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Preserving Healthy Neighborhoods: Market-Based Strategies for Housing and Neighborhood Revitalization

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As happens so often, some of the most creative responses to urban problems are first conceived and tested by local communities and resident groups scattered across America. This has proved particularly true for cities and neighborhoods facing population loss, excess housing, and depressed real estate markets. Instead of trusting in conventional redevelopment tools and policies, these innovators are crafting techniques that treat the loss of resident and investor confidence, which is at the base of distress in low-demand cities.

Locally initiated and having no national sponsors, the innovations are each unique and have different names in the various locations. They use names like Great Homes, Healthy Neighborhoods, Neighborhoods in Bloom, and similar upbeat descriptions of their communities as positive, livable places. But regardless of the labels, similar challenges and shared core values drive these innovations. Learning why these initiatives succeed can give insight into ways to rethink the national conversation about urban policies for many of our cities and suburbs.

In this examination, we will visit small towns that have discovered the value of neighborhood identities and we will learn about older cities that have reconceived vacant lots as community resources. We will examine urban neighborhoods where residents partner with real estate agents to sell houses to strong buyers and we will see places that set higher maintenance standards by offering incentives instead of subsidies. And we will hear repeated messages about the critical role of residents in creating and sustaining market-driven change.

What follows is an analysis of the conditions and assumptions that underpin these innovations and a discussion of how some of these experiments are working even without the resources and support of public policies and conventional funders.

Taking a Fresh Approach

Unwilling to be defeated by the litany of urban problems, local innovators use proactive techniques that vary in their application across the various local markets but have many consistent themes. Examples include the following:

- Housing investments are carefully targeted to aggressively rebuild demand for housing in specific recoverable sites.
- Marketing initiatives focus on the best houses on the best blocks in order to sell to the strongest buyers.
- Neighborhood advantages and assets are given primary attention and the impact of negative conditions, such as troubled rental projects and shabby public spaces, are minimized whenever possible.
- Public programs emphasize the incentives they offer, instead of the subsidies, and they solicit customers based on their capacities, not their limitations.
- Promotional materials avoid affordability jargon and describe neighborhoods as places of choice, where engaged neighbors set high standards of upkeep and community involvement.
- Typical "urban problems" are redefined, such as equity growth being presented as a benefit and not part of a gentrification threat, and crime and drugs being seen as a citywide challenge and not a neighborhood failing.
- Neighborhood and housing improvements are done in ways that build confidence, set higher standards, and contribute to curb appeal regardless of the code compliance outcomes.
- Residents are central to the renewal process and are expected to upgrade their homes, volunteer to improve public spaces, and serve as marketing advocates for the neighborhoods and the houses.
- Neighbors are encouraged to be good neighbors and pay attention to the blocks and to one another and to have fun and enjoy living in a place of choice.

Such positive, demand-based, market-focused actions are common in stable neighborhoods and growing cities where developers, the real estate industry, and confident residents continually promote housing and communities. But for shrinking cities and low-demand neighborhoods, these proactive efforts are nearly revolutionary and run counter to many public policies, which seem to argue that cities with declining populations and neighborhoods are supposed to address their deficiencies and not focus on promoting their assets. Those policies lead to targeting public investment to distressed housing in severely declining areas, serving households with limited incomes. This is the equivalent of rebuilding the auto industry by only marketing poorly-selling models to buyers without the resources to purchase.

Understanding Past Approaches

It is not an overstatement that decades of public policies were structured as if the principles of real estate markets did not apply in low-demand communities. When dealing with excess housing, many public programs primarily offer resources to build more houses or to renovate vacant structures. Beyond needlessly expanding supply, these approaches often magnify local distress.

First, most public funding requires long-term affordability, which usually reinforces concentration of low-income households.

Second, any rehab is done well above the financial ability of nearby households, so the renovations remind everyone that major improvements result only from government subsidies.

Third, these subsidies distort an already at-risk real estate market by offering quality housing at fire-sale prices or by providing mortgage discounts only to low-income buyers.

Fourth, few resources are offered to existing property owners, who usually aren't able to participate in the new standards of investment.

Fifth, few or no resources are available to address the marketing and image issues of the neighborhoods or to rebuild trust among the neighbors.

For many communities, well-intentioned public funding is the final blow in distorting and destabilizing low-demand housing markets. This is clearly seen in cities and neighborhoods where continuing loss of jobs, smaller populations, and reduced buying power have created long-term depressed housing markets. These conditions are well known in the deindustrializing cities of the Midwest and around the Great Lakes. But significantly the pattern is also arising in other older urban and suburban communities that cannot attract enough new residents due to local housing competition as well as in the boom-bust cities, with unstable economies leading to excess housing.

In all cases, the outcome is essentially the same: low demand for housing exacerbates excess supply, which reinforces slow sales, depressed prices, and less qualified buyers. Once the "second choice" neighborhood label is invoked, the pool of home buyers and quality investors shrinks, since these cities usually have other desirable neighborhoods with available housing. As a result, undercapitalized or inexperienced buyers compete with operators of substandard housing to acquire marginal properties. And in many neighborhoods, affordable housing programs further complicate the real estate market by developing even more rental housing or by assisting low-income households into making marginal home purchases. This toxic mix strengthens the perception that the neighborhood is failing. Such a label assures that demand is further reduced and investment falls.

To be fair, these government actions are well intended and merely reinforce disinvestment that is already undermining the communities as a result of deindustrialization, ethnic and racial shifts, out-migration, and other local factors that affect housing markets. Public policies are only one factor in a very complex process. The central dynamic is too many houses with too few buyers with adequate resources to own and maintain properties at a level that retains or attracts other residents. We need public policies that recognize that not all markets across America are the same, but that all markets conform to the same principles of supply and demand.

Starting From a Market Perspective

How these principles function can be better understood if we look at examples of real estate markets in different types of weak market cities.

Low Demand Cities

It is easy to treat all low-demand communities as similar, since they all have too many houses for the population that wishes to live there. But the conditions on the ground are actually highly dissimilar. Gary, Indiana, was conceived and built as a planned community serving the steel industry and its employees. Up until 1970, the scheme seemed to be working, but in reality the decline had already begun. Jobs were fewer, suburbanization was significant, and racial and economic changes were happening across the city. From a high of nearly 180,000 fifty years ago, Gary in the 2010 census had just over 80,000 residents, many of whom are poor and ill prepared to deal with the global economy. Abandoned houses scar almost every neighborhood and housing prices even on the best streets are so low that it is difficult to rationalize any home improvements. Loss of tax revenue results from a cycle of disinvestment that produces more abandoned houses on streets that are not properly paved and allows poorly maintained vacant lots next to the well-cared-for homes of long-time owners.

The conditions that led to this severe downturn were the same that impacted the Michigan cities Saginaw and Flint and the Ohio cities Cleveland and Youngstown. Each has lost about half of its population and substantially lost buying power among the remaining households, but the resulting disinvestment is unfolding in different ways in each place. Saginaw's abandonment is mostly concentrated on one side of town, although prices are depressed across the city. The abandonment pattern leads to whole blocks nearly depopulating, while other areas of the city maintain much of their original character. In Flint, there are thousands of scattered abandoned properties and vacant lots, but the city also has whole neighborhoods with only modest vacancy, usually due to the presence of local institutions and buffers such as parks. Large areas are fully scarred by abandonment, but other areas present themselves as recoverable, although there the finest houses sell for prices so low that low-income residents can buy homes yet are not able to maintain them.

In Ohio, Cleveland has used an extensive array of interventions, but prices are persistently low throughout the city, even in the stable or recovering areas, which are near the lake or are attractive to young professionals. Otherwise, disinvestment is widespread and the city is a jumble of reinvestment project sites next to acres of fallow lots and boarded-up structures. Likewise, Youngstown is becoming a collection of traditional stable neighborhoods, transitioning neighborhoods with open lots spread throughout the blocks, and downsized neighborhoods with few houses and large tracts of unused land.

Although all are excess-housing cities, the above cities are different from Canton, Milwaukee, and Rochester and Jamestown, which are places where population loss has been more modest and where the patterns of disinvestment are different. Both Rochester and Jamestown are dealing with a slow but consistent loss of population that has left behind many desirable areas with a problematic housing stock. In both cities, large houses, especially those converted years ago for multifamily use, are not able to compete in the soft market. These properties are being lost first, but overall prices are so low and demand is so weak, additional properties are becoming vacant and abandoned, a persistent disinvestment that further stymies nearby reinvestment. Canton and Milwaukee also have too many houses, but their particular challenges are intensified because they have racial shifts, which have greatly reduced the pool of renters and buyers in some neighborhoods labeled as "minority only" and have strengthened the competitive advantage of nearby suburbs that are open to the full range of qualified buyers and renters.

Each of these shrinking cities is on a different trajectory and each must create a unique combination of tools to rebuild confidence. The patterns of decline are different, even though they stem from a similar loss of population and the related loss of investor confidence.

Transitioning Cities and Suburbs

When considering low-demand communities, a focus on older industrial cities is too narrow. Some older inner-ring suburbs with housing stock similar to that of the nearby city are facing the same disinvestment patterns as city neighborhoods.

And many mid-century suburbs have lost their competitive advantage. In these suburbs, the 1950s and 1960s ranch houses and Capes often have less than twelve hundred square feet and many offer only two bedrooms and one bathroom. Typically, they were built with minimal insulation, inadequate storage space, and no basement. There is a limited market for such housing even in the best of times, but when the overall market is soft, much better properties are readily available for qualified home buyers, so these houses are sold to marginal buyers who have no other options or to investor owners willing to own buildings that are difficult to manage but can still command good rents. Since sales are depressed, long-term home owners are not able to sell for what they perceive as a reasonable price. This produces neighborhoods with a mix of older owners with little incentive to upgrade their houses, new home buyers without the ability to upgrade the houses, and marginal investors who recognize that equity growth is unlikely and therefore improvements are unwise. This is the same formula for failure that shapes large cities with significant population losses.

Wheat Ridge, Colorado, is a classic suburb with both prewar and postwar housing challenges. It was originally a small city with neighborhoods immediately adjacent to Denver. After World War II, the town became a growing suburb that attracted families to affordable single-family houses that qualified under VA and other federal housing programs. Modest downpayments, easy financing, newer schools, and improving transportation made Wheat Ridge an excellent option. Because there was extensive land, new construction continued into the 1980s, but most older properties from the 1920s through the 1950s are too small and lack the features that can compete for stronger buyers. Today, a large percentage of home owners are seniors or first-time home buyers from Denver's ethnic communities, and many single-family houses are becoming rental properties. Because they were not built to high standards and have high upkeep costs, these houses are poor candidates as rentals and they depress rentals at conventional apartment complexes, which are, therefore, often under-maintained. In many of the neighborhoods, the cycle is only beginning, but the pattern is clearly in place.

Wheat Ridge joins the ranks of hundreds of suburban neighborhoods and cities without marketable products to compete successfully in their regions. While this challenge occurs across the country, it is especially difficult where population is declining or unstable. The demand challenge is increasingly critical where housing was built as part of a boom in advance of expected population growth, such as many cities in Arizona, Nevada, and Florida. The common thread is that there is too little demand for the housing product in some urban areas, whether or not the overall region is stable.

These transforming cities and suburbs are the leading edge of the new low-demand problem. Not burdened with years of failed interventions, they still don't have the right tools to respond to their market problem. Since the central issues are not affordability or supply as addressed by our national public policies, these communities are usually unable to intervene quickly and effectively to deal with the core issues of low demand. Let's look at those issues and see how they shape what must be done.

Defining the Core Issues

Regardless of the type of community, its housing stock, and its reasons for decline, the baseline recognition is that the customers have lost *confidence* that the community can thrive. This loss of confidence can't be resolved by a single action; there isn't a loan product or a code-compliance program or a housing project that will rebuild this confidence. The challenge is complicated and it requires that the community face the impact of *competition* for households, the reality that customers have a wide range of *choice*, that people are seeking stable places with greater continuity *(where markets are predictable or "things just make sense")*, and that local communities have limited capacity with which to respond to a complex set of customer decisions.

In the following examples, each community faced the impacts of strong *competition*, increasing patterns of *choice,* desire for *continuity,* and limited *capacity* to respond. These communities committed to a multi-faceted approach to rebuilding confidence through one or more of four strategies:

- Image-building initiatives, in which the neighborhood presents a positive story about itself to encourage current residents and to attract newcomers
- Marketing and sales programs, in which local leaders identify particular houses and specific market niches for sale and rental of properties
- Standard setting and physical-condition improvements, whereby neighbors and local authorities set standards of property improvements and upkeep that demonstrate that the residents and government value the neighborhood
- Resident involvement, in which the residents support good neighboring behaviors, cooperate on projects, and use positive events to strengthen the social fabric of the blocks and the neighborhood as a whole

When employing these strategies, each community faces unique circumstances, but they all share the same market challenges: too many houses and way too many houses lacking current market features; too few buyers and far too few buyers with the resources to upgrade the houses; and very low prices, which undermine any interest by current owners in upgrading their homes. While each place attempts to influence all four elements of neighborhood health, the approaches and the emphases vary greatly.

Shaping the Community Image

A negative image undermines the ability of any community to reposition itself in a competitive real estate market. Reputation matters, history can shape the future, and positive identity can determine who is attracted to a place. The lack of an image can be equally challenging. This often occurs in places that lack identities connected to a sense of place. In many smaller towns and cities, there are few distinct areas that are thought of as neighborhoods. Local leaders in Geneva, New York recognized that residents did not usually refer to themselves as living in specific neighborhoods. Citizens said they lived in Geneva on a given street. That was the extent of their identification with a place. But these same leaders realized that community problems could not be solved unless residents identified with the community at different levels.

With a population of about thirteen thousand, Geneva leaders realized that the city was not growing and the profile of residents was becoming older and poorer. Housing prices were depressed and the nearby towns had competitive advantages and favorable tax rates. The imbalances could not be solved through government investment alone; resources were too limited to trigger renewal unless residents were directly involved in change. After a one-year participatory process of naming neighborhoods and defining boundaries, there were a dozen identified and named neighborhoods and a defined downtown. This process was managed by the city government's Office of Neighborhood Initiatives and by a group of dedicated volunteers working through the Geneva Neighborhood Resource Center. Today, residents are determining what standards they expect for their blocks and houses. They realize that they must shape the image of their specific neighborhood and that the image must communicate that they value the place, plan to keep it safe and clean, and intend for the real estate market to work for them. The outcome has been an extraordinary involvement by neighbors in creating an awareness of the history of the places, completing neighborhood-wide cleanups, establishing local groups, promoting sales of houses, and encouraging renovations.

Such critical actions by residents in low-demand neighborhoods can happen only if there is identity with place and if the neighbors recognize their role in creating a positive image. Without a sense of place and without an effort to develop and use a positive image, renewal in a low-demand market is impossible, but with a concerted campaign to create an image, it is possible to manage change successfully.

Strengthening the Real Estate Market

Belair-Edison is a collection of neighborhoods in northeast Baltimore. The population exceeds eighteen thousand residents in eight or nine sub-neighborhoods, which have names like Four By Four and Little Flower. There are nearly seven thousand houses of which all but two dozen are row houses. Two bedrooms or three, front porch or not—these are the distinctions among the row after row of brick Belair-Edison houses, most of which were built between 1920 and 1960. The key renewal challenge was how to attract a new group of home buyers. Leaders of Belair-Edison Neighborhoods, Inc., the local nonprofit group, knew that no one action would reposition the neighborhood in the real estate market, but there were changes that could help. The name was promoted in newsletters, by new entry signs to the area, and in press releases. Herring Run Park was cleaned up and replanted and the neighborhood public golf course was promoted. A Main Street project upgraded the commercial strip and, through an outreach program, resident groups focused on self-help block projects and neighborhood beautification. Hundreds of porch lights were installed, there was a dog program called the Bow Wow Pow Wow, and there were neighborhood celebrations, golf outings, and back-to-school events. But even with these and other creative initiatives, the leaders knew that fundamental change would not happen until more and better prepared buyers started investing in Belair-Edison.

This outcome required a series of incentives for buyers: one-on-one counseling, special purchase loans for public employees, and low interest rehab loans for buyers. It also meant tracking sales data to help new buyers make better decisions and working with real estate agents to promote new listings. And there were agent-sponsored open houses for neighbors, so residents could bring their families and friends as part of a Pick Your Neighbor program.

In addition, the organization joined forces with another nonprofit to renovate row houses well above the standard of the neighborhood. This had the dual purpose of showing what could be done with the standard row houses and of attracting new buyers to houses that were move-in ready.

Through these combined efforts and through a dedicated focus on selling to a stronger profile of buyer, Belair-Edison emerged as a neighborhood of choice for households that previously had decided to live elsewhere. Further, this and five other programs proved so successful that now there is a forty-neighborhood program, which has made over $30 million in loans in places that had historically been seen as second choice locations but that today are increasingly extolled as good value for the dollar.

While these multi-faceted efforts were important, Belair-Edison would not have recovered so successfully without a change in the buyers and in the sales prices in the neighborhood. Strengthening the market was the fundamental action that created long-term sustainability.

Improving Physical Conditions

Until recently, the Idora neighborhood in Youngstown, Ohio, faced the disheartening impact of too much empty space. Closed stores, unused rental houses, abandoned buildings, and vacant lots were defining the neighborhood. It was clear that no one was managing this glut of emptiness. This was especially distressing because the past had been so different. For decades, Idora's summers were filled with life and energy. In the years before and after World War II, residents of the city and the whole region knew Idora for the well-loved family amusement grounds called Idora Park. Visitors spent warm evenings traveling to Idora Park through the tree-lined streets filled with the meticulously maintained houses of the neighborhood.

But Idora in recent years was no longer being managed. To respond, concerned residents got involved in the Mahoning Valley Organizing Collaborative. After a year of outreach, it was obvious there was a profound desire to re-envision Idora as a special place. In this transformation, the neighbors joined with the Youngstown Neighborhood Development Corporation to first address the vacant lots and abandoned houses. In less than two years of community work, a new vision is succeeding beyond any expectations.

Instead of vacancy defining Idora, the residents are redefining the neighborhood through initiatives with special emphasis on the Lots of Green program sponsored by YNDC. This program acknowledges that empty space needs to be managed if the neighbors want to control the future of the community. In just over a year, fifty-four abandoned houses were removed and scores of other vacant lots brought into the program. By the end of 2010, 120 lots were improved, and 30 more added in the second year. Each of these lots is seen as an opportunity to upgrade the physical conditions of the blocks, to engage neighbors in managing their neighborhood, and to create a new face for Idora as a place that is greatly valued and loved by its residents.

In many cases, adjacent property owners agreed to be responsible for lots by treating them as side yards. Some of the vacant lots were added to historic Mill Creek Park, which adjoins the neighborhood. Five community gardens were established, along with extensive education programs for children and adults. Replanting projects utilized forty-four additional lots as passive green space, a storm-water demonstration site was developed, and pocket parks were created. To reinforce the changed approach to space, a neighborhood team of young people was contracted to maintain these and other lots. And today momentum is being sustained through a Market Gardener Training initiative, which is educating twenty-five residents in sustainable market gardening.

With abandoned buildings removed and vacant lots back in use, the outcome has been incredible. Emptiness is being managed and Idora is again being thought of as a special place with a unique story, a committed group of neighbors, and excellent housing options. People are discussing its vacant lot programs and its training efforts as examples of what Youngstown needs as part of its recovery. While it does not have the idealized reputation of sixty years ago, Idora has become proof that a neighborhood can successfully remanage its physical environment as part of a larger strategy of community change. A discussion of related efforts by the Idora neighbors is highlighted in the case study at the end of this chapter.

Increasing Resident Involvement

Swillburg is a neighborhood of about nine hundred households located on the east side of Rochester. Anchored by a small park, it is a place of well-maintained houses on quiet streets connecting to a commercial corridor. Only a few years ago, an honest description would not have been so favorable. Then there were too many houses in disrepair, too many yards that were poorly fenced and overgrown, and too many properties not selling to home buyers and not attracting stable renters.

Although it is a city with great assets, Rochester has faced a long decline of population, from a high of 332,000 in 1930 to around 210,000 today. While the decline has slowed to perhaps a thousand persons per year, the impact of a smaller, less well-paid resident workforce depresses housing prices. Moreover, the suburbs are easily reached and offer excellent value in housing.

A creative community-based nonprofit, NeighborWorks Rochester, determined that revitalization required a market-driven approach but that the involvement of residents would be critical. There were many nearby neighborhoods with good images, upkeep, and housing values, so one possible competitive advantage would be engaged residents. To reach these neighbors, the initiative used two effective community-organizing techniques: door-to-door outreach and social events. By knocking on doors, people informed neighbors about activities, programs, and special services. They were told about home-repair loans and cleanup opportunities. Barbecues, picnics, and other social events brought out residents who would normally never have attended neighborhood meetings. This created a broad base of participation as Swillburg improved its home-maintenance standards and increased its marketability. Even the name Swillburg began to be seen as a distinctive and marketable asset.

Four years later, the neighborhood continues to be stable, although the foreclosure crisis has further weakened the Rochester housing market. The program has been so successful that two other neighborhoods, parts of the nineteenth Ward, and The Pocket in North Winton, are both using the same outreach and improvement tactics. Increasingly, residents are taking control of Rochester neighborhoods to build on their assets and reinforce stability.

Geneva, Baltimore, Youngstown, Rochester, and cities like them are taking charge of their futures instead of being captive to the changes happening around them. They have taken to heart the imperatives in preserving healthy neighborhoods. It would, therefore, be helpful if we consider what this term means if we are to create effective public policies.

Committing to a Demand-Driven Healthy Community

In low-demand communities, it is critical to agree on what the word healthy actually means. In some cities, the sale of federally subsidized houses is considered a measure of health. In other places, the fact that only subsidized houses are selling is considered a measure of failure. When neighbors are asked what a healthy neighborhood means to them, the initial answers are remarkably similar across the country: safe, clean, and neighborly. Moreover, when pressed, most residents—especially homeowners—will add that housing values should be stable or rising.

With these observations in mind, the definitions of a healthy neighborhood generally follow two themes: economic soundness and livability. Typical language is "A healthy neighborhood is a place where is makes sense to invest your time, effort, and money and it is a place where the neighbors are willing and able to manage the everyday issues of the neighborhood." Of course, these words carry different meaning in different places, but the central values are consistent. People want to live in communities where they can feel good about the dollars they spend on their mortgages or rents and the time they spend on keeping their homes in good condition. And people want a sense of neighborliness and shared responsibility, which shows that residents value the community and one another.

Across the country, most places are healthy, housing is a good value and is worth maintaining, and community norms are working effectively. But some neighborhoods are beginning to see those conditions fray, and other places have already lost the basic economic and social realities that can support a stable, thriving place.

Defining a Market-Based Neighborhood

The word neighborhood is a tricky one. Similarity of housing types, the existence of boundary streets, the location of parks and schools, and a dozen other markers are used to define neighborhoods. But these definitions are slippery. A boundary street might actually be the spine that runs through a neighborhood and binds it together. A location next to an abandoned school or a notoriously dangerous park might not function well as a neighborhood marker. And if housing similarity defines a place, then huge sections of triple-deckers in Boston or row houses in Baltimore or tract houses in Los Angeles would be all be considered one neighborhood. To recapture health, it is important to define a neighborhood at a scale that can be managed and marketed by neighbors and their allies. Census districts, school boundaries, and planning maps do not define neighborhoods; manageability and marketing potential do.

In healthy communities in both small towns and major urban centers, successful target neighborhoods usually consist of a few hundred houses, perhaps from three hundred to eight hundred units. Since many neighborhoods in large cities are much larger than that, sub-areas within those neighborhoods may have to be targeted. When targeting, smaller is better. It is easier to initiate improvements and to create the relationships needed to sustain long-term change. How to combine various blocks into manageable and marketable units is as much an art as it is a science. It can not be done in the city's Office of Planning; it is achieved through on-site observation of how people live, coupled with ongoing conversations with the neighbors. When this is done, it is relatively easy to trace the history and to catalog the unique assets of a place. This naturally leads to the identity and market questions and to the challenges of upgrading conditions while engaging residents. These characteristics, of course, are the key elements defining a healthy neighborhood.

Developing the Process for Change

Given that our goal is to preserve those neighborhoods with the potential to be healthy places once again, what should happen? When the leaders of a low-demand city determine that they must target specific neighborhoods for market-driven reinvestment, how can the neighborhoods be selected? Is there a statistical formula that weighs such characteristics as vacancy rates, sales prices, percent of home owners, and current and past market performance to predict which neighborhoods will be successful in retaining and attracting stable households? Can a local community estimate in advance how many public dollars will be required? Is there a way to know the extent and nature of conventional and reduced-rate mortgages that will be needed to move a neighborhood to traditional market performance? And how can local leaders identify the various niche markets that will likely need to be attracted to the targeted neighborhoods?

Unfortunately, there are no consistent answers to these questions if we examine neighborhoods that have taken a market-driven approach. There are too many factors that are part of any neighborhood's recovering as a place of choice. Are the typical housing products historic mansions, or worker cottages, or mid-century modern tract homes? Are the blocks relatively intact and uniform, or are there a jumble of different styles of single-family houses and apartment structures? What is the prevailing public conversation about the neighborhood? Is the emphasis on crime and negative behaviors, or is the common story about the continuing neighborliness of the community? And where are the competitor communities and what are their conditions? Responses to such questions only hint at the factors that go into any plan for recovering a community.

While everything can not be known in advance, it is important to learn as much as possible about the character of a place and to begin to match the defining features to likely customers. This means determining where those customers are today and whether they can be attracted to the target blocks. For the strongest potential customers, will this require special financing, or discounted architectural and renovation services, or a marketing campaign, or all of these incentives, or something else altogether? What will encourage customers to choose a specific place among so many options? In some places, rediscovering a long-lost neighborhood history or name can be a key trigger. In other places, the key is the first group of uniquely painted houses or the first appearance of renovation equipment and signs. Or perhaps replacing the worst eyesores with a farmers' market or the restoration of the historic porch on the public library will cause people to notice the neighborhood and include it as a possible choice.

Many different factors contribute to neighborhood desirability, but they all are part of rebuilding confidence in the community. Without addressing the issue of confidence, there can be no sustainable change. This process can be risky. A series of small-scale improvements might convince the current residents that things are improving, but newcomers might not even notice these same changes. A large-scale development project might help potential buyers see dramatic change, but current residents could see the same investment as profoundly destabilizing the economic and social fabric of the neighborhood. A high-quality renovation of the key historic properties might boost the real estate market, but if most structures aren't historic, the recovery could stop after only a few houses. Simply said, the best approaches to neighborhood recovery can not be simply stated.

What can be done? Gather market data in the neighborhood and in its competitors. What do the numbers tell us about the housing products and the competitive communities? Interview those in the last ten households moving in and those in the households moving out. What do they see as desirable and what are the perceived obstacles to recovery? How do different socioeconomic groups express distinct viewpoints? Look at the recovering neighborhoods similar to the target site. What factors support renewed confidence and what conditions seem to be accepted as "normal" for those neighborhoods? Walk every block of the target neighborhood and tally the unique features that will make the place desirable and identify the critical problems that must be minimized before confidence can be reasserted. And, of course, spend time engaging with current residents. Cities with excess housing will not recover because large numbers of residents move in. There just are not enough new people to risk losing any of the stable residents already there. The future of the community will be a partnership of those new and current residents who see the neighborhood as a place they choose to live and not a place where they are stuck.

In almost all cases, an at-risk neighborhood has seen three fundamental changes. The place feels less safe and inviting, it is described as dirty or littered or shabby, and there is an expressed longing for neighborliness. As noted earlier, "safe, clean, and neighborly" is a widely shared mantra that crosses ethnic, racial, economic, and age identities. For current residents, growing equity may be secondary to the more immediate goals of safety, cleanliness, and neighborliness. Of course, a place with those desirable features is a place with increased confidence and place that can likely achieve equity growth.

Faced with this reality, cities must deal with safety, upkeep, and neighborliness as core elements in achieving health and must do this in ways that encourage confidence and don't undermine it. Announcing an anti-drug program reinforces negative images; a community-wide wellness initiative might have as much impact as an anti-drug program but the image is one of proactive change. A crime watch reminds us of a threat, while a good-neighbor block program recalls an idealized earlier time in America. Even a neighborhood cleanup day is best described as a block party that is preceded by a beautification event. Words make a difference when building confidence. The advertising industry knows that we do not want cavities, but they remind us that we really want whiter teeth. A neighborhood becomes a place of choice when we are told it is a special place where people like us are choosing to live and to invest themselves and their resources in their homes and blocks. The message is as important as the reality when it comes to building confidence.

Identifying Obstacles to Market-Based Transformation

If a market-based approach makes so much sense in shrinking cities, why is this not a more common approach? After decades of reduced demand, why do so many community development agencies and nonprofit groups continue to build or renovate housing as a primary tool for improving neighborhoods? Why are so many public investments made in the most distressed sites which have no long-term future?

The answers to these sorts of questions vary significantly in different cities. However, there are some general observations at the core of the strategic reinvestment challenge. These include at least four obstacles to implementing new approaches to neighborhood investment in low-demand cities. Let's consider each one.

Obstacle One: Regulations Are Usually Made For Someone Else's Problem.

Most federal and state neighborhood investment dollars come with significant regulations written into the legislation or crafted by the agencies involved. In the case of federal dollars, there is little attempt to tailor the program to the vastly different housing markets in the United States. Both Minneapolis and Memphis sit on bluffs overlooking the Mississippi River, but their at-risk neighborhood challenges are completely different. A rent of one thousand dollars a month is a great price for a studio apartment in Chicago, but it buys an outstanding house in Saginaw. Even the more market-focused Neighborhood Stabilization Program (NSP) legislation, which was intended to address foreclosure issues, was written to require that 25 percent of all dollars be spent on households at or below 50 percent of median income, whether or not this was the most effective way of reducing the impact of massive foreclosures.

The Home Investment Partnership Program (HOME), HOPE VI, Choice Neighborhoods Initiative, and Neighborhoods of Promise are similar examples of federal dollars that follow Community Development Block Grant-based income criteria at least in part. For cities with excess housing supply, this usually biases the targeting of dollars to places with less chance for recovery. The result is usually locating projects in ways that further concentrate poverty.

Even when local agencies attempt to take market-building actions, obstacles are significant. For example, if federal dollars are used, inflexible rules often disallow partial rehab, so properties must be brought up to a standard that most nearby residents cannot match. The subsidized houses stand out and reinforce the notion that only public dollars are being invested. Even if a local agency tries to just raise curb appeal through neighborhood exterior rehab, there are numerous limitations in the use of federal funds that undermine the intended outcomes.

State government rules should not be overlooked. For example, if the Jamestown, New York leaders wish to demolish a typical large abandoned house, the cost is roughly $16,500. Demolishing the same house two hundred miles away in Canton, Ohio, is much less than $6,500. Both cities act with caution regarding public safety, especially when dealing with asbestos and lead, but the complex rules in the state of New York result in the ten-thousand-dollar difference. The health and safety issues involved in addressing abandoned structures is real in both cities, and both communities are committed to dealing with the problem, but state legislation impacts their relative abilities to deal effectively with dangerous structures.

Of course, regulatory requirements are always open to interpretation by experienced regulators, who comprise the staff of the federal and state agencies that fund community development. They know there are creative ways to use public dollars to reinforce realistic market-based strategies, but how this can be done is usually only explained by agency staff members who are willing to take risks. This is asking a lot of people who are commended for making sure that grantees follow rules exactly. It also assumes that qualified regulators know local housing markets well enough to advise community development staff on how to rebuild housing demand. Recent experience with the NSP projects shows how difficult it is to produce a marketable house in a low-demand environment. The result is usually a compromise: produce few houses and fund them with large subsidies. The premise is that any house can be priced low enough to sell, if the only goal is sale of the property, not the recovery of the neighborhood.

Conclusion: Regulations are too often about housing and not about housing markets.

Obstacle Two: Crafting Projects Is Not the Same as Changing Market Behaviors. Major nationwide for-profit housing development firms make mistakes when forecasting future demand, such as the recent over-building in many states. Indeed, some firms are bankrupt because of an unfounded confidence in the demand for certain types of housing. Markets are not easy to predict, and urban housing demand is no exception.

The staffs of city agencies and community development nonprofits are no more or less skilled than their private industry peers. But city and nonprofit investment is uniquely open to public scrutiny. If a private firm acquires land without an immediate use, it is seen as having foresight. If an agency acquires land and then chooses not to act, it is seen as another inept city project. In the real world, housing development is not easy and public and nonprofit community developers are not experienced in developing housing for a market. Instead, these professionals are well versed in the esoteric world of packaging complex loans with multi-sourced grants for low-income housing. Multi-year complicated projects often focus more attention on the funding sources than on the outcome of the housing. The negotiated product will be layers of loans and grants that have different and sometimes conflicting compliance requirements. Whether the housing still makes sense or the project achieves any neighborhood outcomes can be lost in a decade of packaging of resources.

Yet, city and nonprofit staff members are under enormous pressure to make projects happen. The income of these corporations is often dependent on housing production even if there is little demand for the final product. Moreover, many public officials are elected on promises that given projects will happen. Ribbon cutting is much more dramatic when it takes place at a new housing project than when it occurs at a demolition site. Residents seldom ask for more effective responses to a market problem; they usually just want something fixed. And most national legislation reinforces this notion by biasing grants to favor more housing construction or renovation.

Even if there has been a local decision to be market-focused, there usually is insufficient training of city staff and political leaders in the terminology and goals of housing-market interventions. Few experienced elected officials and staff professionals are adept at understanding soft markets and explaining them to the public in a way that garners support. Repeatedly, seasoned civic leaders explain that the way to "turn around" that notorious neighborhood is to renovate those houses that everyone sees on the main thoroughfares. Soon thereafter, they express surprise that families are not interested in renovated houses on the busiest streets in an already-troubled neighborhood. Of course, families know that sound houses on quiet streets are not selling and they do not want to buy houses at less desirable sites. At some point, the renovated but unused houses become an indictment of the neighborhood and the properties are sold at an even greater loss or are rented with large monthly subsidies. In low-demand cities, there is little margin for such errors. Investment that further undermines a neighborhood must be discouraged no matter how seductive the presentation by the tax credit developer. *Conclusion: Markets need to be built, not more houses.*

Obstacle Three: Commonly Held Ideas Might Not Lead to Commonsense Outcomes. A prevailing common vision reads as follows: If housing is in bad condition, substandard housing should be replaced with quality housing. Once there is quality housing, people will return to the neighborhood and that will support better schools and improved businesses. Outside of a few middle- and upper-income neighborhoods, that scenario has hardly ever worked and certainly has a very poor track record in weak market cities.

Healthy neighborhood approaches argue that if existing housing and neighborhoods in good condition can't be effectively repositioned in the market, there is little likelihood that troubled housing in distressed neighborhoods can spark market demand, regardless of renovation. Confidence just isn't driven by observing public subsidies at work; confidence is built on seeing markets work.

But discussions about buyer or renter confidence can seem trivial when confronted by neighborhood organizers and advocates for the poor who see their task as achieving social justice for ill-served residents of the neighborhood. Certainly the poor are deserving of attention, but it is not always the best idea to serve only that population if the more stable households then choose to leave. This further isolates the poor, even if it is in a new housing project or a renovated rental complex.

Certain discussions get repeated across the country and are now local urban legends. For example, in some cities with massive population loss, neighborhood leaders still worry that new investment leads to gentrification. They point to the two-dozen historic houses on Third Street that were renovated in the 1980s as proof of the growing demand for urban houses. What follows is the fear that funding housing initiatives for those households whose earnings represent over 80 percent of the area median income will encourage those with even higher earnings to move into troubled neighborhoods. This argument is made even when houses in the most prestigious neighborhoods are selling for one year's annual median income. Hidden agendas about race, ethnicity, and low-income residents are ascribed to developers, landlords, and the ever-dreaded young professionals.

Another version of this argument is frankly much more political. It argues that targeting non-poor neighborhoods is not fair and is politically unacceptable. The long-established ward councilperson, the articulate minister, or the esteemed business leader is often the honest, well-intended proponent of this approach. They argue that the subsidy pie is very small and should be expended only where dollars have been spent in the past. These leaders dismiss the idea that elsewhere the same dollars could help many more households of all incomes, build housing equity, and increase the tax base. They see the funds as promised over past years and therefore entitled for future years.

This reasoning prevails because there is seldom the political courage to challenge old practices and to renegotiate past agreements. The words used in discussions about healthy neighborhoods might be useful in the city as it has become, but the words make no sense when referring to the city as it used to be. It takes a sustained and well-orchestrated public information campaign to build the support for a paradigm shift. In cities with the shell shock of population decline every decade, it is difficult to take on past assumptions and to articulate new principles of change. Even if there were political and civic leaders to promote these actions, the concepts regarding healthy neighborhoods have not been documented and explained well enough to empower the leaders to succeed. Where change has happened, there has always been a small number of proponents who worked both openly and quietly to orchestrate the change, and even then, the outcome has often been a cobbled-together compromise.

Conclusion: Changing what we do is hard; changing how we think is harder.

Obstacle Four: Complex Strategies Lack Both a Simple Formula and an Advocate

Perhaps the greatest impediment to using healthy neighborhood approaches in weak market cities is the acknowledged limitations in the model. Frankly, any real estate market intervention will be imperfect. There is an inherent messiness in trying to reposition a neighborhood, marketing mistakes will be common, and community outreach efforts will get rained out. Projects that seemed brilliant in the planning will fail in the execution. Other ideas will blossom because a single person champions the work or because a press article highlights the vision.

Further, a demand-driven approach does not offer a self-sustaining business model. Indeed, if the work made good business sense in the narrow profit and loss sense, conventional developers and real estate professionals would be leading the effort. Rather, housing initiatives in weak markets do not make sense in traditional business terms, but with some strategic targeted dollars and attention to specific details and players, certain submarkets can be stabilized and even grown. Can this produce enough tax revenue to support the actions? Perhaps, but the lack of any ability to show a clear correlation means that public dollars will still need to be spent without proof of a profitable return.

Many of these limitations could be overcome if there were an advocate for healthy neighborhoods, especially for at-risk but recoverable neighborhoods in weak market cities. Regrettably, there is no national intermediary that has the commitment or the capacity to launch such an effort. Most of the national groups are still tracking numbers of units developed or houses repaired or foreclosures avoided. These are all important actions, but they do not attempt to reposition neighborhoods or cities with depressed demand for housing. Barring a sudden change in national housing policy, a major shift by a housing intermediary, or a substantial grant initiative by foundations, there is little likelihood that the healthy neighborhood ideas will evolve as a fully articulated, adequately funded tool for cities in distress.

Conclusion: Markets are messy and no national advocate is willing to get really dirty.

Overcoming Obstacles and Recapturing What Is Valued

Given the structure of funding, regulation, and staff capacity and recognizing the unevenness of community support and the difficulty of the work, it is remarkable that any local efforts at market interventions succeed. Why do communities challenge conventional wisdom and come together to employ more complex tools for neighborhood change? The simplest answer is that these approaches are effective in low-demand situations.

Other neighborhoods in Youngstown want to replicate the Idora experience. NeighborWorks Rochester, which has been involved in the revitalization of Swillburg, is also active in two other parts of the city. Geneva is becoming a model for other small cities and towns seeking to engage their residents. Baltimore is now using healthy neighborhood techniques in dozens of neighborhoods. This is happening because neighbors and neighborhoods are rediscovering their assets and their competitive potential.

Moreover, the principles and strategies of healthy neighborhood interventions are seen as efficient use of resources. The techniques are able to build housing value for households and property owners that have lost equity over years, and the concepts are respectful of residents and, most especially, of lower-income households. Finally, these approaches are able to walk that fine line between our desire to re-create the lost images of past neighborhoods and our practical need to respond to a changing America. Through all of this, the key underpinning value is one of confidence by neighbors in their community and in themselves. It is that confidence that makes a neighborhood healthy.

Case Study: Creating Healthy Neighborhoods In Youngstown

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Youngstown, Ohio was once a powerhouse of productivity. Hard work in the mills, business innovations, and commercial ingenuity created a city with a rich public life and advantages such as parks, museums, and concert halls. And the financial strength of this leading industrial city supported an impressive downtown. There were elegant houses on beautiful blocks adjacent to desirable middle-class communities and stable ethnic neighborhoods. And this vitality and energy was fueled by smokestack industries that were the envy of the world.

Of course, today the story is very different. Too many major employers have downsized or closed and too many new businesses do not offer jobs of the same quality. Health care and education sectors have grown and some mills have modernized, but the population has continued a fifty-year decline, going from about 170,000 people to a current level just under 67,000. Youngstown is often referenced as a symbol of the deindustrialization of America and is characterized as having abandoned houses, empty lots, and closed factories. But in the last few years, this city has become equally well known for its forthright recognition of its problems and its commitment to becoming a very different place, one that will be smaller, less dense, and thriving.

The test is whether this commitment can be converted into a realistic, achievable plan for reinvention. Can Youngstown orchestrate the strategies to reposition neighborhoods as places where people choose to live? Can it create new standards to manage vacant buildings and lots and to upgrade public spaces? Can it develop marketing programs, promotional strategies, and home ownership incentives to retain and attract the target customers? Can it bring together neighbors as an effective force to improve the neighborhoods?

After only a few years of community work, the answers to these questions are increasingly affirmative. The city is quickly producing practical examples of what the new Youngstown will look like. As a key part of this transformation process, the city government joined with neighborhood residents and partnered with the newly founded Youngstown Neighborhood Development Corporation.

The first major site was the Idora neighborhood. Beyond dealing with the need to manage emptiness, there was a decision to upgrade the neighborhood image, strengthen the real estate market, and engage large numbers of residents in the renewal process. With significant support from the Raymond John Wean Foundation, local leaders embraced the principles necessary to create healthy neighborhoods. They recognized that low demand neighborhoods do not recover because of subsidies or government projects. These leaders resolved to do everything they could to rebuild confidence so that property owners would again be willing to invest not just dollars but also valuable time and effort in owning and managing quality homes. And the leaders resolved to engage as many residents as possible in all aspects of the process so that the renewed confidence could be sustained when direct activities were completed.

Even as parallel initiatives were beginning elsewhere in the city, the Idora results have literally amazed the participants. In addition to the outstanding programs to manage empty space, some of the highlights of eighteen months of work include:

- Addressing the neighborhood image by:
    1. replacing street signs at every corner with new signs that include the neighborhood logo,
    2. re-boarding all marketable vacant houses,
    3. installing neighborhood entry signs,
    4. creating high impact neighborhood murals with residents, and
    5. operating a media and information blitz worthy of any launch of a new product.
- Marketing the neighborhood and the housing by:
    1. rehabbing for sale five houses as examples of "green renovation,"
    2. promoting the sale of currently listed houses, and
    3. encouraging first-time buyers through expanded home buyer education programs,
- Engaging residents by:
    1. facilitating their ability to improve their own homes and yards,
    2. involving residents in the community gardens, the clean-up projects and the murals,
    3. offering extensive training programs on various themes,
    4. working with the neighborhood association to strengthen its role in

the community and expand its membership, and

5. providing a role model to show how to stop bemoaning problems and instead to become proactive about marketing the neighborhood as a great place to live.

These initiatives and dozens of other small actions have combined to literally reignite confidence in Idora, a story that is being heard elsewhere in Youngstown. Today Crandall Park North is rebuilding its neighborhood organization and is promoting the community, especially through marketing of specific outstanding properties. Likewise, the Brownlee Woods neighbors have joined with nearby residents to kick off a healthy neighborhoods planning project. And a Lots of Green project, model block efforts, and other activities are just beginning in the ethnically diverse Lincoln Park area. Each place has a different set of challenges and each will benefit form a carefully tailored reinvestment initiative.

The Youngstown city government understands that its role is to make these recoveries possible by using its grants, special lien programs, clean-up assistance and similar tools to support the confidence building efforts of the residents and nonprofits. Local government will no longer attempt to physically rebuild neighborhoods or promote large-scale development projects. It acknowledges that making neighborhoods healthier is the responsibility of the neighbors working with their partners. Further, city leaders also know that this format for community change offers the best potential for effective decision-making in other parts of the community and will use many of the techniques in its re-writing of the zoning regulations for the city.

Today the principles involved in creating healthy neighborhoods are guiding much of the neighborhood renewal in Youngstown, and the results are gratifying. Of course, Youngstown faces years of difficult transformation and it will constantly have to modify its strategies as economic conditions and market forces change. But if it continues to focus on its assets and to build resident confidence, it will successfully transform itself. While Youngstown will not become the place it was in the 1950s, it will again be a place with neighborhoods that people choose to call home.