angeles,

but also in smaller cities such as New Haven, Conn., or Elizabeth, N.J.

Since 2000, home values in many urban neighborhoods have skyrocketed. Owners of rental properties have upgraded them in order to charge higher rents or convert them to condominiums, while developers bought once-worthless vacant lots to build infill housing. Tax delinquencies have declined, and city-owned property inventories have dwindled. Long-time tenants and homeowners have come to face growing pressure from higher rents and property taxes. Even in many cities that have not experienced overall market change, such as Pittsburgh or Cleveland, individual neighborhoods have experienced dramatic transformations.

Growth takes place in cycles. Since 2006, the market transformation that seemed so overwhelming has lost much of its steam, while the foreclosure crisis triggered by the proliferation of unsustainable subprime mortgage lending has placed many urban neighborhoods, including many that appeared to be thriving only a few years earlier, once again at risk. Many CDCs that only recently were addressing the issues stemming from market appreciation are now trying to preserve their gains from a wave of foreclosures. Even so, these developments represent a pause, not a reversal, of the long-term trend of urban reinvestment and market change.

The forces that trigger change in a neighborhood's real-estate market come from both outside and inside the neighborhood. They include internal physical, social, and economic changes, as well as citywide, regional, and even global market and economic forces. As the housing market—demand

FIGURE 1: FACTORS AFFECTING NEIGHBORHOOD MARKET CONDITIONS



for houses and the prices they command—changes, other features of the neighborhood change. Housing-market change is not only a powerful force for other forms of neighborhood change; without a healthy housing market, it is difficult, if not impossible, for a neighborhood to become a vital, healthy one.

Why is housing-market change so critical? A neighborhood’s vitality is the sum of how attractive it is as a place for people to live, including the desirability of its housing stock, its safety, the quality of its schools and natural environment, as well as the degree to which its residents are committed to it, and engaged with the neighborhood and one another. That vitality is powerfully affected by the extent to which individuals choose to live in that area rather than other areas to which they could move, given their means and their locational needs. This is particularly true in 21st-century America, where both people and jobs are highly mobile. Many traditional forces that may have once sustained neighborhood vitality independent of the market, such as ethnic identity or attachment to a particular institution—such as a factory, church, or social club—have diminished, and can no longer provide the glue to hold a neighborhood together.

When people choose to move into a particular neighborhood, they are likely to act in ways that enhance neighborhood vitality. If people live in a neighborhood because they lack choices, and residents with the resources to do so leave rather than stay

and improve their homes, that neighborhood’s social cohesion and vitality are far more likely to deteriorate rather than improve.

When increasing numbers of people choose to live in a neighborhood, the area’s real-estate market becomes stronger. Increased real-estate market strength—reflected in strong housing prices and a healthy rate of appreciation over time—will most often also lead to important changes in the way area property-owners behave. Both homeowners and absentee owners are more likely to invest in their properties, contractors are more likely to build new infill housing and rehabilitate vacant properties, and there will be fewer tax delinquencies and foreclosures. Residents who see their neighborhood improving are likely to be more attached to the area. Upwardly mobile homeowners will be more likely to stay in their present homes—or buy new homes in the same neighborhood—rather than move out.

At the same time, simply having a competitive residential market does not ensure a neighborhood’s vitality. While real-estate change can trigger positive change in other neighborhood conditions, it does not guarantee it. Higher housing costs, particularly when they are spurred by regional housing shortages or speculation rather than enhanced quality of life, can undermine the social fabric that gives a neighborhood its vitality, triggering changes—such as reduced affordability and greater residential overcrowding—that may reduce rather than improve the



quality of life. Even where higher costs are grounded in sustainable improvements in the neighborhood's quality of life, as the neighborhood improves a stronger market may increase pressure on lower-income residents by making the neighborhood significantly more desirable to others of higher incomes.

There is no single way to eliminate the tension between market change and potential problems for a neighborhood's lower-income residents, but the ability of any stakeholder to frame a useful solution for a particular community hinges on one critical step: the ability to think clearly about the neighborhood from a market perspective and to frame a strategic approach to change that recognizes the value of both fostering a stronger real-estate market and fostering equitable, balanced revitalization. In other words, to lead, not follow the change.

Leading neighborhood change is not a linear

process, but a series of closely interrelated steps and activities:

- *Understanding neighborhood change.* Understanding what is going on from a housing-market perspective and tracking market change in the neighborhood over time;
- *Building the market.* Framing and implementing strategies to build a stronger real-estate market in weak-market areas;
- *Promoting equitable revitalization.* Framing and implementing effective strategies to ensure that lower-income neighborhood residents benefit from neighborhood change; and
- *Changing strategies over time.* Understanding how to shift strategic directions as conditions change, and recognizing which strategies are most suitable at what points in a neighborhood's course of change. ▲

II. UNDERSTANDING NEIGHBORHOOD CHANGE

ALL NEIGHBORHOODS ARE different. They vary in location, the character of their housing stock, or their mix of housing, shopping, and industry. All neighborhoods are affected, however, by a similar combination of social, economic, and other forces.

When it comes to the housing market, neighborhoods tend to fall along points of a continuum, from the strongest neighborhoods, with the greatest housing demand and the highest prices, to the weakest, where there is little demand and prices are low. There is often a close relationship between the strength of a neighborhood's housing market and many other factors, including tax delinquency, the vacancy rate, the homeownership rate, the level of homeowners' investment in their properties, and the volume of new construction.

While there may be as many points along the continuum as there are neighborhoods, most fit into a finite number of categories. By assembling information on the factors that relate to a city's or region's neighborhood market conditions, one can create a city- or region-specific housing-market typology of neighborhoods. [Table 1].

Although any typology is a simplification of reality, the following six-category typology highlights the important differences between neighborhoods, while still being a small enough number to be easily grasped and managed.

Certain factors tend to be associated with one another. In areas with high housing prices, for example, both owner-occupied and rental properties will usually be better maintained, and vacancy rates will be lower, than in areas with lower prices. Homebuyers

are more likely to be owner-occupants than absentee buyers, and infill lots will quickly be developed by private builders. Historically, most community development corporations (CDCs) have tended to work in neighborhoods that fall into categories one through three, where market conditions are weak, and the intervention of a local government or a non-profit community-based organization may be critical to the future health of the neighborhood.

Changes in any of the features shown in the table often highlight meaningful neighborhood change. An increase in the share of one- or two-family houses bought by absentee owners in a high-value area can be a warning sign of potential decline, while an increase in the number of middle- or upper-income buyers in a lower-value area may reflect positive housing-market change.

Why is it important to understand these relationships? Every strategy to foster any type of neighborhood change strategy is based on assumptions about the local conditions. It is difficult to develop an effective strategy either to move the housing market or mitigate its effects unless one understands the neighborhood's market conditions and dynamics. Without that information, many neighborhood strategies are little more than guesswork. In contrast, an understanding of the area's market features can help practitioners and policymakers to craft informed decisions about goals and strategies for guiding neighborhood change. In an area with a weak housing market, the goal is likely to be to build a stronger one; in an area with a rapidly improving market, it may be to preserve affordable housing or minimize displacement.

TABLE 1: TYPOLOGY OF NEIGHBORHOOD HOUSING-MARKET FEATURES

TYPE	HOUSE PRICES	BUYERS	CONDITION OF HOUSING STOCK
6	Prices are high by regional standards	<ul style="list-style-type: none"> • Demand exceeds supply • Homebuyers substantially exceed absentee buyers • Homebuyers are largely upper-income 	<ul style="list-style-type: none"> • Houses well maintained • Very low vacancy rate • High level of reinvestment or replacement in existing housing stock • Infill lots quickly reused by private builders
5	Prices are high by city standards	<ul style="list-style-type: none"> • Demand moderately exceeds supply • Homebuyers substantially exceed absentee buyers • Homebuyers are middle- and upper-income 	<ul style="list-style-type: none"> • Houses well maintained • Low vacancy rate • High level of maintenance but only moderate reinvestment or replacement in existing housing stock • Infill lots sometimes reused by private builders
4	Prices are average or slightly above average by city standards	<ul style="list-style-type: none"> • Demand and supply in balance • Homebuyers moderately exceed absentee buyers • Homebuyers are largely middle-income 	<ul style="list-style-type: none"> • Most houses well maintained, but exceptions are visible • Moderate vacancy rate, scattered abandoned properties • Moderate level of maintenance and reinvestment • Infill lots rarely reused by private builders
3	Prices are average or slightly below average by city standards	<ul style="list-style-type: none"> • Supply beginning to exceed demand • Mix of homebuyers and absentee buyers • Homebuyers are largely moderate-income 	<ul style="list-style-type: none"> • Most houses well maintained, but increasing number are not • Moderate vacancy rate, scattered abandoned properties • Moderate level of maintenance, with increasing evidence of disinvestment • Infill lots not reused except for scattered subsidized housing
2	Prices are below average by city standards	<ul style="list-style-type: none"> • Supply exceeds demand • Absentee buyers exceed homebuyers • Homebuyers are low- and moderate-income 	<ul style="list-style-type: none"> • Some houses well maintained, but many show evidence of disinvestment • High vacancy rate, scattered abandoned properties on most blocks with abandoned property clusters emerging • Low level of maintenance, with increasing evidence of disinvestment • Infill lots not reused except for scattered subsidized housing
1	Prices are substantially below average by city standards	<ul style="list-style-type: none"> • Supply substantially exceeds demand • Buyers are predominantly absentee buyers • Few homebuyers at any income level 	<ul style="list-style-type: none"> • Most houses show evidence of disinvestment • Very high vacancy rate with widespread abandonment • High level of disinvestment • Infill lots not reused except for scattered subsidized housing



Nevertheless, understanding a neighborhood's existing housing-market conditions merely provides a snapshot of a moment in time. It can only tell a CDC practitioner or a city planner where to begin. Neighborhoods are constantly changing, not only in their real-estate market but in other ways that influence housing demand, such as crime, neighborhood schools, or small business activity. Thus, stakeholders need to be able to track how the neighborhood is changing, so that they can see what strategies are working, and when to phase them out in favor of new ones.

To describe neighborhood conditions and track them as they change, a variety of academic institutions as well as organizations such as the Baltimore Neighborhood Indicators Alliance have developed what are known as “neighborhood change indicators”—statistics and other measures that enable a community to assess where it stands and where it is going, to evaluate its strategies, and change course as conditions change. Indicators of housing-market change can include house prices, the number of home sales, the incomes of new homebuyers, or the number of property-tax arrearages. Overall neighborhood change can be measured through many other indicators, including crime rates, incidence of health conditions such as lead poisoning or asthma, new business starts, or organizational participation.

CDCs and local planners seeking to use indicators to track change in their communities can find assistance from a variety of sources. The National Neighborhood Indicators Partnership at the Urban

Institute (www2.urban.org/nnip) provides many examples of how indicators are being used around the country, as well as guidelines for developing local indicators. The Success Measures project at NeighborWorks America offers a complete package of CDC-oriented indicators along with training and technical assistance. Finally, help may be available locally through university-based centers and individual researchers, many of whom are eager to offer their skills to help community-based organizations in their efforts, as has been the case in communities such as Cleveland, Minneapolis, or Los Angeles.

As a neighborhood changes, the programs and activities that are most effective in achieving community goals will change. A CDC must understand how to shift from an environment where market-building is the priority to one where the focus is on preserving affordability and minimizing displacement. Within that broad framework, neighborhood change demands regular and frequent reappraisal of the specific programs and activities being pursued. For example, a land-banking strategy may work well when the demand is weak and land is inexpensive. As the housing market gets stronger, it will not work as well and ultimately may cease to be cost-effective. At that point, an inclusionary program, requiring developers to include affordable housing in market-rate developments, which would have gone nowhere in a weak market, may become not only feasible, but a highly productive strategy to create affordable housing in a strong-market environment. ▲

III. BUILDING THE MARKET: OVERCOMING MARKET DEFICIENCIES

IF A NEIGHBORHOOD'S residential real-estate market is weak, the neighborhood is unlikely to be healthy in other ways. Organizations working in such neighborhoods should see building a stronger housing market as a key part of their strategy for neighborhood change. It should not be the only strategy for change, because many other forces affect neighborhood health and need to be addressed. Many seemingly unrelated strategies, however, from crime-fighting to building a community park, may play a role in market-building. A CDC, therefore, should not only have a market-building strategy, but should look at other strategies not only as ends in themselves, but as contributions to the market-building effort.

Influencing neighborhood choice

Market-building is about people making choices. Neighborhood housing-market change happens when more individuals choose to invest their financial and emotional resources in a particular neighborhood. The investor can be a family moving into the region selecting where to buy a house, a family already living in the neighborhood deciding whether to improve its present house or move elsewhere, or a builder deciding whether to buy a vacant lot or build on it. Their decisions are driven by how they evaluate the features of the neighborhood. Market-building is about changing the features of the neighborhood that affect the likelihood that people will choose it rather than somewhere else as a place to put their money and make their personal commitment.

The most important decision-makers are the people who already live in the neighborhood and future homebuyers, whether already in the neighbor-

hood or outside. Every neighborhood has families whose income rises through a better job or business success. Market-building is as much or more about holding those families in the neighborhood as about attracting new families into the area.

Buyers typically start out by defining their housing needs and financial limits. In most regions, most middle- or upper-income buyers have many different neighborhoods in which they can find homes within their means. Where they search is defined by the information they have. Buyers will consider buying in certain neighborhoods, reject some areas, and not even consider others based on the information that they get about neighborhoods within the region. The choice they finally make is often based less on the desirability of a given house than on neighborhood stability and amenity value.

While "neighborhood stability" can mean many different things, it is used here to refer to those physical, economic, or social features of the neighborhood that are associated with the preservation and potential increase in the value of a property-owner's investment in a neighborhood. Neighborhood "amenity values" refer to the features of a neighborhood that contribute to the quality of life of its residents, and which are also likely to have an effect on the neighborhood's competitiveness in the residential marketplace.

A CDC or local government can pursue some combination of three distinct strategic approaches to influence buyer choice, depending on the assets and problems of the neighborhood and its housing stock:

- Increasing the desirability of the neighborhood's housing stock
- Increasing the stability of the neighborhood

- Increasing the amenity value (or quality of life) of the neighborhood

By increasing neighborhood quality in these three areas and effectively disseminating information about the neighborhood's assets, the CDC or local government can enhance the neighborhood's competitive position and build its housing market.

While buyers ideally would like to buy the best house in the most stable, high-amenity area, nearly all buyers are to some extent limited in their choices. Few buyers have unlimited funds, and the weight each prospective buyer gives the different features of the house or neighborhood varies widely. Buyers will forego some amenities if they can secure the amenities that matter most to them. For example, a single artist might buy a larger, architecturally distinctive house in a less stable area, while a young couple with children might buy a more modest house in an area with higher amenity values they are seeking, such as good schools.

The reality that people differ on what they regard as most important in their housing choices carries an important strategic message. A region or city is not a single housing market. The market is the sum of a series of separate submarkets, varying by age, education, ethnicity, and other factors. Each submarket has its own preferences. Many developers and local governments identify separate submarkets based on lifestyles and residential choices in order to use this information to find the best fit between a particular group's preferences and a neighborhood's assets, and more effectively market individual projects or a neighborhood as a whole. The choice of strategies should always take into account the nature of the specific submarkets the neighborhood is trying to attract.

Increasing the desirability of the neighborhood's housing stock

The typical homebuyer looks to see where she can find housing that fits her needs and means, and whether the price of the housing and its appreciation potential are acceptable in light of the features of the house and its neighborhood. As a result, the first question in framing market-building strategies is whether the neighborhood's housing stock is competitive with other areas; if not, how can it be changed to become more competitive?

There are four distinct market deficiencies that may exist in the housing stock, rendering the housing stock

less competitive, discouraging people from investing in it, and hindering the neighborhood's revival:

- Physical characteristics of housing do not reflect market demand
- Cost to build or rehabilitate housing exceeds market value of new or improved property
- Properties in neighborhood are not appreciating, or are losing value
- Potential buyers are unaware of availability of desirable housing stock

Each of these can be addressed by market-building strategies.

The quality and pricing of the housing in neighborhoods with weak market demand varies widely. Some areas have many attractive houses that would be highly desirable if located in other neighborhoods. Other areas may contain properties that are too small or otherwise less attractive to today's buyers. While in some cities CDCs have built new housing markedly different from the neighborhood's traditional stock to draw potential buyers, seemingly unsuitable properties can sometimes be turned into an asset. The Azalea Park neighborhood in San Diego built a successful revitalization strategy by marketing its charming but small bungalows to the region's gay community. CDCs in Baltimore and Philadelphia have combined small townhouses to create larger, more desirable homes.

The problem may not be the physical character of the stock, but its pricing or market value. The area may have a market for houses in good condition but no market for vacant houses requiring major rehab, because the rehab cost may exceed the market value of the house. Those areas will have vacant boarded houses scattered throughout, pushing down the value of the occupied properties. In such a neighborhood, a productive strategy might be to offer incentives for families to buy vacant properties and rehabilitate them for owner-occupancy. That will both make those properties competitive with sound properties and remove the fiscal drag that they represent on other houses, thus removing a constraint on overall market change.

Another financial constraint, particularly in older industrial cities, is the buyer's concern that the property will not appreciate, or even lose value, over time. How to address this issue may vary. Some CDCs and

TABLE 2: STRATEGIES TO INCREASE THE DESIRABILITY OF THE NEIGHBORHOOD HOUSING STOCK

MARKET DEFICIENCY	STRATEGY
Physical characteristics of housing stock do not reflect market demand	<ul style="list-style-type: none"> • Create large-scale market-changing or transformative redevelopment projects • Build new housing in smaller developments or scattered throughout the neighborhood designed to meet target-market demand • Create housing to meet demand through rehabilitation and reconfiguration of existing stock • Create housing to meet demand through adaptive reuse of nonresidential structures, such as industrial loft buildings
Cost to build or rehabilitate housing in neighborhood exceeds market value of improved property	<ul style="list-style-type: none"> • Provide incentives for individuals to build or rehabilitate housing for owner-occupancy • Use capital subsidies to enable developers or CDCs to build or rehabilitate housing to sell to homebuyers
Properties in neighborhood are not appreciating or losing value	<ul style="list-style-type: none"> • Provide equity-protection insurance
Potential target markets are not aware of availability of desirable housing stock	<ul style="list-style-type: none"> • Carry out neighborhood target-marketing • Undertake neighborhood promotional activities • Increase effectiveness of real-estate brokerage activities in neighborhood

local governments believe that the lower the price of the property and the greater its quality relative to its price, the less the prospective buyer will care about appreciation. Others address this issue indirectly by focusing on strategies such as reducing abandoned properties or improving schools, both of which relate closely to the likelihood of appreciation. A nonprofit organization in Syracuse, N.Y. has set up an equity-protection insurance program under which homeowners can buy insurance that ensures that they can get the value of their home back on resale, even if the market value of properties in their area declines.

Finally, lack of information can be another deficiency of the neighborhood's housing stock. If prospective buyers cannot get good information about the neighborhood's homes, they are unlikely to consider moving there, even if the homes might fit their needs. This problem is common in inner-city neighborhoods, which are often poorly served by the real-estate industry. Similarly, people who move into a new area to take a suburban job are unlikely to learn about urban housing opportunities from their largely suburban coworkers. Marketing and promotional activities that might be carried out by a city, CDC, or neighborhood association are another way to increase the demand for a neighborhood's housing stock, by getting

information to people who lack it or providing more accurate information to people who may be excluding the neighborhood from their search because of stereotypes or erroneous information.

There are strategies that can be used to address each deficiency [Table 2], and a variety of tools are available for each strategy. For example, if the strategy is to provide incentives for individuals to rehabilitate older houses, a city could use tax abatements, state historic preservation tax credits, tax-increment financing, or capital subsidies, or it could create a program of technical assistance, including preparing rehab plans for the new owner without charge.

In most neighborhoods, however, desirability of the housing stock is not the principal obstacle to market change, but part of a larger problem that includes neighborhood-wide issues. Strategies that focus solely on the desirability of the housing stock, therefore, may not change the neighborhood's competitive position unless parallel efforts are being made to build neighborhood stability and amenity value.

Increasing neighborhood stability

Six factors that either promote or discourage neighborhood stability are:

- Property abandonment

- Foreclosure
- Property investment by owners
- Concentration of poverty
- Crime
- Homeownership rate

Four of these factors—abandonment, foreclosure, poverty concentration, and crime—are negative, while two—property investment and homeownership rate—are positive and need to be increased in order to render the neighborhood more stable.

A neighborhood is a network of interrelated physical and social elements. What happens to one property on a block affects the other properties, just as crime and drug activity affect all those in the vicinity, whether or not they are directly victimized. By reducing the incidence of destabilizing features, or increasing the incidence of positive features that enhance stability, a city or CDC can change a neigh-

borhood’s attractiveness to potential homebuyers.

From a market-building perspective, the goal of neighborhood-stability strategies is to make catalytic changes to local dynamics that will ultimately create a cycle of positive market change. For example, a decline in property maintenance, an increase in abandoned properties, a rise in violent crime, and greater poverty concentrations may lead to lower property values. In contrast, reversing those dynamics can have a positive effect on property values and market activity.

Increasing the homeownership rate, which leads to greater stability of tenure and maintenance investment, may also have a positive effect on property values. At the same time, focusing on the quality, appearance, and level of maintenance of the neighborhood’s rental housing, particularly if it makes up a large part of the area’s housing stock, may be as im-

TABLE 3: STRATEGIES TO INCREASE NEIGHBORHOOD STABILITY

STABILITY VARIABLES	STRATEGIES
Abandonment	<ul style="list-style-type: none"> • CDC rehabilitation program targeting abandoned properties • Incentives for middle-income households to buy and rehabilitate abandoned properties • Early warning system with intervention to prevent abandonment of properties at risk
Foreclosures	<ul style="list-style-type: none"> • Foreclosure-prevention programs for homeowners • Provision of post-purchase homebuyer counseling • Financial literacy/anti-predatory-lending programs
Property disinvestment	<ul style="list-style-type: none"> • Home-repair assistance programs • Financial-assistance programs for landlords • Incentives for homeowners • Community-building strategies • Neighborhood clean-up efforts • Targeted code-enforcement programs
Concentration of poverty	<ul style="list-style-type: none"> • Retain and attract middle- and upper-income homebuyers or renters • Improve educational and training opportunities for neighborhood residents • Improve access to employment opportunities for neighborhood residents
Crime	<ul style="list-style-type: none"> • Community and problem-oriented policing strategies • Reconfiguration of physical environment (defensible space)
Homeownership	<ul style="list-style-type: none"> • Build on vacant land or rehabilitate vacant properties for owner-occupancy • Foster conversion of multifamily rental housing to cooperative or condominium ownership • Foster conversion of 1- to 4-unit rental housing to homeownership

portant a factor in enhancing neighborhood stability.

Many stability issues lend themselves to more than one strategy. The choice of strategies depends on the CDC’s mission or the available opportunities. A CDC could try to reduce poverty concentrations through a strategy to build the neighborhood’s middle-income population, or by increasing low-income residents’ job skills and employment opportunities. At a regional level, concentrations of poverty can be

fought by creating low-income housing opportunities in more affluent suburban areas in the region.

Seemingly similar strategies may lead to significantly different outcomes. Reducing the number of abandoned properties through a program under which a CDC rehabilitates properties with HOME funds, selling them to lower-income homebuyers, and reducing them by the same number through a program of incentives to get middle-income buyers to rehabilitate

TABLE 4: ELEMENTS CONTRIBUTING TO NEIGHBORHOOD AMENITY VALUE

AMENITY VALUE	ELEMENTS
Appearance	<ul style="list-style-type: none"> • Appearance of vacant lots • Appearance of vacant buildings • Trash and debris in streets and front yards • Unattractive, incompatible uses such as junkyards, auto-body shops • Graffiti • Quality of streetscape • Appearance of commercial areas (facades, parking areas, sidewalks)
Parks and open space	<ul style="list-style-type: none"> • Amount and characteristics of open space • Utility of open space (fit between neighborhood recreational needs and nature of facilities) • Maintenance and appearance of open space • Programming and activity level in open space • Safety of open space
Economic opportunity	<ul style="list-style-type: none"> • Number and quality of jobs • Number and quality of jobs easily accessible to residents through public transportation • Small-business opportunities
Transportation	<ul style="list-style-type: none"> • Journey to work access • Variety of other public transportation destinations (downtown, shopping centers, other major destinations) • Frequency of service • Quality of service (length of trip, appearance of vehicles, price)
Shopping	<ul style="list-style-type: none"> • Access to basic shopping needs • Variety and nature of shopping • Appearance of stores • Price and quality of merchandise • Access to dining and entertainment opportunities
Schools	<ul style="list-style-type: none"> • Quality of educational program • Safety on school grounds and on way to/from school • Appearance/condition of school facilities



the properties for their owner-occupancy may look similar in terms of the properties themselves, but may have very different outcomes in terms of the subsequent impact on the area's housing market.

The former strategy may have significantly less market-building impact than the latter, both because of the economic characteristics of the families buying the houses, and the smaller financial investment that they are making. The goal in providing incentives for families to buy and rehabilitate vacant houses is not only to get those homes rehabbed, but to trigger a cycle where the neighborhood in general, and the neighborhood's vacant properties in particular, gradually become more desirable to homebuyers, so that the incentives can be gradually reduced and ultimately eliminated. This is an example of a catalytic strategy.

The CDC or city has a wide range of strategy options to build greater neighborhood stability [Table 3], including changing the physical environment; changing the financial climate within which property owners make decisions about their properties; counseling; training and educational programs; or community-building and organizing strategies.

Increasing amenity value and quality of life in the neighborhood

Many different elements go into building a neighborhood's amenity values. Table 4 identifies more

than 25 separate elements that must be at least considered in framing a neighborhood market-building strategy.

The table does not indicate which elements should be pursued in a market-building strategy. Strategies to build amenity value must emerge from the particular conditions and opportunities, physical and locational assets that the neighborhood offers. The features of existing parks, shopping, or transportation networks will vary widely by neighborhood, as will the opportunities to create new parks, employment centers, or public-transit routes.

While creating major open spaces in urban areas can be difficult, opportunities exist, often by reclaiming former industrial or railroad property. Neglected existing parks, if restored with better security and maintenance, can add far greater amenity value to an area.

Strategies to increase neighborhood amenity values must be firmly based on a clear idea of the characteristics and preferences of the population that the city or CDC is seeking either to retain or attract to the area. An effective strategy to build an area's housing market requires not only identifying the target groups that the neighborhood is trying to attract or retain, but identifying and carrying out the specific amenity-value strategies that will most powerfully affect their decisions. ▲

IV. PROMOTING EQUITABLE REVITALIZATION

CHANGE IN THE real-estate market will inevitably change the affordability of housing in the neighborhood. As demand grows, prices rise to reflect the additional value associated with buying or renting a home in the neighborhood. Lower-income residents of the neighborhood may find it increasingly difficult to afford to continue to live there, while fewer new lower-income households will be able to move into the neighborhood. Over time, lower-income residents will be displaced and replaced by more affluent households.

While this is change, it is not equitable revitalization. To the extent feasible, revitalization should be a balanced process that benefits neighborhood residents at all income levels, owners or renters, young or old, designed to lead to economic integration as a long-term reality rather than a transitional state. Equitable revitalization calls for both preserving and creating affordable housing, as well as taking steps to minimize untimely and forced displacement of a neighborhood's lower-income residents.

The effects of change will vary widely, depending on the pace of change and the nature of the new demands driving it. In some neighborhoods, sale prices of owner-occupied housing may increase much more quickly than rent levels. In others, modest single-family houses may not appreciate as much, but older apartment buildings may be converted to condominiums. Three distinct types of housing and residents are affected by change in different ways:

- Owner-occupied housing and homeowners
- Private-market rental housing and renters
- Subsidized or government-assisted rental housing and renters

Table 5 shows the way each category can be affected by change. These are potential effects. While any are possible in a given area, not all will occur in all neighborhoods. Which will actually take place will depend on the dynamics of the particular neighborhood's process of change.

These pressures call for creative responses from city officials and CDCs, first to ensure that lower-income tenants and homeowners are not harmed by change; and second to foster the creation of stable socially and economically integrated communities. While both goals fit into the larger framework of equitable revitalization, they demand different strategies and approaches. Both, however, also require a larger focus on citywide policies and decision making.

Equitable revitalization strategies: an overview

Strategies for equitable revitalization fall into three categories, representing three distinct goals or strategy areas:

- Preserving affordable housing as a share of the neighborhood's housing stock
- Preventing involuntary displacement of the neighborhood's lower-income residents
- Building resident economic resources

These goals are complementary but different, and give rise to different—although often overlapping—strategies. Any two, or all three, can and should be pursued in tandem, while certain strategies can simultaneously further more than one goal.

Organizations taking the long view of the neighborhood's future must address the long-term issue of preserving and expanding the neighborhood's afford-

TABLE 5: POTENTIAL EFFECTS OF MARKET CHANGE ON HOUSING STOCK AND OCCUPANTS

HOUSING TYPE	EFFECTS ON HOUSING STOCK	POTENTIAL EFFECTS ON OCCUPANTS
Owner-occupied properties	<ul style="list-style-type: none"> • House prices rise • Land value increases leading to potential site assembly for higher density development 	<ul style="list-style-type: none"> • Existing homeowners may be subject to cost burdens as a result of increased property taxes • Existing homeowners may be pressed to upgrade their properties • Existing homeowners see appreciation in their property value, which may be a significant benefit if and when the house is sold • New homebuyers are likely to be substantially more affluent than existing homeowner base • New homebuyers may convert 2-3 unit properties into single-family properties, eliminating rental units • New housing built on sites formerly occupied by single-family homes will target demographically different households (more singles and empty nesters, fewer families with children) and may be more expensive
Absentee-owned rental properties	<ul style="list-style-type: none"> • Rent levels rise • Value of rental property for conversion to owner-occupancy increases • Land value increases leading to possible demolition and site reuse for higher density development 	<ul style="list-style-type: none"> • Tenants may be subject to cost burden as a result of higher rents, potentially leading to displacement • Landlords may upgrade properties in order to be able to charge higher market rents, burdening existing lower-income tenants • Landlords may use pressures and/or incentives to get tenants to vacate • Multifamily rental properties may be converted to condominiums, resulting in loss of rental units and displacement of tenants • 1-4 family rental properties are sold to owner-occupants who often reduce the number of units, resulting in loss of rental housing • New housing built on sites formerly occupied by modest rental properties will be substantially more expensive than former property • Families with Housing Choice vouchers will have greater difficulty finding rental housing in area
Government-assisted rental properties	<ul style="list-style-type: none"> • Market value of subsidized properties increases • Land value increases lead to possible demolition and site reuse for more profitable development alternatives 	<ul style="list-style-type: none"> • Subsidized projects with expiring use restrictions may be converted to market-rate housing • Subsidized projects may be demolished in order to create sites for more expensive and/or higher-density development • Pool of affordable rental-housing units in area housing stock is diminished, leading to fewer opportunities for lower-income households

able-housing stock, so that the neighborhood will remain economically integrated, rather than largely or entirely occupied by middle- or upper-income households. This goal is supported by sound policy objectives. First, lower-income households should be able to benefit by living in stronger and healthier economically mixed communities. Second, the greater the number of lower-income housing units that are lost and not replaced in any given area, the more likely poverty concentrations will increase in other parts of a city or region; or, in regions with tight hous-

ing markets and high demand, the more likely lower-income households will face increasing cost burdens as well as overcrowding in housing elsewhere in the city. Third, as a matter of public policy, there is inherent value in fostering mixed-income neighborhoods, as a step toward breaking down pervasive barriers of class and race in American communities. In some cases, moreover, loss of lower-income residents can impair the economic vitality of a community, by making it harder for local businesses to find workers. As housing demand grows, preserving exist-

ing affordable housing is particularly important, since building new affordable housing will become increasingly difficult. In some neighborhoods which have large amounts of subsidized housing, a successful preservation strategy alone may make economic integration possible. In most areas, however, achieving economic integration will require at least some new affordable housing, either because the existing stock is too small, or because it may not be feasible or desirable to preserve it all.

Preventing or minimizing involuntary displacement is fundamentally different from preserving affordable housing. While the latter is inherently a long-term effort, the former is designed to mitigate the effects of change in the short run, by focusing on the immediate pressures affecting lower-income tenants and homeowners. While most tenants are highly mobile, they should be able to move when they want to, not when the landlord has come up with a more profitable alternative.

Many lower-income homeowners in an appreciating neighborhood may be able to benefit significantly from the appreciation taking place in their midst, but only if they can preserve the quality of their asset and are not pressed to move prematurely by tax increases or other factors. This in turn suggests that asset-preservation strategies—including foreclosure prevention and assistance to help owners extract themselves from untenable subprime or predatory loans—can also play an important role in helping lower-income owners benefit from, rather than be victimized by, market change.

Another way to address the gap between incomes and rising housing costs may be to build resident incomes or wealth through education and training, and through job and small-business opportunities, to enable more residents to continue to afford to live in the neighborhood. Such strategies can sometimes take advantage of synergies between increased housing demand and economic options for neighborhood residents, such as the job and business opportunities opened up by increased construction and home-improvement activity, and the business opportunities arising from the growth in the neighborhood's disposable income.

Building incomes and assets through jobs and business opportunities should be part of any strategy to improve the lives of lower-income households, in urban neighborhoods or anywhere else, but may have

an uneven or limited impact on equitable revitalization. These programs may take many years to have a substantial impact, while the benefit of such programs to the neighborhood may be lost if beneficiaries use their increased income and assets to move out of the area. From a revitalization standpoint, these strategies should be seen as complementary to strategies that seek to influence housing costs and availability directly.

Preserving and expanding the affordable housing stock

Efforts to preserve and expand a neighborhood's affordable-housing stock must distinguish between four separate goals, each of which calls for its own distinct set of strategies [Table 6]:

CDCs that want to mount successful affordable-housing preservation or development efforts in an appreciating neighborhood may have to depart significantly from what have been common CDC practices. They must use new strategies to gain control of property, both to preserve existing affordable housing, and to assemble sites for future housing development. New financial resources must be amassed including patient capital property-acquisition funds and cross-subsidization of affordable housing through market development, in order to support more costly land-assembly and development activities. Finally, new legal and policy tools such as inclusionary zoning ordinances may be needed which may require action beyond the local level. In most states, many of the most important matters, such as landlord-tenant regulations, tax laws, and land-control powers are dictated by state legislatures.

Preventing or mitigating involuntary displacement

A long-term, equitable revitalization strategy will depend on preserving or creating enough affordable housing to sustain an economically integrated neighborhood. In the meantime, the short-term concerns of the area's residents are more likely to hinge on the immediate issue of potential displacement. Mitigating or preventing displacement is an important goal in itself, even when it does not necessarily lead to long-term preservation of the affordable-housing stock. Appropriate strategies must be devised for homeowners, tenants in private-market properties, and tenants in subsidized or affordability-controlled properties [Table 7]. Preventing displacement for tenants of subsidized housing,

TABLE 6: GOALS AND STRATEGIES TO PRESERVE AND EXPAND AFFORDABLE HOUSING

GOAL	STRATEGIES
Preserve existing subsidized or affordability-controlled housing	<ul style="list-style-type: none"> • Upgrade quality/appearance of existing subsidized housing stock • Ensure a high level of maintenance and repair in existing subsidized housing stock • Facilitate retention of projects subject to expiring use restrictions as permanent or long-term affordable housing * • Require one-to-one replacement of subsidized units removed by redevelopment or other public action
Preserve affordability in private-market housing stock	<ul style="list-style-type: none"> • Provide incentives such as rehab grants/loans or tax abatements to landlords in return for maintaining affordability * • Enact rent-control ordinance, or amend ordinance to remove vacancy decontrol *
Convert private-market housing into affordability-controlled housing	<ul style="list-style-type: none"> • Enact ordinance giving tenants right of first refusal, and create financing program to enable tenants to purchase properties and maintain as affordable housing * • Undertake program of acquisition/rehabilitation of privately owned properties to be maintained as affordable housing
Create new affordability-controlled housing	<ul style="list-style-type: none"> • Create land bank of vacant publicly owned land to be held in reserve for future construction of affordable housing • Create property acquisition fund to make possible acquisition of privately owned land for affordable-housing development • Enact inclusionary zoning ordinance requiring that a percentage of units in future market-rate developments be affordable-housing units and ensuring that units created remain affordable on a long-term basis • Enact affordable-housing replacement ordinance, requiring replacement of affordable units lost through demolition, condominium conversion or conversion to non-residential use or housing trust fund contributions in lieu of providing replacement units • Use vacant property receivership to restore properties held vacant for speculative purposes

(*) Cross-cutting activities that are also used to pursue the goal of preventing involuntary displacement of lower-income households

however, is usually a by-product of actions taken to preserve such housing, rather than a separate strategy.

While preserving or creating affordable housing often involves taking the initiative in gaining control of land and assembling financial resources, actions to prevent or mitigate displacement are more likely to involve regulatory changes designed to impose constraints on practices of property owners, developers, or lenders. These may include imposing rent controls, granting tenants the right of first refusal to purchase their buildings, establishing rules for relocation assistance, or discouraging predatory and subprime lending. Constraints on private-market behavior must be carefully designed to address the problems it raises without discouraging positive changes. The goal is to manage change, not stop or reverse it.

Preserving affordable housing and mitigating displacement

go together. Many actions, such as giving tenants a right of first refusal to buy their multifamily buildings if the owner plans to sell or convert them to condominiums, further both strategies. The two strategies can also be linked by creating affordable housing in ways that enable it to be used as replacement housing for those displaced from private-market housing, or by designing displacement-prevention strategies that may lead to private-market housing becoming long-term, non-market affordable housing.

The three “P”s—power, programs, and policy

No equitable neighborhood-revitalization strategy is likely to be fully successful unless it is linked to efforts to affect citywide and even state-level policies that determine how priorities are set and how resources are allocated. Success at equitable revitalization

TABLE 7: STRATEGIES AND ACTIVITIES TO PREVENT INVOLUNTARY DISPLACEMENT OF LOWER-INCOME RESIDENTS

STRATEGY AREA	ACTIVITIES TO FURTHER STRATEGY
Homeowners	<ul style="list-style-type: none"> • Provide educational and informational programs to combat predatory lending and unscrupulous contracts • Provide foreclosure-prevention assistance and other activities to reduce the risk of foreclosure • Provide assistance and alternative sources of financing for home repairs and refinancing • Provide property-tax circuit-breakers or other forms of tax adjustment to limit property taxes or rate of tax increases • Provide assistance to owners to create accessory apartments or establish boarder programs to reduce financial burden of homeownership
Tenants in private-market housing	<ul style="list-style-type: none"> • Enact ordinance giving tenants right of first refusal, and create financing program to enable tenants to purchase properties and maintain them as affordable housing • Enact rent control ordinance, or amend ordinance to remove vacancy decontrol • Amend relocation laws to provide that they are triggered by private displacement and ensure adequate levels of relocation assistance • Strengthen landlord-tenant laws including penalties for landlord harassment of tenants • Provide incentives such as rehab grants/loans or tax abatements to landlords in return for maintaining affordability
Tenants in subsidized or affordability-controlled housing	<ul style="list-style-type: none"> • Ensure a high level of maintenance and repair in existing subsidized housing stock • Facilitate retention of projects subject to expiring use restrictions as permanent or long-term affordable housing

requires three “P”s—power, programs, and policy.

Any effort to manage change to benefit lower-income residents or preserve affordability in a rising real-estate market involves trying to manipulate or constrain that market in some fashion. Those efforts may challenge powerful interests, both public and private, that benefit from market change. While those interests can be reconciled with residents’ interests, the process by which that can take place can be challenging. A successful CDC strategy to preserve affordability in a changing neighborhood takes more than technical capacity and a solid list of programs, projects, and activities that it proposes to carry out in the neighborhood. It requires the ability to mobilize enough power for one’s concerns to be taken seriously by City Hall and other powerful players, and the ability to form coalitions that can bring about policy change citywide.

Power can be gained in many ways: by controlling land, by building relationships with others, and through people power, mobilizing residents through organizing efforts. It must be exercised not only to gain specific benefits for a particular neighborhood—such as getting the city to sell a piece of land to a CDC for a housing development—but also to bring about

changes to public policies affecting all of the city’s neighborhoods, such as inclusionary zoning policies or first-source ordinances requiring that local workers be given the first opportunity at new jobs created with public incentives, which will ultimately have far greater impact on the equitable revitalization of the community.

Having an impact on city or state policy requires effective coalitions, such as the CDC-led coalitions that have successfully won important policy changes to create housing trust funds or establish a citywide community land trust in Philadelphia and Chicago. CDC associations in New Jersey and Massachusetts have won important state-level policy victories including a state neighborhood-revitalization tax credit in New Jersey and a \$200-million housing bond issue in Massachusetts, giving CDCs and local governments additional tools and resources to foster change at the local level. Ultimately, the ability to exercise power and bring about larger changes in citywide policies can make possible the specific programmatic initiatives that may be needed to address the impacts of market change and foster long-term affordability within each neighborhood. ▲

V. CHANGING STRATEGIES OVER TIME

DIFFERENT STRATEGIES MAY work well, poorly, or not at all, depending on the state of the neighborhood's housing market, and the neighborhood's place on the continuum of neighborhood change. Market-building strategies are driven by the baseline market characteristics of the neighborhood, at a particular point in time. Understanding trends is important, but less so, because the goal is to create a trend, working from the area's existing conditions. Strategies to preserve or create affordable housing are driven more by the trend of market-driven change, because these strategies are designed to anticipate or respond to change, rather than create it.

Determining whether a strategy is suitable at a particular time and place requires weighing three separate factors in light of the changes taking place in the neighborhood:

- **Is the strategy relevant?** Will it address a problem that already exists, or is it needed to anticipate a problem that is likely to arise in the future?
- **Is the strategy effective?** Is it likely to yield the desired results, and will the positive outcomes significantly outweigh any negative outcomes?
- **Is the strategy efficient?** Is the cost of implementing the strategy reasonable in light of the benefits derived, and is the balance between public costs and benefits comparable to or better than alternative strategies?

All three questions have to be asked, and answered, regularly for every market-building or market-sensitive equitable revitalization strategy being pursued.

Table 8 looks at different strategies to increase the desirability of an area's housing stock, matching the strategies to the typology presented earlier in Table

1. Where the market is at its strongest, no strategy is likely to add significant value, because the market is already working at or close to its optimal level. The reverse applies in the most distressed areas. Many strategies will not be effective in those areas, because they require a higher level of baseline housing demand than those areas may currently offer. Major improvements to the stability or quality of life in the area may be needed before strategies to market the neighborhood to middle- or upper-income households are likely to work. As the table shows, it is the neighborhoods in categories two through four where strategies to increase the desirability of a neighborhood's housing stock are likely to be most effective. In those areas it is possible for a city or CDC to build on assets that are already there, or beginning to emerge. By using indicators to assess the neighborhood's condition and track change, a CDC can determine which strategies are likely to be most effective.

Equitable revitalization strategies in changing neighborhoods need to be highly sensitive to the housing-market conditions and trends affecting the neighborhood. These strategies relate to housing-market trends rather than baseline conditions. To permit comparing alternative strategies, neighborhood change can be divided into six stages starting at the lowest level in the neighborhood typology presented in Table 1 [Table 9]. Stage 6/5 represents movement from category 6 to category 5, 5/4 represents movement from category 5 to category 4, and so forth. CDCs and local governments can use indicators to track the change in a neighborhood from one stage to the next.

The stages of change in Table 9 are schematic, and

TABLE 8: HOUSING STRATEGIES AND NEIGHBORHOOD HOUSING MARKET

STRATEGY	NEIGHBORHOOD HOUSING-MARKET STATUS* (1 = LOWEST, 6 = HIGHEST)					
	1	2	3	4	5	6
Create large-scale market-changing or transformative redevelopment projects	●	●	⊖	○	○	○
Build new scattered-site housing targeted to market demand	⊖	●	●	●	○	○
Create demand-responsive housing through rehabilitation and reconfiguration of existing stock	○	⊖	●	●	○	○
Create demand-responsive housing through adaptive reuse of non-residential structures	⊖	●	●	●	○	○
Provide incentives for individuals to build or rehabilitate housing	○	⊖	●	●	○	○
Use capital subsidies to build or rehabilitate housing to sell to lower-income homebuyers	⊖	●	●	●	○	○
Provide equity-protection insurance	⊖	●	●	⊖	○	○
Carry out neighborhood target marketing	○	⊖	●	●	⊖	○
Undertake promotional activities	○	⊖	●	●	⊖	○
Increase effectiveness of real-estate brokerage activities in neighborhood	⊖	●	●	●	⊖	○

● most suitable ● moderately suitable ⊖ limited suitability ○ not suitable

*See Table 1 for description of housing-market typology

do not necessarily represent the actual course of change in any particular neighborhood. Not only is the course of change in the real world uneven and inconsistent, but few neighborhoods move across the entire range of the spectrum from the weakest to the strongest market conditions. Most neighborhoods will change, if they do, within a narrower band reflecting their particular assets and constraints, with respect to their location, their housing stock, and other features.

The suitability of each of the various strategies that can be used to preserve or create affordable housing varies significantly from one stage to another [Table 10]. Actions to preserve or create affordable housing always interact with the private market, and are directly affected by change in real-estate prices and land availability. Actions that are designed to affect

decisions by private owners, such as a rent-control ordinance or a program to offer improvement loans in return for a commitment to keep units affordable, will rise and fall on the owner’s economic calculations, which are determined by his or her understanding of the state of the local housing market.

Strategies to mitigate displacement or preserve lower-income homeownership are less market-sensitive. While the need for many of those strategies arises from market pressures, some of these strategies—such as ensuring adequate relocation assistance for displaced tenants or measures to limit property tax hikes for homeowners—are sound public policy at any point, even though the demand for relocation assistance or the pressure from property taxes may not be great in neighborhoods in the early stages of change. ▲

TABLE 9: STAGES OF NEIGHBORHOOD CHANGE

STATE OF CHANGE	INDICATORS OF CHANGE
<p>6/5 <i>(From Type 6 to Type 5 — See Table 1)</i></p>	<p>Slight improvement in market conditions</p> <ul style="list-style-type: none"> • Property values and rents still low • Slight increase in sales • Predominantly speculative buying • Significant market gap • Slight reduction in high level of disinvestment
<p>5/4</p>	<p>Moderate improvement in market conditions</p> <ul style="list-style-type: none"> • Moderate property values • Increase in sales • Increase in lower-income homebuyers • Reduced market gap • Evidence of better property maintenance—disinvestment reduced but still widespread
<p>4/3</p>	<p>Strong improvement in market conditions</p> <ul style="list-style-type: none"> • Increasing property values • Increase in sales • Increase in homebuyers and homebuyer incomes—some middle-income buyers • Market gap disappears • Property maintenance improves and disinvestment becomes rare
<p>3/2</p>	<p>Strong improvement in market conditions</p> <ul style="list-style-type: none"> • Moderately high property values • High level of owner-occupant purchases • Economically diverse homebuyers • Modest development profitability • High property maintenance
<p>2/1</p>	<p>Sustained high level of market conditions</p> <ul style="list-style-type: none"> • Consistently high property values and rents • Most sales to owner-occupants • Homebuyers predominantly upper-income • High development profitability • Consistently high property maintenance

TABLE 10: SUITABILITY OF AFFORDABLE-HOUSING PRESERVATION AND CREATION STRATEGIES

STRATEGY AREA	ACTIVITY	STAGE OF NEIGHBORHOOD CHANGE					
		NO CHANGE	6/5	5/4	4/3	3/2	2/1
Preserve affordability in private-market housing stock	Provide incentives such as rehab grants/loans or tax abatements to landlords in return for maintaining affordability	○	⊖	●	●	⊖	⊖
	Enact rent-control ordinance, or amend ordinance to remove vacancy decontrol	○	⊖	⊖	●	●	●
Convert private-market housing into affordability-controlled housing	Enact ordinance giving tenants right of first refusal, and create financing program to enable tenants to purchase properties and maintain as affordable housing	⊖	⊖	●	●	●	●
	Undertake program of acquisition/rehabilitation of privately-owned properties to be maintained as affordable housing	⊖	⊖	●		⊖	○
Create new affordability-controlled housing	Create land bank of vacant publicly owned land to be held in reserve for future construction of affordable housing	⊖	●	●	⊖	⊖	○
	Create property acquisition fund to make possible acquisition of privately-owned land for affordable-housing development	○	⊖	●	●	⊖	○
	Enact inclusionary zoning ordinance requiring that a percentage of units in future market-rate developments be affordable-housing units and ensuring that units created remain affordable on a long-term basis.	○	○	⊖	●	●	●
	Enact affordable-housing replacement ordinance, requiring replacement of affordable private-market units lost through demolition, condominium conversion or conversion to non-residential use or housing trust fund contributions in lieu of providing replacement units	○	○	○	⊖	●	●
	Use vacant property receivership to restore properties held vacant for speculative purposes	○	⊖	●	●	●	⊖

● most suitable ● moderately suitable ⊖ limited suitability ○ not suitable

VI. A FRAMEWORK FOR STRATEGIC CHANGE

THIS PUBLICATION HAS described the central role housing demand and the real-estate market play in the process of neighborhood change, triggering a wide range of other changes in neighborhood conditions with both positive and negative effects for the community and its residents. From that starting point, it has described how a CDC or city government can frame strategies to lead the process of change, rather than follow it. These are not isolated strategies, but elements of a complex strategic process for fostering sustainable and equitable neighborhood revitalization.

The framework for strategic change is a dynamic way of thinking about housing markets that helps to build strategies that foster change and seek to direct it into the most sustainable and equitable channels. The final section describes briefly how the elements in the framework intersect, as shown graphically in Figure 2.

The process of strategy-building begins with understanding the real-estate market conditions of the neighborhood that is the target of the strategy. Those conditions will determine the extent to which moving the market—as distinct from managing it—is likely to be an important goal, and which strategies are most likely to be effective.

That information leads to the next step, framing goals for neighborhood change. Just as it is difficult to frame those goals before one has a clear picture of existing conditions and trends, it is difficult—if not impossible—to frame an effective strategy without a clear idea of where one is heading. Real-estate market change may sometimes be a goal in itself, or it may be a means to other goals that the user is trying to pursue. Which goals those might be are for the

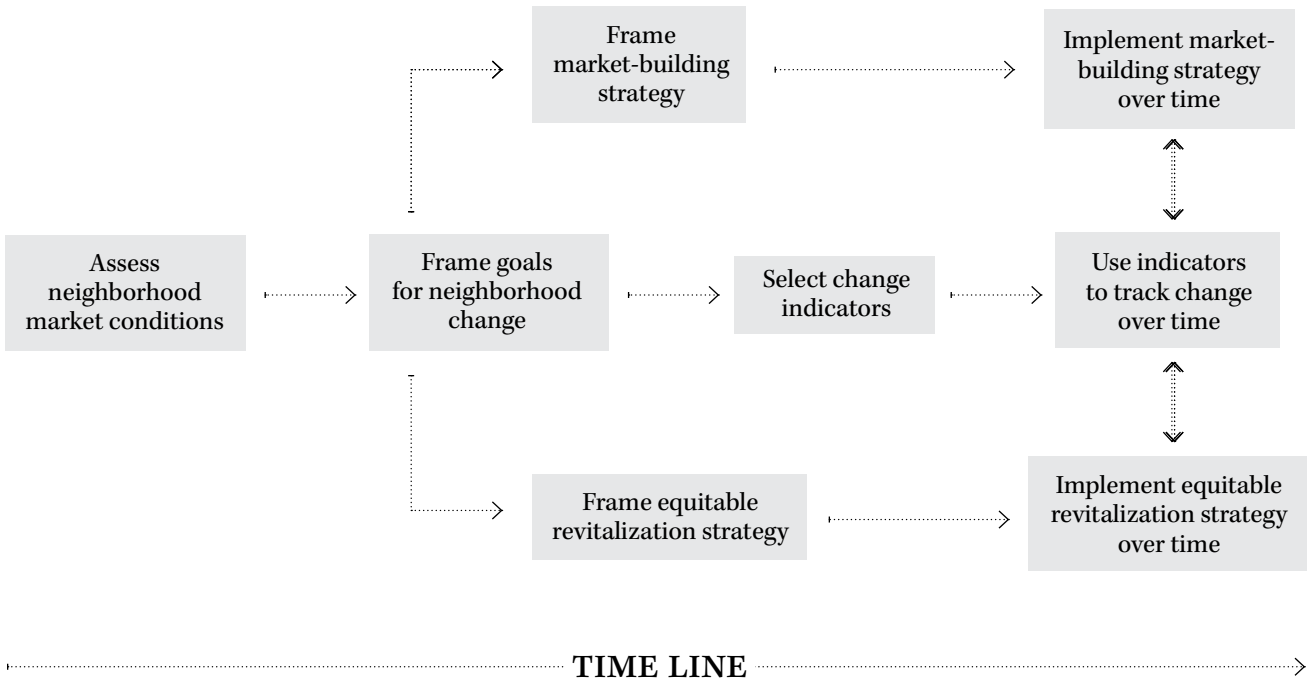
user to determine.

Having established the baseline conditions for the strategy, the next steps can be taken more or less simultaneously. The user must frame strategies to move the neighborhood real-estate market, and/or frame market-sensitive strategies to foster equitable revitalization, in the manner most appropriate to the neighborhood's conditions and the user's goals. In most cases the strategic mix should include some strategies or activities that address both issues. A CDC may find, however, after studying the neighborhood's current real-estate market conditions and trends, that the market is already moving strongly and requires no further intervention to become self-sustaining. In that case, its resources can be redirected toward strategies to ensure that further change takes place in an equitable fashion.

At the same time, the user must develop a process for tracking change on a regular basis, tied to the specific strategies that are being pursued. The need to track change, using the best available indicators, grows out of the fundamental premise of this framework; namely, that the most appropriate strategic priorities and the effectiveness of specific actions will change depending on the nature and extent of the housing-market change taking place in the area.

Implementation is an ongoing, long-term process that demands routine evaluation of the strategies against changes in the area's market conditions. As market conditions change in a neighborhood, both the feasibility and the effectiveness of given strategies change. Once the market is moving strongly, it becomes less appropriate to spend resources on market-building and important to redirect resources

FIGURE 2: A FRAMEWORK FOR STRATEGIC CHANGE



to strategies that preserve affordability or minimize displacement. Similarly, as market conditions change, the relative effectiveness of equitable revitalization strategies changes. Just as a retail store regularly monitors sales data to find out what is selling and adjusts its product lines and displays accordingly, implementation must include ongoing integration of the housing-market information being tracked and the process of framing, modifying, and affecting the strategies for neighborhood change. ▲

CLOSING NOTE

NEIGHBORHOODS IN CITIES across the United States are changing, driven by change in the local housing markets, often at a pace astonishing to those who have been part of those communities and have seen little change, if any, for many years. Change has brought with it opportunities for city governments, CDCs, or neighborhood residents to build stronger, healthier neighborhoods. At the same time, it has created risks, not only for the lower-income residents of changing neighborhoods but also for the very fabric of those areas.

The pages of this publication have outlined an approach to fostering market-driven change and framing market-sensitive strategies for preserving affordable housing and minimizing displacement. This approach offers an opportunity for all stakeholders to work toward a goal of sustainable and equitable change, creating neighborhoods that are healthy, safe, and attractive environments shared by people of different races, ethnic communities, and economic levels.

Effecting this approach demands a long-term, strategic focus on the part of a local government or CDC. Such a focus can be challenging. It demands flexibility, creativity, and a systematic approach to using information, making decisions, and allocating resources over an extended period. That, in turn, may require finding resources for planning, monitoring, and evaluation beyond what are often available to a financially strapped CDC or municipality. The stakes, however, are considerable. The ability to frame and carry out an effective strategic approach to neighborhood change may ultimately determine the quality of life that the neighborhood will offer, whether it will thrive, and whether its lower-income residents will be among the beneficiaries.

The National Housing Institute (NHI), founded in 1975, is an independent nonprofit organization dedicated to fostering decent, affordable housing and a vibrant community for everyone. In its magazine, *Shelterforce*, Web site www.nhi.org, and research, NHI focuses attention and encourages action on progressive, high-impact housing and community-development policies and practices through the lens of such subjects as social and economic equity, racism, poverty, health, the environment, education, and sustainability.

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RESOURCES AND REFERENCES

THIS WORK BUILDS on the creative and important work done by many others in the field during recent years, particularly the Dynamic Neighborhood Taxonomy being developed by Robert Weissbourd and Riccardo Bodini of RW Ventures, the work on market-based neighborhood change by Michael Schubert of the Healthy Neighborhoods Group, and the work of the National Neighborhood Indicators Project, the Reinvestment Fund, and others on development of neighborhood indicators and assessment of neighborhood conditions. Readers who wish to explore the issues raised in this work further can find valuable information at the following Web sites, and in the following publications:

www.nhi.org/go/ventures includes a number of valuable materials on market-based development and neighborhood analysis, including the Dynamic Neighborhood Taxonomy

www.nhi.org/go/fallcreekconsultants provides a variety of resources about market-based development, in particular strategies to build homeownership. A thoughtful neighborhood taxonomy has been developed by Charles Buki, part of the Healthy Neighborhoods Group, and is available at **www.nhi.org/go/czb**

Policylink, a national advocacy and research organization based in Oakland, Calif., has prepared a useful equitable development toolkit, available at **www.nhi.org/go/toolkit**

A wide range of information about neighborhood indicators, including both papers discussing issues involved in developing indicators and links to city-based indicator projects, is available at the National Neighborhood Indicators Project, **www.nhi.org/go/nnip**. Additional information on how indicators

are used in Baltimore can be found at the Baltimore Neighborhood Indicators Alliance, **www.bnia.org**, and in Boston at the Boston Indicators project, **www.nhi.org/go/bostonindicators**

Information about the success measures project of NeighborWorks America is available at **www.nhi.org/go/successmeasures**

There are a variety of local initiatives worth investigating. Information about the Healthy Neighborhoods initiative in Baltimore, one of the strongest of the initiatives around the United States focusing on market-oriented neighborhood change, can be accessed at **www.nhi.org/go/healthy**. In Cleveland, Neighborhood Progress Inc. has initiated a Strategic Investment Initiative, with information available at **www.nhi.org/go/progress**. The Voorhees Center for Neighborhood and Community Improvement at the University of Illinois at Chicago has done many valuable analyses of neighborhood change, which can be found at **www.nhi.org/go/uic**.

Two publications commissioned by the Community Development Partnerships' Network focusing on neighborhoods in economically distressed cities are worth reading. Although CDPN is no longer active, these publications can be downloaded from the Web sites indicated.

Building a New Framework for Community Development in Weak Market Cities, by Paul C. Brophy and Kim Burnett

www.nhi.org/go/fallcreekresources

Building a Better Urban Future, by Alan Mallach
www.nhi.org/policy/UrbanFuture.html

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