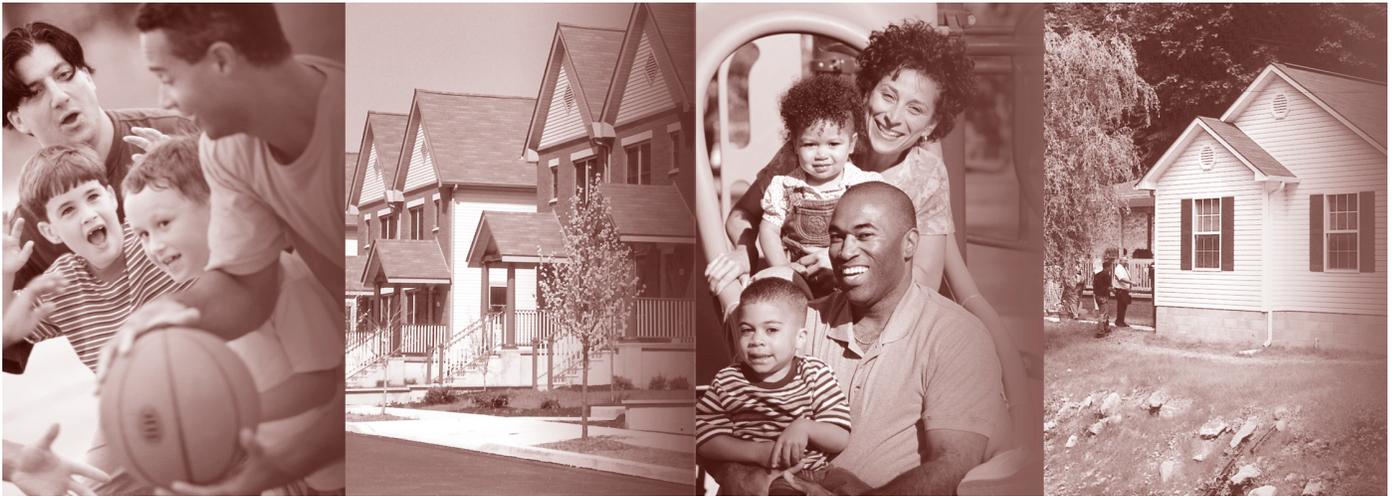


HOME and Neighborhoods:

A Guide to Comprehensive Revitalization Techniques



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Prepared by



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Foreword

Many of the nation's cities and states have some neighborhoods where market forces are not working to sustain the neighborhood, and the physical infrastructure is deteriorating or obsolete. An infusion of development funding can be an important first step in the revitalization process in these neighborhoods. The revitalization of American communities and the expansion of the supply of affordable housing for low- and moderate-income families are at the very core of the U.S. Department of Housing and Urban Development's (HUD's) mission. The two policy objectives are related, and HUD has found that housing development can be a critical component, if not the catalyst, for neighborhood revitalization efforts.

HUD administers numerous successful programs that are designed, in part, on the premise that large-scale housing development can spur community reinvestment, and contribute to neighborhood revitalization. The most notable of these programs are the HOPE VI program and the Homeownership Zone (HOZ) initiative. With these programs, HUD provided funding to develop large-scale, concentrated, mixed-income homeownership opportunities, with the hope of spurring neighborhood revitalization, among other goals. The successes and struggles of these initiatives provide important lessons for others with this revitalization goal.

Many participating jurisdictions that receive HUD funding through the HOME Investment Partnerships Program seek to use that funding for neighborhood revitalization. This publication, *HOME and Neighborhoods: A Guide to Comprehensive Revitalization Techniques*, is a technical assistance resource that explores how HOME affordable housing funds can support and/or spur neighborhood reinvestment. *HOME and Neighborhoods* is based principally on the lessons of the HOZ communities, and it highlights the issues that HOME PJs must consider when they seek to use HOME funds to revitalize neighborhoods.



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Introduction

Purpose of the Model

HOME and Neighborhoods: A Guide to Comprehensive Revitalization Techniques explores ways that HOME participating jurisdictions (PJs) can use HOME funds to meet local community revitalization goals and highlights the issues that HOME PJs must consider when planning for such use. The guide explains why homeownership development is a stabilizing force in a neighborhood and reviews the types of planning, design, and marketing issues that will need to be addressed to successfully develop housing in a deteriorated or declining neighborhood. In addition to issues related specifically to the housing itself, the guide highlights the importance of addressing the myriad of other issues that will have a direct impact on the success of the neighborhood: how to assess whether or not local infrastructure can support the development, how to create a healthy commercial environment, and how to work with other public service providers to reduce crime, improve education, and create recreational opportunities for residents.

Housing development alone will create housing units—to revitalize a community will require efforts to address all aspects of community life. Housing development can be an important first step in a neighborhood revitalization program. *HOME and Neighborhoods* explores how PJs can make wise housing investments with their HOME funding when they choose to invest in areas that need to be revitalized. The model draws heavily on the lessons learned from the implementation of HUD’s Homeownership Zone (HOZ) initiative. It provides guidance on how to think about housing investments in the context of other neighborhood challenges that impact the health of the community—commercial development, infrastructure, and service needs. Although HOME funds cannot be used to address these needs, these areas will have an impact on the sustainability of HOME-funded housing. PJs who are serious about neighborhood revitalization will need to consider these related issues when developing a comprehensive approach to neighborhood revitalization.

Who Will Benefit from Reading this Guide?

HOME and Neighborhoods is written for HOME PJs and their housing development partners who have, or are considering, investing HOME funds in a neighborhood that is declining and decaying.

How is the Guide Organized?

The first chapter of *HOME and Neighborhoods* provides an overview about how housing development can contribute to neighborhood revitalization, defines a healthy and declining neighborhood, and summarizes the background of the HOZ initiative and the HOME Program. Chapter 2 describes the importance of undertaking a comprehensive approach to neighborhood revitalization and lays out the key steps to conducting a revitalization plan.

Chapter 3 looks at how housing development can spur redevelopment efforts, and identifies the types of planning and design issues that impact on successful homeownership housing. Chapter 4 reviews how HOME funds can be used to promote neighborhood revitalization efforts, and identifies other funding sources that can support housing activities. Chapters 5, 6, and 7 explore those systems in the urban environment that will impact heavily on a neighborhoods’ health and stability—infrastructure, commercial development and activity, and integration of services (police, schools, recreation, and social services). These chapters explore why a HOME participating jurisdiction must address these systems in a revitalization plan and explores the types of issues a PJ is likely to encounter as it strives to incorporate these areas into its plan. Resources on how to tackle typical challenges in these areas are also identified. The model program guide concludes with Chapter 8, which summarizes the key lessons of the publication.

About the Model Program Guides

HOME and Neighborhoods is one of a series of model program guides published by the Office of Affordable Housing Programs of the U.S. Department of Housing and Urban Development. The model program guide series provides technical assistance and guidance on HOME Program implementation to participating jurisdictions. Model program guides are available to the public at no cost. For more information about the model program guides, see the Office of Affordable Housing Programs' online library at <http://www.hud.gov/offices/cpd/affordablehousing/library/modelguides/index.cfm>.

Chapter 1:

Developing a Comprehensive Revitalization Plan: An Overview

Chapter 1 provides an overview on how housing development can be used to contribute to neighborhood revitalization. This chapter describes healthy and declining neighborhoods and explains why a revitalization program must be comprehensive. It provides relevant background on the Homeownership Zone (HOZ) initiative and the HOME Program, and explains how HOME participating jurisdictions can use HOME funds to fashion revitalization programs based on the HOZ model.

Defining Neighborhood Health

The ultimate goal of any neighborhood revitalization effort is to create a viable and sustainable community in a place where one does not currently exist.

What is a Healthy Community?

There is no specific formula for community health, but it is generally understood that a healthy community is one where people want to be—to live, to work, to spend time. Residents of a healthy community maintain and invest in their homes and take care of their yards. Businesses located in healthy communities are open, attract customers, and earn profits. Open space in healthy communities is used by residents and visitors, is well-landscaped and maintained, and is perceived to be a safe and welcome place.

Healthy communities, in essence, have a dynamic system of sound residential and commercial development, supported by accessible transit, working infrastructure, open space, recreational activities, social services, and a sense of safety.

What is a Declining Neighborhood?

Declining neighborhoods do not have a functioning neighborhood system. Generally, people do not want to live in declining neighborhoods. A declining neighborhood can be characterized as a developed neighborhood whose original development is in significant physical disrepair or is functionally obsolete. Often, capital investment to the neighborhood has ceased or dwindled so that the neighborhood is at-risk economically and socially. In addition to the decline of the

physical infrastructure in these neighborhoods, the community may be experiencing problems with crime and drug abuse; aging housing stock; housing or retail vacancies; and inadequate, insufficient, or poor quality service delivery. The community may also be isolated from jobs, transit, and the city center. The private sector is unlikely to initiate redevelopment activities independent of the public sector, and government incentives will need to be created to encourage private sector involvement in the revitalization efforts.

Why Must Revitalization Be Comprehensive?

Revitalization of a declining neighborhood must be done in a comprehensive way because neighborhoods operate holistically. Bringing people to a community to live, work, or spend leisure time requires a working neighborhood system. Decent, desirable housing might attract the attention of homebuyers, but without sound schools, safe streets, and accessibility to work places, shopping centers, recreational facilities and social services (by foot or other form of transit), homebuyers will seek alternatives. Likewise, businesses might be attracted to a newly rehabilitated and well-landscaped commercial district, but without a nearby neighborhood of residents to serve as regular customers, fancy storefronts alone will not be sufficient to attract stable and growing businesses.

The Homeownership Zone Model

HUD's Homeownership Zone initiative, currently being undertaken in eleven cities around the country, is a model program that demonstrates how the large-scale development of mixed-income homeownership

housing can stimulate private investment in declining neighborhoods. This strategy relies on a concentration of resources in well-defined target areas, and comprehensive planning that identifies the community's needs well beyond its need for affordable housing. The strategy also relies heavily on the use of good design to create attractive, desirable, and safe communities.

Background on the Homeownership Zone Initiative

HUD's Homeownership Zone initiative was developed in the mid-1990s as part of the President's National Homeownership Strategy. This strategy was designed to increase the level of homeownership across the country, with a particular focus on increasing affordable homeownership for underserved groups.

The Homeownership Zone initiative built on what some cities were already doing on their own: using existing Federal, state, local, and private resources in a concentrated way to create homeownership opportunities in inner-city or inner-ring suburban neighborhoods. By concentrating homeownership development in targeted areas and using a comprehensive approach to neighborhood revitalization, these cities were rebuilding impoverished and neglected neighborhoods and demonstrating that affordable, and livable single family homeownership could stimulate business and private investment. Successful HOZs have found that homeownership housing development is but one step in a process that ultimately involves many partners to address a wide range of needs in their communities.

Homeownership Zones use the "big bang" approach to development rather than the "evolutionary" approach. The evolutionary approach retains the character of the community, but seeks to address problem spots. The benefit of this approach is that it is not disruptive to the community and does not require a concentration of resources. The disadvantage is that its impact is not as immediately visible. It can be hard to change the public perception of an area when improvements are scattered. The big bang approach results in radical changes to a community. Substantial resources and energy are targeted to an area to create a new, positive identity for the community. This approach can be disruptive, but it can quickly change the public's perception about the future of that community.

The HOZ Cities

HUD has funded two Homeownership Zone competitions—one in 1996 and one in 1997. Six cities were selected in each round. At this writing, eleven cities are actively implementing their Homeownership Zone strategies: Baltimore, Maryland; Buffalo, New York; Cleveland, Ohio; Louisville, Kentucky; Philadelphia, Pennsylvania; Sacramento, California; Flint, Michigan; Indianapolis, Indiana; Trenton, New Jersey; New York City, New York; and San Juan, Puerto Rico. By providing Federal grants as seed money, HUD envisioned that these communities would be able to develop entire, new neighborhoods of mixed-income homeowners. To achieve this goal, HUD required grantees to implement comprehensive strategies and encouraged grantees to use "New Urbanism" design principles by providing for a pedestrian-friendly environment; nearby shopping, services, and community centers; easy access to jobs and mass transit; and a greater variety of housing types.

Twelve Design Principles of Homeownership Zone Design

In designing a Homeownership Zone (HOZ) neighborhood, the underlying concept is to view the neighborhood as a coherent unit that creates a sense of community and instills residents with pride. Housing should be integrated with nearby shopping, services, schools, parks, recreation and civic centers, and in some cases jobs and businesses.

HUD developed twelve principles for communities to consider when designing a Homeownership Zone.

1. The neighborhood, not individual projects, should be the essential increment of development and redevelopment. Neighborhoods should be compact, pedestrian-friendly, and mixed-use, forming identifiable areas that foster community spirit and a strong "sense of place."
2. Shopping, recreation, and other daily living activities should be located within walking distance of residences, allowing independence to those who do not drive. An interconnected network of streets should be designed to encourage walking and reduce the number and length of automobile trips.

3. There should be a range of housing types and prices to allow for a diverse population with different ages, incomes, and races.
4. Building density and zoning ordinances should be developed or revised to allow for public and private uses to be within walking distances and for public transportation to be a viable alternative to allow for easy access to jobs and businesses.
5. Civic, recreational, and commercial activities should be embedded in neighborhoods, not separated in remote, single-use complexes. Small parks and community space should be easily accessible throughout the neighborhood.
6. Physical design of buildings, streets, and infrastructure, and the design of landscaping should facilitate the sharing of streets and public space. Front porches, sidewalks, off-street parking, interconnected streets, and village greens are some of the ways this can be achieved.
7. The architecture of individual buildings should be seamlessly linked to their surroundings. Architectural styles may differ, but the scale and density should be compatible. Apartments and multi-unit cooperatives or condominiums can be given house-like forms to fit into the homeownership character of the neighborhood.
8. The design of streets and buildings should create and reinforce a safe and secure environment, but without jeopardizing access and openness.
9. Building and street design must sufficiently accommodate automobiles, but not at the expense of pedestrians, bicycles, and other forms of private or public transportation.
10. Streets and public squares should be safe, comfortable, and attractive to pedestrians. Spaces for sitting and relaxing encourages neighbors to get to know each other and enables residents to take pride in their community.
11. Architecture and landscaping should reflect the local climate, topography, history, and building practices of the area. Shade trees and other design methods can act as natural cooling methods in the summer, while appropriate window placement and materials can result in passive solar heating during winter months.
12. Historic buildings, districts, and landscapes should be preserved and rehabilitated to maintain the

character of the neighborhood. Incorporating new construction and historic renovation can create a link from the past to the future and signal a new era for the community.

Resources that Support the HOZs

The Homeownership Zone approach can be undertaken by participating jurisdictions using available Federal, state, and local funding sources. The HOME Program is a key resource for jurisdictions interested in developing an HOZ-type strategy for revitalization. Over 600 jurisdictions nationwide receive an annual HOME allocation. The flexibility of HOME allows these jurisdictions to use HOME funds in creative and unique ways to implement local neighborhood revitalization strategies. The American Dream Downpayment Assistance Initiative (ADDI) also offers communities an opportunity to target assistance for first-time homebuyers within neighborhood revitalization areas. Other HUD programs that can be used are the Community Development Block Grant program (CDBG) and the Section 108 Loan Guarantee program.

The HOME Program

Background on the HOME Program

The U.S. Congress established the HOME Program in 1990 in order to increase the supply of affordable housing throughout the nation. Since the passage of the Cranston-Gonzalez National Affordable Housing Act of 1990, HOME has helped hundreds of communities expand the supply of decent, affordable housing for low- and very low-income families. Over 450,000 affordable housing units have been acquired, constructed, or rehabilitated, and nearly 84,000 tenants have received direct rental assistance, all through HOME.

HOME funds are distributed to states, local jurisdictions, and consortia of local jurisdictions (collectively known as “PJs”) that qualify based on a formula allocation. Jurisdictions can choose to either decline or accept the invitation to participate in the HOME Program. Those jurisdictions that intend to participate in the HOME Program must prepare a Consolidated Plan containing specific information on how they will

use their HOME allocation, and other Community Planning and Development funds they may receive. The Consolidated Plan is subject to HUD approval and is the foundation on which all of a jurisdiction's affordable housing efforts are built. It is a key planning tool through which neighborhood revitalization efforts can be identified and planned.

HOME Housing Activities that Support Revitalization

PJs have a great deal of flexibility in designing HOME program activities to meet local needs and priorities within certain statutory and regulatory requirements. The primary requirement is that HOME funds must be used to expand the supply of affordable housing for low- and very low-income households. PJs may use their HOME funds to help renters, new homebuyers, or existing homeowners. Assistance can be provided for many different types of housing activities, such as acquisition, rehabilitation, new construction, or tenant based rental assistance. Assistance can also be provided in many different forms, including grants, low-interest loans, deferred payment loans, or loan guarantees. With the number of choices PJs must make when investing HOME funds, PJs can, and must, think strategically about the best way to invest HOME funds to meet the complex neighborhood revitalization needs of declining neighborhoods.

Homeownership development is typically considered one of the most effective ways to contribute to neighborhood stabilization, because homeowners have a vested interest in the future of the neighborhood, and they act in ways to secure and improve that future. Other housing activities, when undertaken strategically, and in combination with homeownership, can also contribute to the redevelopment effort. HOME PJs can choose to undertake many of these housing activities with HOME funds. Concentrating housing resources can increase the impact of physical improvements, and the perception of change in the neighborhood. For example, a PJ can offer a rehabilitation program to owners of existing rental properties, or existing homeowners, that targets smaller blighting influences in the neighborhood. A large-scale rental rehabilitation program might make sense for a neighborhood that has numerous abandoned properties that present a significant blight to the neighborhood, and attract

criminal activity. In addition to the visible benefits in the form of blight removal, targeting resources, particularly to assist homeowners in the neighborhood, can have the added benefit of generating community support. Chapter 4, "Using HOME Funds and Other Funds for Neighborhood Revitalization," explores the use of HOME funds for a number of different activities, with particular emphasis on large-scale homeownership development.

Although it is not typically undertaken at great scale, self-help housing may have a place in a revitalization program as well. The basic concept of self-help housing is the use of "sweat equity". The homebuyers, or volunteers, provide labor to build the housing which reduces the cost of the homes. An additional benefit is that participants in sweat equity programs often bring a strong commitment to homeownership. Probably the best-known practitioner of this concept is Habitat for Humanity. HUD's Self Help Housing Opportunity Program (SHOP) also provides funds for nonprofit organizations to purchase home sites and develop or improve the infrastructure needed to set the stage for sweat equity and volunteer-based homeownership programs for low-income families.

Using HOME for Housing Development

Comprehensive revitalization requires a multi-faceted approach that addresses the needs of residents and businesses. Revitalization may take many years, so in the early stages of the process, it is helpful to create a pool of stakeholders who will be committed and persevere throughout. Using HOME to develop a certain scale of development, in particular concentrated homeownership housing modeled after the HOZ, provides such an opportunity.

The following chapters demonstrate how this can be done, what PJs must consider as they undertake such an approach, and what non-housing elements of a community must be addressed as part of the initiative. Throughout the guide, references are made to the lessons of the HOZs. These "lessons" are drawn from informal discussions with staff of HOZs, as well as discussions with HUD staff and discussions at conferences held for the HOZ cities.

Chapter 2:

Envisioning a Healthy Neighborhood: The Planning Process

Planning is the process through which a vision for the community is created and articulated. As such, good planning is the starting point for any effective neighborhood revitalization strategy. This chapter explains why planning is an important first step to transform declining neighborhoods into healthy ones. It describes each of the key steps and identifies the decisions that are made at each step. This chapter describes the lessons that can be learned from the principles of modern urban planning models, and why and how good design should be incorporated into the planning process. Several examples are provided throughout the chapter to demonstrate how good planning has benefited community revitalization efforts nationally.

Successful Revitalization Starts with a Comprehensive Plan

What is a Plan?

Addressing the neighborhood as a system can be complicated, so good planning is essential. The planning process is the vehicle to help a community evaluate its existing health, and identify steps to become a more healthy community. The comprehensive planning process looks at all elements that comprise the neighborhood—how the land is used and zoned (transportation, housing, commercial, industrial, and institutional uses) and how the needs of residents and potential residents can be met—that is, the design of the community, along with the delivery of services (commercial, social services, recreational facilities, education, and law enforcement). The planning process involves data collection, a review of existing conditions, and structured dialogue with the community’s stakeholders in order to develop a vision for the community in the future. Good planning also considers the future sustainability of the community.

Why is Planning Important?

Many communities are familiar with the mistakes and failed initiatives that result from the lack of planning: the project that is designed, but never built; the building that is built, but fails to attract occupants; the playground that is home to only drug abusers. These failed initiatives cost communities time and money—resources that few public agencies can afford to waste. Even more damaging, however, is that these failed initiatives often hamper a public agency’s future proj-

Pontiac Uses Planning Process to Guide Decisions

The **City of Pontiac, Michigan** has a master planning process that it follows for making decisions about housing investments in two of its low-income neighborhoods. Each of the two neighborhoods has an established community housing development organization (CHDO) with whom the city works, and each area has a city-approved master plan in place. The plan identifies target areas and includes a general development schedule for projects. Each year, the city and CHDOs work together to identify specific sites for development. Some of the sites are city-owned, but others are acquired using CDBG funds. CDBG is also used for infrastructure improvements. The city provides HOME funding to the organizations for new construction of units to be sold to low-income homebuyers. The HOME funds are provided as a construction loan. Upon construction completion, a soft second loan is transferred to the new buyer to lower the cost of the unit from the sales price to the amount for which the buyer qualifies from a private lender.

ects and initiatives because they result in a lack of confidence by the public whom they serve.

The lack of comprehensive planning has also led to low-density, “sprawl” development. Many planners and developers have argued in the past decade that this type of development, often found in suburban areas, has degraded the quality of life with traffic congestion, loss of open space, adverse environmental impacts, and a lack of community cohesion.

The planning process can be daunting and requires a commitment of human and financial resources. Yet through the planning process, stakeholders come to a general agreement about the community's future development and service delivery options. The benefits of this planning usually far outweigh the hardships. Benefits vary by community, but most communities that undertake successful planning efforts are able to:

- **Bring together the stakeholders to create a common vision.** The process of developing a plan involves many participants, and provides a clearly defined framework in which to bring people together in a coordinated effort. This process creates an opportunity for securing representation and input from the community's stakeholders. Many communities also find that the planning process creates an opportunity for coalition building among persons or entities where there may have been a lack of communication in the past. The result of this process is often a community-wide commitment to implementation of the plan.
- **Develop leadership within the community.** The planning process involves numerous meetings and public forums. These occasions provide a method for involving and developing additional leadership within the community.
- **Develop shared mission and goals.** Once a plan is adopted, a community often has generated a sense of shared mission and goals among its key stakeholders. This common perspective on the current issues and future needs of an area is critical for the community to achieve the desired outcomes in the most effective and efficient way possible.
- **Create a road map for future decision-making.** An effective plan includes direction on priorities and resources for future development opportunities. Even where the plan will involve large-scale redevelopment, it is virtually impossible to do everything and fix everything at once. The planning process involves priority setting to accomplish incremental or staged goals. Completing the planning process will help the community to identify resources and define its priority activities.

For more information about planning

The American Planning Association is a nonprofit public interest and research organization committed to urban, suburban, regional, and rural planning. Its wealth of resources on urban planning and redevelopment can be accessed online at www.planning.org.

Appendix 2, "Summary of Key Neighborhood Planning Concepts," identifies other organizations and resources that focus on current planning models for Traditional Neighborhood Development, New Urbanism, Smart Growth, and Transit Oriented Development.

Creating a Roadmap for Success: Key Steps in the Planning Process

In some ways, the planning process is as important as the actual written product(s) that results from the process. It is through the planning process that a community's stakeholders debate and decide what the community is, and more importantly, what it can become. Though each community's process will be unique, there are some common steps that are generally followed. These steps include:

- Step 1: Select the target neighborhood;
- Step 2: Plan for public involvement;
- Step 3: Assess existing conditions;
- Step 4: Identify assets, opportunities, and challenges in the neighborhood;
- Step 5: Develop a vision for the future;
- Step 6: Develop an action plan;
- Step 7: Implement projects; and
- Step 8: Measure progress, and adjust the plan.

As the planning process is developed, PJs should consult state and local laws related to redevelopment, to ascertain whether or not there are steps in the planning process that are mandated by law. States and some localities regulate how redevelopment is carried out, or how specific related activities must be undertaken, such as eminent domain, acquisition and disposition of public property, code enforcement, and zoning. These laws should be revisited throughout the planning process, and necessary adjustments should be made to the process as plans are refined and decisions are made to undertake regulated activities.

Step 1: Select the Target Neighborhood

As the first and most important step in the neighborhood revitalization planning process, the PJ¹ must identify the area that will be the focus of the planning and revitalization effort. This decision can be difficult. It will impact the use and availability of human and financial resources for the jurisdiction. This is likely to have potential political ramifications, as it may raise a myriad of other issues related to the availability of funds and the provision of services. Choosing to concentrate resources in one neighborhood, or a limited number of neighborhoods, can be a difficult decision because there are usually competing opportunities that will not be realized as a result of this concentrated investment of resources. However, comprehensive revitalization may be the only feasible option to turn around a declining neighborhood. Securing the support of the PJ's leadership will be critical to making this difficult choice.

The process of selecting a target neighborhood varies jurisdiction by jurisdiction. The community may choose to conduct a process by which the entire community (or some portion of it) is studied and the area determined based on a set of pre-established criteria (e.g., highest number of vacant buildings, lowest homeownership rate, etc.). Typically, however, the revitalization area will be obvious to local officials, leaders in the community, and residents. For example, perhaps it is a neighborhood that has been the focus of other public or private efforts aimed at revitalization in the past, such as a target area for owner-occupied housing rehabilitation, but not on a comprehensive scale, or without a plan to guide its overall redevelopment. It might be an area that is simply known to be the most in need because of the high number of vacant, dilapidated properties, high crime rate, lack of investment, or other issues. Sometimes, it is an area that becomes a focus of the local government because an opportunity is presented by a large project that is planned or occurs in or adjacent to the area, such as a

HOPE VI project, a new transit station, a new ballpark, or a large commercial relocation.

Regardless of the process by which the area is selected, there are some practical issues to consider:

- Size of the target neighborhood;
- Availability of buildable land;
- Existing neighborhood anchors and assets; and
- Infrastructure that will support development and growth.

Size of Target Neighborhood

The target area should be reasonable in size. What is considered reasonable will vary from community to community and will depend upon the jurisdiction's resources and ability to carry out the revitalization project.

Larger target neighborhoods are politically attractive because more residents can realize the benefits that revitalization will offer. However, if the target area is too large, activities and investments will be dispersed. This could minimize the visible impact of the PJ's investment. Without a concentration of improvements, it is difficult to change local perceptions of the area; home values are harder to increase and sustain; and additional private investment does not occur.

Selecting a zone that is too small can also cause problems. While focusing activities in a very small area can transform that entire area, if the boundaries of the target neighborhood are too limited, targeted improvements may not generate the other intended benefits, such as increased economic activity, increased market interest, or improved community services.

A good guiding principle for the size of the target neighborhood is a quarter-mile radius from the neighborhood center. This size ensures that the neighborhood is "walkable". Walkable neighborhoods contribute to the sense of community and facilitate a neighborhood identity. A walkable size also ensures that activities are sufficiently concentrated to provide a visible impact as a result of the public investments.

¹ To improve readability, this guide is written to presume the PJ is responsible for the planning effort since PJs often find themselves initiating or taking the lead in the planning process when PJ funds are invested in revitalization efforts. This process can just as easily be lead and managed by a planning department or commission, or a third party. Regardless of who manages the planning process for the neighborhood, the planning steps, issues, and considerations are generally the same.

Once the initial target area is successful, market forces or additional public investments can expand the target area.

Existing Neighborhood Anchors and Assets

A PJ should consider areas where there are existing strengths that will attract potential homebuyers such as an historic area, a major employer, faith-based institutions, neighborhood amenities, good public transportation, or proximity to downtown. The neighborhood's assets will help distinguish the neighborhood as unique. This will be helpful when marketing to potential residents and businesses.

Availability of Buildable Land

Revitalization strategies that require any large-scale development will require ample land. The target area should have a significant amount of land—ideally land that can be easily acquired. This might involve an area with significant publicly-owned property; properties that are severely tax delinquent; or properties that have been, or can be, acquired through tax foreclosure. Ideally, the property will be vacant, in order to minimize displacement and relocation costs.

Assembling land for large-scale development is reviewed in more detail in Chapter 3, “The Role of Housing Development in Revitalizing Neighborhoods.”

Infrastructure that Supports Development and Growth

Another important consideration is the extent to which the area's infrastructure (especially water mains and sewers), streets, zoning, and lot lines can support the kind of housing design and amenities that will attract mixed-income homebuyers and create a “new” community. Chapter 5, “Infrastructure: The Foundation of a Community” provides a framework for determining if the neighborhood has significant infrastructure needs.

Other Considerations

An important resource for community development is HUD's Community Development Block Grant (CDBG) program. When a neighborhood qualifies as a Neighborhood Revitalization Strategy Area (NRSA), CDBG provides the type of enhanced regulatory flexibility that is needed by grantees undertaking compre-

hensive revitalization strategies. Appendix 1, “Key Requirements for Neighborhood Revitalization Strategy Areas,” reviews the qualifying criteria for NRSA, and discusses the benefits of establishing an eligible area. PJs should consider the criteria for NRSA designation when selecting target areas.

PJs should also consider how developed a potential target area already is. Areas that are developed with significant amounts of occupied rental housing generally are not the most suitable areas for comprehensive redevelopment because of the high cost of acquisition and relocation. Areas with only scattered site, infill opportunities generally do not provide sufficient scale of impact unless there is already a fairly high homeownership rate or the area is in stable condition with only a few deteriorated properties or vacant lots that need to be addressed.

Step 2: Plan for Public Involvement

Once the revitalization area is defined, the PJ must identify the community stakeholders. The PJ must also determine what level and specific methods of public involvement will be incorporated into the planning process, and at what stages of the planning process stakeholders will be involved.

Key Stakeholders

The comprehensive nature of revitalization dictates the need for the PJ to create partnerships with a variety of stakeholders from the community. Early on, the PJ must identify those stakeholders with whom it will seek to form partnerships, and those who have the most to offer the revitalization process. These stakeholders are potential partners who can bring technical knowledge, understanding of the local community, access to resources, and a commitment to improving the neighborhood. All of these benefits will be needed to create a strong and vibrant neighborhood. Key stakeholders of the neighborhood include:

- Residents;
- Business community;
- Institutions (such as colleges and universities, hospitals, or faith-based institutions);
- Nonprofit organizations;
- Local school districts;

- Local police precincts;
- Members of the real estate industry (landlords, real estate agents); and
- Local lending institutions.

To achieve a sense of community, it is vitally important to involve existing community residents, businesses, and other stakeholders in the planning process. Involvement in the planning process gives existing stakeholders input into how the neighborhood will evolve. Nonprofit organizations can be particularly useful in helping PJs make connections with residents and other stakeholders in the target area. Forums should be provided for individual involvement, and roles should be created for existing neighborhood associations and organizations to participate.

Techniques for Soliciting Public Input

The planning process is often facilitated or led by planning professionals, and sometimes by architects. Regardless of who manages this process, it will yield the best results if residents and other stakeholders of the affected area are actively involved in the discussion. There are a variety of techniques available to solicit public input into the planning process. These techniques can be grouped into four main categories:

- **Publicity** early in and throughout the process is important for informing the public in a general way about what is going on, and for building public support for the planning process. Standard publicity techniques include press releases, newspaper ads, flyers, and public service announcements. Publicity can be targeted to specific neighborhoods or groups of people. In general, publicity is used to provide general or limited pieces of information to the public, but it does not provide a forum for the public to provide information to the planning entity.
- **Public education** refers to techniques aimed at disseminating information so that residents can make informed decisions. Public education techniques usually include a publicity strategy as well as the creation of opportunities to provide

detailed information to the public. Standard public education techniques include: public meetings, informational flyers, and the dissemination of draft documents.

- **Public interaction** refers to methods of facilitating the exchange of ideas and opinions between members of the public and those involved in developing and writing the plan. The primary methods for public interaction are public meetings, hearings, and charrettes.² In addition, public interaction can include the dissemination of information or draft documents with a specific request for public comment. Revitalization efforts should include plans for public interaction with affected stakeholders in particular.
- **Public partnerships** are techniques that offer stakeholders a more formalized role in the planning and decision-making process. Partnerships offer opportunities for the most active type of public involvement, but usually involve the least amount of people compared to the other techniques. There are many ways to approach public partnerships, including task forces, committees, and subcommittees. Partnerships often rely on the involvement of persons who represent others, such as community or institutional leaders. Plans should always be developed in partnership with key stakeholders, such as community institutions, businesses, and residents.

As the plan is debated, developed, and implemented, questions of public involvement should be re-evaluated periodically. A PJ must ensure that it complies with state and local public and citizen participation requirements that are tied to specific redevelopment activities. For example the consolidated planning requirements that apply to the HOME and CDBG programs require the adoption of a citizen participation plan and at least one public hearing. More information about these requirements can be found in the regulations at 24 CFR part 91 and on HUD's website at <http://www.hud.gov/offices/cpd/about/conplan/index.cfm>.

² A charrette is an intensive, focused, and collaborative planning effort. For more information on charrettes, see the National Charrette Institute at <http://www.charretteinstitute.org/charrette.html>.

Step 3: Assess Existing Conditions

Once a decision has been made about where and how the planning process will occur, information about the revitalization area should be gathered and analyzed. The goal of data collection and analysis is to get as detailed a picture as possible of the physical, social, and economic conditions in the area. If the jurisdiction's planning department has not yet been involved in the planning process, it should be included in this assessment of existing conditions.

Typical types of information used to assess existing conditions include:

- Census and locally-generated data that describes the population demographics and housing characteristics;
- Property data that describes the prevalent tenure type (homeownership or rental), and age and condition of properties (including structural surveys and code violation information);
- Data that documents the prevalence of property vacancies;
- Tax data that documents the revenue generated by the area, and level of tax arrears for the area;
- Crime statistics that document overall crime rate and common types of crime;
- Maps of the area that show existing land use, zoning, and other features (e.g., flood zones, historic sites, transportation routes, etc.);
- Market data that identifies property values, sales, and rents for the area's residential and commercial properties;
- Inventories of existing service delivery systems, such as transportation, social services, recreational services, and public institutions that document condition, availability, and capacity;
- Inventories of existing infrastructure that document location, condition, and capacity;
- Assessment of the area's economic health, and identification of commercial corridors, major employers, and unemployment rates; and
- Surveys of local residents and businesses that identify local perceptions and priority needs.

Analyzing large quantities of information about a specific area can be facilitated through the use of a geographic information system (GIS). GIS is an automated system that combines the features of mapping software and those of information databases to facilitate analysis. It enables a user to compile and compare large amounts of information related to a specific location. GIS systems can typically map comparative data with ease. This feature can be very important in public education efforts. PJs can determine how to combine and visually present information, depending on the type of problem or issue that is under review. PJs that have access to a GIS should certainly use it for the planning process.

For more information on GIS systems

Considerable information about what GIS systems are, and how they can be used, is available at www.gis.com. This site, sponsored by Environmental Systems Research Institute, Inc. includes a demonstration of a GIS system.

When housing development activity is the centerpiece of a redevelopment strategy, such as in the Homeownership Zones, a housing market analysis of the area should be included in this stage of the process. A housing market analysis is a focused and detailed evaluation of the housing market, including supply and demand for all types and price ranges of housing in the community and/or the subject area. The market analysis should project the number of housing units that are needed and the number that can be sold or rented at various sales prices or rent levels at some future time. The market study is described in more detail in Chapter 3, "The Role of Housing Development in Revitalizing Neighborhoods."

Similarly, revitalization projects involving commercial uses (retail, industry, etc.) will benefit from a more detailed study of the commercial market supply and demand. The results of this analysis will help to determine how much commercial property and what types of uses could realistically be developed and prosper in the area. Planning for commercial revitalization is explored further in Chapter 6, "Creating a Strong Commercial District."

Step 4: Identify Assets, Opportunities, and Challenges

The goal at this stage of the process is to analyze the data and information collected about the area in a structured way in order to develop a comprehensive list of the existing community assets, opportunities that might be present, and challenges facing the area. Ideally, through this process, participants will develop a fuller understanding of how the neighborhood meets (or does not meet) the needs of each stakeholder group. This, in turn, will shape discussions about the community's vision for the future. A "master list" of issues should facilitate subsequent discussions to help the community set priorities among competing needs.

Asset mapping is the process of identifying the strengths of the neighborhood that distinguishes it from other neighborhoods. Identifying the area's assets makes it feasible for a community to fully express and capitalize on its personality and heritage. Assets can include clusters of homeownership housing, sound rental housing, available land, historic properties, related businesses, access, traffic, location, proximity to major attractions, landmarks, physical orientation, major employers, industries, institutions, historic events, local traditions, civic events, and reputation.

Opportunities may be presented by availability of funding, vacant land or property, community or political support, presence of a major employer or institution, location of a transit station, the expansion of an existing business, or the opening of a new business. Opportunities are small successes in the neighborhood that can be built upon to create larger success.

Challenges are those factors that interfere with the neighborhood's ability to attract new residents or businesses. Challenges may be physical (such as deteriorating housing stock, failing infrastructure, poorly designed public spaces), or social (such as high crime rates, poor quality education). Challenges can be real or perceived.

Discussions about community assets, opportunities, and challenges should be framed by the question: How can we attract people and/or businesses to our community?

The identification of assets, opportunities, and challenges should be done carefully and thoughtfully, with a focus on answering the question: how can we attract people to the neighborhood? The answer to this question will vary, and the discussion should lead to better understanding of who might be interested in living in the area; what will need to be addressed or improved to attract that target group; and what assets can be capitalized on in order to reach each target group. Chapters 3 and 5 explore this question in greater detail, in terms of what residents and businesses might be looking for in a community.

Step 5: Develop a Vision for the Future

Developing a vision for the future of the neighborhood is a very important step that brings the profile of the neighborhood's assets, opportunities, and challenges together with the dreams and expectations of the community's stakeholders. It is during this phase that key decisions can be made about the future of the area-- how available land resources might be used, and what residential and business populations might be targeted. Ultimately, the vision will provide a foundation for decision-making about all redevelopment activities.

Communities must consider a myriad of sometimes competing goals when making decisions about the type of community they envision. Unfortunately, there is no prescribed method or detailed set of directions on how to make these decisions. Frequently, there is no "right" or "wrong" answer. Professional planners, architects, and planning organizations can provide guidance and expertise through this process, so that the community makes informed decisions, and considers real-life constraints and opportunities in its process of developing a vision for the future.

The vision should be articulated with specificity, and should identify where the existing conditions in the community will remain, where changes are proposed, and who the target populations are. The vision is articulated primarily through the land use plan. Land

uses include residential (all types), commercial (retail, office, industry), civic (schools, libraries, faith-based institutions, government buildings), transit, open space, and recreation. The land use plan is considered the primary tool or roadmap to guide the neighborhood's revitalization. It shows the distribution, location, and variety of structures in the neighborhood. Proposed changes might include changes in land use and zoning, and should identify specific sites that will be redeveloped for the same or alternate uses.

The process of thinking through the land use issues and answering questions like those posed in Austin, TX (see text box) serves to formulate a plan for what the neighborhood should look like once revitalization is complete. The formulated vision can then be transferred to a written plan in order to document the decisions and thinking. This plan should include detailed maps to guide the remainder of the process and the implementation of the plan into the future.

Step 6: Develop an Action Plan

Once the vision has been articulated and documented through a land use plan, the community can begin the task of identifying how the vision will be carried out. This is the part of the plan where specific directions are spelled out for the implementation of the plan, including:

- Identifying specific projects and other activities that will implement the vision;
- Identifying tools and potential resources that will be needed to implement the plan;
- Establishing benchmarks and performance measures for monitoring progress; and
- Developing a timeline to carry out the plan.

The format for the action plan will vary community-by-community and plan-by-plan. Whatever format the plan takes, it should clearly define each project, resources, timeline, and other key elements such as the entity and staff responsible for each project's implementation.

Identifying Specific Projects and Activities to Implement the Vision

The PJ needs to identify specific projects, activities, and actions it will undertake to implement its land use plan, and the relative priority of each. Transforming a declining neighborhood into an attractive one will

Questions to Guide the Creation of a Neighborhood Vision

The City of Austin, TX provides detailed guidance to its citizens on neighborhood planning and asks deliberate questions during this process. These questions can be applied to most community planning processes:

- How can favorable parts of the neighborhood be preserved and harmonious growth encouraged?
- How can incompatible land uses be discouraged without discouraging variety?
- What new buildings, businesses, or residential uses will enrich the fabric of the neighborhood?
- What parts of the neighborhood can accommodate the development of new apartments, town homes, or other alternatives to single family homes?
- What parts of the neighborhood can benefit from the addition of garage apartments, granny flats, urban homes, or cottage lot developments?
- Are there commercial areas where mixed use, (a combination of commercial and residential) development, is appropriate?
- Where in the neighborhood should businesses and light industrial uses be located?
- Are new or expanded public facilities needed? If so, where?
- What parts of the neighborhood should not be changed?

involve changing perceptions about the neighborhood. The projects selected in the first stages of the redevelopment initiative should be of large enough scale to attract interest and attention. Infill strategies should start with high-traffic blocks, so changes are visible to the widest audience. When undertaking a large acquisition strategy, acquiring and clearing as many parcels upfront as possible provides a visible presence to the community that the change will be significant. There are cost advantages, as well, since once redevelopment starts, property values are likely to increase, making subsequent acquisition more expensive.

Urban Planning Concepts Help Frame Neighborhood Visions

It can be helpful to look at current planning models and principles during the vision-setting process. Planning theory is constantly evolving, as planners strive to develop helpful guidance and principles to assist communities in their efforts to define a sense of place. These planning models often draw on the lessons learned from the past. Understanding these principles can help avoid costly mistakes, and guide decisions about revitalization and development proposals.

Redevelopment planners have focused on concepts and policies designed to reverse the abandonment of urban centers and restore these as residential and commercial hubs. New planning concepts, unlike sprawl development, are aimed at creating or revitalizing neighborhoods to include more land-use diversity and transportation options, and to increase social interaction.

There are four current planning concepts that share certain principles and/or complement one another. These concepts provide a useful framework for those undertaking a planning initiative for their community:

- Traditional Neighborhood Development (also called Neo-Traditional);
- New Urbanism;
- Smart Growth; and
- Transit-Oriented Development.

These concepts each explore ways to promote economically and socially healthy communities through appropriate land use and design. Nearly all of these planning models emphasize:

- Human-scaled, walkable neighborhoods to maximize the ease of passage for pedestrians and cyclists. These models promote the use of interconnected streets, sidewalks, and paths to allow for several alternative modes of transportation. These models are based on the idea that people should be able to walk to many, if not most, daily living activities.
- Moderate to high residential densities to provide a mix of homes at costs appropriate for a diverse range of household sizes and

styles. These models promote design that encourages social interaction, such as housing that places entry doors and porches facing the street.

- A mixed-use core with office, retail, educational, and recreational uses that are readily accessible to residents. These models promote pedestrian-friendly commercial development with storefronts facing the street and well-landscaped parking.

Traditional neighborhood development and New Urbanism both support the development of cohesive neighborhoods, each with their own commercial core and linked to one another by some form of transit.

The models differ in their emphasis on the most appropriate or primary mode of transportation in the area. The transit-oriented development model stresses mass transit as the primary organizing principle for neighborhoods. It can be a useful model for the revitalization of neighborhoods that include a mass transit station. New Urbanism concepts tend to integrate the automobile more than traditional neighborhood development. All approaches, however, promote design that encourages multiple means of transport.

Smart Growth complements these planning models. It refers to a set of policies and programs enacted by government agencies with the specific intention of integrating land uses in such a way as to create more livable communities: by decreasing traffic, minimizing environmental disruption, and concentrating growth in order to promote open space. As its name suggests, Smart Growth policies are often used to manage growth in thriving communities by minimizing the negative effects of growth. Its principles provide useful lessons for redevelopers, whose goal is to promote growth in the neighborhood. Redevelopment planners should be prepared to manage those negative impacts of growth.

Appendix 2, “Summary of Key Neighborhood Planning Concepts,” explores each of these planning concepts in more detail and provides references for more information on planning.

Mixed Uses Can Create Exciting Areas

Customers, potential investors, new businesses, local citizens, and visitors are often attracted to commercial districts that offer multiple uses: employment, shopping, worship, tourism, housing, government services, dining, entertainment, lodging, and cultural attractions. Creative mixed-use projects abound in small and large places.

Noblesville, Indiana converted ten historic buildings in the heart of its commercial district. Four floors of warehouse space in the Noblesville Milling Company were converted into a unique dining, business, and condominium complex. The former Order of Red Men Cherokee Lodge is being converted to contemporary office space and a former church to an adaptive-use project.

Portland, Oregon moved its library into a mixed-use building in the commercial district. The library now occupies the first floor besides the Re/Max Equity Group. Sixteen condominium units are situated above the library and Re/Max. Initially, the county considered demolishing the old branch library and constructing a new one on the same site. Instead, by moving into leased space, the library has doubled its size and is able to attract more pedestrian traffic, helping to create a dynamic urban place.

The action plan should start, not end, with the land use map. Retaining existing residents and businesses, and attracting new ones, will require improvements throughout the neighborhood system. At this stage, the community should have a clear sense of how the transportation system, schools, crime, availability of key commercial and public services, and existing infrastructure impact the desirability of the neighborhood. The action plan should identify the changes that will need to be made in order to improve neighborhood desirability. It is essential that PJ staff and its partners involve the service delivery divisions of the jurisdiction in order to coordinate efforts and concentrate existing public resources.

Identifying Potential Resources to Implement the Action Plan

A comprehensive plan will require significant capital, as well as human resources devoted to the effort.

Securing financial resources will require leadership, creativity, perseverance, and a well-thought out strategy. It is important to assess project costs, develop a budget, and start to identify resources, particularly for priority projects, as early as possible. This part of the process is critical, as availability of resources often plays a key role in determining what is and is not done when it comes time to implement the plan. Each of the subsequent chapters will identify some potential resources for specific redevelopment activities.

Identifying Tools to Implement the Plan

Changes may need to be made to local codes, zoning ordinances, rehabilitation or design standards, or other applicable ordinances and requirements to support and accommodate the desired or proposed land uses and development projects. Specifically, the following tools should be reviewed, revised, or developed to support the neighborhood plan:

- **Local codes and zoning ordinances.** When evaluating local codes and zoning ordinances, the PJ should look at:
 - *Densities and Diversity of Use.* In many communities, local zoning regulations and codes limit densities or land uses that do not allow for mixed-income neighborhoods, do not permit mixed-uses and discourage many approaches for using public space and streetscaping to create a more livable community. Mixed-income, mixed-use development is a key feature of a walkable, dynamic community.
 - *Parking.* To the greatest extent possible, parking should be located in shared lots, behind buildings and houses, or along the curb. Curbside parking slows traffic speeds and protects pedestrians. With pedestrian-friendly access, parking for commercial buildings can be reduced.

- **Subdivision standards or guidelines** usually address the design and layout of streets and blocks, and are often established by the public works or engineering department of a local jurisdiction. The layout of streets and blocks determine how residents move in and around the community, and reflect the character of the neighborhood. New Urbanist design principles encourage the use of street grids, narrower street widths to slow traffic, and garages accessible from rear alleys. A PJ should ensure that its subdivision standards enable it to achieve its revitalization goals, by focusing on the following:

- *Street layout*, including street and block pattern, street hierarchy, and pavement width. Grid street patterns encourage walking and disperse traffic flows. Rear alleys enable garages to be located behind houses.
- *Streetscape features*, including sidewalks, building frontage, and facades. These features should create a uniform or complementary image and reflect the surroundings.
- *Property lines*. Lot sizes can impact affordability, especially in high cost areas. In neighborhoods with relatively large lot sizes for detached single family homes, a PJ may consider redrawing lot lines to create smaller, higher density lots. Combined with other design features, smaller lot sizes can contribute to the type of community a PJ seeks to create in the neighborhood.

A challenge for redrawing property and street lines is land assembly. Unless the PJ can acquire all of the lots on a block or in an area, redrawing property or street lines may not be feasible. Redrawing street lines can be an expensive infrastructure investment.

- **Design standards.** For greater consistency and stronger enforcement, design features for streetscapes, facades, roof lines, and landscaping can be consolidated into zoning codes and design standards. The design features should be

Zoning Ordinances and Codes Can Promote Diverse Neighborhoods

Many cities have reformed their codes and zoning ordinances, to permit innovative approaches to neighborhood revitalization.³

- **Austin, Texas and Davidson, North Carolina** use Traditional Neighborhood Development codes for new residential developments. These codes promote walkability by emphasizing sidewalks, pedestrian amenities, and short blocks. Diversity is achieved through a variety of housing types, small-scale commercial and mixed-use retail centers, and civic buildings. Davidson offers a 30 percent reduction in transportation fees charged to the developer in return for pedestrian-friendly design features, and another 30 percent reduction for transit-friendly designs.
- **Sonoma, California** adopted a development code that provides for “live/work” units in almost every district in the city and exempts them from density calculations. Mixed-use and live/work codes generally permit higher densities than other codes, and focus on creating small, adaptable spaces for micro-businesses within a residential project.
- **Seattle, Washington** uses a transit area code that includes a station area interim overlay district around proposed light rail stations. The code prohibits new uses, such as warehouses and heavy commercial uses that are not “transit supportive” within a quarter mile of the proposed station. Also, the code provides for more restrictive parking standards of the neighborhood commercial zones, on an interim basis.
- **New York City** uses contextual zoning to regulate the height, placement, and scale of new buildings so that they fit the character of the neighborhoods in which they are located.

³ Local Government Commission. *Overcoming Obstacles to Smart Growth through Code Reform*. Available online at www.lgc.org/freepub/PDF/Land_Use/sg_code_exec_summary.pdf.

tailored to achieve the requirements and needs of each community, but should include the following items:

- Building design;
- Streetscape;
- Public and private realms, such as street frontage of buildings;
- Safety and security, such as adequate lighting and the elimination of obstructive landscaping; and
- Signage, including limits on the type, size, and brightness.

For more information on design standards

Chapter 3, “The Role of Housing Development in Revitalizing Neighborhoods,” reviews design standards for housing developments in more detail. For more information on design standards and other design issues, see www.designadvisor.org. This site, sponsored by HUD, provides detailed guidance on designing quality affordable housing specifically.

- **Incentives for developers.** It is sometimes more feasible and desirable to waive zoning requirements for a revitalization area, than it is to reform them wholesale. Requirements and incentives can be created for developers in the target area, to attract private sector involvement and achieve the desired neighborhood character. PJs should be careful that waiving zoning requirements does not result in a type or style of housing that is counter to what the PJ and community are trying to achieve.

Density bonuses are a typical incentive for developers. They permit developers to build housing and commercial space at a higher density than normally allowed by zoning in exchange for a certain percentage of affordable housing units, public amenities, or other desirable features the PJ wants to achieve within the neighborhood.

Density Bonuses Encourage High-Density Development in Targeted Areas

A state law in **California** allows local governments to grant a density bonus of 25 percent, plus additional incentives, to developers who construct at least 20 percent of their units for low-income households, 10 percent for very low-income households, or 50 percent for senior citizens.⁴

In **Bellevue, Washington**, density bonuses are given by raising the residential height restriction when at least 50 percent of a building is residential.⁵

Step 7: Implement the Plan

While the planning process may seem difficult, the hard part is just beginning—turning the plan into a reality. The implementation of every revitalization strategy will differ, depending on the circumstances, available resources, political environment, and actual development activities planned. However, it is important that the PJ have a clear idea about how the plan will be executed. This is especially critical for comprehensive neighborhood revitalization strategies that involve multiple partners, activities, and funding sources, and will take several years to complete.

The implementation plan should address:

- What activities will be undertaken and how they will be financed;
- Who will be responsible for implementing the neighborhood revitalization plan, including who will undertake specific activities, as well as who will provide oversight and leadership to the effort as a whole; and
- When and how each activity identified in the plan will be undertaken.

If more than one agency of the jurisdiction is involved, the plan should identify how the agencies will coordinate between themselves, and with non-governmental

⁴ California Housing Law Project. *Second Units and Density Bonuses*. Available online at <http://housingadvocates.org/default.asp?id=735>.

⁵ U.S. Environmental Protection Agency. *Smart Growth Policy Information, Density Bonus*. Available online at <http://cfpub2.epa.gov/sgpdb/policy.cfm?policyid=788>. [Last updated February 27, 2004.]

partners. The coordination of roles should specifically consider who will be responsible and accountable for compliance with local procedures or requirements, such as zoning codes, ordinances or review procedures, and who will manage efforts to make revisions to these procedures and requirements, as needed. In addition, the specific roles of each of the partners should be defined and clarified.

The plan should include a budget and a “sources and uses” statement that identifies the cost for each action plan activity and the funding source. The plan should address when each funding source will be available and what actions the PJ must take to obtain the required funds. The timing of the fund availability should coordinate with the implementation timetable.

The implementation plan should establish an implementation timetable with progress milestones, or benchmarks, and performance measures. The plan should also identify the reports that will be generated to keep track of the accomplishments (output measures) and whether the projects are on schedule.

Step 8: Evaluate and Adjust the Plan

Once the planning document is complete and projects are underway, it is often thought that the process is complete. However, communities should have a process for measuring the success of the effort and making adjustments to the plan as necessary. On at least an annual basis, a relatively straightforward evaluation should be undertaken to determine whether or not the goals of the neighborhood revitalization strategy are being realized.

The progress in completing the revitalization plan’s projects (output measures) is a positive sign of production, but in most communities it is not the final objective, or program outcome, of the initiative. Typically, community revitalization is a desirable goal for reasons that are far more difficult to measure, such as:

- Improving the quality of life for the residents and businesses in the neighborhood;
- Providing an opportunity for low-income households to accumulate wealth; or
- Supporting businesses or stimulating economic development and jobs for the jurisdiction’s residents.

While it will be obvious if projects are being developed, it will be much more difficult to evaluate whether or not the true program outcomes are being reached. Some program outcomes will not be directly measurable. Outcomes indicators that can provide an indication of whether or not these program outcomes are being met should be identified. In order to evaluate the plan’s impact, it is important to establish a baseline for these outcome indicators before neighborhood revitalization projects start to be undertaken. Exhibit 2-1, “Sample Outcome Indicators Used to Evaluate Successful Revitalization Efforts,” provides a list of typical outcomes for neighborhood revitalization projects, and identifies measurable indicators that can help the PJ evaluate its progress on meeting these desired outcomes.

Statistical data can be augmented by survey information to address questions related to resident and business satisfaction with the changes in the neighborhood. A survey can help capture how residents of the neighborhood and surrounding areas

Exhibit 2-1
Sample Outcome Indicators Used to Evaluate Successful Revitalization Efforts

Desired Program Outcome	Outcome Indicator
Improve quality of life in neighborhood	Number of foreclosures Crime rate Student test scores Unemployment rate
Reduce blight in neighborhood	Number of vacant properties Number of code violations Number of poorly maintained public spaces Number of vacant lots
Promote neighborhood stability	Homeownership rate Number of businesses that close or leave neighborhood Number of businesses that move in Number of properties in tax arrears Number of foreclosures Vacancy rate
Promote economic growth and stability for residents and businesses	Change in property values Change in business profits Change in tax revenues

perceive the neighborhood over time on issues such as quality and affordability of housing, crime and safety, social and community services, recreation facilities, schools, and shopping.

Plans often take years to develop and many more years to implement. During this time, conditions or priorities will shift. It is important to revisit the plan on a scheduled basis and to adjust it to ensure it will continue to serve as a roadmap going forward.

Evaluating and adjusting the plan periodically will also help to remind stakeholders, local officials, and residents of the neighborhood's progress, as well as the work still left to accomplish.

Keep in mind that changes to the plan may require additional public consultation. PJs must also adhere to Federal, local, and state laws and requirements regarding citizen involvement and local approval of any amendments.

Essex-Middle River Stops Decline and Flourishes

Essex-Middle River in Baltimore County, MD was an isolated neighborhood. The manufacturing industries that had supported the largely blue-collar residents were in decline and by the 1990s the neighborhood had a bad reputation. Beginning in 1996, the community development agency led a multi-agency effort to turn the neighborhood around. The plan consisted of:

- Extending a highway (Route 43) to connect the community to White Marsh and Route 95.
- Large-scale demolition of WWII housing that was in bad repair and in the hands of negligent landlords.
- Efforts to stratify and diversify the housing stock to attract white-collar residents and fulfill a pent-up demand for detached, single family homes.
- Moving housing to the waterfront to increase its appeal.
- Talks with Lockheed Martin and local marinas to foster the economic development of the area.
- The purchase of a shopping center.

The effort is a success. A developer built new housing and forged strong bonds with the community. Small businesses are applying for loans to rehabilitate and upgrade their locations. The local elementary school won national recognition due to the leadership of a new principal.

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The Planning Process at Work

Case Study

Stockton, California Strikes Gold

Stockton, California, a small city east of San Francisco was founded during the California Gold Rush and later became the focal point for the agribusiness of the San Joaquin Valley. The central business district and waterfront, which form the heart of Stockton's downtown, had begun to deteriorate as early as the 1960s, a process exacerbated by the advent of suburban shopping malls. By 1995, when the City began intensive revitalization efforts, these areas of downtown Stockton were severely blighted with numerous vacant buildings, extremely low rents, and widespread crime.

Smart planning proved to be key to bringing new life to Stockton's downtown. In 1995, the Stockton City Council created the Waterfront Revival Task Force, which included Stockton residents and was chaired by Mayor Joan Darrah. With the help of an urban planning firm, the Task Force produced a plan for redesigning the waterfront and strategically developing city-owned land.

The City's first two projects were open space developments that beautified Stockton's waterfront. The Weber Point Events Center serves as the community park, with a waterfront promenade, picnic area, playground, and shade structure where concerts and other events are held. The adjacent Dean DeCarli Waterfront Square is a 70,000 square foot public plaza that connects the waterfront to the central business district. A brownfields success story, the Dean DeCarli Waterfront Square was funded through several funding sources, including Stockton's Redevelopment Agency, the Brownfields Economic Development Initiative (BEDI), the Section 108 Loan program, and the Community Development Block Grant (CDBG) program. These two waterfront projects form the centerpiece of the revitalization area.

Building on the success of these revitalization projects, Stockton is proceeding with a number of other initiatives outlined by the Waterfront Revival Task Force. A sports and entertainment center on the waterfront will be a key draw for the City. Other projects will extend into the central business district, such as the construction of a 16-screen cineplex and the renovation of two historic institutions: the Hotel Stockton and Fox California Bob Hope Theatre. A streetscaping initiative has already begun to enhance the look of Stockton's downtown, adding new trees, historic streetlights, art enhanced tree guards and grates, and street furniture (benches, trash receptacles).

A number of housing developments, some privately-funded and some utilizing HUD funds, will address some of the City's housing demand and complement the overall revitalization of the area. Housing developments are strategically placed to take advantage of the City's new attractions while replacing deteriorating structures.

The merits of Stockton's redevelopment plan were recognized early in the revitalization process. In 1996, the plan developed by the Waterfront Revival Task Force won the 1996 American Planning Association Award for Excellence for Implementation in a Large Jurisdiction. That plan is turning into a bright future for Stockton.

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Chapter 3:

The Role of Housing Development in Revitalizing Neighborhoods

Chapter 3 explores the role housing rehabilitation and development play in neighborhood revitalization. This chapter reviews the planning, design, and marketing considerations that are important to homeownership and rental housing initiatives, and discusses ways to retain residents in the neighborhood.

Tenure Type and Neighborhood Revitalization

Many types of housing activities contribute to the stabilization and revitalization of declining neighborhoods. By providing a mix of housing types and housing programs, a PJ can meet a wide range of neighborhood housing and development needs. The development of homeownership housing creates or strengthens a group of stakeholders who expect to stay in the neighborhood and are invested in the neighborhood's long-term success. Homeowner rehabilitation programs provide both incentives and financial assistance to homeowners to maintain or improve existing homes, thereby contributing to the neighborhood's positive image. Rental housing rehabilitation and new construction create opportunities to address large deteriorated structures and assist residents who are not able or interested in pursuing homeownership. Tenant-based rental assistance helps residents afford the rent in assisted properties, enabling them to remain in the neighborhood.

The development and rehabilitation of housing has the additional benefit of making physical improvements to the community that will last for many years. Vacant property rehabilitation, rehabilitation of tenant or owner-occupied housing, and new construction activities are all outward signs of change in the neighborhood, and can make a significant contribution to improving the neighborhood's marketability. Activities that assist the neighborhood's current owners and tenants can also generate community support for the revitalization effort.

Homeownership Stabilizes Neighborhoods

Homeownership housing has long been considered one of the most stabilizing forces in residential neighborhoods. Purchasing a home is the most significant investment most people make in their lifetime, and most homeowners will act in ways to protect that investment. Research¹ shows that homeowners are more likely to maintain their properties and participate in community initiatives than are renters. Presumably, this is because homeowners understand that the condition of the surrounding community impacts the value of their investment. Homeownership gives households more control over their living environment. A sense of community evolves when homeowners and other stakeholders feel a sense of pride and ownership in their community.

There are other economic benefits to homeownership, for both the homeowner and the PJ. Homeownership enables low-income households to accumulate wealth. Appreciating property values also generate increased tax revenues for local coffers.

The Role of Rental Housing

Most PJs focus on the development of homeownership housing in neighborhood revitalization plans because of the many benefits homeownership can bring to a neighborhood. Nonetheless, there is also a role for rental housing rehabilitation and new construction in neighborhood revitalization strategies. Vital communities often need a mix of rental and homeownership housing in order to attract a diversity of residents, and provide for a wide variety of housing needs. A mix of housing types and affordability ranges

¹ U.S. Department of Housing and Urban Development. *Homeownership and Its Benefits, Urban Policy Brief No. 2*. August 1995. Available at www.buduser.org/publications/urbaff/upb2.html.

enables households to remain in the neighborhood, as needs change. A mix of housing types also allows the grown children of existing residents, as well as neighborhood service providers such as teachers, police officers, and fire fighters, to afford to live in the neighborhood.

Strategies to develop rental housing are important when:

- The housing costs in the jurisdiction are extremely high, and therefore a larger proportion of the population seeks rental housing.
- The neighborhood has housing stock that consists of two- to four- unit structures that lend themselves to development of an owner-occupied unit in one unit, and rental housing in the other unit(s).
- The neighborhood has large, abandoned properties, or partially-occupied rental properties, whose deteriorating presence looms over the neighborhood that is struggling to revitalize.
- The neighborhood has a number of rental properties whose units are in substandard, or deteriorating condition.
- The revitalization plan will displace existing tenants who may not be interested in, or ready for, homeownership.
- There is a market demand for rental housing.
- The PJ seeks to develop mixed-income rental housing as a means to attract a mixed-income population to the neighborhood.

Planning and Design Considerations

There are a number of planning and design considerations that impact on the marketability of housing and how this housing will contribute to the neighborhood's sense of place. PJs should work with their partners to make decisions about the type of housing that is most needed in the neighborhood, the development approach, the target clientele, and the scale and style of housing.

Determining the Type of Housing Activities to Undertake

During the planning process, the community will need to determine the best mix of rental and homeownership housing for the neighborhood. This decision will be driven by a number of factors, including the housing market, housing needs of the community, existing housing opportunities, and desires of the residents. In most communities, a diverse neighborhood that offers a mix of rental and homeownership housing at a range of prices that can serve a wide range of potential residents, will be more sustainable in the long-term than a neighborhood that is targeted to only one socio-economic group.

Generally, the tenure type of the existing housing stock will influence decisions about the type of development to be undertaken. For instance,

- Revitalization of a neighborhood that has primarily rental housing will need to generate a critical mass of homeownership housing to add stability to the neighborhood. The development of homeownership housing would be the key component of the revitalization plan for this area. The plan may also provide for rental rehabilitation assistance to current rental housing owners, in order to improve the neighborhood's visual impact and stabilize the neighborhood's existing housing stock.
- The plan for a target neighborhood with a relatively high proportion of owner-occupied housing that is deteriorated, may seek to stabilize the existing housing stock with a homeowner rehabilitation program. A market analysis may show that some rental housing development is also needed to diversify the range of affordable housing choices offered in the neighborhood.

In addition to determining the best mix of homeownership and rental housing for the neighborhood, PJs should look at ways to improve the physical appearance of the neighborhood, because overall visual impact will influence potential homebuyers' and tenants' perceptions of the neighborhood as a desirable place to live. PJs should consider pairing housing development strategies with less expensive

neighborhood improvement strategies such as neighborhood clean-up, code enforcement work, and public landscaping. Programs that encourage homeowners to improve their own properties and yards can also help the PJ improve visual impact, without the costs of full-scale housing development.

Scale and Approach of the Development

To successfully change the identity of a neighborhood or community from depressed, unsafe, and undesirable to vibrant, safe, and attractive will usually require large-scale, concentrated development whether on large assembled parcels or concentrated infill lots. To a certain extent, the PJ's ability to assemble land will dictate the degree to which new construction and rehabilitation occurs at scattered sites throughout the neighborhood, or whether most of the development can occur on a large, cleared tract of land.

Site assembly in urban areas is often time-consuming and costly. PJs should identify blocks with substantial numbers of vacant, publicly-owned or abandoned lots, or owners who are willing to sell their land to the PJ at the land's appraised value. Even where large parcels of such properties exist, acquisition can be time-consuming. Tax delinquent properties might be pursued through tax foreclosure, the procedures for which are established by local law. Properties owned by quasi-public agencies (schools, redevelopment authorities, public housing authorities) also follow disposition procedures that are generally regulated by state or local law. PJs should engage in preliminary discussions with the oversight agencies to ensure acquisition of these properties is feasible. Properties that are privately owned usually require that the PJ follow established acquisition procedures for appraising the property and negotiating a sale price.

Some PJs may wish to consider eminent domain to acquire and assemble land for development. Eminent domain (also known as "condemnation") is the authority of a public agency, such as a local or state government, to acquire property for a purpose that is in the public interest. Eminent domain was used

frequently for large urban renewal projects several decades ago, and often requires the establishment of a redevelopment area plan for the area where property will be acquired. Some jurisdictions have adopted somewhat simpler methods to take properties through "spot condemnation."

Eminent domain has distinct disadvantages. Owners must be paid fair market value for the property, and be provided with required relocation benefits and allowances. The process is time-consuming, as it is established by state law, and typically includes a certain number of public hearings, notifications, and waiting periods for owners. Finally, condemnation can result in legal challenges. Owners can challenge the taking itself (based on procedural errors, for instance), or the established fair market value. Despite these disadvantages, condemnation enables the PJ to acquire abandoned properties, or properties whose owners are unwilling to sell. In addition, the condemnation process clears title defects on the property.

Acquisition can become costly, particularly if the PJ uses eminent domain, or if the PJ must relocate existing businesses or tenants. Where possible, all of the land needed for development should be acquired before

Acquiring Property Through Spot Condemnation

The **City of Indianapolis** has established guidelines that authorize the City's Department of Metropolitan Development to acquire property through "Spot Eminent Domain" for specific redevelopment purposes if the property is:

- Identified as an "unsafe premise;"
- Not a residence or a business;
- Suitable for housing development for a low-income family; and
- Causing a negative impact on the surrounding property.

The City requires that property acquired under this authority be sold to an urban homesteading program, sold to a low-income family, or sold to a neighborhood development organization.²

² Blackwell, Keri. *Indianapolis Case Study: Model Practices in Tax Foreclosure and Property Disposition*. Published by the Local Initiatives Support Corporation at http://www.liscnet.org/resources/2003/01/indianapolis_1065.sbtml?planning+%26+land+use. [Posted on January 13, 2003.]

development starts. Once development takes place, an appreciation in values can make it increasingly difficult for the city to acquire parcels at a reasonable price.

Target clientele

In the planning process, the PJ and community explore the question of who the neighborhood hopes to attract. That vision must then be translated for specific housing developments. Cities that have developed successful Homeownership Zones have all had a clearly defined target clientele or population.

A good market study provides vital information to guide decisions about appropriate target populations. The market study identifies the potential range of income groups that may be interested and able to purchase homes within the neighborhood, and defines this group by household size, composition, and type of household. The study can identify where new residents may come from, what features of the neighborhood will attract these new residents, what types of housing, housing design, and amenities will be most appealing, and which marketing techniques are most likely to reach them.

Note, the target population may not be, and often is not, only one group of homebuyers or tenants. Generally, PJs target a mix of household types and income levels. Achieving a good income mix can be challenging, but is considered by many to be critical to the success of a revitalization plan.³ When HOME funds are used, the HOME-assisted unit(s) must be occupied by a household(s) that meets the applicable HOME low-income limits. For that reason, the development of a mixed-income community usually requires a variety of funding sources.

Successful Homeownership Zones achieved income mix by:

- Developing a variety of homeownership housing types at a range of purchase prices;
- Using their HUD HOZ grant to leverage significant private and other public funding;

- Providing a range of purchase incentives and subsidies; and
- Undertaking strong marketing campaigns that focus on a range of income groups.

When determining the target population, PJs should consider the clientele it hopes to attract, as well as how to meet the needs of existing residents:

- **Existing residents.** Most PJs want existing area residents to benefit from the new housing opportunities that revitalization brings. PJs need to consider how to best retain existing residents, and what types of support (such as credit counseling, subsidies, or other services) may be required to increase the number of residents that can take advantage of newly developed homeownership and rental housing opportunities.
- **Displaced persons.** If existing residents will be displaced, PJs must undertake relocation planning. Whenever feasible, relocating displaced persons to the new housing developments is a good business practice that builds a sense of community support for the revitalization plan, and can save money.

For more information on relocation

HUD's Website, *Relocation and Real Estate Acquisition*, provides access to a wide range of information about relocation. It includes a summary of relocation requirements, as well as links to relevant laws and regulations, policy guidance, and online training. See <http://www.hud.gov/offices/cpd/library/relocation/index.cfm>.

- **New Residents from Outside the Area.** In order to achieve the desired income mix, a PJ will need to attract new residents from outside the immediate area of the neighborhood. Whether the PJ expects to attract these new residents from other neighborhoods, from neighboring towns or suburbs, or from other locations, the PJ needs to identify these sources of potential new residents in order to focus its marketing efforts.⁴

³ New Urbanism principles encourage a mix of incomes levels. The HOZ program requires that at least 51 percent of the new homeowners in a Zone be low- or moderate-income families.

⁴ It is interesting to note that a recent study by Abt Associates, Inc. found that most homebuyers who purchase a HOME-assisted unit move from other neighborhoods within five miles of the HOME-unit. See Abt Associates, Inc. *Study of Homebuyer Activity through the HOME Investment Partnerships Program*. January 2004. Available online from HUD User at www.huduser.org/publications/bsgfin/homebuy.html.

In addition to determining the balance between current and new residents, decisions must be made about family size and type. This will determine the design, unit size, and type of housing developed as part of the plan. The community assets, opportunities, and challenges that are identified as part of the planning process will guide the market study and its conclusions about the types of households that will be most interested in the neighborhood, such as young families, young professionals without children, artists, empty nesters, or retired couples. Although New Urbanism principles suggest that a mix of household sizes and types contributes to diversity and makes for a richer and more vibrant community, the results of the PJ's market study may indicate that the PJ should initially focus on a few specific household types where there is the strongest demand for living in the type of urban environment that will be created in the neighborhood.

Type and Style of Housing

The type and style of housing to offer in the revitalized neighborhood is determined in large part by several other considerations that have been discussed—primarily the target audience, the existing housing stock, and the diversity of housing required to meet the needs of a mixed-income population. Single family detached homes are often the dominant category of housing developed in a homeownership-based development, but other types of ownership housing, such as duplexes, mixed-use housing, townhouses, cooperatives, or condominiums may be appropriate to attract certain groups of buyers. In a rental-based development, the size and scale of housing become important considerations in creating “defensible space” whose occupants have a sense of ownership for both their private units and the public areas.

Design standards can be established to ensure that different

housing types reflect the same style and fit together seamlessly with each other and with the existing housing in the neighborhood. Design standards specify what housing should look like and define standards related to structural integrity, fire safety, room size, accessibility, and energy efficiency. For example, design standards answer questions such as:

- Will newly developed single family housing have front porches?
- Where will parking be located?
- How much set-back is required?
- What types of building materials must be used?
- How many units will use the same entryway?

Adopting design standards requires the developer and PJ to make concrete decisions about what housing will look like and how it will be built. These decisions substantially impact the cost of the housing, and these costs should be weighed against the desirability of the design features. A process of value engineering that examines cost in relation to function and the value of each feature, rather than a strict cost control approach, is important at this stage in the process. All parties

must understand the values and costs of design choices—this minimizes misunderstandings among the PJ, homebuyers, architect, and builders. Making a home affordable does not mean it has to be cheaply designed and unattractive. The PJ needs to be thoughtful in the standards it develops.

While weighing cost and design issues, the PJ also needs to balance initial costs with life-cycle costs. While it is important to keep construction costs down, it is also important to not burden a new homeowner with high maintenance and upkeep costs. For example, installing ventilation fans in the kitchen and bathrooms can result in a slightly higher initial cost, but they can also reduce the likelihood of mold and moisture damage to

New Urbanism Housing Design Options

- *Encourage front porches;*
- *Reduce building setbacks, for both commercial and residential properties;*
- *Locate residential garages to the rear of the lot—or at least behind the building's front plane;*
- *Reduce lot sizes;*
- *Provide generous landscaping and paved walkways;*
- *Use durable, energy-efficient, and attractive windows;*
- *Provide architectural interest, in keeping with the area's historic housing designs and colors; and*
- *Use architectural elements to identify the area, such as interesting and uniform mailboxes, street lighting fixtures, sidewalks, street signs, or neighborhood entrance “markers.”*

the home, which can be very expensive for the homeowner to repair. Similarly, installing energy efficient products, such as quality windows and HVAC systems, will have a higher initial cost, but will result in lower energy bills and maintenance costs for the homeowner.

The following list describes some design considerations for common housing types:

- **Detached single family.** Detached homes are a popular housing choice because they offer privacy and amenities that many homebuyers, particularly families, desire. Detached single family housing offers a competitive alternative to suburban housing. This type of housing can be readily adapted to urban areas by applying New Urbanist design concepts. Lot sizes can be smaller and common design features can be used such as front porches to facilitate neighborly interaction. Back alleys can be built so garages are not seen from the street.
- **Mixed-use buildings.** This type of housing allows the owner of the building to use or rent the ground level of the building for a commercial use and live in the upper floors. This type of housing brings life (and customers) to a commercial area.
- **2- to 4-Unit structures.** “Second floor” housing, or properties that include one to three rental units in addition to an owner-occupied unit, is a special type of mixed-use housing that is often found in older urban cities. It provides a way for the owner to generate additional income that can make the housing more affordable. The rental unit can be over a garage or within the main structure, often on the upper floors of a townhouse. Several of HUD’s HOZ grantees are incorporating this type of housing into their Zones.
- **Townhouses.** In some instances, townhouses are a more affordable ownership option than single family housing. Townhouses are a popular choice for young professionals and families who may not want to maintain a detached house with a yard. Row houses may also be the existing historical type of housing in an urban neighborhood. Townhouses and row houses are similar, but may have different ownership rules and homeowner associations to handle common or shared space.

- **Multifamily housing.** Multifamily housing can be developed in nearly any form, from traditional high-rise structures to townhouse design. Some rental projects are also comprised of a number of scattered site, infill units, located throughout the neighborhood. Ideally, multifamily housing structures will be designed to be compatible with the surrounding blocks, with buildings of comparable height, size, and bulk, and in accordance with “defensible space” principles. Chapter 7, “Integrating Key Services Into the Neighborhood’s Revitalization Strategy” provides a more detailed discussion on designing defensible housing.
- **Condominiums or cooperatives.** Condominiums and cooperatives are generally not associated with homebuyer programs, but they may be appropriate as part of a range of homeownership options being offered, especially in high cost urban areas. “Condos” or “co-ops” can be designed using New Urbanism principles to fit in with more traditional single family houses and townhouses. Condos or co-ops may be an attractive alternative to rental housing rehabilitation for communities with large multifamily properties in need of rehabilitation, and elderly or childless target populations.

For more information on design for affordable housing

Good design is critical for integrating affordable housing into mixed-income neighborhoods and ensuring the long-term marketability of the neighborhood. HUD has sponsored the development of a resource tool, idea bank, and step-by step guide to affordable housing design that can be found at www.designadvisor.org. Materials produced by the Congress for New Urbanism also provide useful guidance, and are available at <http://www.cnu.org/>

Attracting Development Partners

With a clear target population, desired housing type, and design standards in hand, the PJ can begin project development. PJs should have a network of partners that they have worked with previously. When undertaking a new type of housing development as part of the revitalization process, such as a large-scale new construction homeownership initiative, the PJ may also

find it helpful to attract new partners, with specialized experience in this area. The PJ will need to develop working relationships with a range of professionals in the real estate industry, including architects, developers, builders, and nonprofit organizations.

In many urban areas there has been very little, if any, recent new construction of single family homes. As a result, a PJ may need to attract experienced builders who have been working on projects in suburban areas. These builders may be reluctant to work with the PJ because of the higher cost of doing business in the urban area, or perceptions that it is difficult to work with governmental entities. The value of the builders' experience is important to a large-scale project, and the PJ should consider providing incentives to encourage participation. These may include financial incentives, such as below market rate construction financing loans, low-cost land, or infrastructure improvements. Other incentives that reduce a builder's risk, lower building costs, and enhance the PJ's reputation include expedited payment or permit processing, marketing services, zoning flexibility, or flexibility on some design features. Many of these incentives can be passed on to buyers in the form of lower housing prices. PJs need to consider how to structure an incentive package that contains elements for both builders and buyers, and maximizes available resources.

When selecting development partners, PJs must be aware of the Federal procurement requirements, and use competitive procurement when necessary. With a large-scale development, there are many contracting opportunities. PJs should consider bidding predevelopment work as a package. Architectural, engineering, environmental, and clearance work that is carried out by one team under one contract is often better coordinated, and more easily administered, than when that work is carried out by a number of different firms, with no single line of authority. However, PJs should take care to evaluate bidders' ability to meet Section 3 and MBE/WBE goals in their subcontracting work, in order to assure that smaller firms are not excluded from bidding on these opportunities altogether.

Selling the Neighborhood

PJs cannot rely on the adage "if you build it, they will come" when revitalizing a deteriorated neighborhood.

The PJ's ability to attract buyers and renters to the area will be impacted by the public's perception of the neighborhood. PJs will need to develop strategies to attract newcomers to the neighborhood, and retain existing residents, by offering financial incentives, undertaking aggressive marketing, and working to qualify buyers.

Attracting Homebuyers

Homebuyers are generally interested in buying good homes in nice communities. Many potential homebuyers believe that investing in a neighborhood in transition is an enormous risk. Attracting buyers may be one of the biggest challenges facing the PJ. A variety of strategies may be required, all designed to woo uncertain buyers from different income ranges, minimize their risk, and change perceptions of the neighborhood.

Financial Incentives

Financial incentives to buyers can boost efforts to achieve a good mix of incomes. Generally, there are more sources of funds available to provide financial incentives to low-income buyers than moderate- and upper-income buyers. Nonetheless, PJs may need to consider financial incentives for these over-income buyers as well, in order to attract them to the neighborhood. Financial incentives to both low-, moderate- and upper-income buyers can be designed as down-payment assistance, lowered interest rates, and below-market housing prices. The PJ will need to carefully consider the source of funds when offering these incentives, in order to meet the income limit requirements associated with different sources of financing. For example, the HOME Program requires that assisted homebuyers and homeowners must have annual incomes that do not exceed the HUD published "low-income limits" for that family size and area. These limits are generally set at 80 percent of the area's median income level.

When offering financial incentives, it can be difficult to determine the appropriate amount of subsidy, because providing financial incentives to higher income buyers may limit the amount of subsidy that is available to assist low-income buyers. Depending on the cost of the housing and the available pool of qualified low-income homeowners, substantial levels of subsidy may be required to make homeownership an affordable

Insurance Minimizes Buyers' Risk

Syracuse, New York uses an innovative approach to address buyers' aversion to the risk of investment in its neighborhoods, the Home Equity Protection (HEP) program. For a one-time fee, HEP provides financial protection to homeowners in the event that home prices decline in their neighborhood between the time they purchase the protection, and the time they sell their home. This program is administered by a nonprofit subsidiary of Equity Headquarters, Inc. More information about this program is available at www.equityhq.org.

option. Squeezing low-income households into homes they can barely afford will likely result in higher default rates in the future.

Financial incentives should be packaged to meet the specific concerns and needs of the project's stakeholders. In some communities, additional financial assistance to make the community more affordable, or more competitive to nearby neighborhoods will be sufficient. In other neighborhoods, the risk of investment may be great enough that up-front assistance alone may not be sufficient and other incentives may need to be created.

Pre-sales and Model Homes

Potential homebuyers in revitalizing neighborhoods will need to see what their investment will bring, much more than they would in a more stable neighborhood. This will be particularly true for early buyers, when the neighborhood vision is far from reality. One marketing

and sales technique that is frequently used in suburban and rural areas, but rarely used in urban areas, can be especially effective: model homes and home pre-sales. Model homes are a way to showcase different layouts for the homes that will be built and to market the properties to large numbers of potential homebuyers. Through pre-sales, buyers have the opportunity to make decisions to customize their homes, within the builder's design framework. Pre-sales also minimize the PJ's risk as units are built only as buyers are secured.

A welcome center can be an effective means to attract buyers, answer questions, and provide information. The welcome center should exhibit a model of what the community will look like when completed, and be staffed with people who are able to describe unique or appealing features and amenities that are, or will be, part of the community. These techniques help the PJ change the image of the community and demonstrate to potential buyers that the neighborhood is a place where they will want to live.

Qualifying and Preparing Homebuyers

Successful marketing strategies will attract potential homebuyers and generate a pool of interested homebuyers who must then qualify for homeownership. Many homebuyers will need additional support to meet qualification criteria. In general, the two biggest obstacles to homeownership are the lack of savings for downpayment and closing costs, and a poor credit history. Buyer needs for financial assistance can be addressed as part of the financing incentives PJs offer. Homebuyer counseling programs can assist potential homebuyers overcome poor credit histories.

HOZs Find that Marketing Matters

Some Homeownerships Zones have discovered that they have had more success attracting moderate and high-income buyers, but have struggled to attract qualified low-income buyers. These Zones use marketing strategies that are highly targeted to moderate-income households, and often provide subsidies to lure this market to the neighborhood. Other Zones have faced the opposite challenge, and have had a difficult time overcoming the negative images of the neighborhood. These communities have focused marketing efforts on identifying homebuyers who can qualify for the affordable units that have been developed.

Some Zones have established tiered systems, so that the amount of subsidy a new homebuyer receives is tied to their income level, while other Zones have provided a standard financing package regardless of income level. One Zone offered higher subsidies to the earliest buyers as an incentive to "jump start" market interest. Another Zone offered an additional \$10,000 through a second mortgage program for existing residents of the Zone's ward, which is comprised predominantly of low-income families, as an incentive to retain local residents.

Homebuyers are most successful when their fiscal house is in order, and they understand the lending process. PJs can assist potential homebuyers achieve these objectives with counseling and education programs. Homebuyer education and counseling are two distinct activities, suitable for conveying different types of information to help the buyer in this process. To use funds cost effectively, it is important for PJs to evaluate the buyers' needs and match them to available education or counseling programs, as appropriate.

- Buyer education provides general information to a large pool of buyers, who often do not need a great deal of assistance. Education tools may include brochures, handbooks, and classroom-style presentations, and may cover topics such as housing finance, evaluating a home's condition, negotiating a home purchase agreement, and avoiding mortgage default. Because of its general nature and its ability to reach a large number of people, education is usually less expensive than counseling.
- Counseling programs offer a more intensive approach and are often conducted in small groups and in one-on-one settings. In addition to educating homebuyers about the homebuying process, counseling can assist the potential buyer get control of outstanding debts, clean up overdue payments and credit problems, and develop the skills needed to manage a household budget. Overcoming these barriers can take time. Homebuyer counseling is an important tool for helping potential homebuyers become successful homeowners. Completion of a counseling and/or education program is often a pre-condition for homebuyers to qualify for financial assistance to purchase a home.

For more information on housing counseling

For information on HUD-approved housing counseling agencies, visit HUD's Office of Single Family Housing website at http://www.bud.gov/offices/bsg/sfb/bcc/bcc_home.cfm.

Attracting Tenants

Attracting tenants to a revitalizing neighborhood is not likely to present the level of challenge to the PJ as attracting homebuyers since a rental housing choice is not a major life investment, and does not carry as

significant a financial risk as a home purchase. Nonetheless, neighborhood desirability will impact rental housing choice, and will impact the project's ability to secure tenants, especially unsubsidized tenants.

A market study will help determine the appropriate rents to charge in rental developments, and financial projections should be made conservatively.

If the rental development is mixed-income, it is important to design the building and offer amenities to meet the needs of the market-rate tenants that the building hopes to attract. In addition, it is important to establish and secure a rent structure that will preserve the mixed-income nature of the development, regardless of how the desirability of the development may change as the neighborhood improvements are completed. This means that the PJ should determine the desired "mix" of incomes in the building, and through the use of deed restrictions or other enforcement mechanisms, secure the affordability of the building. When a property receives HOME assistance, the assisted units must meet the HOME rent limit and tenant income limit restrictions for a specific long-term affordability period.

For information on developing mixed-income housing

Mixed-Income Housing and the HOME Program, recently published by HUD (publication number HUD-2003-15-CPD), offers PJs detailed information about developing mixed-income housing with HOME funds. The model program guide explores the advantages of mixed-income housing development, presents a number of different models for mixed-income development, and identifies common funding sources to finance mixed-income developments. To get a copy of this model program guide, visit the Office of Affordable Housing Programs' online library at *HOME Model Program Guides*, <http://www.bud.gov/offices/cpd/affordablehousing/library/modelguides/index.cfm>.

Improving Neighborhood Image

Marketing Materials and Press Relations

The PJ will need to work hard to overcome the negative image of a declining neighborhood that is targeted for revitalization. Generating positive media reports and outreach activities are important avenues for changing the public's perception of a neighborhood. Ensuring that "good news" is well publicized is a first-step. The model home approach, discussed above, can

also be used to sell the neighborhood to the larger community and provide a positive visual image that the press can use. With the completion of each unit, this perception is a step closer to reality. Ground-breaking ceremonies, when first homebuyers move in, and completed phases of the project are all good opportunities to involve the press in transforming the neighborhood's reputation.

However, a neighborhood's image will not change overnight, so finding and creating opportunities to reinforce the perception of positive changes occurring over a period of time is very important. Methods to keep the neighborhood in the "public eye" include:

- Publishing and distributing press packets, press releases, and attractive information handouts.
- Participating in a Parade of Homes, or similar event(s) which showcase new homes and allow the public to view newly constructed homes.
- Developing a website about the neighborhood that is easy to find, informative, and attractive.
- Designing marketing strategies to address not only the appeal of the homeownership and rental units themselves, but as importantly, the appeal of the neighborhood. Buyers must be convinced that the neighborhood is transforming. Any PJ partnerships or initiatives with schools, police, libraries, or nonprofit agencies that are designed to improve the quality of life in the neighborhood should be highlighted in the message that is marketed.

Innovative Partnership Generates Publicity

The Homeownership Zone in **Indianapolis** includes a "House that Readers Built" program that was financed by the local library foundation in conjunction with its summer reading program. This unique partnership gained substantial press coverage, and was able to draw attention to both the availability of new homes, and the quality of life improvements underway for the neighborhood.

Partnerships with Nonprofit Organizations

Nonprofit organizations that are based in the community can play a key role in the marketing stage of the neighborhood redevelopment process. If these organizations have been involved all along in developing the

Many Homeownership Zones have found that it is very important to critically assess a nonprofit organization's capacity. A nonprofit should be involved only to the extent that its capacity permits, and in roles that are consistent with roles it has performed in the past. Such an assessment is appropriate prior to engaging with any partner. Once an initiative is underway, it can be both costly and politically challenging for the PJ to remove the nonprofit from participation, if the PJ finds that the nonprofit is not able to perform at the required level, or in the role that it has been assigned.

goals of the redevelopment effort, transitioning into this role will follow readily.

In addition to neighborhood associations and civic groups, PJs should be sure to seek outreach assistance from local faith-based organizations, as these institutions play a significant role in many urban neighborhoods. Outreach roles can include:

- Notifying members and the community about the homeownership and rental opportunities and changes in the neighborhood;
- Helping families saving for a downpayment or working to improve their credit rating;
- Assisting families in applying for tenant-based rental assistance programs;
- Mentoring existing residents who pursue homeownership;
- Involving newcomers in neighborhood activities, to promote a sense of community between old and new residents;
- Sponsoring clean-up activities in community parks, playgrounds, or other common space;
- Assisting existing homeowners repair or maintain their homes; and
- Guiding homeowners and tenants who may face unexpected difficulties to resources and programs that can help them keep their homes.

Retaining Residents

Attracting new buyers and tenants to the revitalizing neighborhood is an important first step. Generating a sense of community among residents and establishing

stability in the neighborhood for the long-term is the next challenge. Resident associations, post-purchase counseling, and home maintenance programs can all play an important role in retaining residents, promoting neighborly goodwill and creating stability.

Tenant and Homeowner Associations

Tenant or homeowner associations can become important forces for neighborhood stability, depending on the functions the group chooses to serve.

Tenant associations provide information to tenants, act as a liaison between tenants and owners, and serve as a forum for tenant participation in the community. Active tenant associations can play an important role in assisting rental management with maintaining a high quality development. This role might include assisting management with enforcing lease provisions, advocating for appropriate and desirable improvements or maintenance in the building, and organizing meetings and events to keep tenants involved in the development's activities.

Homeowner associations take on some comparable and additional functions for the neighborhood's homeowners, including:

- Maintaining and caring for common space in the neighborhood;
- Providing services (such as trash collection) for residents;
- Representing homeowners in interactions with city officials, such as police departments, on matters of common concern for residents;
- Establishing and monitoring design standards, either formally or informally, to see that homeowners maintain their properties in accordance with consistent design;
- Articulating community standards and helping residents understand what is expected of them in terms of maintaining their home; and
- Organizing community events to bring homeowners together for fun, in order to develop a more cohesive, supportive environment in the neighborhood.

PJs should support tenant and homeowner associations and encourage them to take on additional roles

and authority, where they have not done so in the past. For new developments, PJs should consider creating tenant and homeowner associations for these purposes.

Foreclosure Prevention

Preventing foreclosure is an important component of a revitalization program. Aside from the trauma to a household, foreclosures have a negative impact on neighborhood image, and may impede in the neighborhood transformation process. For this reason, PJs should consider anti-predatory lending activities and offer post-purchase counseling to new homebuyers.

Post-Purchase Counseling

A post-purchase counseling program for new homeowners can be an effective way to ensure their success as homeowners. The challenges of up-keep, maintenance, and unexpected costs can quickly put a new homebuyer, whose cash reserves are typically limited, into financial trouble. First-time homeowners are usually former renters who called the landlord when something was wrong in their apartment. Training on handling basic repairs, understanding common expectations regarding yard up-keep, and budgeting for unexpected or future repairs, can help new homeowners feel the joy of homeownership rather than the burden.

Post-purchase counseling should be discussed and explored before the home is purchased. Once the new homeowner is in the house, it can be difficult to require attendance at additional training or counseling sessions. Post-purchase counseling programs often have low participation rates. PJs who are assisting buyers with funding may wish to develop agreements with lenders that they be contacted when payments are missed, or develop some other "early warning system" to prevent foreclosure.

Anti-Predatory Lending Tools

Predatory lending often results in foreclosure. Typically, predatory lending occurs in the subprime market, often in refinancing transactions, and serves borrowers who do not meet the credit standards for borrowers in the prime market. Recipients of government assistance to purchase homes often fall into this category and can become targets of unscrupulous predatory lending practices after the initial home

purchase. Predatory lending practices generally fall into four categories:

- **Loan flipping.** This practice occurs when a lender frequently refinances a borrower's loan in a short period of time, charging high fees and often prepayment penalties that strip a borrower's equity in their home.
- **Excessive fees and "packing."** This practice involves excessively high fees and fees that are "packed" into a loan amount without the borrower's understanding.
- **Lending without regard to the ability to repay.** Loans which the borrower clearly does not have the capacity to repay quickly result in default and foreclosure.
- **Fraud and abuse.** In many instances, predatory lending involves deception and/or high-pressure sales tactics that amount to fraud.

Combating predatory lending in a community, and especially in a revitalizing neighborhood, is challenging because once properties are sold, the PJ and its partners are no longer in touch with the homebuyers.

However, there are steps that a PJ or program can take to limit or prevent predatory lending practices:

- **Educate homebuyers and homeowners.** This education should occur during pre- and post-counseling activities, so families understand the dangers of predatory lending and understand how to recognize predatory lenders.
- **Support or conduct public education campaigns on the dangers and risks of predatory lending.** Freddie Mac sponsors a "Don't Borrow Trouble" campaign in which they work with cities to conduct public awareness activities about predatory lending.⁵
- **Establish subordination policies.** Establish policies and procedures so that the PJ will not subordinate or re-subordinate its loan to high rate/high fee loans; high loan-to-value ratio loans; or to lenders that have been identified as predatory. This is the most effective and direct means that communities have to prevent homebuyers who have received HOME or other public assistance to purchase a home.

⁵ Freddie Mac (the Federal Home Loan Mortgage Corporation) provides information on this campaign on its website at <http://www.freddiemac.com/corporate/initiatives/protection/dbt.html>.

Chapter 4:

Using HOME and Other Funds for Neighborhood Revitalization

The HOME Program is one of the most valuable funding sources available to states and local governments for affordable housing. The value of the HOME Program is based on its flexible rules, its wide range of eligible uses for housing activities, and a program design that encourages partnerships at all levels in the implementation of affordable housing strategies. This chapter describes how HOME participating jurisdictions can support local neighborhood revitalization efforts with HOME funds, and highlights the most important requirements that are relevant to a revitalization initiative. This chapter also provides an overview of other funding sources for neighborhood revitalization activities. It concludes with a description of how one Kentucky city used HOME funds as part of its neighborhood revitalization strategy.

Strategies for Making HOME Investments

A HOME participating jurisdiction has an endless range of options for using HOME funds to achieve its neighborhood revitalization goals. Some common approaches include:

- **Investing HOME funds first to spur other investment.** For neighborhoods that have little, if any, private investment, PJs can use HOME funds to spur other investments. Developers often watch the public sector's investment choices when considering their own site selection for development. A substantial investment of HOME funds in a declining neighborhood will get the attention of other investors.
- **Combining HOME with other sources to undertake a comprehensive effort.** In some neighborhoods that have suffered from years of disinvestment, investing HOME funds first might seem like a risky proposition to a prudent PJ that wants to invest its scarce HOME funding for maximum impact. When neighborhood needs are multiple and are so significant that a HOME investment might not have a strong enough impact to interest other investors, PJs might consider identifying a range of resources to use with its HOME funds and services to turn around the neighborhood.
- **Using HOME to address spot blight.** For neighborhoods that are in the early stages of decline, or those that have limited problems within the neighborhood, HOME can be targeted

to specific blocks, or even specific properties whose treatment will have a high impact on the overall appearance of the neighborhood.

Regardless of the scope of the revitalization effort, be it spot blight or comprehensive restoration, HOME is an affordable housing resource that can be applied flexibly to meet specific neighborhood housing needs. In addition, the long-term affordability, property standards, and principal residency requirements imposed by the HOME Program ensure that properties are maintained and remain affordable for the long-term. These features of the HOME Program are likely to contribute significantly to the sustainability of most revitalization efforts.

For more information on the HOME Program

HUD's Office of Affordable Housing Program maintains a HOME Program website at <http://www.hud.gov/offices/cpd/affordablehousing/programs/home/>. This site offers access to a wide range of resources on the HOME Program, including policy guidance on HOME requirements, tools for program implementation, online interactive training in HOME basics and relocation, and performance data for PJs and their stakeholders.

Overview of HOME Program Requirements

PJs can undertake a wide variety of housing activities with HOME funds. Before HOME funds can be used, HUD requires HOME PJs to undertake a consolidated planning process to assess local housing conditions and needs and to design a plan of action to address

those needs using HOME funds and other resources. Activities funded with HOME funds must benefit low- and very low-income persons. In addition, housing assisted with HOME funds must be maintained as affordable housing for a specific period of time. The HOME Program regulations can be downloaded from HUD's HOME Program web site at <http://www.hud.gov/offices/cpd/affordablehousing/lawsandregs/regs/index.cfm>.

Planning Housing Activities

HOME PJs are required to complete and submit a Consolidated Plan for HUD approval. The process of developing a Consolidated Plan requires the participation of citizens and service providers alike, emphasizing the “partnerships” in HOME Investment Partnerships Program. The consolidated planning process can be used to focus a community's attention on those areas of greatest housing need and can assist the PJ in establishing the parameters of the target neighborhood and the scope of activity that will be undertaken there. This planning process presents opportunities for communities to consider how affordable housing strategies can reinforce a range of neighborhood revitalization goals and priorities, including economic development, community development, and service priorities—and to determine how the PJ's use of HOME funds fits into this broad coordinated strategy.

Eligible Activities

Any neighborhood revitalization strategy will identify the type of housing that is most likely to support the neighborhood plan, meet the needs of the residents, and be sustained in the long-term. With HOME funds, PJs can undertake a wide range of housing activities, or combination of activities, to support and develop homeownership and rental housing in revitalization areas, including direct assistance to homebuyers and tenants, rehabilitation or new construction of housing, and rehabilitation programs for existing homeowners.

Acquisition and Housing Development

PJs can use HOME funds to support the development of rental or for-sale housing in a number of ways, including through acquisition, acquisition and rehabilitation, or the new construction of affordable housing for low-income occupants:

- **Land Acquisition.** A PJ can acquire and clear, or assist a developer to acquire and clear, land for new housing construction or structures for rehabilitation. Property or land acquisition that is funded with HOME must support affordable housing development that meets the HOME requirements. HOME funds may be used for acquisition of vacant land only if construction will begin on a HOME project within 12 months of purchase. Land banking is prohibited. This use of HOME funds can be a valuable tool for a PJ that is trying to assemble a concentration of land and property for neighborhood revitalization. However, the PJ needs to plan carefully when acquiring vacant land, in order to meet the 12-month rule.
- **Rehabilitation and New Construction.** A PJ can rehabilitate or construct new housing itself or may work directly with private and nonprofit developers or community housing development organizations (CHDOs) to develop affordable units. Reconstruction of housing is also permitted.
- **Acquisition of Property in Standard Condition.** PJs can target funds to assist buyers in the direct acquisition of standard property, typically offered by the private market. This assistance can be in the form of direct assistance toward housing, downpayment assistance, and/or security deposit assistance. It can be offered exclusively to buyers in a target neighborhood.

PJs often finance homeownership development by providing subsidies to the developer to lower the developer's cost of new homeownership housing construction or housing rehabilitation. The developer can then sell the home to low-income buyers at a lower price than the cost to build the housing. This is an important strategy in markets where development costs exceed the market value of the developed property. Usually this development subsidy is provided as a grant or deferred payment construction loan to the developer. If the property is sold at market value to the low-income buyer, the development subsidy is not considered assistance to the buyer and is not included in determining the homebuyer's long-term affordability period, as described later in this chapter.

Direct Homebuyer Assistance

A PJ can help eligible homebuyers purchase standard, existing, or newly constructed/rehabilitated affordable homes by providing downpayment or closing cost assistance, or by reducing the monthly carrying costs of a loan from a private lender. The HOME Program permits PJs to target direct homebuyer assistance programs to specific neighborhoods. The American Dream Downpayment Assistance Initiative, administered through the HOME Program, provides an additional source of downpayment and closing cost assistance for low-income first-time homebuyers, and can also be offered to those purchasing homes in the PJ's target neighborhood.

For many potential homebuyers, the downpayment and closing costs are one of the biggest barriers to homeownership. Even homebuyers with sufficient income for the monthly mortgage payment may have difficulty saving enough money to cover these up-front costs. The PJ can provide HOME funds directly to the new homebuyer to cover downpayment and closing costs, in the form of a grant or a deferred-payment loan. A grant is the simplest type of assistance to provide and is often required when the target population is very low-income. However, because there is no repayment, a grant is a more expensive type of subsidy and may result in assisting fewer homebuyers. A deferred-payment loan is also fairly simple to administer and allows the PJ to recapture funds at a later point in time when the homebuyer is more established.

When a buyer cannot afford the monthly housing costs, a PJ can use HOME funds to provide a second mortgage to “close the gap” and make the home affordable. With a second mortgage, a PJ provides the funds that make up the difference between the first mortgage (what the buyer qualifies for) from a private lender, and the cost of the home. For example, if a buyer qualifies for an \$80,000 mortgage from a private lender, but the cost of the home is \$100,000, a PJ provides a second mortgage for \$20,000 to the buyer.

Second mortgages can be structured in a variety of ways. The mortgage can be forgivable, thereby becoming a grant if the buyer remains in the home for a specified period of time (typically the period of affordability), or if the property is sold to another low-income family. Generally, if the owner sells the home before the loan period is complete, the owner must

repay to the PJ all or a portion of the loan. Many PJs pro-rate the loan based on how long the owner owned the home. For example, over a 5-year period, a loan could be forgiven at a rate of 20 percent a year. This financing is often called a soft second mortgage, because the borrower does not need to make a monthly mortgage payment for the loan amount. A PJ can also use HOME assistance to “buy down” the interest rate on the first mortgage from the private lender; this results in a lower mortgage payments.

For more information on HOME-funded homebuyer programs

For more information about using HOME funds for direct homebuyer assistance, see the HOME model program guide *Fitting the Pieces Together: Using Private and Public Financing Tools with HOME-Assisted Homebuyer Programs*. HUD-2003-14-CPD. For information on obtaining this free guide, visit the HOME Program, *HOME Model Program Guides*, at <http://www.hud.gov/offices/cpd/affordablehousing/library/modelguides/index.cfm>.

For more information on HOME-funded rental programs

For more information about using HOME funds to develop rental housing, see the model program guide *Financing Rental Housing Under the HOME Program: Second Edition*. HUD 1794-CPD. For information on obtaining this free guide, visit the HOME Program, *HOME Model Program Guides*, at <http://www.hud.gov/offices/cpd/affordablehousing/library/modelguides/index.cfm>.

For more information on the American Dream Downpayment Assistance Initiative

The American Dream Downpayment Assistance Initiative (ADDI), administered through the HOME Program, provides downpayment, closing costs, and rehabilitation assistance to qualifying first-time homebuyers. For more information, visit the HOME Program, *American Dream Downpayment Assistance Initiative* at <http://www.hud.gov/offices/cpd/affordablehousing/programs/home/addi/index.cfm>.

Homeowner Rehabilitation

HOME funds may be targeted to assist existing homeowners with the repair, rehabilitation, or reconstruction of owner-occupied units within the jurisdiction or a specified neighborhood. Whenever HOME funds are used for rehabilitation, the work must be performed

according to the PJ's written rehabilitation standards and the unit must be brought up to the applicable state or local code. If a state or local code does not exist, the unit may be brought up to the standards of the national model codes.¹ Special purpose homeowner repair programs, such as weatherization and emergency repairs, are generally not eligible under the HOME Program. These types of repairs are eligible, however, when undertaken in the context of bringing the unit up to code and into conformance with the rehabilitation standard. PJs can target homeowner rehabilitation programs to meet the needs of specific neighborhoods.

Loan Guarantees

A PJ can invest HOME funds to guarantee loans (single loan or pool of loans) made by private lenders, and, if required, establish a loan guarantee account.² The amount of the loan guarantee account must be based on a reasonable default rate, and cannot exceed twenty percent of the outstanding principal balance of the guaranteed amount. In declining areas, this source of credit enhancement may be needed to spur private investment.

Lease-purchase

A PJ can support lease-purchase arrangements to assist households at the lower end of the income range by helping them accumulate downpayments while building ownership skills. Homebuyers must qualify as low-income when they execute the lease-purchase agreement, and they must take ownership within 36 months thereafter (or within 42 months of project completion).

Tenant-based Rental Assistance

HOME can be used to provide direct assistance to tenants for rental assistance, or security and/or utility

deposit assistance. HOME tenant-based rental assistance (TBRA) is provided to tenants for renting the housing of their choice anywhere in the PJ's boundaries, or outside its boundaries, if the PJ permits. TBRA programs cannot restrict tenants to specific target neighborhoods. In practice, however, if a revitalizing neighborhood offers newly developed, standard rental housing that is more attractive (and therefore more competitive) than other units in the market, the neighborhood may attract many households assisted with TBRA. This could provide a fairly steady and reliable stream of rental funding.

PJs have some flexibility to design TBRA programs to meet local needs, and PJs can give preference to persons who are displaced by redevelopment activities.

Eligible Costs

PJs must use HOME funds only for eligible costs associated with the HOME-assisted units. These costs are detailed in Exhibit 4-1, and include standard housing development hard and soft costs, as well as relocation, and on-site infrastructure costs.

It is important to make note of a few cost issues related to relocation, on-site infrastructure, buyer education and counseling, and acquisition related costs that might occur more frequently in a neighborhood revitalization program than in a more typical affordable housing development:

Relocation costs. Relocation costs are eligible for all units in a project that are assisted with HOME funds, including the costs related to relocating households whose incomes exceed the HOME income limits and households who occupy unassisted units.

On-site infrastructure. New on-site improvements, such as sidewalks, utility connections, and sewer or

¹ In the absence of local codes, PJs are required to use one of the following national model codes: Uniform Building Code (ICBO), National Building Code (BOCA), Standard Building Code (SBCCI), or Council of American Building Officials one- or two-family code (CABO), or FHA Minimum Property Standards. Since the promulgation of the HOME Program regulations, the national code-issuing agencies have merged to form the International Code Council (ICC). The model codes used for the HOME Program are no longer being updated; in their stead, the ICC has adopted the International Building Code. HUD will consider whether changes to the HOME regulations incorporating the International Building Code are appropriate. Up-to-date information about the HOME Program is available on its website at <http://www.hud.gov/offices/cpd/affordablehousing/home/index.cfm>. Information about the International Building Code is available at <http://www.iccsafe.org>.

² For more information about using HOME funds for loan guarantees, refer to the HOME Final Rule at 24 CFR 92.205(b)(2).

water lines, are eligible expenses when this infrastructure is not already present, or when improvements to existing on-site infrastructure are essential. Costs related to building new, off-site utility connections to an adjacent street are eligible when necessary to connect on-site infrastructure to the utility distribution system. Off-site infrastructure that is not eligible as a HOME expense, may be eligible for match credit when completed no more than twelve months before HOME funds are committed to the project. As will be discussed in Chapter 5, “Infrastructure: The Foundation of a Community,” infrastructure can play an important role in achieving the revitalization goals and can be critical to attracting homebuilders to the project. When multiple housing sites are under common ownership, financing, and development, the sites are considered a single HOME project. This enables a more extensive network of infrastructure, such as the street grid, to be “on-site,” even when the site will subsequently be subdivided and sold to individual homeowners. HOME-funded infrastructure costs are included in calculating the amount of per-unit HOME assistance. Total infrastructure costs must be pro-rated based on the HOME-eligible and ineligible portions.

Acquisition-related costs. HOME funds may not be used to pay back taxes and fees to the PJ, and may not be used to acquire property owned by the PJ. HOME funds can be used, however, to acquire property from other public entities, such as housing authorities or redevelopment authorities that are legally separate from the PJ.

Buyer education and counseling. Homebuyer counseling is an eligible cost under HOME, and can be charged as a project soft cost; an administrative cost; or, if provided by a community housing development organization (CHDO), as a CHDO operating expense. The method for allocating these costs depends on who receives the counseling, and who provides the service. To charge counseling as a project soft cost, the household or individual counseled must become an owner of a HOME-assisted unit. For buyer education and counseling that is not targeted specifically to buyers of HOME-assisted units, the costs must be charged as administrative costs, or as a CHDO operating expense, if provided by a CHDO. When a project owner incurs the cost, it must be eligible as a project soft cost. For

more information, see *HOMEfires*, Volume 1, Number 1. June 1, 1997. This is available on the HOME Program website at <http://www.bud.gov/offices/cpd/affordablehousing/library/homefires/volumes/vol1no1.cfm>.

Exhibit 4-1 Eligible Costs

Administrative costs	Soft costs
Up to 10 percent of the PJ's annual allocation, and 10 percent of any program income that is generated.	Financing fees, including origination fees; Credit reports; Title binders and insurance; Surety fees;
Hard costs	Building permits; Independent cost estimates; Impact fees; Recordation fees, transactions taxes; Legal and accounting fees, including cost certification; Appraisals; Architectural/engineering fees, including specifications and job progress inspections;
Acquisition of land and structures; Site preparation or improvement, including demolition; On-site infrastructure costs; Securing buildings; and Construction materials and labor.	Environmental investigations; Builders' or developers' fees; Affirmative marketing and marketing costs; Homebuyer counseling provided to purchasers of HOME-assisted housing; and Development costs incurred by the PJ that are directly related to a specific project, such as inspections, cost audits, and loan processing.
Relocation costs	
Replacement housing, moving costs, and out-of-pocket expenses; Advisory services; and Staff and overhead related to relocation assistance and services.	

Ineligible Activities and Costs

HOME is an extremely flexible affordable housing resource. There are many worthy revitalization activities that the PJ will want to pursue that will not be eligible with HOME funds.

As discussed above, HOME funds can only be used for housing activities that serve low- and very low-income households. HOME funds may not be used for housing that is targeted and /or ultimately occupied by moderate-income, or upper-income households, even

if attracting those families is a desirable goal in a declining neighborhood. Note, that HOME maximum income limits are defined regionally. For many neighborhoods, households that qualify as low-income may have a higher income than the neighborhood's median income. Attracting these households may have a stabilizing impact on some declining neighborhoods.

Some PJs will want to rehabilitate existing facilities in the neighborhood, as part of the revitalization plan. HOME funds cannot be used for facilities, even those facilities that include residential services, such as emergency shelters for homeless or disaster victims, or residential facilities such as nursing homes, convalescent homes, hospitals, residential treatment facilities, correctional institutions, and student dormitories.

In addition, there are other restrictions, listed in Exhibit 4-2 that exclude the use of HOME funds for certain publicly-assisted properties, certain operational funding, and for fees or payments to government jurisdictions.

Exhibit 4-2 Ineligible Activities

HOME funds cannot be used to assist the following activities:

- Project reserve accounts or operating subsidies (except for an initial operating reserve not to exceed 18 months);
- Tenant-based rental assistance provided for the special purposes of the existing section 8 program;
- Non-Federal matching contributions required under any other Federal program;
- Public housing capital and operating costs;
- Assistance to eligible low-income housing under 24 CFR part 248 (Prepayment of Low Income Housing Mortgages);
- Assistance to a project previously assisted with HOME funds during the period of affordability established by the participating jurisdiction (other than tenant-based rental assistance or assistance to a homebuyer to acquire housing previously assisted with HOME funds);
- Cost for acquisition of property owned by the participating jurisdiction, except for property acquired by the participating jurisdiction with HOME funds, or property acquired in anticipation of carrying out a HOME project; or
- Delinquent taxes, fees or charges on properties to be assisted with HOME funds.

Allocating Costs

Unlike many other Federal housing programs, HOME distinguishes between the units in a project that have been assisted with HOME funds and those that have not, hence the term "HOME-assisted" unit. This distinction between HOME-assisted and other units enables PJs to spend HOME funds for mixed-use and mixed-income rental and homeownership developments, while still targeting HOME dollars only to affordable housing units for income-eligible households.

The number of HOME-assisted units in the given project must be specified at the time of project commitment. The minimum number of HOME-assisted units may be based on either:

- The actual development costs of the HOME-assisted units; or
- Where all units in a development are comparable, a pro-rated share of total HOME funds relative to total development cost. For example, if \$100,000 of HOME funds is invested in a development whose total development cost is \$1,000,000, then the proportion of HOME funds to total development cost is ten percent. A minimum of ten percent of the units must be designated HOME-assisted.

PJs can always designate a higher number of units as HOME-assisted than that minimally required by HUD.

HOME funds cannot be used to finance any of the costs related to the development of units (including a proportionate share of common spaces) that will be occupied by over-income tenants or buyers. Therefore, PJs need to plan for the allocation and tracking of costs across units in a mixed-income project.

For more information on allocating costs in mixed-income developments

For more information, see CPD Notice 98-02, *Allocating Costs and Identifying HOME-Assisted Units in Multi-unit Projects*, available online at http://www.bud.gov/offices/cpd/affordablehousing/laws_and_regs/notices/1998/98-2.pdf.

Ownership Requirements

There are a number of property-related requirements that must be met when using HOME funds for home-ownership, including a principal residency requirement, maximum purchase price limits, and property standards. These requirements must be considered when designing the homeownership program.

Principal Residence

Eligible properties must be the purchaser's principal residence throughout the period of affordability. By limiting a purchaser's ability to sell or rent the property for some period of time, this requirement can provide an incentive to buyers to maintain the property, and help stabilize the neighborhood.

Maximum Purchase Price or After-Rehabilitation Value

The HOME Program is intended to fund modest housing. The maximum purchase price for a HOME-assisted property may not exceed 95 percent of the median purchase price of homes purchased in the area. In the case of a purchase-rehabilitation project, or rehabilitation not involving acquisition, the value of the property after rehabilitation may not exceed 95 percent of the area median purchase price³ for that type of housing. The after-rehabilitation value estimate should be established prior to the investment of HOME funds. In most neighborhoods, these purchase price or value limits are considered quite generous, and are not likely to prevent the PJ from developing affordable housing whose design enhances the neighborhood revitalization initiative.

³ PJs have two options for determining the 95 percent of the median purchase price/value limits. Most PJs opt to use the FHA Section 203(b) Mortgage Limits. These limits are available from the HUD Single Family Homeownership Center that services the PJ, or from the HOME Program website at <http://www.hud.gov/offices/cpd/affordablehousing/programs/home/limits/maxprice.cfm>. PJs can also conduct a specialized market analysis that meets certain requirements established by HUD, and subject to HUD approval. The HOME rule specifies the criteria for this market analysis at 24 CFR 92.254(a)(2)(iii).

⁴ If acquisition only, the property must meet either local codes/standards or Section 8 Housing Quality Standards. If rehabilitation after the transfer of ownership, the property must be free of safety and health hazards prior to occupancy or within 6 months of property transfer, whichever is sooner. Property must also meet local rehabilitation standards and applicable codes (local codes/standards or one of three nationally accepted model codes) within 2 years of transfer. New construction or rehabilitation must meet all local codes, rehabilitation standards, ordinances and zoning ordinances at the time of project completion or one of the three national model codes. New construction must also meet the Model Energy Code.

Property Standards

The HOME Program establishes property standards for HOME-assisted units. Different standards apply, depending on the type of property being assisted.⁴ A property inspection for every HOME-assisted unit must be completed to ensure that this requirement is met.

Income Eligibility and Long-Term Affordability in Homeowner Housing

The HOME Program is designed to increase the supply of affordable housing throughout the nation in two key ways:

1. Households that are assisted must be low- or very low-income; and
2. HOME-assisted units must remain affordable over time.

Income Eligibility

Homebuyers and homeowners assisted with HOME funds must have a household gross annual income that does not exceed the HUD-established "low-income" limit for the area, adjusted by family size. This limit is generally 80 percent of the area median household income.

For current income limits

HUD issues updated income limits annually and makes them available on the HOME Program website at <http://www.hud.gov/offices/cpd/affordablehousing/programs/home/limits/income>.

Long-Term Affordability

Because Congress developed the HOME Program to invest in the sustained availability of affordable housing, the HOME Program requires HOME-assisted housing to remain affordable for some period of time, based upon the amount of HOME funds invested in it. The period of affordability pertains to HOME homebuyer programs, but not to homeowner rehabilitation programs. Appendix 3 summarizes the key requirements related to periods of affordability, and resale and recapture options.

The period of affordability can range from five to fifteen years. During this time, the property must be kept affordable, and the buyer must use the unit as his or her principal residence. Prior to investing HOME funds, the PJ must determine, and include in its Consolidated Plan, how affordability will be preserved if the homeowner sells the property during the period of affordability. Affordability can be preserved through either a recapture option or a resale provision, as follows:

- **Recapture** is a mechanism for the PJ to recover all or a portion of the direct HOME assistance if the initial HOME-assisted buyer decides to sell the house during the period of affordability. Recovered funds must then be used for other HOME-eligible activities.
- **Resale restrictions** ensure that a particular HOME-assisted unit remains affordable over the entire period of affordability, even in the event of a subsequent sale. Using this option, the PJ may either require the owner to sell to another eligible low-income homebuyer at an affordable price, or establish a “presumption of affordability” that documents the likelihood that properties in the neighborhood will remain affordable for the foreseeable future. The presumption of affordability must be based on a market analysis that is approved by HUD, and must be re-evaluated on an annual basis.

While recapture provisions may be somewhat easier to administer than resale restrictions, PJs should consider the advantages offered by resale restrictions when structuring affordability provisions in a changing neighborhood. Resale restrictions may be preferable if there is concern that property values will appreciate rapidly in the neighborhood because restricting resale

is the only way to preserve the affordability of specific units in the target neighborhood. If values increase too much, recaptured funds may be insufficient to reinvest in the target neighborhood. PJs should carefully consider whether or not to use a presumption of affordability under these circumstances. Early in the redevelopment process, it is expected that most declining neighborhoods would be able to document market conditions to support a presumption of affordability. With redevelopment success, however, neighborhood affordability may not continue. PJs should weigh the length of the affordability period, with the redevelopment timeline. Further, PJs should prepare appropriate agreements with buyers that enable them to enforce resale restrictions in the event the neighborhood is no longer affordable to low-income buyers.

For more information on resale and recapture provisions

More detailed guidance on structuring recapture and resale provisions can be found in HUD’s model program guide *Using HOME Funds for Homebuyer Programs: Structuring Recapture and Resale Provisions*. HUD 1674-CPD, May 1997. To get a free copy of this model program guide, visit the Office of Affordable Housing Programs’ library at *HOME Model Program Guides*, <http://www.hud.gov/offices/cpd/affordablehousing/library/modelguides/index.cfm>.

Rental Housing Requirements

Rental housing developed with HOME funds carries several requirements designed to ensure that low- and very low-income tenants occupy HOME units for a specified period of time. The following discussion will review the most significant HOME Program requirements for rental housing, with particular emphasis on the rules that have specific implications for neighborhood revitalization activities.

Eligible Properties

HOME-assisted rental projects can be one or more buildings on a site, or multiple sites, that are under common ownership, management, and financing.

Income Targeting

All tenants of HOME-assisted rental units must be low- or very low-income. A low-income household, for the purposes of the HOME Program, is defined as one

whose gross annual income does not exceed the HUD established “low-income” limit for the area, adjusted by family size. This limit is generally 80 percent of the area median household income. A very low-income household is one whose gross annual income does not exceed the HUD established “very low-income” limit for the area, adjusted by family size. This limit is generally 50 percent of the area median income. Rental housing in the HOME Program is highly targeted to very low-income households.⁵

For more information on determining income

HUD’s *Technical Guide for Determining Income and Allowances Under the HOME Program—Second Edition* (HUD CPD-1780, June 1999) is a good resource for information about income determination. Free copies can be obtained at the Office of Affordable Housing Programs’ online library at *HOME Model Program Guides*, at <http://www.bud.gov/offices/cpd/affordablehousing/library/modelguides/index.cfm>. In addition, an income calculator tool is available online to help PJs determine whether or not tenants are eligible to receive HOME assistance based on their income. The income calculator can be found on HUD’s Office of Affordable Housing Programs’ training website at <http://www.bud.gov/offices/cpd/affordablehousing/training/calculator/calculator.cfm>.

For current income limits

HUD issues updated income limits annually and makes them available on the HOME Program website at <http://www.bud.gov/offices/cpd/affordablehousing/programs/home/limits/income>.

Owners must verify tenant income prior to occupancy, and must re-certify tenants’ income throughout the affordability period to ensure that tenant incomes continue to fall within the occupancy requirements. If a tenant’s income exceeds the allowable income limit, then adjustments in the tenant’s rent must be made and newly vacated units must be made available to

income-eligible tenants. Income re-certifications can be in the form of written statements from the family or government program administrators if the family has been income-qualified for other public assistance. However, every sixth year during the affordability period, owners must collect and examine source documentation.

Rent Restrictions

Every HOME-assisted rental unit is subject to maximum rent limits that are designed to make rents affordable to low-income households. There are both “High” and “Low” HOME rent limits in the HOME Program. The rent limits represent the maximum amount that tenants can pay for rent and utilities combined.

High HOME Rents

High HOME Rents are established at the lesser of:

- Section 8 Fair Market Rents (FMRs) for existing housing, **or**
- Thirty percent of the adjusted income of a family whose annual income equals sixty-five percent of the area median income.

Low HOME Rents

At least twenty percent of the HOME-assisted units in a project of five or more units must carry “Low HOME Rents.” These are established at the lesser of:

- No greater than thirty percent of the tenant’s monthly adjusted income, **or**
- Thirty percent of the annual income of a family whose income equals fifty percent of median income.

Note, if the unit receives a Federal or state project-based rental subsidy, is occupied by a very low-income household and the very low-income household pays no more than 30 percent of its adjusted income for

⁵ Income targeting to very low-income households is secured by the “Program Funds Rule,” and the “Project Rule” of the HOME Program, as follows: (1) The Program Funds Rule applies to all HOME funds used for all rental activity, including rental housing development and tenant-based rental assistance (TBRA) each fiscal year. It states that initially, 90 percent of the total households assisted through the PJ’s rental or TBRA programs must be very low-income. The balance of the assisted units must be occupied by low-income households. (2) The Project Rule lasts throughout the affordability period. It states that for every rental project with five or more HOME-assisted units, at least twenty percent of the assisted units must be occupied by families who have annual incomes that are at or below fifty percent of the area median income, occupying units with rents at or below the Low HOME Rent. This rule does not apply to projects with fewer than five assisted units.

rent, then the maximum rent may be established at no greater than the rent allowable under the rental subsidy program.

For current rent limits

HUD issues updated rent limits annually and makes them available on the HOME Program website at <http://www.hud.gov/offices/cpd/affordablehousing/programs/home/limits/rent/index.cfm>.

Long-Term Affordability

For rental developments where properties will have both assisted and non-assisted units, the PJ and developer must designate whether the HOME-assisted units are “fixed” or “floating” HOME units.

“Fixed” units are specific units that are designated HOME-assisted. This designation remains with that specific unit throughout the period of affordability. When a PJ uses a fixed designation, units in the development do not need to be alike in terms of amenities, but there should be an appropriate mix of unit sizes (in terms of bedroom size of units), comparable to that of the development’s non-assisted units. Further, distribution of the assisted units throughout the entire development is required.

When the development is designed to attract a mixed-income target population, designating fixed units provides developers with the flexibility to create units that have more amenities for the higher-income tenants without having to provide the same amenities for the assisted units. These amenities may be necessary to attract the market-rate population in the neighborhood. Conversely, this benefit might be outweighed by the risk of stigmatization of the fixed HOME-assisted units.

“Floating” units are designated as HOME-assisted initially, but the specific units may change over time, provided that the owners maintain the total number of HOME-assisted units constant. This means that occupants of any income may occupy the specific units at various points in time. When the HOME designation “floats,” the units must be comparable in terms of size, fixtures, features, and number of bedrooms. Costs for floating units need not be tracked unit-by-unit.

Housing with floating HOME unit designations may be slightly more difficult to manage than fixed units

because project managers will need to adjust unit rents and occupancy as units become vacant or tenants become over-income in order to keep the development in compliance. Nonetheless, the floating unit designation eliminates the possibility for certain units to be stigmatized and provides a more equal atmosphere among tenants.

More guidance on fixed and floating units can be found in HUD’s Notice CPD 98-02 *Allocating Costs and Identifying HOME-Assisted Units in Multifamily Projects* dated March 18, 1998. This notice can be downloaded from HUD’s HOME Program website at <http://www.hud.gov/offices/cpd/affordablehousing/lawsandregs/notices/index.cfm>.

Subsidy Layering

Before committing funds to a rental housing project that combines the use of any other local, state or Federal assistance, the PJ must evaluate the project in accordance with guidelines that it has adopted to ensure that the PJ does not invest any more HOME funds than are necessary to provide affordable housing. These guidelines are referred to as Subsidy Layering Guidelines. Guidance on developing subsidy layering guidelines can be found in HUD’s Notice CPD 98-01, *Layering Guidance for HOME Participating Jurisdictions When Combining HOME Funds With Other Government Subsidies*, available online at <http://www.hud.gov/offices/cpd/affordablehousing/lawsandregs/notices/index.cfm>.

Periods of Affordability

HOME-assisted rental units carry rent and occupancy restrictions for varying lengths of time, depending upon the average amount of HOME funds invested per unit, as described in Exhibit 4-3. These restrictions must be enforced during the period of affordability through a deed restriction or covenant on the property.

HOME affordability requirements are *minimum* requirements. PJs may establish longer affordability terms.

Property Standards

Rental housing constructed or rehabilitated with HOME funds must meet all local codes, rehabilitation standards, ordinances, and zoning ordinances at the time of project completion. New construction must also meet the Model Energy Code. If no state and local codes apply to the area in which a property is

**Exhibit 4-3
Periods of Affordability for Rental Housing**

Activity	Average per unit HOME \$	Minimum Affordability Period
Rehabilitation or Acquisition of Existing Housing	<\$15,000/unit \$15,000- \$40,000/unit >\$40,000	5 years 10 years 15 years
Refinance of Rehabilitation Project	Any \$ amount	15 years
New Construction or Acquisition of New Housing	Any \$ amount	20 years

located, the project must meet the applicable national model codes.

Monitoring and Inspections

PJs are required to monitor all assisted rental developments for compliance with income occupancy, rent restrictions, and property standards throughout the period of affordability. Monitoring must include periodic on-site inspections of the HOME-assisted units in the project. The frequency of inspections depends on the total number of units (not just the HOME-assisted units) in the project, as follows:

Number of Units	Frequency of Inspections
One to Four units	Every 3 years
Five to Twenty-five units	Every 2 years
Twenty-six or more units	Every year

The terms of the HOME assistance requires owners to continue to maintain their properties. The PJ's ongoing monitoring of the rental property condition and occupancy is a benefit to a revitalizing neighborhood. Monitoring will ensure that these provisions are enforced, and that project owners continue to main-

tain their properties, minimizing or even eliminating the possibility that these properties will have a detrimental impact on the neighborhood due to owner neglect after completion.

Forging Partnerships with HOME Funds

In addition to generating affordable housing, the HOME Program encourages PJs to develop partnerships with nonprofit organizations, housing developers, other jurisdictions, and the private sector. HOME requirements anticipate the need for PJs to create or sustain partnerships with other entities in order to successfully undertake their affordable housing strategies. These partnerships are critical to giving program participants a stake in the development process and its outcomes.

The requirements and guidelines that PJs foster partnerships complement the type of comprehensive planning process that a successful revitalization initiative will require.

Community Involvement

The success of any neighborhood revitalization strategy will depend, in part, on the involvement of the community. The HOME Program creates several vehicles for PJs to develop strong working relationships with community residents and their representative organizations. CHDOs play a special role in the development of HOME-assisted housing. A CHDO is a community-based nonprofit organization that provides affordable housing to low-income residents with the use of HOME funds.⁶ In recognition of the important role that local nonprofits play in the provision of housing assistance, the HOME Program requires that PJs reserve no less than 15 percent of each annual HOME allocation solely for CHDO use. When this requirement is not met, HUD recaptures these funds for competitive reallocation to CHDOs in other communities.

⁶ An organization must meet several specific characteristics in order to qualify as a CHDO. In general, these requirements relate to legal and tax-exempt status; financial management capacity and accountability; staff capacity to carry out HOME-funded activities; experience serving the community; board representation by community members, with at least one-third of the board representing the low-income community; and lack of for-profit or public control. Specific requirements can be found under the definition of a CHDO in the HOME Program regulation at 24 CFR 92.2.

CHDOs receiving HOME set-aside funds must own, sponsor, or develop the housing to be created using HOME funds.⁷ These roles maximize the nonprofit CHDO's control over development in the neighborhood. This is important because it creates an opportunity for community residents to become equal stakeholders in the neighborhood, and encourages discussion about the decisions affecting the evolution of the neighborhood's built environment.

HOME provides funding and technical assistance resources to qualified community-based nonprofit housing groups to build the capacity of these partners. When community residents and leaders make decisions about development in their neighborhoods, those developments gain community support, resident needs are met, and neighborhood concerns are addressed in the redevelopment effort.

Match Requirements

The HOME Program's match requirement represents an opportunity to leverage outside support for HOME projects and activities. HOME requires all PJs to contribute 25 cents for each dollar of HOME funds invested in a given Federal fiscal year. Contributions can be made as cash or other in-kind contributions. As program funds are drawn, the PJ incurs a match liability that must be paid off by the end of the fiscal year. Certain expenditures are exempt from the match requirement.

PJs typically choose to meet match obligations by using local funds, or by involving the private sector in its activities, and encouraging private financial support for projects. In addition to the primary purpose of generating additional funds to support affordable housing activities, this latter method has the added advantage of creating an opportunity to forge a partnership with an entity that may have an interest in future HOME activities.

Other Financing Sources to Support Housing Development

HOME funds are one common and readily accessible source of funds for most PJs, but there are several other sources of funds that are available to support housing development and neighborhood revitalization. All these sources, including HOME, have different program rules and requirements that the PJ will need to comply with when using the funds. PJs need to consider the advantages and limitations of using multiple sources of funds with conflicting requirements when determining how to package their financing for the neighborhood.

Federal Resources

U.S. Department of Housing and Urban Development

Community Development Block Grant

Like HOME, the Community Development Block Grant program (CDBG) is a readily accessible and attractive source of Federal funds available to most PJs. CDBG can be used for many of the same activities as HOME funds, but CDBG can also be used to support a range of other community development activities, including economic development, public services, public facilities, and infrastructure development that might be needed in the revitalization effort. Undertaking housing activities with HOME funds, and other community development activities with CDBG funds, can be a powerful combination to address a range of community development needs in the community.

In addition, to funding for a range of community development activities, CDBG provides regulatory relief for activities undertaken in an eligible HUD-approved Neighborhood Revitalization Strategy Area (NRSA). This relief includes:

⁷ CHDOs, as owners, must hold title to, or have a long-term lease in, a given housing property. Additionally, a CHDO developer may own and develop a property or have a contractual obligation to a property owner to develop a project. Finally, a CHDO sponsor develops a project that it solely or partially owns and agrees to convey ownership to a second nonprofit that retains ownership for the purpose of providing affordable housing to low-income renters.

- **Administrative ease.** When CDBG funds are invested in activities that assist businesses that will create or retain jobs, the activities may qualify as meeting the area benefit National Objective. Therefore, the income of applicants interviewed and hired need not be tracked.
- **Expanded public services opportunities.** CDBG investment in certain public services in the NRSA, when carried out by Community Based Development Organizations (CBDOs) pursuant to the approved strategy, are exempt from the public services cap which is set at 15 percent of the annual CDBG grant.
- **Eased low- and moderate-income occupancy standards for single family housing.** In the NRSA, jurisdictions can pursue a greater mix of income levels in CDBG-assisted housing because the grantee may aggregate all housing units for which CDBG funds are obligated during the program year, and treat them as a single structure of which 51 percent must be occupied by low- and moderate-income households. This means that 49 percent of the units may be occupied households that would otherwise be considered over-income.
- **Economic development activities carried out in a NRSA are exempt from the aggregate public benefit standards.** The public benefit standards typically limit the amount of assistance that can be expended on each activity. This exemption affords recipients much greater flexibility in selecting and implementing development activities, and reduces the amount and scope of information that recipients must collect and document regarding their programs.

A complete summary of the NSRA provisions, including eligibility information and a description of the approval process, is provided in Appendix 1.

Section 108

Section 108 is a loan guarantee provision of the CDBG program. Section 108 funds are typically used for large economic development initiatives, although these funds can also be used for most CDBG-eligible activities, including the acquisition of real property; rehabilitation of publicly owned real property; housing rehabilitation that is eligible under CDBG; and

construction, reconstruction, or installation of public facilities (including street, sidewalk, and other site improvements). Additional information about the Section 108 loan guarantee is provided in Chapter 6, “Creating a Strong Commercial District.”

Federal Housing Administration

The Federal Housing Administration (FHA) was created in 1934 by Congress and has played a key role in expanding opportunities for affordable homeownership and rental housing. FHA is perhaps most commonly known for providing insurance for home mortgages through a variety of mortgage insurance programs making mortgages more affordable for homeowners, usually for first-time homebuyers. FHA's programs operate through FHA-approved lending institutions. Two programs of particular interest for PJs are the 203(b) program for home purchase and the 203(k) program for purchase and rehabilitation.

- **The 203(b) program** is the centerpiece of FHA's single family insurance programs as it helps low- and moderate-income families become homeowners by lowering some of the costs of their mortgage loans. Key features of the Section 203(b) program include:
 - *Low downpayment requirements.* Downpayments can be as low as 3 percent, compared with conventional mortgages that are often 10 percent or more of the purchase price of the home.
 - *Closing cost financing.* The program allows borrowers to finance many of the closing cost charges, thereby reducing the up-front costs of buying a home.
 - *Limits on some fees.* FHA rules impose limits on some of the fees that lenders may charge in making a loan. For example, the loan origination fee for administrative costs of processing the loan may not exceed one percent of the amount of the mortgage.
- **The 203(k) program** is HUD's primary program for the rehabilitation and repair of single family properties. The program offers one mortgage loan, at a long-term rate, to finance both the acquisition and the rehabilitation of the property. The mortgage is based on the projected value of the property when the work is

completed, taking into account the cost of the work. There are three ways in which the program can be used:

- To purchase a dwelling and the land on which the dwelling is located and rehabilitate it;
- To purchase a dwelling on another site, move it onto a new foundation on the mortgaged property and rehabilitate it; and
- To refinance existing indebtedness and rehabilitate such a dwelling.

To learn more about these insurance programs visit <http://www.bud.gov/offices/hsg/sfb/insured.cfm>.

U.S. Department of the Treasury Community Development Financial Institutions Fund

The Community Development Financial Institutions (CDFI) Fund was created by Congress in 1994 to expand the availability of credit, investment capital, and financial services in distressed urban and rural communities. The CDFI Fund has several programs to provide assistance to different types of organizations. Each program has its own eligibility criteria. Many provide housing development funding.

- **Bank Enterprise Awards (BEA) Program.** The BEA Program complements the community reinvestment activities of banks and thrifts by providing monetary incentives to expand investments in CDFIs and to increase lending, investment, and service activities within severely distressed communities.
- **Financial Assistance (FA) Components.** The Fund provides FA to certified CDFIs that demonstrate the ability to leverage non-Federal dollars to support comprehensive business plans for providing services to create community development impact in underserved markets.
- **New Markets Tax Credit Program.** The New Markets Tax Credit Program permits taxpayers to receive a credit against Federal income taxes for making qualified equity investments in designated Community Development Entities (CDEs). Substantially all of the qualified equity investment must in turn be used by the CDE to provide investments in low-income communities.

New Market Tax Credits are allocated annually by the Fund to CDEs under a competitive application process. These CDEs then sell the credits to taxable investors in exchange for stock or a capital interest in the CDEs.

- **Technical Assistance Component.** CDFI Fund provides technical assistance grants to CDFIs, and entities proposing to become CDFIs, in order to build their capacity to better address the community development and capital access needs of their particular target market.
- **Training Program.** The Training Program is designed to increase the supply of training services available to members of the CDFI industry as well as to community development lenders who are not certified CDFIs. The Fund has contracts with training providers for curriculum development and delivery of three courses: How to Do a Market Analysis; How to Prepare Financial Projections; and How to Develop and Operate a Community Development Lending Program.

There are over 500 CDFI's across the country and at least one in every state. For a list of CDFIs, and to learn more their activities, visit <http://www.cdfifund.gov/>.

Private Sources

Federal Home Loan Banks

The Federal Home Loan Banks (FHLBanks) are wholesale banks, of which there are twelve, that are owned by over 8,000 community financial institutions. FHLBanks make loans, known as advances, to local lenders at lower interest rates than are available on the commercial market. The advances range from overnight loans to 20-year loans and come with fixed, floating, and adjustable rates. FHLBanks have two programs designed specifically to meet local housing and economic development needs, the Affordable Housing Program (AHP) and the Community Investment Program (CIP). AHP provides subsidy funds, including grants, for the development of low- and moderate-income housing, or for downpayment assistance. CIP provides below-market rate loans to local banks to extend long-term financing for housing and economic development projects that benefit low- and moderate-income families and neighborhoods. These programs can complement HOME assistance

and can dramatically increase affordability. FHLBank funds are competitively awarded through member banks, requiring a PJ to put together a compelling application to access these resources.

To learn more about the Federal Home Loan Bank system and its community programs, visit <http://www.fhlbanks.com/>.

Secondary Mortgage Market

Most lenders who make home loans do not keep the mortgages, but rather they sell them to investors on the secondary mortgage market. The two largest secondary market entities are Fannie Mae and Freddie Mac. These publicly-chartered but privately-owned firms purchase mortgages from lenders and either hold them in portfolio, or bundle them into securities for resale to investors. In exchange for the benefits each receives for being a “government-sponsored enterprise”, Fannie Mae and Freddie Mac must achieve affordable lending goals set by HUD. These include targets for lending to low- and moderate-income households. Motivated by these goals, as well as by a profit-motivated desire to expand the range of borrowers they serve, Fannie Mae and Freddie Mac have developed a range of affordable loan products that PJs or their clients might be able to access. These affordable lending products permit higher house payment-to-income ratios, lower downpayments, flexible credit standards, and clear procedures for accommodating second mortgages from sources such as HOME funds. Both Fannie Mae and Freddie Mac also support homebuyer education initiatives.

- Fannie Mae’s American Communities Fund invests in housing developments to support neighborhood and community revitalization. The Fund offers front-end financing for single family (as well as multifamily) housing and mixed-use development. The Fund works directly with lenders, developers, and city and state governments.

To learn more about the American Communities Fund, visit <http://www.fanniemae.com/housingcommdev/commdev/acf.jhtml>.

- Freddie Mac’s Community Development Lending offers a set of tools designed to create homeownership opportunities for underserved households. Freddie Mac tools are flexible and can be packaged so that they fit the needs of the

community. One particular tool focuses on credit counseling and education to allow potential borrowers with low credit scores a greater chance to qualify for a loan.

To learn more about Freddie Mac’s Community Development Lending tools, visit <http://www.freddiemac.com/sell/expmks/cdl.html>.

Intermediaries

Intermediaries provide technical and financial resources for community development organizations. There are a growing number of local community development organizations (CDCs) that are dedicated to developing, managing, and preserving affordable housing; however, these organizations require a stable source of capital to finance project development and other start-up activities to keep them viable during temporary gaps in revenue. Intermediaries provide this support. Intermediaries have the ability to access private and Federal capital, as well as technical resources and expertise to support CDCs. Typically, intermediaries provide the following types of services to community organizations:

- Technical assistance and training on a wide range of topics related to affordable housing development;
- Institutional development support and assistance with involving the community;
- Information sharing and support networks; and/or
- Access to project financing and assistance in structuring affordable housing projects.

Some of the best-known intermediaries include: the Enterprise Foundation, Local Initiatives Support Corporation, Neighborhood Reinvestment Corporation, Corporation for Supportive Housing, and the National Congress for Community Economic Development. The National Low Income Housing Coalition describes issues faced by intermediary organizations and provides contact information for key intermediaries, at www.nlibc.org/advocates/intermediaries.htm.

Foundations

Foundations are mission-based organizations that often seek to improve and rebuild communities. Foundations fund a wide range of charitable activities,

and some will support housing development initiatives, housing counseling programs, and other housing activities that will enhance the PJ's development initiatives.

To learn more about foundation funding and to identify foundation sources that might support housing activities, visit the Foundation Center at <http://fdncenter.org>.

State and Local Sources

Bonds

Municipal bonds are a common source of financing for local and state governments to finance public projects. There are many different types of municipal bonds, including, but not limited to general obligation bonds; revenue bonds; housing bonds; tax, revenue, or bond anticipation notes. The basic difference between these and other types of bonds is how the entity that issues the bond expects to repay the bond and make interest payments. General obligation bonds provide the greatest flexibility in terms of how and where the PJ acquires the funds to repay the bond, while other bonds are more specific and sometimes result in higher or new taxes.

State and local housing finance agencies (HFAs) typically issue housing bonds to raise money to fund housing projects. Investors purchase two types of housing bonds: mortgage revenue bonds, used to finance single family housing; and multifamily housing bonds, used to finance rental housing. The investors, in turn, receive a series of interest payments plus the repayment of their initial investment when the bond matures. HFAs use the capital raised from the sale of the bonds to make loans to housing projects. In turn, the debt service payments made by the projects are used by the issuing agency to repay the bondholders.

Agencies are typically able to lend bond proceeds to projects at below market interest rates, in part because investors do not owe taxes on the interest they receive on these bonds.

HFAs may also have access to other resources that can be used to support housing activities. HFAs often work with participating lenders to provide below-market rate interest mortgages to first-time homebuyers and downpayment and closing cost assistance. When working with lenders, a PJ may be able to combine HFA funds with other program funds it is using for homebuyer assistance activities to expand the resources available for interest rate subsidies and downpayment and closing cost assistance. HFAs might be able to assist PJs in accessing specialized sources of funds or funds from other Federal programs. In addition, HFAs may finance homebuyer education and counseling programs.

To learn more about local housing finance agencies, visit the National Association of Local Housing Finance Agencies' website at <http://www.nalhfa.org/>.

To learn more about state housing finance agencies, visit the National Council of State Housing Finance Agencies' website at <http://www.ncsha.org/>.

Tax Increment Financing

Tax Increment Financing (TIF) is a special type of bond financing, and an increasingly popular method of funding public investments. TIF uses expected increases in tax revenue from revitalization activities in a designated area to repay bonds that finance these improvements. Although TIFs can be used to fund housing development activities, they are typically used for large commercial development. More information about TIFs is provided in Chapter 6, "Creating a Strong Commercial District."

Case Study

BaptisTown Neighborhood Revitalization, Owensboro, KY

Background

Prior to 1998, the City of Owensboro, Kentucky had been making improvements to the Greater BaptisTown Neighborhood. At the time, the BaptisTown Neighborhood was a distressed inner city area with a high number of dilapidated structures and vacant lots. The area population is predominantly minority and the neighborhood has a rich history as a center for minority-owned businesses and social functions.

Before concentrating on affordable housing development, the City spent approximately \$1.1 million in Federal funds on renovations to a community center, a neighborhood park, and street and sidewalk improvements in the area. While some CDBG and HOME funds were used to construct or renovate homes in the neighborhood, it wasn't until 1999, when the City began working with the Dr. Martin Luther King Jr. Plaza Committee (the "King Plaza Committee") that the City created a redevelopment plan for the area. Through this process, a collaborative effort ensued, and ambitious goals and plans for redevelopment began to take off on a grand scale.

The Redevelopment Plan

The BaptisTown Neighborhood Redevelopment Plan was created to clearly define future land use within the BaptisTown area. For the core neighborhood, the Redevelopment Plan detailed specific future land uses by address. The Plan became the guiding document for redevelopment in the area, and it superseded previously issued land use plans and related documents that had been issued by the City.

The City and the King Plaza Committee determined that stabilizing the area's residential community would be key to any successful commercial development within the neighborhood. It was determined that the most effective means to achieving this goal would be to aggressively pursue a course of action that would change the neighborhood.

Neighborhood Participation and Community Involvement

Community input and involvement was key to the success of the development initiative. After the creation of a proposed future land use plan and a redevelopment concept, Community Development Department staff, working with the King Plaza Committee held several public neighborhood meetings to solicit feedback from the public, answer questions, and encourage participation on the proposed redevelopment plan. The King Plaza Committee was very active in the creation of the working action plan.

The news media was also actively engaged in the process. It thoroughly covered and reported on proposed activities. Community Development staff kept the elected officials and the public informed with project updates at regularly scheduled City Commission meetings. The City Commission meetings are aired live, with repeated tape delays on the local cable station.

A portion of the BaptisTown Neighborhood Redevelopment Plan included the development of housing on a parcel of City-owned property. The City's Community Development Department created a concept for a housing development and solicited ideas from private developers on how to make it a reality. The City reached an agreement with a private developer that utilized Federal low-income housing tax credits to construct the development. BaptisTown Estates, a \$1.4 million dollar development consisting of 14 single family homes was constructed and fully occupied by the summer of 2001. The families living in these homes have the opportunity to purchase them for \$15,000 after 15 years. This is a considerable discount, considering their \$90,000 value.

This successful partnership enabled the City to control the look and the function of the development, while allowing a private developer to take the risk.

Using this successful model, the City decided to provide incentives to local contractors and developers to assist 69 additional units. Of these, the construction of 50 new units was subsidized through grants provided to the developers, and 19 additional units were assisted through housing rehabilitation grants provided to low-income homeowners. Ultimately, a total of 83 single family homes were renovated or constructed in this neighborhood. The City maximized its resources by partnering with the private sector to further benefit Owensboro.

The Role of HOME

HOME funds were used to fund a number of different housing development ventures in the redevelopment area. Many units and low-income homebuyers and homeowners were assisted with HOME funds through the City’s BaptisTown neighborhood revitalization project. Grants of up to \$25,000 were provided to contractors or homeowners to assist with costs associated with property acquisition, and all eligible hard and soft costs related to both new construction and rehabilitation. HOME funds provided the development subsidy for the projects—that is, it paid the difference between the actual development cost of the units (including the developer fee) and the units’ sales price.

To ensure continued affordability, the City used the recapture option offered by the HOME Program. It placed liens on HOME units in an amount equivalent to the difference between the unit’s appraised value and the actual sales price, in accordance with the HOME Program rule at 24 CFR 92.254(a)(5)(ii)(A)(5). When HOME units in BaptisTown were sold for more than the original sales price, within the five-year period of affordability, they were subject to this recapture lien.

In all, the City was able to leverage \$2,261,544 of private investment in BaptisTown with its HOME funds, amounting to 45.6 percent of the \$5,744,304 ultimately invested in this project.

Strategy Outcomes

The key to successful redevelopment is maximizing the amount of investment that occurs to achieve the goals of the action plan. The following is a breakdown of the private and public investment that occurred due to the implementation of the City’s Redevelopment Plan and efforts:

Total HOME Investment	\$1,213,968
Total HOME CDBG Investment	\$347,412
LIHTC Equity	\$1,561,380
Total Private Investment	\$2,621,544
Total Private & Public Investment	\$5,744,304
Time Frame for Project	2.5 years
Total Single family Homes Renovated or Constructed	83

The City realized many tangible and intangible benefits as a result of its comprehensive revitalization strategy and investments in the BaptisTown Neighborhood. As anticipated, the City improved the overall appearance of a blighted neighborhood and increased the supply of affordable housing units for homebuyers.

Prior to redevelopment, property values had been declining rapidly due to a lack of investment because of high crime in the area. Upon completion of the redevelopment project, total assessed values for property in the neighborhood had a projected increase of 140 percent. Assessments increased during the redevelopment, and they continue to increase since its completion. A non-taxable, City-owned property was transformed into

\$1,000,000 worth of taxable value. The increase in the assessed property values will have a positive impact on the City's budget for many years to come.

By leveraging Federal funds with private investment, the City was able to accomplish redevelopment goals more efficiently, enabling the next neighborhood redevelopment effort to begin. Lessons learned from this redevelopment effort will assist the City in efficiently redeveloping other neighborhoods.

Compare the project's major goals with its actual accomplishments by the end of the project in December 2002:

Summary of Accomplishments: BaptisTown Redevelopment Plan

GOALS	ACCOMPLISHMENTS
Increase the rate of homeownership within the core of the target neighborhood from 28% to 45%.	Homeownership rate rose to 41% and is still climbing.
Decrease the rate of unsound single family housing within the core of the neighborhood from 66% to 14%.	Rate of unsound single family housing dropped to 8%.
Decrease the number of unkempt vacant residential lots within the core of the neighborhood from 50 to 6.	Only 8 vacant residential lots remain in the neighborhood.

In addition to the measurable benefits described above, there were many less tangible benefits of the BaptisTown Redevelopment effort, including:

- The influx of new homeowners to the neighborhood adds to the diversity of the neighborhood, and generates the social bonding that helps to stabilize the neighborhoods;
- The reduction in visible crime within the residential core of the area allows children to play freely in their front yards and on the sidewalks;
- The partnerships created during the redevelopment effort will benefit the City in its future redevelopment endeavors; and
- The improvement of a highly visible neighborhood within the City limits will help maintain the City's population and encourage individuals and families to move into the downtown area.



Chapter 5:

Infrastructure: The Foundation of a Community

While an eye-catching new housing development or shopping center may dominate local headlines, the components of a neighborhood's infrastructure—roads, street lights, utilities, communication networks—lay the foundation for growth and improvement in a neighborhood. Far from being a peripheral consideration, infrastructure is central to every step of a neighborhood's revitalization plan, starting with the type of plan that will be undertaken. This chapter identifies key components of a neighborhood's infrastructure and places infrastructure considerations into the context of revitalizing a declining neighborhood. This chapter assists PJ staff in assessing infrastructure needs, planning projects that build on and improve a neighborhood's infrastructure, and financing infrastructure projects.

A Neighborhood's Infrastructure Needs

There are many types of infrastructure that support a neighborhood: streets and transportation; water, wastewater, and stormwater systems; open space; community lighting; and utility infrastructure.

When assessing the community's assets, opportunities, and challenges in the planning stage, it is important to undertake a detailed assessment of a neighborhood's infrastructure. Assessing these systems should, at a minimum, identify the infrastructure improvements that are necessary to support the proposed development. Ideally, however, the assessment can also be used to identify opportunities to enhance a neighborhood's basic services and amenities. Infrastructure investments may not always be necessary, but they might be appropriate if they enhance the image of the neighborhood, or provide an amenity that residents or businesses desire. For instance, road enhancements can be viewed simply as an extra, necessary cost of a new commercial development, or they can be seen as an opportunity to improve streetscaping in order to create a more walkable business district. Similarly, street lighting might be perceived as a one-size-fits-all amenity, or it can be evaluated in the context of how the lighting system can enhance the aesthetics and safety of a residential neighborhood.

Identifying Infrastructure Assets

When planning a revitalization project, PJs should evaluate the infrastructure assets that are already present and, if possible, design the project to take advantage of

these existing assets. In general, new development will necessitate more investments in new infrastructure. For example, an infill project that takes advantage of existing roads and utility connections reduces the cost of construction. Rehabilitation projects can offer the same advantages. Where existing infrastructure is obsolete or aging, a more comprehensive project involving the demolition of existing structures to make way for new buildings and infrastructure may be necessary, and provide the PJ with more control over the design of the development. Although developing new infrastructure may be more costly in the

Las Cruces, New Mexico Builds on Infrastructure Assets

In the early 1990s, the historic Mesquite neighborhood of **Las Cruces, New Mexico** was among the worst neighborhoods in the city, with numerous vacant lots, abandoned houses, and a serious crime problem. To turn the neighborhood around, the City took advantage of the existing roads and utilities by adopting an infill strategy. Since the beginning of the Mesquite Infill Project in 1998, the City has acquired 11 vacant lots using HOME funds for development by Tierra del Sol, a local community housing development organization.

In combination with other investments in the community, the infill project has radically improved the image of the Mesquite neighborhood. Las Esparanzas, a new neighborhood association, is proof of the pride residents now take in their community.

The City of Las Cruces is currently building on the success of the Mesquite Infill Project by adopting the same approach in other neighborhoods.

Essex-Middle River Infrastructure Improvements Lay Groundwork for Future Revitalization

Essex-Middle River in Baltimore County, Maryland is a classic example of how improvements in infrastructure, in conjunction with other redevelopment efforts, can be crucial elements of a community's recovery.

Essex-Middle River was among the communities hardest hit in the metropolitan area when, in the 1970s, manufacturing began to decline. Because the steel and defense industries provided the majority of jobs in the local economy, downturns in these industries left many residents of this largely blue-collar community without work. The community experienced further economic difficulty during the 1980s, when strip malls and indoor shopping malls began to dominate the retail industry, drawing traffic away from Essex-Middle River's main street businesses. In addition, the relative isolation of the community from Baltimore County's major roads and highways contributed to the decline.

The revitalization of Essex-Middle River has been a gradual process that began in the 1980s. The revitalization efforts have included infrastructure improvements, as well as investments in education and housing. In response to the decline of the manufacturing industry in and around Essex-Middle River, the Essex Community College began to offer courses on computer programming and other technology. To compete with strip malls and shopping malls, the community made infrastructure improvements to its shopping areas, including laying new sidewalks, planting trees, and improving parking. In the 1990s, Baltimore County built on the community's gains by demolishing World War II-era housing to build new residential units that take advantage of the community's scenic waterfront.

These and other improvements to the community have made Essex-Middle River a better place to live and the community's image is changing for the better. The county recently began its largest infrastructure improvement to date, extending local Route 43 to connect the community to Interstate 95, a busy thoroughfare that connects the major cities of the Eastern Seaboard. Baltimore County expects to complete the extension of Route 43 by 2006, further bolstering the revival of Essex-Middle River.

short term, by facilitating the area's comprehensive redevelopment and increasing its marketability, the PJ may more than recoup its investment in the long-term through increased real estate taxes, lowered infrastructure repair costs, and reduced municipal service costs.

Anticipating Changing Infrastructure Needs

Most neighborhood revitalization projects aim to attract new residents and businesses. Localities planning to revitalize a neighborhood should plan infrastructure improvements that are designed not only to cope with short-term needs, but also to provide for expanding or new businesses and new families over the long-term.

In some urban areas that have suffered significant population loss over the last several decades, however, revitalization may require reducing density, or improving residential design to improve a sense of place. Existing roads or water and sewer distribution systems may be excessive even for the number of new residents and businesses that are attracted to a revital-

ized area. The layout of the distribution systems and streets may no longer be appropriate for the new density and land use patterns envisioned by the neighborhood revitalization strategy. The capacity of these systems may not accommodate modern demands, such as those created by homes with multiple bathrooms, dishwashers, washing machines, Internet access and two-car garages. In these jurisdictions, aging infrastructure systems may need to be upgraded or reconfigured.

Infrastructure Needs and Assets Checklist

The Infrastructure Needs and Assets Checklist included as Appendix 4 can help PJ staff assess each component of a neighborhood's infrastructure, ultimately categorizing it as a need or an asset. During the planning stage, this tool can also be used to evaluate different neighborhoods to identify opportunities to take advantage of existing infrastructure, and compare the challenges and opportunities presented in different neighborhoods.

Transportation

A neighborhood's transportation infrastructure—roads, bridges, public transportation systems, and connections to other communities—form a critical circulatory system that nourishes the local economy. Every facet of a community's growth depends on the transportation of goods and labor. A careful examination of the capacity of transportation systems can reveal important deficiencies that limit the growth of the neighborhood, and/or assets that can contribute to the neighborhood's revitalization.

Studies have shown powerful links between investments in transportation infrastructure and economic prosperity. In 1999, Cambridge Systematic found that every \$10 million invested in transit capital funding leads to 314 new jobs and an additional \$30 million in sales for communities over the long-term.¹ But despite the well-documented benefits of a healthy transportation system, many communities have not yet made the necessary investments to keep their roadways and other transportation systems in working order. According to the Surface Transportation Policy Project, half of the nation's roadways and nearly 70 percent of urban roadways are in poor to fair condition as of 2001.²

Local and Regional Roads

An assessment of a community's roadways should begin with a look at capacity within the project area:

- Is traffic a deterrent to families that might otherwise locate in the neighborhood?
- What is the condition of the community's roadways?
- Are the roadways riddled with potholes?
- Are unpaved roads contributing to transportation problems?
- What is the aesthetic condition of the roadways?
- Does the exiting street pattern contribute or

detract from the the PJ's ability to implement its revised land use plan?

Having assessed roadways within the revitalization project area, the PJ should examine the major roads and highways that connect the neighborhood to the larger community or city:

- Are the roadways connecting neighborhood residents to major employment centers?
- Are suburban communities linked to recreational attractions to be found in the city center?
- Are businesses connected to potential customers?

Connections to Other Communities

PJs should also look for opportunities to connect the neighborhood to regional and national transportation networks. Highways, railway stations, and even airports can connect a neighborhood to jobs, goods, and new markets for local businesses to access. For example, Essex/Middle River expects to benefit from the extension of local Route 43 to connect the community to Interstate 95.

Parking

In most cities, parking availability is a key necessity for local businesses, especially those businesses that depend on out-of-town traffic:

- Are the parking facilities in the target neighborhood adequate to meet the present and future demand in the area?
- Are parking meters driving customers away from the business district to a nearby shopping or other businesses with free parking?

Essex-Middle River successfully lured strip mall shoppers back into the business district by offering free parking along with other improvements.

¹ Economic Development Research Group, Cambridge Systematics. *Public Transportation and the Nation's Economy: A Quantitative Analysis of Public Transportation's Economic Impact*. October, 1999. Available online at www.apta.com/research/info/online/documents/vary.pdf.

² See the Surface Transportation Policy Project, a national, nonprofit organization organized to promote smart transportation policies, at www.transact.org.

Alternative Transportation Systems

In addition to making the necessary investments in roads and highways, PJs should explore alternative means of bolstering the neighborhood's transportation network. Bike paths and lanes provide an environmentally-friendly means of transportation, especially for residents that can afford a bicycle, but not a car. Public transportation networks (such as buses and light rail service) confer similar benefits. Sidewalks and islands at street crossings can contribute to a walkable community.

When considering investments in public transportation infrastructure, PJs should evaluate opportunities to connect the neighborhood to existing transit systems. By building partnerships with public transportation authorities, PJs may be able to identify, or create, ways to capitalize on existing public transportation systems. For example, could the PJ modify a bus route to include a stop in an otherwise isolated target neighborhood?

Transit-Oriented Development (TOD) strategies can result in reducing the use of automobiles. TOD is described more fully in Appendix 2.

Building Partnerships with Transportation Planners

State highway transportation planners and local public transit authorities should be consulted in the early stages of the planning process. They have valuable information about the condition and capacity of existing transit systems. They also have information about any long-range transit improvements that may impact the neighborhood. At a minimum, these entities need to be aware of, and have time to prepare for, the needs of large numbers of new residents or businesses who may be attracted to the neighborhood.

The neighborhood's marketing tools should describe coordinated approaches to meeting the transportation needs of residents, as this is a neighborhood asset that can help the neighborhood compete with others.

Water, Wastewater, and Stormwater Systems

The health and well-being of a community depends upon a sufficient supply of clean water. In addition, every community must have a system for the treatment of wastewater, which is any water that is used in industrial, commercial, or residential activities and is exposed to impurities or becomes polluted (such as sewage or water from a swimming pool). Finally, stormwater sewers are essential to avoid flooding.

In most neighborhood revitalization projects, residential and commercial structures will connect to a previously existing water, wastewater, and stormwater system, with water being provided from the nearest desirable water source, waste-

water being transported to a treatment facility via underground pipes, and stormwater being diverted to appropriate locations. However, in communities with deteriorating or inadequate water systems, the revitalization project will require significant investments to restore and modernize those systems.

Unfortunately, deteriorating and inadequate water and wastewater systems are all too common. A May 2002 study by the Congressional Budget Office (CBO) pointed to deteriorating systems nationwide.³ CBO anticipates that public spending on water systems will likely increase significantly over the next 20 years. Common problems include collapsed storm sewers in various cities-- nearly 1.2 trillion gallons of stormwater overflows from combined sewer systems that carry untreated sewage into water bodies annually. Urban

Incentives to Invest Near Public Transit

PJs that successfully incorporate public transit solutions into their redevelopment plan should take advantage of mortgage opportunities that encourage buyers to invest in areas supported by public transit. Buyers can access reduced interest rates on mortgages in areas served by public transit. Fannie Mae offers one such mortgage product, available through participating lenders, called the "Smart Commute Mortgage." For more information, see <http://www.fanniemae.com/housingcommdev/solutions/environment.jhtml>.

³ Congressional Budget Office. *Future Investment in Drinking Water and Wastewater Infrastructure*. November, 2002. Available online at www.cbo.gov/showdoc.cfm?index=3983&sequence=0.

drinking water delivery systems often leak, and CBO estimates approximately a 20 percent water loss due to leakage. Some older urban water pipes are made from lead, and these pipes pose an imminent danger to those drinking from these systems.

Water Quality

Under U.S. law, water suppliers must publish statistics on the quality of the local drinking water annually. PJs should review these records to ensure that residents in the target neighborhood have water that meets all regulatory standards. Of course, water that does not receive a passing grade calls for immediate action. But even if the water is adequate, significant future investments may be necessary to maintain the level of quality. For example, the State of Wisconsin found the quality of its water supply to be good in 2003. However, the State plans to spend \$3 billion over the next 20 years to continue to meet regulatory standards.⁴

Building Partnerships with Water Authority and Local Health Officials

Healthful water systems are taken for granted by most Americans, so addressing water needs of residents in the neighborhood will not necessarily add to the neighborhood's marketability. However, failure to address these needs will certainly hamper the neighborhood's success. Working with the local health department and water authority, PJs should evaluate whether the sources of clean water and the current water and wastewater systems will be adequate to meet the projected demand. PJs should address concerns about water, wastewater, and stormwater systems with the local health department and water authority to ensure that the neighborhood has a safe supply of water and dependable and sanitary systems for dealing with wastewater and stormwater. PJs should be particularly alert to the need to replace pipes, which represent most of the value of both drinking water and wastewater assets.

Open Space

It is easy to overlook the careful planning that goes into public open space. The space should have clear boundaries so that residents and visitors understand what is public and what is private. And because children use open space as a play area, surveillance and lighting are also important. According to the U.S. Department of Housing and Urban Development's Affordable Housing Design Advisor (www.designadvisor.org) as many units as possible should have visual access to open space play areas and well-designed nighttime lighting should ensure that public spaces are attractive and safe after sundown.

Furnishings, such as benches, waste receptacles, and fountains, can contribute to the appeal of open space. Trees, too, are important investments in the beauty of a community. For example, Essex-Middle River added trees to their flagging business district to increase the area's appeal.

PJ staff has a number of means to encourage open space. In neighborhoods with limited existing open space, PJs can take steps to designate park areas. Working with developers, PJs can design infill structures and new developments to include more space between houses. Local government policies can also encourage open space. For example in El Segundo, California, the City requires businesses constructing new facilities to leave some open space on their property.

When planning and designing for open space needs, a PJ must carefully consider the requirements for maintaining public open spaces. All too often, a newly developed open space deteriorates into a neighborhood eyesore because there are inadequate staff or funds to maintain the space.

Community Lighting

A well-designed neighborhood lighting plan serves a dual function, making a community more attractive and safer. Consider a lighting plan for shared open spaces that provides light from a variety of sources. In addition, match lighting intensity and quality to the

⁴ American Society of Civil Engineers. *Wisconsin 2003 Issue Report: Drinking Water*. 2003. Available online at <http://sections.asce.org/wisconsin/2003ReportCardDrinkingWaterIssue.pdf>.

intended use. For example, the lighting required for a pedestrian path is substantially different from that required to illuminate a parking garage.

Using a host of energy efficient lighting technologies, neighborhoods can receive all the benefits of sufficient community lighting while conserving valuable public resources. The U.S. Department of Energy's Office of Energy Efficiency and Renewable Energy (www.eere.energy.gov) offers cutting edge advice related to this technology. According to DOE, high-intensity discharge (HID) lamps provide the highest efficacy and longest service life of any lighting type for outdoor lighting.

Electrical, Gas, Telephone, and Internet Infrastructure

Utility and communication infrastructure, while typically provided by the private sector, must be adequate to support a revitalizing, and growing, neighborhood.

Electrical, Gas, and Telephone Infrastructure

The neighborhood will require adequate electrical, gas, and telephone lines to meet current and future demand. Regardless of whether the project involves new construction or improvements to existing structures, these utilities are typically supplied, repaired, and upgraded by private utility companies at their own expense. In new developments, it is common for utility companies to charge developers for the construction cost of main extensions and then refund the developers as new customers are added.

By communicating with local private utility companies, PJs can ensure that the utility needs of the development will be met. The PJ should consult with utility companies early in the planning process. A revitalization project may be the perfect opportunity to move from overhead power and telephone lines to underground lines to improve the visual quality of the neighborhood.

Internet Infrastructure

The Internet is rapidly becoming a primary means by which Americans participate in modern social and economic life. According to the U.S. Department of Commerce, more than half of the nation is currently

online and two million new users come online every month. High-speed Internet connection infrastructure (broadband service) can be a boon to local businesses that use computer technology and a nice amenity for neighborhood families that use the Internet. If high-speed Internet access is not available in the target neighborhood, working with local broadband providers to develop this capacity in the community will be an attractive asset that will improve the neighborhood's marketability to some homebuyers and businesses.

Encouraging the use of the Internet in revitalizing neighborhoods is also important in light of the digital divide, the inequality of Internet access based on income. Encouraging low- and moderate-income residents to use computers and the Internet allows these residents to take advantage of the many resources available online, including job training opportunities.

Financing Sources for Infrastructure Development and Improvements

Financing infrastructure development can be an expensive endeavor. There are a number of financing tools available:

Federal Resources

U.S. Department of Housing and Urban Development

Community Development Block Grant (CDBG)

HUD's CDBG program is a very useful funding source for infrastructure development. Any infrastructure development that meets one of the three national objectives is eligible under CDBG. To meet the national objectives, activities must benefit low- and moderate-income persons, aid in the prevention or elimination of slums or blight, or meet community development needs that have a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community where other financial resources are not available to meet such needs. While the development and repairs to public infrastructure is an eligible CDBG expense, the ongoing maintenance of the infrastructure is not.

To learn more about CDBG, visit www.bud.gov/offices/cpd/communitydevelopment/programs/index.cfm.

HOME Investment Partnerships Program (HOME)

Under HOME, infrastructure that is on-site to support a HOME-assisted affordable housing development is an eligible cost. This is discussed in more detail in Chapter 4, “Using HOME and Other Funds for Neighborhood Revitalization.”

To learn more about the HOME Program, visit www.bud.gov/offices/cpd/affordablehousing/programs/home/index.cfm.

U.S. Department of Transportation

The Federal Transit Administration (FTA), a division of the U.S. Department of Transportation, provides financial assistance to communities seeking to develop new transit systems and improve, maintain, and operate existing systems. FTA grant funding covers buses, subways, light rail, commuter rail, monorail, passenger ferry boats, trolleys, inclined railways, and people movers. The agency oversees thousands of grants to hundreds of state and local transit providers, primarily through its ten regional offices.

To learn more about funding opportunities through FTA, visit www.fta.dot.gov.

U.S. Department of Agriculture

Modern utilities came to rural America early in this century largely through the U.S. Department of Agriculture (USDA) programs, in collaboration with rural cooperatives, nonprofit associations, public bodies, and for-profit utilities. Today, USDA's Rural Utilities Service (RUS) continues to help rural utilities expand and keep their technology up-to-date. The agency also promotes the provision of services that are uniquely vital to rural America, such as distance learning and telemedicine. RUS offers several targeted programs:

RUS Electric Program. This program offers loans and loan guarantees to state and local governments (among other eligible entities) to finance the construction of electric distribution, transmission, and generation facilities. System upgrades are also eligible under the program.

To learn more about the RUS Electric Program, visit www.usda.gov/rus/electric/index.htm.

RUS Water and Environmental Program (WEP).

This program provides loans, grants, and loan guarantees for drinking water, sanitary sewer, solid waste, and storm drainage facilities in rural areas and cities and towns of 10,000 or less.

To learn more about funding through the Water and Environmental Program, visit www.usda.gov/rus/water/index.htm.

RUS Telephone Bank. The Telephone Bank makes loans to commercial and nonprofit corporations to finance the improvement, expansion, construction, or acquisition of telecommunications facilities in rural areas. Since 1995, every telephone line constructed with RUS financing has been capable of providing broadband service using digital subscriber loop (DSL) technology.

To learn more about the Telephone Bank visit www.usda.gov/rus/telecom.

State Funds

Many states will offer additional financing for infrastructure projects. For example, the Virginia Resources Authority, an agency of the Commonwealth of Virginia, offers funds to localities for projects related to drinking water, wastewater treatment, airport facilities, and more. The State of Illinois offers local government funds for infrastructure improvements that address health, safety, and economic development needs through the Affordable Financing of Public Infrastructure Program.

Local Government

Local Government Bonds

Traditionally, local governments have financed infrastructure projects by issuing bonds, which are sold to investors and repaid over time. The authority of local governments to issue bonds varies by state and some states prohibit local governments from utilizing this method of financing. The procedures for local governments that are authorized to issue bonds are regulated by state law, and also vary from state-to-state. In many communities, a public vote is required for each bond initiative. For instance, in Arlington County, Virginia, a public vote is required to use bonds to finance road construction, the creation of public parks, and other infrastructure expenses.

Although bonds provide an infusion of cash in the short-term, bonds must be repaid. Local governments should have a strategy in place to finance the repayment of bonds over the long-term. For example, bond auctions in Charleston, South Carolina are often paired with increases in the local sales tax. The bonds are later repaid with the additional tax revenue.

Tax Increment Financing (TIF)

Tax increment Financing (TIF) is an increasingly popular method of funding large capital improvements, including infrastructure. A type of bond financing, a TIF uses expected increases in tax revenue from revitalization activities in a designated community to pay for needed improvements. States must enact TIF legislation to enable local taxing authorities to take advantage of this tool.

The way TIF works is that the current level of revenue from property and/or sales tax from a clearly defined area is determined. This is called the base value. The local government issues a bond to fund revitalization activities. The bondholders are repaid with the sales or property taxes that are received from the area, following revitalization, that exceed the base level.

The benefit of this approach is that it uses future revenues from designated areas to pay for improvements in the area without creating additional tax burdens on residents outside the area. It also maintains the level of tax revenue from the area that the local government would have received if the improvements had not occurred, so it does not negatively affect the local government's general fund. A potential risk of TIFs is that the actual increase in tax revenue may not meet the expected increase in revenue. Also, property values may be negatively affected by factors outside of the control of the revitalization effort for the area.

For more information about Tax Increment Financing, see *A Guide to Tax Increment Financing (TIF)*. This report was prepared by Craig L. Johnson, PhD for the National Association of REALTORS® in 2002. It is available online at [http://www.realtor.org/sg3.nsf/files/TIFreport.pdf/\\$FILE/TIFreport.pdf](http://www.realtor.org/sg3.nsf/files/TIFreport.pdf/$FILE/TIFreport.pdf).

Local Government Policies

Local government policies can help defray infrastructure costs. Some communities require developers to cover the infrastructure costs of new development directly. Other communities charge standard impact fees to developers, which are designed to recoup the public cost of connecting new housing and commercial units to the existing infrastructure. However, impact fee policies should be carefully designed so that they do not inhibit the creation of affordable housing units or infill housing that takes advantage of existing infrastructure. Waiving impact fees in the target neighborhood might be necessary to encourage private investment there.

Private Funds

Compared to private funding for affordable housing, schools, and other community development initiatives, private funding for infrastructure is relatively scarce. Many private donors view infrastructure as the responsibility of local government and prefer to fund projects that more directly assist families. However, there are some funds available for infrastructure, especially for parks and other open space projects.

Businesses interested in contributing to the community, especially those that would benefit from the neighborhood revitalization effort, may be willing to contribute towards infrastructure projects. For example, in 2000 the National Football League donated \$100,000 to transform a vacant field in Washington, DC's Congress Heights neighborhood into a regulation football field.

Foundations and other nonprofits also offer financial support to communities interested in investing in infrastructure. For example, The Trust for Public Land (www.tpl.org) runs state and regional conservation programs aimed at promoting parks in urban areas, as well as creating more expansive conservation areas.

Chapter 7, "Integrating Key Services Into the Neighborhood's Revitalization Strategy," provides additional sources for parks and recreation.

Chapter 6:

Creating a Strong Commercial District

Economic development is intertwined with a neighborhood's quality of life. Neighborhoods rely on commercial districts to provide needed goods and services to support residents and other businesses, and to provide jobs for local residents. The health of the neighborhood's commercial district impacts the health of the neighborhood overall. This chapter explores the importance of the commercial district, and describes the planning considerations that must be made when the commercial district will undergo revitalization. The chapter reviews how to support existing businesses and describes the ongoing needs of the commercial district as a whole. This chapter also identifies financial resources that are available to support the redevelopment of the district and its businesses.

The Mutual Benefits of Commercial and Residential Development

- Holland, Michigan was a disinvested area threatened by the development of a new mall and a manufacturer's outlet just outside of the city. Now, this Dutch American epicenter attracts tourists and has experienced nearly \$43 million in new investment, a net gain of 36 new businesses, and near-total occupancy. By creating an economic base of locally-owned small businesses and an attractive community for homeowners, Holland's future looks bright.¹
- Greenville, South Carolina, a city confronted by sprawl and a dying commercial district, is now a historic treasure with an established residential community. Commercial and residential construction is at an all-time high and restaurants and businesses are booming.²
- Littleton, New Hampshire, a once deteriorating area with high vacancy rates had an uncertain future. Now, a bustling community attracting snow lovers, it has attracted 68 new businesses and \$9.5 million in construction including a major affordable housing project and an assisted living facility.³

Each of these communities turned around not by luck or magic, but because they recognized the reciprocal relationship of quality housing and healthy commercial development: People want to live in areas that offer commercial services they value. Commercial businesses want to locate in neighborhoods that have vital housing markets and draw people who will buy their goods and services. Though Littleton, Greenville, and Holland approached revitalization in ways unique to their characters, all realized that commercial reinvestment, not just housing, was important to the long-term vitality of their communities.

The National Main Street Center of the National Trust for Historic Preservation serves as a national clearinghouse for information, technical assistance, research, and advocacy on preservation-based commercial district revitalization. Its reference material was used in the development of this chapter of *HOME and Neighborhoods*. HUD thanks the National Trust for Historic Preservation for sharing its resources in this area. For more information on the National Main Street Center, see www.mainstreet.org.

Vital Residential Communities are Attractive to Businesses

Economic development is linked to an area's quality of life. Businesses want to be located in neighborhoods where they will be able to generate a return on their

¹ Johnson, Jan Thomas and William McLeod. "Saluting Downtown Achievement: The 1997 Great American Main Street Award," *Main Street News*, Volume 132. May-June 1997.

² Dono, Andrea and Linda Glisson. "2003 Great American Main Street Awards," *Main Street News*, Volume 167. June 2003.

³ Ibid.

initial investment and remain profitable. When the residential community supports them by purchasing their goods and services, businesses become profitable. If the residential community is attractive and vital, residents are more likely to stay and invest their time, money, and resources in the neighborhood and its businesses. A solid customer basis ensures long-term profitability.

Quality of life and public perceptions about the quality of life in the neighborhood impact both residents and businesses. Neighborhoods with high crime rates, high vacancy rates, and ineffective schools (resulting in a labor pool with poor skills) are all factors that are considered by business owners when they decide where to locate. Businesses want to locate in areas where their employees and customers feel safe and welcome.

A Thriving Commercial Area Supports the Residential Community

While a stable residential community is vital to a commercial development, the corollary principle also holds true: thriving commercial districts are attractive places for housing development. Many people like living in central locations, convenient to a wide variety of goods and services, and in close proximity to jobs. Living nearby commercial areas reduces transportation needs and offers convenient, spontaneous shopping, and cultural experiences. People generally like living near certain types of businesses that they go to frequently. Nearly all residents frequent grocery stores, laundromats or dry cleaners, and drug stores. Depending on the target population for the neighborhood, there may also be a need for day care centers, convenience stores, coffee shops, restaurants, and video stores.

Planning and Promoting Revitalization of the Commercial District

In many ways, the development of a plan for the commercial district should be incorporated into the planning process for the area, as described in Chapter 2, “Envisioning a Healthy Neighborhood: The

Planning Process.” Businesses have somewhat different needs than residential neighborhoods, however. When a neighborhood revitalization initiative includes plans to revitalize a commercial district, the PJ’s plan should consider a number of additional elements, including: mapping assets that are important to consumers, economic market analysis, market strategy, and design elements and standards that are conducive to commercial activity.

Asset Mapping

Revitalizing neighborhood commercial districts depends on bringing more people to the area, changing perceptions about the district for both businesses and customers, and altering shopping habits. Identifying and promoting the area’s assets is critical to drawing customers, potential investors, new businesses, local citizens, and visitors to the area. Without understanding the resources of an area—architectural, locational, cultural, historic, or financial—it is difficult to distinguish the area from others and create a climate for investment. Therefore, an early step in the commercial revitalization process is to conduct an inventory of the area’s assets.

To identify the assets relevant to the commercial district, the strengths of the neighborhood must be compared to those of every other commercial district within 60 miles. All stakeholders should be involved in brainstorming about the area’s strengths because everyone will have a different perspective on what they see as community assets. By repeating this exercise for every other commercial district in the region, and then doing a point-by-point comparison, a PJ can identify the assets in which the neighborhood seems to have an advantage over the surrounding districts in the region.

Market Analysis

Knowing the assets of an area is important, but this knowledge alone is not sufficient to create economic health. Understanding the market—from the perspective of supply and demand—is the next critical step. A market analysis helps determine if there is enough demand to support new or expand existing businesses and to identify the competition for goods and services. It also uncovers existing shopping patterns and perceptions—habits that may need to be changed through public relations, advertising, and marketing if

the *potential* demand for goods and services in the market area is to be realized.

A good market analysis need not be elaborate or conducted by a specialist. The best approach is to hire a market expert who can guide the process with a team of stakeholders to generate the market analysis. This draws on the expertise of a professional, but keeps the neighborhood stakeholders who know the most about the community involved.

Regardless of who conducts the market analysis, information will need to be collected about:

- **District Businesses**, including the types of businesses in the area and their location, performance, and ownership; and business owners' perception of the area and their commitment to it. The data should note *complementary* businesses⁴ and business *clusters*.⁵
- **Existing and Potential Customers**, including the basic demographics of the area (age, family composition, ethnicity, employment, ownership patterns, and how customers travel to and from the businesses), and the perceptions of existing customers—in order to understand the demand for goods and services. Information about the perceptions of potential customers is extremely important. This includes the needs of the population that has been targeted for the area's new residential developments. It also includes people who do not currently frequent the neighborhood businesses, but may have an interest or need for that type of business. For example:
 - Do customers shop elsewhere because of a difficult parking situation? That would suggest that addressing parking, or improving public transit access might be important to the revitalization strategy.
 - Do potential customers value a competitor area's small, boutique-shopping experience? That would suggest that efforts to retain existing and attract new independent retail and restaurant establishments, rather than

large chains and franchise businesses, will be important to the area's success.

- **Trade Area Competition and Business Volume.** The trade area is a geographically defined area encompassing a five- to ten-mile radius and containing a mix of residential, commercial, government, recreational, and manufacturing or industrial land uses. Site selection and development of businesses is usually based on the trade area's boundaries, population, and consumer income levels and spending patterns. An analysis of the trade area—usually done by locating businesses on maps and drawing circles around them to establish the size of their likely market—identifies the competition to assess whether the market can sustain new or additional businesses. By identifying business locations, both inside and outside the market area, it is possible to establish what commercial needs are not being met, what businesses are in over-supply, and places where dollars are flowing out of the market area or in to it. For any industry or retail business, an estimate can be made, based on the geography and population, of the optimum trade area. Trade associations, specialists, and journals can provide information on various trade areas and industry needs. An analysis of the neighborhood demographics, relative to the optimum trade area, will help a PJ or business assess if there is a sufficient market in the neighborhood to support the business.
- **Future Plans and Trends.** New building permits, changes in zoning, or major infrastructure projects like highways or subways can have profound impacts on markets. Therefore the most effective market studies identify future changes that may have an impact, positive or negative, on a market. This should include changes planned in the immediate neighborhood, as well as changes in surrounding locations.

⁴ Complementary businesses are a consortium of businesses that offer a variety of products and services aimed at one-stop shoppers. For instance, the young parent who needs to buy baby formula for the infant, shoes for the two year old, and a soccer ball for the ten year old.

⁵ Business clusters are stores that sell similar products or services or that cater to similar customers. For instance, the young parent who needs home furnishings for the baby's room, the bathroom, and the kitchen.

Market Strategy

Informed by the market data that has been generated by the market study, decisions must be made about how the commercial district can be revitalized—by retaining existing businesses and customers and attracting new ones. *Market strategies*, sometimes called *business propositions*, define the purpose or mission of a commercial area. The market strategy succinctly establishes the key things that distinguish the area and differentiates it from its competition. Further elaborations can provide details related to specific business mix, infrastructure improvements, design, and other features of the area. Articulating the strategy, and making sure that everyone involved in the revitalization effort can repeat it on demand, promotes better planning, more realistic action steps, focused fundraising, targeted business recruitment, effective marketing activities, and the establishment of realistic benchmarks for the district's economic performance.

Design Elements that Support Commerce

As discussed in Chapter 2, “Envisioning a Healthy Neighborhood: The Planning Process,” building and neighborhood design elements can have a tremendous impact on a community's sense of place. The land use plan developed in the planning process, and the necessary zoning tools to support that plan should consider the needs of the commercial district. Well-designed commercial districts will reflect a community's character, look, and heritage—and help attract customers, new businesses and visitors to the area, and keep them coming back. Attractive design features when coupled with well-organized business partnerships, a calendar of events and promotions, and a mix of economic functions, increase human activity and a sense of place in commercial districts.

Planning and design elements that encourage successful commercial districts include storefront design and visual merchandising, renovating older buildings to preserve their unique character, creating attractive public spaces that also have functionality for visitors and customers, providing easy access to parking and public transit, and promoting safety through design.

Visual Merchandising and Store Design

For shopping corridors, visual merchandising is necessary to attract customers. Merchandise and store displays serve as 24-hour advertising for businesses. Improvements in storefront design, including new paint and moderate renovation or full-scale rehabilitation, are visible signs that the commercial district is an exciting place to be. Storefront buildings with large display windows on the ground floor and one or more stories above are the basic structural design for many commercial areas. Large bay windows on street level, with 24-hour lighting, allow pedestrians to look into shops and see displayed merchandise even after the store is closed.

Renovated Older Commercial Buildings

Old buildings offer opportunities to emphasize the commercial district's unique personality by reflecting the community's past. Each community's heritage is rooted in its people, buildings, shared memories, and events. Older buildings are invaluable assets to commercial districts seeking to establish a discernible sense of place. Older buildings can offer unique and attractive architectural housing features, such as skylights, high tin ceilings, and woodwork.

Commercial districts have several tools to renovate older buildings, and the use of design guidelines and a design review process can help ensure that enhancements are fitting, historically appropriate, and compatible with the current architecture. Similarities in storefront placement, building height, road setback, and proportion of door and window openings tie buildings together and create a cohesive streetscape.

Renovating Older Buildings for New Uses

Lindsay, California used a Community Development Block Grant of \$350,000 and \$80,000 in other redevelopment funds to purchase and renovate an old JC Penney building in the downtown. The former department store now houses the first retail business incubator in the state, with four spaces for startup businesses, as well as the Lindsay Chamber of Commerce office.⁶

⁶ McLeod, William. “Network Notes: Old Building Offers New Opportunities,” *Main Street News*, Volume 161. January/February 2000.

The quality and use of buildings market the commercial district's unique character. Vacant or maintenance-deferred buildings obscure the perception of the commercial district's safety and viability. Past design mistakes can be reversed when renovations to older buildings are made.

Public Spaces

Effective commercial districts include public space that is comfortable, accessible, and encourages people to engage in their surroundings. Benches, street lighting, planters, and banners can enhance the district's sidewalks and create small and accessible public spaces throughout the district. Public spaces support the local economies, attract business investments, attract tourism, improve public health and the environment, increase the use of public transportation, and provide cultural opportunities.

Access to Public Transit and Parking

Commercial districts must be consumer-friendly to pedestrians, drivers, and mass transit users for the simple reason that if it is difficult to get to the district, people will not come. Ensuring pedestrian safety by reducing traffic speeds and vehicular-pedestrian conflicts will make a commercial district more accessible to pedestrians. Although pedestrians should be a high priority, commuters should also be considered in the design of the commercial district. Adequate signage and parking is extremely important for those who drive.

Design for Safety

Perceived and actual crime in a commercial district greatly affects marketability to new businesses, potential investors, customers, and visitors. The commercial district needs to be a safe place so shoppers feel comfortable walking to their cars and business owners are not compelled to put bars on their windows. For commercial districts, simple programs that promote good

Public Spaces that Work

Boulder, Colorado holds a farmers' market in the heart of downtown Boulder. Vendors offer herbal medicines, fresh flowers, baked food, hot snacks, beverages, and music. The local radio station broadcasts a gardening program live at the farmers' market and shoppers call in with gardening questions.⁷

Creative Parking Ideas

Royal Oak, Michigan developed and distributed a "parking map" post card for patrons. The post card tells patrons where they can find parking lots and gives rates for all of the lots, meters, and parking structures. All businesses in the commercial district have a supply of the postcards to hand out to patrons and use as a bag stuffer.⁸

Bellevue, Washington leased lots from nearby churches and schools for shoppers during the busy holiday season.⁹

Cities made Safer

Allston Village, Massachusetts launched a graffiti removal initiative in this Boston neighborhood. With help from the local government and volunteers from Boston College, graffiti has been removed or painted over on several neighborhood properties and the municipal parking lot. Hardware stores offered discounts on paint and the local police department purchased graffiti repellent.¹⁰

Durant, Oklahoma designed a public awareness campaign by starting an Urgent Matters Call List where merchants call police, and then notify their neighbors about shoplifters, bad checks, or suspicious characters.¹¹

24-hour lighting, and minimize graffiti and loitering contribute to the area's sense of safety. Chapter 6, "Integrating Key Services Into the Neighborhood's Revitalization Strategy," explores the issue of promoting

⁷ Festing, Harriet. "Boulder Colorado Farmers' Market," *Project for Public Spaces*. Available at http://www.pps.org/gps/one?public_place_id=162&public_place_id=162.

⁸ McLeod, William. "Network Notes: Clearing Up the Parking Picture," *Main Street News*, Volume 171. December 2000/January 2001.

⁹ McLeod, William. "Network Notes: Parking Solutions from Puget Sound," *Main Street News*, Volume 176. June 2001.

¹⁰ McLeod, William. "Network Notes: Getting Tough on Graffiti," *Main Street News*, Volume 134. August 1997.

¹¹ McLeod, William. "Network Notes: Durant Takes a Bite Out of Crime," *Main Street News*, Volume 158. October 1999.

safety in more detail, and describes design elements that can promote safety in commercial and residential areas.

Building Effective Partnerships

Building a strong support base for commercial district revitalization will allow the entire community to work toward a common goal, and help generate potential customers for local businesses. Effective partnerships are mutually beneficial—local businesses participate in and sponsor public events; public events provide opportunities to support local businesses. The community’s stakeholders, discussed in Chapter 2, “Envisioning a Healthy Neighborhood: The Planning Process,” all have a stake in the future of the commercial district. Some stakeholders may have an interest in the success of the commercial district in particular, including the business community, colleges and universities, existing residents.

The Business Community

The most critical stakeholder, of course, is the local business community itself. There are many types of businesses in a state or local jurisdiction, and nearly all of them should have some interest in preserving or revitalizing the neighborhood.

Local businesses, including local merchants that are located in or nearby the revitalizing neighborhood, have a direct interest in commercial revitalization because the effort will have the greatest impact on them. Other businesses in the jurisdiction who are not specifically located near the neighborhood, may also reap the benefits of a revitalized community. Specifically identifying how a business will benefit from the revitalization effort will help when soliciting their assistance. Organizing efforts should start with those who will benefit the most, and those who have the most significant contributions to make. Certain types of businesses depend on the local economy more than others because of the nature of their business, or because they are simply less mobile. Establishing a partnership with these businesses can lay the groundwork for others to become more involved. It is important to work with individual businesses directly, as well as through business associations such as local chambers of commerce and rotary clubs.

Some businesses may be reluctant partners. Some merchants will be threatened by a revitalization program that seeks to attract new, competing businesses to the area. Others will need to see results before supporting and assisting local efforts. Working to address the needs of the existing businesses is an important way to start building this critical partnership.

Banks and credit unions rely on the survival and economic stability of the community and therefore have a vested interest in the neighborhoods where they are located. Local banks also have the financial capital to sponsor major events and finance facade improvements and renovation projects for business and property owners through low-interest revolving loan funds.

Forging Ties with Higher Education Institutions

New London, Connecticut completed a retail market analysis for its downtown with the help of students from Connecticut College and the University of Massachusetts. The 56-page report includes a vision statement and history, business inventory, sales gap analysis, retail assistance programs, a demographic profile, retail spending, intercept survey, lifestyle profile of its consumer base, data analyses and business wish list.¹²

Colleges and Universities

Colleges and universities are typically very invested in their surrounding community, for a variety of reasons. Foremost, it is extremely difficult for a college or university to relocate. Further, attracting faculty, staff, and students is difficult when the surrounding neighborhood is unsafe, unclean, and offers few affordable housing opportunities. Colleges and universities offer a wealth of resources that can greatly contribute to the development of a commercial district such as experts, and student volunteers.

Financing Sources for Commercial Redevelopment

Revitalizing and sustaining a commercial district requires funding for both development and operations

¹² McLeod, William. “Network Notes: Market Analysis—From Study to Strategy,” *Main Street News*, Volume 177. July 2001.

to support the district once it is stabilized. Funding sources should not lead the revitalization strategy. However, the availability of resources may affect decisions that get made. There are a number of sources available to pay for the actual development of a commercial district. Bonds may be issued to generate new funding; alternately, funds may be secured from a variety of other sources, in the form of loans, grants, or loan guarantees. Funding might be provided directly to businesses, or to states, cities, or local nonprofit development corporations. Some of the most popular financing options include tax increment financing, CDBG funds, and Small Business Administration loans.

Tax Increment Financing (TIF)

Tax increment Financing (TIF) is an increasingly popular method of funding public investments in commercial activity. A type of bond financing, a TIF uses expected increases in tax revenue from revitalization activities in a designated community to pay for needed improvements. Most states have enacted TIF legislation that enables local taxing authorities to take advantage of this tool.

The way TIF works is that the current level of revenue from property and/or sales tax from a clearly defined area is determined. This is called the base value. The local government issues a bond to fund revitalization activities. The bondholders are repaid with the sales or property taxes that are received from the area, following revitalization, that exceed the base level.

The benefit of this approach is that it uses future revenues from designated areas to pay for improvements in the area without creating additional tax burdens on residents outside the area. It also maintains the level of tax revenue from the area that the local government would have received if the improvements had not occurred, so it does not negatively affect the local government's general fund. A potential risk of TIFs is that the actual increase in tax revenue may not meet the expected increase in revenue. Also, property values may be negatively affected by factors outside of the control of the revitalization effort for the area.

For more information about Tax Increment Financing, see *A Guide to Tax Increment Financing (TIF)*. This report was prepared by Craig L. Johnson, PhD for the National Association of REALTORS® in 2002. It is

available online at [http://www.realtor.org/SG3.nsf/files/TIFreport.pdf/\\$FILE/TIFreport.pdf](http://www.realtor.org/SG3.nsf/files/TIFreport.pdf/$FILE/TIFreport.pdf).

U.S. Department of Housing and Urban Development

Community Development Block Grant (CDBG)

In addition to housing activities described in Chapter 3, "The Role of Housing Development on Revitalizing Neighborhoods," CDBG funds can be used for a wide range of economic development activities that benefit low- and moderate-income persons. Eligible activities include building and land acquisition; rehabilitation of publicly owned buildings; construction, reconstruction, or installation of public facilities, including street, sidewalk, and other site improvements; and public works and site improvements. Acquisition, rehabilitation, and new construction of property for commercial or industrial use, as well as real property improvements, are also eligible when these activities are carried out by a nonprofit or governmental entity. Direct assistance and services can be provided to a for-profit business where there is a public benefit—that is, the creation or retention of jobs for, or provision of goods and services to, low- and moderate-income persons. State and local governments (grantees) administer CDBG funds, and make specific funding decisions locally. For communities that qualify as Neighborhood Revitalization Strategy Areas, some regulatory relief is provided to promote participation. Appendix 1 provides additional information about these provisions.

To learn about the CDBG Program, visit <http://www.hud.gov/offices/cpd/communitydevelopment/programs/index.cfm>.

Section 108

HUD's Section 108 loan guarantee program is specifically designed to help state and local governments undertake large-scale economic development activities that create economic opportunities for the benefit of low- and moderate-income persons. The eligible activities under Section 108 are the same as those under CDBG, with some exceptions. Any and all units of general local government and states can apply for a Section 108 loan guarantee from HUD. The jurisdiction must pledge its future CDBG allocations (or for

non-entitled areas, the state can pledge its allocation) as collateral for the loans. This loan guarantee typically enables the jurisdiction to secure private funding at attractive interest rates because it reduces or eliminates the lender's risk.

To learn more about Section 108 loan guarantees, visit <http://www.bud.gov/progdesc/cdbg-108.cfm>.

U.S. Small Business Administration (SBA) Certified Development Company (CDC), a 504 Loan Program

Through local certified development companies, the SBA provides long-term, fixed-rate financing to small businesses for acquisition and modernization of real property and machinery or equipment. Specific eligible activities include purchasing land and improvements, including existing buildings, grading, street improve-

ments, utilities, parking lots and landscaping; construction of new facilities; modernizing, renovating, or converting existing facilities; and purchasing long-term machinery and equipment. The maximum SBA debt-entire generally is \$1 million.

To learn more about the Certified Development Company program, and to identify a local CDC, visit <http://www.sba.gov/financing/sbaloan/cdc504.html>.

National Main Street Center of the National Trust for Historic Preservation

The National Main Street Center of the National Trust for Historic Preservation is primarily a technical assistance resource that can help commercial districts develop successful revitalization strategies. Its partners are able to access redevelopment funds available through the National Trust for Historic Preservation.

Technical Assistance Available To Support the Commercial District

There are a number of resources available to offer technical assistance to state and local governments and their nonprofit partners who are striving to revitalize their commercial districts. These sources can provide expertise during the revitalization process, as well as valuable support to businesses in a variety of areas, such as business planning, marketing, or streetscape improvements:

The **National Main Street Center of the National Trust for Historic Preservation** works with communities to revitalize their historic or traditional commercial areas. Because it is a locally driven program, all initiatives stem from local issues and concerns. The program is designed to improve all aspects of the downtown or central business district, including:

- Improving economic management;
- Strengthening public participation; and
- Making downtown a fun place to visit.

To learn more about the technical assistance offered by the National Main Street Center of the National Trust for Historic Preservation, visit www.mainstreet.org or contact:

The National Main Street Center of the National Trust for Historic Preservation
1785 Massachusetts Avenue, N.W.
Washington, DC 20036
Phone: 202.588.6219

The **U.S. Small Business Administration** offers a number of programs to support small business, new businesses, and businesses looking to expand, including:

- Small Business Development Center (SBDC) Program. SBDCs offer technical assistance to start-up businesses and businesses planning an expansion. There is at least one SBDC in every state, and over 1100 service centers nationwide. For more information, and to identify an SBDC locally, visit <http://www.sba.gov/sbdc/mission.html>.
- SBDC National Information Clearinghouse provides online support and technical assistance, at <http://sbdcnet.utsa.edu/>
- Service Core of Retired Executives (SCORE) and the Active Core of Executives (ACE) can provide free or low-cost counseling to business owners.
- SBA's one-stop online site provides access to legal and regulatory information affecting all aspects of business at <http://businesslaw.gov>.

Local Chambers of Commerce sponsor networking and information-sharing meetings and events for local businesses.

Local community colleges and universities offer training courses for local businesses and counseling services by members of the faculty.

Local law enforcement agencies may offer seminars and assistance to businesses on preventing shoplifting, anti-graffiti campaigns, and setting up a business watch program.

Local utility companies often provide market information and may give small grants for business development projects or energy-efficient improvements.

The National Trust for Historic Preservation administers grant and loan programs that emphasize preservation of historically significant buildings. Two key sources for commercial revitalization initiatives are the Inner-City Ventures Fund and the National Preservation Loan Fund.

The National Preservation Loan Fund provides loans to establish or expand local and statewide preservation revolving funds; to acquire and/or rehabilitate historic buildings, sites, structures and districts; to purchase easements; and to preserve National Historic Landmarks. The Inner-City Ventures Fund finances the rehabilitation of historic buildings that serve the economic and community development needs of low-, moderate-, or mixed-income neighborhoods. Loan sizes range from \$50,000 to \$350,000 depending on the use of the funds. Nonprofit organizations and local governments are eligible to apply for these funds.

To learn more about the National Main Street Center of the National Trust for Historic Preservation visit <http://www.mainstreet.org>. To learn more about funds available through the National Trust for Historic Preservation, visit http://www.nationaltrust.org/community_partners/loan.html

Supporting Businesses in the Commercial District

To ensure long-term viability of the commercial district, the individual businesses in the district need to succeed. A commercial revitalization strategy should include targeted support for current businesses. A short survey may be useful in determining these needs. In addition, it is helpful to develop a plan to support the individual businesses that may be attracted to the area. Failed businesses in the district will deter new businesses from coming in, so it is important to provide needed support to garner the success that the district needs.

Typical small business needs include:

- **Training.** Specialized seminars that meet the needs of groups of local businesses can help to provide technical assistance in areas that will enhance the district, and also provide

opportunities for businesses to network, share ideas, and coordinate strategies. To attract participants, seminars must address the current problems and needs of the merchants, such as visual merchandising, customer service, or cash-flow management.

- **Information.** Market analysis data, customer survey results, demographic data, model business plans, guidance on regulations that affect businesses, and local business statistics can help small business adjust to market conditions.
- **Coordinated marketing.** Commercial districts that are located adjacent to each other, and whose businesses are complementary or clustered, can benefit from a coordinated marketing strategy.
- **Help for business expansion.** Owners can be assisted to move into a larger space or open another store when a market analysis demonstrates that there is adequate demand.

Creating Ways to Support Local Businesses

Thomasville, Georgia hosted a town meeting breakfast at a local restaurant where a professor at Florida State University and head of the Institute for Small Business presented a 10-step program to help merchants improve their bottom line.¹³

Engaging Neighborhood Residents

Commercial districts need the support of residents who live in the neighborhood because they directly invest in many of these businesses by purchasing products and services. Residents also have a vested interest in the local businesses because their economic success keeps the neighborhood vital and attractive.

During the market analysis stage, residents should be involved in identifying needs and shopping patterns, as well as the assets, opportunities, and challenges facing the commercial district. Residents should also be engaged in the design process of the commercial district, to generate pride and ownership by the community.

¹³ VanBelleghem, Luke. "Network Notes: Improving Profitability." *Main Street News*, Volume 189. August/September 2002.

Resident associations provide a natural vehicle for reaching and engaging residents in the development of the commercial district. Well-advertised town meetings can be an effective way to get resident input. People-to-people contact is often the most effective way to reach people; important planning meetings can be advertised by sending volunteers door-to-door with flyers, rather than simply placing an advertisement in the newspaper. Random surveys can be another way to obtain resident input about the commercial district design.

Chapter 2 “Envisioning a Healthy Neighborhood: The Planning Process” discusses more ways to involve neighborhood stakeholders.

Attracting New Businesses

The redevelopment of a commercial district generates opportunities to attract new businesses to the neighborhood. Many different entities can be involved in the recruitment of new businesses, including the PJ, the state, existing businesses, the local chamber of commerce or similar business associations. Typically, the economic development agency of the PJ will have primary responsibility for attracting new businesses to the jurisdiction.

States and local jurisdictions often compete to attract new businesses in order to create job opportunities for residents. A developing or redeveloping commercial district needs to ensure that it is competitive with surrounding neighborhoods and jurisdictions. PJs should examine what package(s) of incentives it might be able to offer to attract new businesses. The PJ should also secure the assistance of the state’s economic development agency to create incentive packages. Incentives might include land acquisition or assembly, tax credits or abatements, loans or grants for relocation costs, physical improvements or inventory, transportation or streetscape improvements, and/or technical assistance or training.

Business recruitment efforts should be planned and implemented in a way that is consistent with the vision for the neighborhood. Business recruiters should seek out businesses that provide goods and services that neighborhood residents want and need, particularly those that are not available nearby. Recruiters can create interest in the district by emphasizing complementary businesses and clusters of related businesses. Recruiters should also strive to seek businesses that will help the neighborhood preserve its uniqueness, when-

ever possible. During the planning stage, stakeholders should discuss and determine to what extent the neighborhood will attract national chains, as opposed to independent retailers. Early in the redevelopment effort, it may be easier to attract large national chains that have greater capital and are therefore more willing to take risks on a neighborhood in transition. However, many districts find that it is important to preserve their unique character in order to attract a customer base to the area, and keep those customers coming back in the future.

Financing Sources to Support the District’s Businesses

There are a number of loan and grant programs that are available directly to businesses, to assist with start-up and expansion costs, including:

U.S. Small Business Administration (SBA)

Basic 7(a) Loan Guaranty

The Basic 7(a) Loan Guaranty program of the SBA is the primary business loan program to help qualified small businesses obtain financing when they might not be eligible for business loans through normal lending channels. Loan proceeds can be used for most sound business purposes including working capital; machinery and equipment; furniture and fixtures; purchase, renovation, and new construction; leasehold improvements; and debt refinancing under special conditions. Loan maturity is up to ten years for working capital and generally up to 25 years for fixed assets. Eligible customers are start-up or existing small businesses and commercial lending institutions. Loans are offered through commercial lending institutions.

To learn more about the Basic 7(a) Loan Guaranty, visit www.sba.gov/financing/sbaloan/7a.html.

Microloan 7(m) Loan Program

The Microloan Program provides short-term loans of up to \$35,000 to small businesses and nonprofit child-care centers for working capital or the purchase of inventory, supplies, furniture, fixtures, machinery and/or equipment. Proceeds cannot be used to pay existing debts or to purchase real estate. The loans are not guaranteed by the SBA and are available only in selected locations. Eligible customers are small businesses and nonprofit child-care centers needing

small-scale financing. The loans are offered through designated intermediary lenders.

To learn more about the Microloan Program, visit www.sba.gov/financing/sbaloan/microloans.htm.

National Main Street Center of the National Trust for Historic Preservation

Although the National Main Street Center of the National Trust for Historic Preservation is primarily a technical assistance resource, businesses located in Main Street districts are eligible to apply for loan funds available through the National Trust for Historic Preservation. The National Trust for Historic Preservation administers grant and loan programs that emphasize preservation of historically significant buildings.

To learn more about funds available through the National Trust for Historic Preservation, visit http://www.nationaltrust.org/community_partners/loan.html

U.S. Department of Housing and Urban Development

Community Development Block Grant (CDBG)

HUD's CDBG funds are provided to state and local governments for a wide range of community development activities that support low- and moderate-income persons. Microenterprises have special status under CDBG. These are businesses that have five or fewer employees, one of whom is the owner. Eligible activities for microenterprises include grants, loans, or loan guarantees for the establishment, stabilization, or expansion of microenterprises and technical assistance to the owners or developers of microenterprises.

To learn more about using CDBG funds to support microenterprises, visit <http://www.hud.gov/offices/cpd/communitydevelopment/programs/index.cfm>.

U.S. Treasury Department, New Markets Tax Credits

The U.S. Treasury's Community Development Financial Institutions (CDFI) Fund and the Internal Revenue Service (IRS) jointly administer the New Markets Tax Credits. It is designed to encourage business development in low- and moderate-income districts. New Markets Tax Credits can be used to help a new business finance its start-up costs, to assist an existing busi-

ness increase its inventory or expand into an additional location, to redevelop a vacant commercial building for use as retail and office space, to aid small-scale industries move into upper-floor locations in the commercial district or to provide small business counseling. CDFI allocates tax credits to qualified "Community Development Entities" (CDEs) who award the tax credits to investors who invest equity in the CDE. The investors can take the credits the year the CDE puts their dollars in a qualified business. Eligible businesses must be located in a low-income community.

To learn more about the New Markets Tax Credits, contact The National Main Street Center of the National Trust for Historic Preservation, 1785 Massachusetts Avenue, N.W., Washington, DC 20036, Phone: 202.588.6219. Email: mainstreet@nthp.org.

Sustaining the Commercial District After Revitalization

Sustaining existing businesses and attracting new ones is not a one-time event. It is important to establish some type of organization or structure that will be responsible to provide needed support to the district on an ongoing basis, once the commercial district has been brought back to health. This organization should perform the functions that are typically provided by a suburban shopping mall office: up-keep of the common spaces, joint marketing for all retail tenants of the district, organizing special events, attracting new retail tenants with an eye for controlling competition within the district, increasing the diversity of offerings, and providing rules that promote consistency in the use of the district, such as store hours.

The type, authority, and structure of this organization may vary, depending on the size of the district, the diversity of the businesses, and the scope of activities that will best be shared. Many neighborhoods create business improvement districts to serve this purpose, because they are able to provide a range of support functions, and have a self-sustaining revenue base.

Developing a Business Improvement District (BID)

A Business Improvement District (BID) is a consortium of property owners or businesses in a commercial district that are established by local ordinance for the

purpose of taxing themselves to raise money for neighborhood improvements. BIDs might provide funding for projects or services that directly benefit the businesses in the commercial district, such as removing graffiti, cleaning or patrolling streets, or improving street facades. The BID's revenue can only be used for the projects defined by the local ordinance. BIDs can be an important part of an overall comprehensive revitalization program, but should not drive the direction of the effort. BIDs can be useful in maintaining the vitality of the commercial area, once established.

Typical Services Offered by BIDs

- *Provide welcoming services and extra security for public spaces and private businesses, such as financing extra security guards or setting up a neighborhood watch program;*
- *Advocate and lobby for ordinances and legislation that will benefit the commercial district;*
- *Generate financing for capital improvements, such as a swimming pool in a public park, or for infrastructure alterations, such as funding historic street lighting;*
- *Contract research and marketing services, collect and analyze economic and demographic data, and promote businesses in the area;*
- *Coordinate integrated planning efforts; and*
- *Allow BID businesses to experiment with innovative practices, implement strategies at a faster pace than if they had to engage with the full mechanisms of local government, and tailor-make solutions to their own needs.*

How Does a BID Work?

To organize a BID, property or business owners in the commercial district must support a petition to the local governing body to implement a tax district. The city must adopt a local ordinance, which defines the boundaries, the affected properties, the assessment structure, implementation timetable, use of funds, and description of the BID. Once the BID is established, the local government assesses an additional tax on the commercial and industrial properties that are subject to

real estate tax within the BID area. The assessment is based either on square footage, property value, or annual sales revenue. Tax-exempt properties, such as religious, public utility, or government properties, or those used exclusively as residences, are not included in the assessment district. Business or property owners pay their assessments annually and the revenue is turned over to the organization administering the BID.

For the special BID legislation to be approved, the revitalization program must have credibility in the community, and business owners must be committed to revitalizing the commercial district. Few businesses will support an additional tax unless they are convinced that there will be a direct benefit to them, and that the collected funds will be managed properly.

BIDS Contribute to Vital Downtown Commercial Districts

Washington, DC: Property owners in a 38-block area formed the Golden Triangle BID. They offer events and promotions, homeless outreach, capital improvements, public space management, and supplemental services for street cleaning and hospitality. The BID is comprised of 304 properties, 27 million square feet of office space, 2016 hotel rooms, and 3 police districts.

Philadelphia, Pennsylvania: The Center City District is a business improvement district serving more than 2,100 property owners within its 120-block district. The BID provides supplemental security, cleaning, and promotional services. The success of this downtown BID led to the development of a second BID in the City to support revitalization of a struggling commercial district in the West Philadelphia neighborhood.

For more information on Business Improvement Districts

The nation's urban centers were at the forefront of the BID movement, and the International Downtown Association (IDA) has researched and supported numerous BID initiatives. For more information, visit the Business Improvement District page, accessible online from the IDA's website at <http://www.ida-downtown.org/km/DesktopDefault>.

Marketing Strategies for Commercial Districts

One of the primary functions of a commercial district organization is marketing. Marketing plans should begin during the development phase, so that the commercial district can capitalize on the opportunity for kick-off events that display the community's unique and emerging personality. Marketing campaigns should be targeted to the individual businesses in the district, as well as the district itself.

Assisting businesses in the commercial district to develop and market their image is necessary to set the commercial district apart from its competition. The goal is to have the businesses in the district take market ownership. In order to do so, businesses must target a particular market segment through their pricing, quality, service, and display. Businesses should not try to be "all things to all people" but instead should decide what customers they want to target and what image they want to have. Local businesses may need help with slogans, themes, visual symbols and appearances, print materials, events, and activities to sell their business and the commercial district. Marketing a commercial district will also involve promotional events, advertising campaigns, brochures, and graphics.

The existing image of the commercial district influences customers, visitors, potential investors, and residents. Changing a neighborhood's image happens slowly, but with continual and deliberate promotion of businesses, combined with physical changes in the neighborhood, the district's image will improve.

Retail Promotion

Businesses can increase sales by offering retail promotions that reward present customers, attract new and different customers, distinguish their store from the competition, and promote their image. Successful promotion campaigns allow enough time to develop ideas, garner support, and market the activities.

Promotional activities of all sizes can attract new and different customers to the commercial district, or they can fail if they are not planned or executed properly. Creating a strong committee to oversee the details and delegate responsibilities evenly is important so that tasks are not forgotten.

Special Events and Event Management

Events increase human activity and showcase the community's distinctive personality. Every commercial district needs events to support its businesses and the overall economy.

Planning major events takes six months to a year. Although many promotional events can be implemented without a large budget,

funds need to be allocated properly so that people know about the event. Every event should be of high quality and should reflect the community's standard of living so residents will be able to afford to attend. To keep patrons returning, a thorough evaluation is crucial to knowing what worked and what failed and why.

Guidelines for Long-Term Marketing Campaigns

- **Think long-term** because it will take years of deliberate and repeated efforts to change consumer attitudes.
- **Focus on a particular type of customer** because the district will not be able to appeal to everyone all of the time.
- **Learn everything possible about what customers like and do not like about the commercial district** because different kinds of people will like and dislike different things about the district.
- **Schedule events that are convenient for the target customers** because then they will be more likely to attend.
- **Build on local history whenever possible** because the community's uniqueness will draw customers.
- **Make it fun** because customers will react more positively.
- **Be persistent** because one event will not change consumer behavior.

Financing Sources to Sustain the Commercial District

Relative to the costs of redevelopment, the cost to sustain a viable commercial district is minimal. There are costs associated with this important role, however. There are a number of strategies available to generate these funds:

Businesses

A nominal fee can be charged to all businesses that benefit from the efforts of the entity that is promoting the district. A fee can be one of the easiest ways to support these management costs. Without the legal authority and structure of a BID, however, this fee is voluntary.

Foundations/Private

Local foundations may be interested in supporting commercial districts in their community because it helps them meet their mission and goals. Private corporations located in the community may also be good sources of funding because they have significant revenue and usually have an objective of giving back to the community. Typically, foundation funding and corporate giving is not provided directly to for-profit businesses; it is done through established nonprofit, charitable organizations.

To learn more about foundation funding and to identify foundation sources, visit the Foundation Center at <http://fdncenter.org>.

Fundraising

Fundraising activities are important because they can serve the multiple purposes of raising funds, marketing the district and its businesses, and building a sense of community. Fundraising efforts are successful when they reflect the community's likes, heritage, and personalities. Membership drives, special

Creative Fundraising Builds Community Support and Raises Funds

Ardmore, Oklahoma uses a two-day telephone blitz to increase contributions to its fundraising campaign. The local newspaper covers the event before and after, with articles about the commercial development program. A local cellular phone company donates the use of phones with free access and air time for the event. A local radio station also provides hourly updates and interviews about the phone drive. Callers receive incentives for pledging their support.¹⁴

DePere, Wisconsin's mayor agreed to skydive into the annual Celebrate DePere on Memorial Day weekend. A private airfield was marked with a grid of 4-by-4-foot squares, and each square was sold for \$100. Wherever the Mayor landed would be the winning square. Three hundred squares were sold, raising \$30,000 for the commercial district development program.¹⁵

Paso Robles, California used donations to improve public space in their commercial district. With used wine barrels from 16 local wineries, 40 casks were donated and sawed in half by the Kiwanis Club to create 80 planters to place in front of downtown businesses. The City provided the soil, the youth authority donated the plants, and merchants regularly water them. To recognize the wineries for their contributions, Paso Robles painted tin plaques in the form of wine labels and attached them to the sides of the barrels.¹⁶

events, and direct solicitations for donated materials and services, are all creative ways to raise funds to support the costs of administering a commercial district.

¹⁴ Stuart, Sheri. "Building Support for Main Street: Membership Drives," *Main Street News*, Volume 176. June 2001.

¹⁵ McLeod, William. "Network Notes: Nancy's 'Leap of Faith'," *Main Street News*, Volume 159. November 1999.

¹⁶ McLeod, William. "Network Notes: From Grapes to Greenery—Wine Casks Brighten Main Street," *Main Street News*, Volume 146. September 1998.

Chapter 7:

Integrating Key Services Into the Neighborhood's Revitalization Strategy

Integrating quality services to meet the needs of residents and businesses is the last step in the implementation of a neighborhood revitalization plan. Addressing these service needs can also generate opportunities for neighborhood residents to develop ties to other people and the institutions in the community. Often it is these services that affect the quality of life, and contribute to the sense of community in a neighborhood. This chapter highlights the services and amenities that are the most important to the revitalization plan. The chapter describes how each service or amenity contributes to marketing or changing the perception of the neighborhood; and highlights the key planning considerations that impact it. Meeting the service needs of residents will require partnerships with local departments and organizations with complementary missions. This chapter also identifies resources that might be available to improve or create these services and amenities for a revitalizing neighborhood.

What are the Key Services and Amenities Needed in a Vital Neighborhood?

The services and amenities offered in a neighborhood can, and should, be tailored to meet the needs and interests of those living and working in the community. As the neighborhood revitalization plan is being developed, planners should take care to think about how to best meet the needs of those people and businesses they are hoping to attract.

These key services should be addressed in every neighborhood:

- Schools;
- Crime prevention;
- Parks, recreational facilities, community centers and public libraries; and
- Social services programs.

Neighborhood Schools

Studies have shown that schools act as “neighborhood anchors,” providing a sense of stability for children and their families and eliminating the need for families to devote time and financial resources transporting children to and from school and extra-curricular activities. Schools enhance or detract from a neighborhood’s sense of identity in several key ways:

- The quality of education offered by the neighborhood school will impact the neighborhood’s ability to attract new residents (especially families), and businesses;
- Deteriorating or poorly maintained school structures may contribute to the perception of a poor quality school and may contribute to a negative perception of the neighborhood; and
- The presence of abandoned schools may be a blighting influence on the neighborhood.

The Quality of Education Impacts Marketability of Neighborhood

For neighborhood revitalization strategies that seek to attract and/or retain families with young children, the most significant consideration is the quality of the school that serves the neighborhood. Researchers have determined that perceived quality of public schools is one of the primary determinants of housing prices and house selection. Many homebuyers will choose or reject a house based only on their perception of the quality of the school.

Businesses are also interested in locating in areas with quality schools, because they want to be able to access an educated and competent workforce from the surrounding neighborhood. This connection between schools and marketability of the neighborhood has a direct impact on property values. According to the

National Bureau of Economic Research, for every \$1 increase in state aid spending per pupil, property values increase \$20 in aggregate per pupil housing.¹

Measuring the Quality of the School

In the past decade, there has been a growing movement toward creating standards to measure performance in education. While controversial, the fact remains that testing is one of the most common methods used to evaluate school quality and student achievement. Most importantly, test scores of students at varying grade levels are often one of the ways real estate agents and homebuyers measure the quality of the local schools. Other measures of school performance are the number of students who finish high school and go to college, the student: teacher ratio, and the per pupil expenditure at the school.

Although none of these factors may be the best basis for evaluating school performance, when planning the neighborhood's revitalization, it is important to evaluate the *perception* of the local school honestly, from the perspective of the typical homebuyer. If a local school is perceived negatively, the PJ should solicit more information about why. It is also important to determine whether the families of students who attend the school are satisfied, despite the school's negative perception in the larger community. The typical performance measures do not consider many factors that impact on a quality education, such as special programs, school enrichment programs, school diversity, teacher quality, and parental involvement. To the extent that the school excels in these areas, the more standardized performance measures can be countered.

For neighborhood schools that offer a diverse educational program, and are able to provide a quality education, these advantages should certainly be included in marketing materials for the neighborhood. For neighborhoods whose schools are not performing adequately, improving the quality of the neighborhood school may be a daunting challenge. Undertaking this challenge, however, may well be worth the effort.

Building Partnerships with Local Schools

In spite of the fact that the quality of the school may have a significant impact on the work of the PJ, the PJ

has relatively little control over schooling in the jurisdiction. Nevertheless, even without formal control, there are steps the PJ can take to build relationships with the local schools that will result in improvements. It is important to involve school district representatives as stakeholders, early in the planning process. A PJ should also be familiar with the educational alternatives that are available to parents, including public, charter, private, and parochial schools. Finally, a PJ should consider the contributions that local PTA representatives can make to the planning process, and to marketing the neighborhood to potential buyers.

Often the best way to start building a relationship is to offer assistance and information. PJs have information and networks that are important to schools:

- **Information about development plans.** The PJ can take some first steps to build a relationship with school representatives by coordinating during the planning phase of the redevelopment initiative. Just as the work of the school district impacts the PJ's ability to attain success, the work of the PJ will impact on the school district. If successful, a large-scale housing development initiative will result in a large increase in the number of students that will attend the school. During the planning phase of a project, PJs should consult with the school district officials so that the schools are prepared for the additional students they may receive. Overcrowded schools, schools with insufficient books and supplies for students, and schools that offer an insufficient number of after school or enrichment programs to meet the needs of the student population will result in lower quality education. PJs should take the initiative to be sure they are providing the school districts with the best information they have about development that is planned or underway so that the schools are able to prepare for the influx of students.
- **Information about target clientele and its needs.** During the planning phase, the PJ collects information about the target clientele and its needs. This information may have direct implications for the school district and the type

¹ Barrow, Lisa and Cecilia Elena Rouse. "Using Market Valuation to Assess Public School Spending," *National Bureau of Economic Research Working Paper 9054*. 2002.

of services and extracurricular activities it might provide in the community. Sharing this type of information will have mutual benefit.

- **Network of homebuyers with children.** PJs also have access to a group of stakeholders that the schools will need to reach: parents of incoming students. Because PJs and their development partners are the first point of access to the neighborhood for many homebuyers, they are in an important position to assist the school districts in reaching out to new parents, and encourage them to become actively involved with local schools.

Since the passage of the No Child Left Behind Act of 2002, there have been changes in the national education landscape that may present opportunities for forging partnerships with the school district. If a Title I school² is identified by its state for two or more years as not making the progress required to ensure that every child is at grade level and proficient in reading and math, the students attending that school must be offered “school choice” or “supplemental educational services.” In the short term, this can result in a district offering to parents a choice between sending the child to a different school (an “achieving school” in the jurisdiction), or providing the child extracurricular services aimed at improving the child’s achievement levels, such as tutoring or enrichment programs. Corrective actions to improve the performance of the failing school must also be taken. This process mandates that a school’s improvement plan include parental involvement, which has been overwhelmingly identified as having a significant impact on the quality of education.³ In many ways, these requirements are a significant departure from traditional approaches to improving schools. On a local level, with the right organization and partnership, these requirements create avenues through which PJs and newcomers to

the neighborhood can participate, and succeed at, school improvement efforts.

When a local school district is perceived as failing, the availability of alternative schooling choices in the area may be another way to attract families to the revitalizing neighborhood. Sometimes the lower cost of housing in the area can act as an incentive to counterbalance the additional cost of non-public school choices or enrichment and remediation programs.

Renovating School Facilities

Neighborhood schools are an important facility used by many members of the community. The school buildings are usually large, and depending on their condition can contribute to, or detract from, the neighborhood’s desirability. Successful strategies for the restoration of an existing school structure include:

- **Collaboration with community members.** Improving the facility of a school that is still in use should be done in consultation with students, parents, educators, contractors, architects, business leaders, and elected officials. Public input can be gathered through needs assessment surveys or public hearings. As a structure that serves the needs of the entire community, the neighborhood school should reflect the input of those community members it aims to serve, along with the expertise of those who can bring the community vision to life.
- **Building design.** The building design of a school should incorporate flexibility to accommodate both classroom instruction as well as group activities and community services. School buildings can serve as a place for learning while simultaneously serving as a daycare center, senior activity center, community theatre, or adult education center.

² “Title I schools” are disadvantaged schools that qualify for Federal assistance under Title I of the Elementary and Secondary Education Act of 1965.

³ According to the U.S. Department of Education, the *No Child Left Behind Act* supports parent involvement because research overwhelmingly demonstrates the positive effect that parent involvement has on their children’s academic achievement (Clark 1983; Comer 1980, 1988; Eccles, Arbreton, et al., 1993; Eccles-Parsons, Adler and Kaczala 1982; Epstein 1983, 1984; Marjoribanks 1979 as cited in Eccles and Harold 1996). U.S. Department of Education. *Lead and Manage My School: Questions and Answers on No Child Left Behind*, [Available online at www.ed.gov. Posted February 23, 2004].

- **Public financing.** Communities around the country have successfully lobbied for the passage of bond referendums to finance school building construction and renovation. Community members are more likely to support such measures when the design for such projects incorporates a whole community focus.

Resources for Developing Educational Improvements

State and local governments are primarily responsible for financing public schools and education, although Federal funds are made available for certain special initiatives, and to provide funding to low-performing schools. Given the importance of securing a sound education system for the nation, there are numerous private foundations and corporations that fund education initiatives and education reform. Communities that are located near colleges and universities should work closely with these institutions to involve them in public education reform efforts.

Federal Resources

21st Century Community Learning Centers (CCLC)

The 21st CCLC Program provides expanded academic enrichment opportunities for children attending low-performing schools. Tutorial services and academic enrichment activities are designed to help students meet local and state academic standards in subjects such as reading and math. In addition, 21st CCLC programs provide youth development activities, drug and violence prevention programs, technology education programs, art, music, and recreation programs, counseling, and character education to enhance the academic component of the program.

To learn more about the 21st Century Community Learning Centers, visit <http://www.ed.gov/programs/21stcclc/index.html>. This site includes information on eligibility, as well as state contact information.

Head Start

Head Start and Early Head Start are comprehensive development programs that serve children from birth to age five, pregnant women, and their families. The programs are child-focused and have the overall goal of increasing the school-readiness of children in low-

income families. Head Start grantee and delegate agencies provide a range of individualized services in the areas of education and early childhood development; medical, dental, and mental health; nutrition; and parent involvement.

To learn more visit www.acf.dbhs.gov/programs/bsb/ (general information) and www.acf.dbhs.gov/programs/bsb/hsweb/index.jsp (state Head Start information).

Private Foundations

There are a number of foundations that support educational reform and specific education activities. In addition to the national foundations listed here, state and local foundations are likely to have an interest in local school issues and improvement efforts.

The Carnegie Corporation of New York

The Carnegie Corporation of New York was created by Andrew Carnegie to promote “the advancement and diffusion of knowledge and understanding.” Building on its history and past programs in the field, Carnegie Corporation will dedicate a major part of its grant funds over the next few years to education reform, specifically urban high school redesign, with an emphasis on adolescent literacy and the preparation of teachers who are on the front lines of that reform.

To learn more about the funding priorities and application procedures of the Carnegie Corporation, visit www.carnegie.org/sub/program/education.html.

The MacArthur Foundation

The John D. and Catherine T. MacArthur Foundation is a private, independent grantmaking institution dedicated to helping groups and individuals foster lasting improvement in the human condition. The Foundation provides financial support to initiatives that foster the development of knowledge, nurture individual creativity, help strengthen institutions, and participate in the formation of effective policy. The Foundation seeks improved quality of instruction in the classroom, and provides funding for student learning through better instruction and by disseminating useful information about school and system practices.

To learn more about the funding priorities and application procedures of The MacArthur Foundation, visit www.macfdn.org/programs/bcd/overview.htm.

The Grable Foundation

The Grable Foundation's mission is to help children and youth to become independent, caring, contributing members of society by supporting programs critical to a child's successful development through improving education opportunities, supporting community efforts, and strengthening families.

To learn more about the funding priorities and application procedures of The Grable Foundation, visit www.grablefdn.org/mission.htm

The Bill and Melinda Gates Foundation

The foundation was created in January 2000, through the merger of the Gates Learning Foundation, which worked to expand access to technology through public libraries, and the William H. Gates Foundation, which focused on improving global health. The Bill and Melinda Gates Foundation focuses its education investments in two primary areas: creating more small high schools and reducing financial barriers to higher education.

To learn more about the funding priorities and application procedures of the Bill and Melinda Gates Foundation, visit www.gatesfoundation.org/Education/

The Ford Foundation

The Ford Foundation seeks to increase educational access and quality for the disadvantaged, to educate new leaders and thinkers and, to foster knowledge and curriculum that is supportive of inclusion, development, and civic life. Grant making supports policy, research and reform programs in both schools and higher education institutions, with particular emphasis on enhancing the performance of educational systems through improving finance, governance, accountability, and training. The Foundation supports scholarship that deepens understanding of such issues as gender, identity, pluralism and social change, as well as particular non-western areas of the world and the relationships between them.

To learn more about the funding priorities and application procedures of the Ford Foundation, visit <http://www.fordfound.org/program/education.cfm>

Neighborhood Crime Prevention

Feeling safe is one of the most fundamental of human needs. Creating a sense of safety in a neighborhood is equally important to establishing a sense of place in a community. Although no one can be guaranteed safety anywhere, it is possible to develop space in a way that minimizes crime. There are two significant roles a PJ can play in creating a sense of safety in revitalizing neighborhoods—designing safer environments for residents and businesses, and fostering strong partnerships with law enforcement, community residents, and businesses in order to empower people to become involved in keeping their communities safe.

Designing Defensible Space

Architect and city planner Oscar Newman has written extensively on “defensible space,” a concept of using physical design features to reduce crime.⁴ Newman's ground-breaking work identifies both social and physical design factors that correlate to high crime rates:

- **Scale of development.** Design of common space in and around buildings such as lobbies, corridors, staircases, sidewalks, and courtyards must encourage resident use and informal “ownership.” Newman found that as building height and the number of units per entry increased in a public housing development, crime increased. Newman explains this finding in terms of the residents' lack of a sense of ownership or control over their environment. Newman observed that common spaces that are shared by only a few families are likely to be well-used and maintained because the few families who share the space can easily share the responsibility for maintenance of the space, and can readily agree on its use. Further, these families will immediately recognize anyone who does not belong there. When many people share common spaces, however, coming to a mutual agreement about the use and maintenance of the space is far more difficult. The result is that the space is not well-used or maintained. Further,

⁴ Newman first published his research on this concept in his book *Defensible Space* in 1972. He revisited the topic in cooperation with HUD's Office of Policy Development and Research through the 1996 publication of *Creating Defensible Space*.

residents are less likely to recognize strangers, and therefore, those with criminal intent have easy access.

- **Form of housing.** High-rise multifamily public housing structures that have high residential densities, high resident-to-entryway ratios, entryways that do not face the street and that are surrounded by identical public housing projects are ideal breeding places for criminal activity.
- **Income and family structure.** Newman's research also demonstrated a close correlation between high crime rates in public housing and concentrations of poverty and single-parent households.

Newman concluded that physical and social factors combine to cause high crime rates in neighborhoods with concentrations of low-income families, and poorly designed housing that maximizes density without regard for creating "safe space." Newman found the opposite as well—that the physical form of housing plays an important role in reducing crime and in assisting residents in controlling behavior in their housing environments.

For more information on defensible space

More detailed guidance on the concepts of Oscar Newman's defensible space is available at <http://www.defensiblespace.com/start.htm>.

Designing Defensible Housing

There are a number of ways to promote defensible space when designing various housing styles and types. The way in which residential space is designed can provide residents with a stake in communal property and community safety. Promoting good design, and mixed-income housing, will provide the revitalizing neighborhood the boost it may need to begin to harness crime prevention efforts for the jurisdiction.

Single Family Homes

Most single family housing developments allow for private and individual ownership of the unit, yard, driveway, and porches—that is, all grounds except for the sidewalks and streets. Safety can be enhanced in these developments with:

- Close juxtaposition of housing units and their entryways to the street in order to incorporate the sidewalk into the households' sphere of influence. This results in residents who are familiar with their neighbors and who can easily monitor sidewalk and street activity.
- Semi-private front lawns that abut the sidewalk, and permit the family car to be parked at the curb. This encourages residents to consider these areas to be semi-public, rather than purely public.
- Front porches that encourage residents to interact with their neighbors and observe street activity.
- Sidewalks that encourage walking and neighborly interactions.

The net result of homes and neighborhoods designed in this fashion is that most of the outdoor areas and all of the indoor areas are private and under the direct control of residents. The remaining portion of what is actually public space is viewed by residents as an extension of their respective dwellings, and therefore under their sphere of influence.

Multifamily Housing

Low-rise garden apartment buildings offer many crime reduction advantages over high-rise housing design. Low-rise, low-density apartments in smaller buildings can create a sense of ownership for residents. When multifamily housing is appropriately designed, residents feel that they exert some control over their building's interior common space and the space directly in front of their buildings. Safety can be enhanced with:

- Semiprivate entryways that face the street and accommodate no more than six families.
- Semi-private courtyard space in the structure's interior, accessible only through individual residences.
- Entry yards in front of each building that are designed as the communal property of that entryway's inhabitants, and are therefore semi-private.

By contrast, a high-rise public housing development located in a neighborhood where the development is surrounded by identical high-rise structures,

incorporates the following features that inhibit a feeling of common ownership and provide ideal conditions for criminal activity to flourish:

- High density of residents in single buildings;
- Entryways that serve numerous residents;
- Common grounds that are not assigned to particular buildings and are accessible to anyone;
- Streets at a distance from entryways, and entryways that do not face the street; and
- Turn-arounds and sidewalks abutting the street that are designed as public, rather than semi-private space.

The net result of such a building design is the concentration of low-income families in structures that provide no private space, other than what is available in individual dwelling spaces, leading to the diffusion of a sense of ownership and responsibility for common spaces such as entryways, hallways, lobbies, elevators, and stairs; and making it difficult for residents to identify who belongs in the housing development.

Community Policing

Many communities have found that partnerships between the police and neighborhood residents and businesses can help reduce neighborhood crime. Typically, these partnerships have been accomplished both through the direct involvement of residents participating in community policing and neighborhood watch programs, as well as increased patrols conducted by police officers assigned to specific neighborhoods. Community policing is a collaborative effort between residents and the police, and requires outreach on the part of neighborhood activists to forge ties with the police that provide opportunities for direct community involvement.

There are three primary components of community policing:

- **Community partnership.** This component seeks to bring residents into the policing process in recognition that creating and maintaining safe neighborhoods is not the sole responsibility of the police.
- **Problem solving.** This component encourages a collaboration between police and neighborhood residents to identify what the issues of

concern are for that area, as well as the best strategy or strategies that involve both police and residents in addressing and eliminating that concern.

- **Change management.** This component consists of a process by which police departments re-orient the manner in which services are delivered to protect public safety. This process is enabled by the recognition of the need for change, collaboration with neighborhood residents to identify the change that is needed, identification of the concrete steps necessary for that change to occur, and a commitment to make that change occur.

Involving the local police precinct early in the neighborhood revitalization planning process is critical to the success of community policing. Community policing works only after relationships have been established between neighborhood residents, businesses and community leaders, and individual police officers. As these links are formed and strengthened over time, the partnership between residents and police is better equipped to identify and mitigate the conditions and circumstances that cause crime. Therefore, community policing as a crime reduction strategy is not effective without the long-term commitment of the police force and community members to building a relationship and a bond of mutual trust.

For those communities that are able to develop such a partnership, community policing yields important, beneficial outcomes, including:

- **Crime prevention.** Community policing gives police officers an opportunity to develop relationships with residents and an intimate knowledge of a given neighborhood. This integration within a community provides a level of comfort to residents and identifies the police as people who can help prevent and eliminate serious problems.
- **Increased community involvement.** Community policing cannot work without the active participation of neighborhood residents, businesses, and community leaders. Building a strong sense of community is one of the main goals of neighborhood revitalization, and the institution of community policing is one way to meet that goal.

Community patrols are an important component of community policing. Studies have shown that the presence of uniformed police officers in neighborhoods gives residents an added sense of confidence and safety. Residents who have been designated by neighborhood organizations can join police officers in conducting foot patrols to increase the sense of community involvement and connection, and also to assist police in identifying problem areas within the neighborhood.

Forming an effective partnership between neighborhood communities and local police requires a coordinated strategy in order to achieve not only a reduction in crime, but an increased stake in neighborhood viability on the part of all its residents, and enhanced ties with the greater community at large as well.

Community policing typically starts with residents or civic associations contacting the local police station to explore ways to work together to reduce crime in a neighborhood. A PJ can facilitate this process by sharing information it has about the crime prevention efforts with new homebuyers, and homeowners associations. Likewise, the PJ should work with the local police station to inform them of the evolving development activities.

Developing a community policing strategy requires not only consultation with the police, but with neighborhood residents and business owners as well. Public input and the establishment of a relationship between residents and the police are key to the success of community policing. Contributing factors to this success include:

- The distribution, collection, and analysis of neighborhood surveys to gauge residents' sense of anxiety over crime and what types of criminal activities need immediate police attention, as well as their perception of police-citizen relationships and their expectations of a community policing program.
- Public meetings at which neighborhood leaders and police interact with residents and business owners to discuss survey results and develop a strategic plan to address crime concerns. The strategy should discuss:

- Roles and responsibilities, both those of the police and those of neighborhood residents and business owners;
- Projected outcomes that the community policing strategy aims to achieve;
- Benchmarks to measure the strategy's success in reaching the goal(s) established by the strategic plan; and
- An established means for ongoing dialogue between the neighborhood and police. This can include meetings scheduled on a regular basis (monthly, bi-monthly), or any other method that works for a given neighborhood.

Resources to Promote Crime Prevention

Traditional law enforcement is supported at all levels of government. The following national sources are available specifically to support community policing efforts by providing technical assistance or funding. PJs should also pursue local and state opportunities.

Federal Resources

U.S. Department of Justice, Office of Community Oriented Policing Services (COPS)

COPS provides grants to tribal, state, and local law enforcement agencies to hire and train community policing professionals, acquire and deploy cutting-edge crime-fighting technologies, and develop and test innovative policing strategies. COPS-funded training helps advance community policing at all levels of law enforcement—from line officers to law enforcement executives—as well as others in the criminal justice field. Because community policing is inclusive by definition, COPS training also reaches state and local government leaders and the citizens they serve. COPS' broad range of programs enables it to offer agencies support in virtually every aspect of law enforcement.

To learn more about COPS, including information about funding, community policing tips, training, and other resources, visit www.cops.usdoj.gov/.

Private Sources

The National Center for Community Policing, Michigan State University School of Criminal Justice

The National Center for Community Policing is a team of diverse professionals committed to facilitating organizational change within police agencies and the development of community partnerships to institutionalize community policing.

To learn more about the National Center for Community Policing, visit www.cj.msu.edu/~people/cp/training.html and www.cj.msu.edu/~people/cp/contact.html.

National Crime Prevention Council

The Crime Prevention Coalition of America is a nonpartisan group of over 4,000 national, state, Federal, and community-based organizations united to promote and work toward citizen action to prevent crime. Established in 1980, its members include youth development organizations, municipalities, law enforcement agencies, Federal and state government representatives, state crime prevention associations, and community-based groups.

To learn more about the National Crime Prevention Council, visit <http://www.ncpc.org/>.

Neighborhood Facilities: Parks, Recreation and Community Centers, and Public Libraries

Parks and recreational facilities, community centers, and public libraries contribute to a sense of community by providing public space for families and neighbors to gather, interact, and thereby strengthen their relationships. Neighborhood facilities play an important role in a community's overall effort to increase family self-sufficiency and improve the delivery of

services. Parks and recreational facilities, healthcare facilities, community service centers, libraries, fire stations, and parking facilities are all examples of neighborhood facilities. This section discusses the roles these various components play in neighborhood revitalization strategies.

Parks and Recreational Facilities

People generally have social and recreational needs that can be met in part by spending leisure time in parks, participating in formal or informal sports activities, taking recreational classes, or attending cultural events. Neighborhoods that are served by parks and recreational activities that are close-by often reap the benefit of neighbors having the opportunity to see one another, and thereby strengthening ties to the community. Programs designed for children and youth are important for their individual development, and also because they provide structure and appropriate activities so that youth do not have unstructured time in which to find inappropriate activities on their own.

Benefits of Parks and Recreational Activities

Easy access to parks and recreational facilities or activities provides many benefits for families and neighborhoods, including:

- **Increased community pride through neighborhood involvement.** Parks provide an ideal space for neighbors to interact and relax together, strengthening a neighborhood's sense of community and identity. A sense of community and social contact are important means to combating urban social problems like loneliness and isolation.
- **Good health.** Parks provide opportunities for children and adults to stay physically fit, such as playgrounds, jogging trails, baseball diamonds and soccer fields.⁵

⁵ The Centers for Disease Control has issued guidelines for the promotion of physical activity that can be employed in conjunction with park development. These include providing education for parents and guardians as part of youth physical activity promotion initiatives; assisting more after-school care programs to provide regular opportunities for active, physical play; enabling communities to develop and promote the use of safe, well-maintained, and close-to-home sidewalks, crosswalks, bicycle paths, trails, parks, recreation facilities, and community designs featuring mixed-use development and a connected grid of streets; and implementing an ongoing media campaign to promote physical education as an important component of a quality education and long-term health.

- **Alternative to “latchkey” lifestyle.** After-school and summer care programs provide children with social interaction with their peers, adult supervision, and physical activity.
- **Job creation and income generation.** Parks need employees for programs and maintenance. Parks also contribute to a community’s quality of life, an important factor considered by companies as they decide to expand or relocate. Park facilities can be used to host concerts, festivals, and sports events, drawing tourists and event participants from out-of-town to spend money in the community.
- **Increased property values.** The proximity of well-maintained greenspace has been shown to enhance the value of adjoining neighborhood property, resulting in increased tax revenue for the community.

Considerations When Designing a Park

During the planning stage of the revitalization process, it is important to consider the park and recreation needs of current and future residents. There are several factors that are useful to guide discussions when designing or revitalizing a park or considering possible park locations:

- **Activities and uses.** A park should attract many different people, by providing numerous recreational opportunities and being widely available (such as, open every day, evening hours).
- **Comfort and image.** The park design should create a welcoming atmosphere in which people can gather and socialize. The inclusion of community bulletin boards, restrooms, shade trees, child-friendly niches and play areas, bike racks, benches, and fountains sends a signal that the community took time and consideration in planning the park.
- **Access and linkage.** Placement of a park is crucial to its success in attracting a wide variety of people of all ages to use the park and maintains a vibrant atmosphere. Parks that are visible from public streets and that are accessible via public thoroughfares stand the greatest chance of achieving this outcome.
- **Sociability.** Concerts, farmers’ markets, flea markets, sports tournaments, and community

festivals greatly enhance a park’s sense of sociability, making them places within the community where things happen and friends gather.

- **Safety.** The principles of defensible space should be incorporated into the design of a park. Lighting, pedestrian walkways that encourage traffic flow, and limiting “invisible” spots are all important elements of designing a safe park.
- **Maintenance.** Maintenance should be considered in the selection of park features, equipment, and landscaping. A plan for funding the maintenance of the park should be in place so that a neighborhood amenity does not deteriorate into a community eyesore.

PJs should be sure to involve the parks and recreation staff during the revitalization strategy’s planning and development phases. PJs should work with staff to identify the recreational needs and interests of the existing residents as well as the revitalized neighborhood’s target clientele. This way, programs can be developed and offered to meet the needs of the future neighborhood residents. This will also ensure that accurate information about recreational activities is made available to potential homebuyers in marketing literature.

Community Centers and Public Libraries

Community centers provide multiple public services, such as computer labs, adult education programs, and social services, to the neighborhoods where they are located. Community centers may also provide recreational space and activities. In addition, community centers serve as points of information about other public services that are available, by distributing literature, sponsoring informational meetings, and providing bulletin board space.

Public libraries serve as another institution that enhance neighborhood identity and burnish the sense of place sought through neighborhood revitalization projects. Libraries that are within walking distance of residential neighborhoods are a true amenity. With over 124,000 branches across the United States, public libraries provide neighborhood residents with a space that affords social interaction, public information, and recreation—in addition to making books, videos, CDs,

the Internet, and other forms of information available to citizens. Libraries can also be an important component of community economic development. American public libraries currently employ roughly 130,000 people (librarians and other paid staff). Providing public resources to support libraries is a sound investment on the part of PJs that seek to develop and sustain vibrant neighborhoods.

Resources to Develop Neighborhood Facilities

There are a number of resources available for the development and maintenance of park space.

Private Sources

National Recreation and Park Association

The mission of the National Recreation and Park Association is: “To advance parks, recreation, and environmental conservation efforts that enhance the quality of life for all people.”

To learn more about the National Recreation and Park Association, visit www.nrpa.org/. From this site, access a list of the association’s affiliates.

Urban Parks Online, Project for Public Spaces

The Project for Public Spaces (PPS) is a nonprofit organization dedicated to creating and sustaining public places that build communities. PPS provides technical assistance, education, and research through programs in parks, plazas, central squares, buildings and civic architecture, transportation, and public markets. PPS has worked in over 1,000 communities in the United States and around the world since 1975, helping people to transform public spaces into vital community places. Useful public parks guidance and research is available

To learn more about the PPS Urban Parks visit <http://pps.org/upo/>.

Consultation is available through Urban Park Network Members, whose contact information is available at <http://pps.org/upo/network/>.

The Trust for Public Land

The Trust for Public Land (TPL) is the only national nonprofit organization working exclusively to protect

land for human enjoyment and well-being. TPL helps conserve land for recreation and spiritual nourishment and to improve the health and quality of life of American communities.

For general information about TPL programs and services, and regional office contact information, visit www.tpl.org/.

National Park Foundation

The National Park Foundation works collaboratively with the National Park Service and key partners to support a multi-dimensional web of opportunities for people from all backgrounds, ages, and regions to connect with their National Parks through personally meaningful experiences. Grant programs are available in the following areas: Volunteerism, Visitor Experience, Education, Community Engagement and Priority Programs. The programs work interactively to enrich lives and enhance learning, nurturing people’s love for parks and ultimately helping preserve America’s National Parks for future generations.

Since its establishment, the National Park Foundation has helped to fund important conservation, preservation, and education efforts. The National Park Foundation grants over \$31 million annually in cash, services, or in-kind donations to the National Park Service and its partners. Grants range from small “seed” or start-up funding to larger, multi-year projects.

For general program information, visit www.nationalparks.org/AboutUs/AboutUs-ProgramsGrants.shtml.

The National Alliance for Youth Sports

Founded in 1981, the Alliance has become the nation’s leading youth sports educator and advocate with nine national programs that educate volunteer coaches, parents, youth sport program administrators, and officials about their roles and responsibilities in the context of youth sports, in addition to offering youth development programs to children. Alliance programs are provided at the local level through dynamic partnerships with more than 2,000 community-based organizations such as parks and recreation departments, Boys and Girls Clubs, Police Athletic Leagues, YMCA/YWCAs, and other independent youth service groups throughout the country.

To learn more about the National Alliance, visit www.nays.org.

The National Coalition for Promoting Physical Activity

The mission of the National Coalition for Promoting Physical Activity is to unite public, private, and industry efforts into collaborative partnerships that inspire and empower all Americans to lead more physically active lifestyles. Lead organizations include the national organizations that promote health (including the American Cancer Society and the American Heart Association), and others that promote physical fitness (including the YMCA of the USA and National Recreation and Park Association). Although the Coalition does not provide financial assistance directly, it provides information and resources to promote physical activity, including information about other funding sources.

To learn more about the Coalition, visit www.ncppa.org.

The American Library Association (ALA)

The ALA provides organizational and other support for public libraries and their staff. The ALA is the oldest and largest library association in the world, with more than 64,000 members. Its mission is to promote the highest quality library and information services and public access to information. ALA offers professional services and publications to members and nonmembers, as well as award and scholarship programs.

To learn more about the ALA, visit www.ala.org.

Social Service Programs

There are people in every neighborhood who have specialized health and social service needs, including persons with disabilities, children, the elderly, and medically fragile or at-risk residents. Easy access to needed services are a necessity for some populations, and can greatly enhance the quality of life for most persons with specialized needs.

Persons With Disabilities

In addition to securing basic necessities, persons with disabilities often face daily obstacles that can become insurmountable because of difficulties in easily locating or accessing appropriate housing and services. The difficulties that come with living with a physical or sensory disability may include locating an accessible

housing unit; finding equipment, parts and other products specific to their disability needs; locating recreation or therapeutic programs and services; or just finding businesses or restaurants that are accessible and welcoming.

With the passage of the Americans with Disabilities Act, mobility for those in wheelchairs has improved in many communities. Federally-assisted housing must also meet certain accessibility standards. In addition to the accommodations that are required by law, PJs can improve the quality of life for disabled residents by planning for the location of handicap-accessible housing, businesses, and institutions and supporting various services to assist the disabled, such as:

- Independent living classes offered through the neighborhood library;
- Accessibility improvements to public buildings and facilities, including the removal of architectural barriers and the installation of wheelchair ramps;
- Neighborhood-based referral and case management for the disabled, as well as advocacy, benefit counseling, attendant care, peer counseling, and job and life skills training; or
- Meals-on-Wheels home meal preparation and delivery to residents who are unable to perform this daily task independently.

The Elderly

Over the next 30 years the entire baby boom generation will become seniors. The need for elderly services grows each year. Elderly residents generally need a variety of supportive services to perform day-to-day tasks and maintain an independent lifestyle. These can include meal preparation and delivery, social programs, and health care programs.

The following types of services enhance the quality of life for senior citizens by assisting them in living an independent lifestyle while providing them with a sense of connection to the neighborhood community:

- Developing housing to meet the changing needs of an aging population;
- Supporting senior centers that assist the elderly and frail elderly in remaining independent through the provision of respite care, case management, limited transportation services,

activities that promote improved mobility, and activities that improve the ability to perform activities of daily living; and

- Counseling services for those who suffer from mental illness, such as dementia and Alzheimer's disease.

Youth

Good health, social and emotional well-being, safety and survival, economic well-being, and education are important goals for youth in all American communities. However, these goals are threatened by poverty, family violence, crime, lack of health insurance, and inadequate schools. Neighborhood youth facilities can provide the types of programs and services that mitigate these obstacles and promote the well-being and success of American youth. Such services can include:

- Tutoring and literacy training;
- Child care;
- Recreational programs;
- Drug prevention and gang intervention;
- Nutrition and health care services; and
- Computer training.

In addition to services provided directly to young people, child care is a necessary service for single parent families and families where both parents work. As with neighborhood schools, child care centers within walking distance of family homes assist families in coordinating their time together and offer young children a sense of stability and familiarity in their own neighborhood.

Health Care

The availability of community health care centers is a necessity for communities of all sizes. These centers regulate health care standards, analyze trends in health indicators (e.g., rate of infectious disease), and provide quality health care to low-income individuals. Such health services include:

- Childhood immunizations;
- Screening for diseases such as breast cancer and heart disease;
- Access to low-cost prescriptions; and
- Drug treatment and counseling.

In developing a neighborhood revitalization strategy it is necessary to keep the availability of these services in mind. Issues to consider include:

- What types of service providers are already located in the neighborhood? What populations do these providers serve?
- What financing is available to provide human services in this neighborhood?
- Is it necessary to conduct a needs assessment of community residents to determine what gaps, if any, exist in the current provision of human services? If so, how will this assessment be administered? Whose needs will be assessed? What will be done with this information, and who is responsible for addressing identified needs?

Early in the process of developing the neighborhood revitalization plan, the PJ should initiate a dialogue with administrators in city agencies that oversee the provision of health and human services. Their input and assistance in the design and implementation of a neighborhood services strategy will be crucial to its success.

Resources to Develop Health and Community Services

There is a range of resources available to meet a wide variety of special services needs for various populations.

Federal Resources

U.S. Department of Health and Human Services (HHS)

The U.S. Department of Health and Human Services is the principal agency for protecting the health of all Americans and providing essential human services, especially for those who are least able to help themselves. HHS offers more than 300 programs, covering a wide spectrum of activities. It is the largest grant-making agency in the Federal government, providing some 60,000 grants per year. Many HHS-funded services are provided at the local level by state and local agencies, or through private sector grantees.

The following list of HHS grant program offices is provided to assist in locating and applying for Federal funding to support health care and other community

services provided in conjunction with neighborhood revitalization. Links to state and regional contact information are also provided, where available. Program service areas include:

- Children (child abuse prevention, child care, health insurance);
- Substance abuse and mental health;
- Minority health;
- Community health centers;
- Developmental disabilities;
- Senior citizens;
- Free health care;
- Energy bill assistance; and
- General social service assistance.

To learn more about the numerous HHS programs that are available, visit:

- Administration for Children and Families (ACF), within HHS, addressing a wide range of issues that affect the nation's families. Several specific sources include:
 - State and local contacts for ACF programs, www.acf.dhhs.gov/contacts.html.
 - Administration on Developmental Disabilities, www.acf.dhhs.gov/programs/add/
 - Youth development organizations, www.ncfy.com/ydorgs2.htm.
 - Federal support for youth and family programming, www.ncfy.com/thefeds.htm.
 - Child abuse prevention resources, www.calib.com/nccanch/prevention/organizations/index.cfm.
 - National Child Care Information Center, <http://nccic.org/>.
 - Low Income Home Energy Assistance Program, general program information, www.acf.dhhs.gov/programs/libeap/, and state contact information, www.acf.dhhs.gov/programs/libeap/states.htm.
 - Social Services Block Grant, general program information, www.acf.dhhs.gov/programs/ocs/ssbg/.
- Community Health Center Program, www.bphc.brsa.gov/chc/chcmain.asp.

- Centers for Medicare and Medicaid Services, State Children's Health Insurance Program state status report and contact information, <http://cms.bhs.gov/schip/statemap.asp>.
- Insure Kids Now! general program information, www.insurekidsnow.gov/about.htm, and state contact and eligibility information, www.insurekidsnow.gov/states.htm.
- U.S. Administration on Aging general program information, www.aoa.gov/about/over/over.asp, and regional office contact information, www.aoa.gov/about/contact/contact.asp.
- Office of Minority Health, state liaison contact information, www.omhrc.gov/omb/sidebar/stateliasons.htm.
- Health Resources and Services Administration Hill-Burton Free Health Care Program, general program information, www.brsa.gov/osp/dfcr/obtain/Freecare.htm, www.brsa.gov/osp/dfcr/obtain/CONSFQA.HTM, and state contact information, www.brsa.gov/osp/dfcr/obtain/bbstates.htm.

Corporation for National and Community Service

The Corporation for National and Community Service provides opportunities for Americans of all ages and backgrounds to serve their communities and country through three programs: Senior Corps, AmeriCorps, and Learn and Serve America. Members and volunteers serve with national and community nonprofit organizations, faith-based institutions, schools, and local agencies to help meet community needs in education, the environment, public safety, homeland security, and other critical areas. The Corporation is part of USA Freedom Corps, a White House initiative to foster a culture of citizenship, service, and responsibility, and help all Americans answer the President's Call to Service.

To learn more about these programs in general, visit www.cns.gov. For information on how to become a partner in the program, and provide service opportunities for program participants, see <http://www.cns.gov/partners/index.html>.

For state contact information, visit www.cns.gov/about/family/state_offices.html.

Private Sources

The Foundation Center

The Foundation Center serves grant seekers, grant makers, researchers, policymakers, the media, and the general public with information on U.S. philanthropy.

State and local foundation directories are available online at http://fdncenter.org/learn/topical/sl_dir.html.

To learn about how to find a grant to fund a particular area of interest, visit <http://fdncenter.org/learn/faqs/html/subject.html>.

The Annie E. Casey Foundation

Provides programs to help build better futures for millions of disadvantaged children who are at risk of poor educational, economic, social, and health outcomes.

To learn more about The Annie E. Casey Foundation, visit www.aecf.org.

Families USA

Families USA is a national nonprofit, nonpartisan organization dedicated to the achievement of high-quality, affordable health care for all Americans. It provides general information about health care, prescription drugs, and health insurance policy.

To learn more about Families USA, visit www.familiesusa.org/.

Connect for Kids

Connect for Kids is an award-winning multimedia project that helps adults make their communities better places for families and children. The Web site offers a place on the Internet for adults—parents, grandparents, educators, policymakers, and others—

who want to become more active citizens, from volunteering to voting with kids in mind.

To learn more about Connect for Kids, visit www.connectforkids.com/homepage1576/index.htm.

Save the Children USA

Save the Children USA works with families to define and solve the problems their children and communities face by utilizing a broad array of strategies to ensure self-sufficiency.

To learn more about Save the Children USA, visit www.savethechildren.org.

ChildHelp USA

ChildHelp USA provides child abuse prevention programs and services, including a hotline (800-422-4453), advocacy centers, residential treatment facilities, group homes, foster care, counseling, professional training, educational programs, community outreach, and public awareness.

To learn more about ChildHelp USA, visit www.childhelpusa.org/programs_hotline.htm.

American Public Human Services Association

The American Public Human Service Association (APHSA) is a nonprofit, bipartisan, membership organization of individuals and agencies concerned with human services. APHSA educates members of Congress, the media, and the broader public on what is happening in the states around welfare, child welfare, health care reform, and other issues involving families and the elderly.

To learn more about APHSA, visit www.aphsa.org.



Chapter 8:

Lessons for Revitalizing Neighborhoods

Housing development alone, even large-scale housing development, is unlikely to transform most declining neighborhoods. Comprehensive planning and revitalization ensures that a neighborhood's needs are met in a holistic way. In previous chapters, [HOME and Neighborhoods: A Guide to Comprehensive Revitalization Techniques](#) has reviewed the key components of a comprehensive revitalization initiative. This chapter reviews the highlights of the entire model, and identifies its most important lessons.

Use a Comprehensive Approach to Neighborhood Revitalization

Revitalizing neighborhoods is a challenging endeavor that requires a combination of strong leadership, coordination among several disciplines, technical know-how, and multiple funding sources. Revitalizing a distressed neighborhood must be undertaken in a comprehensive way because neighborhoods work holistically. Newly constructed or rehabilitated housing is not likely to attract homebuyers if the neighborhood is not served by a nearby commercial district to provide residents with necessary goods and services, its public schools are failing and there are no affordable alternatives, or there is a high crime rate so new residents fear leaving their homes.

The availability of housing development funds, like HOME funds, provides an excellent opportunity for PJs to undertake large-scale, and concentrated housing activity in order to begin the revitalization process. For improvements to the neighborhood to be sustained over time, however, the development will need to be undertaken in context with many other neighborhood improvement efforts. Smart investors will concentrate funding resources, coordinate PJ services, and undertake development activities in a strategic way, in order to maximize the opportunity to succeed.

Start with Good Planning

Good planning efforts can assist PJs prior to beginning redevelopment activities. Planning activities create opportunities to bring the neighborhood's stakeholders together for the express purpose of creating a vision for the community that can, in turn, drive the redevelopment plan.

The key planning steps are:

- Step 1: Select the target neighborhood;
- Step 2: Plan for public involvement;
- Step 3: Assess the existing conditions;
- Step 4: Identify assets, opportunities, and challenges in the neighborhood;
- Step 5: Develop a vision for the future;
- Step 6: Develop an action plan;
- Step 7: Implement projects; and
- Step 8: Measure progress, and adjust the plan.

Upon completion of the planning process, there should be general agreement in the community about the vision for the neighborhood, a specific land use plan that establishes the desired use of designated parcels, an action plan that identifies what will get done, who will do it, what funds will be used or pursued, and how and when it will happen. This plan will need to be reviewed, updated, and adjusted periodically throughout its implementation.

Determine Housing Development Needs

One of the most basic choices in the planning stage is the determination of how much residential versus commercial development the neighborhood can support, and what type of residential development is most appropriate for the neighborhood. Each community will respond to these questions differently, driven, in part, by the local housing market and existing housing opportunities. Generally speaking, however, homeownership housing is considered key to providing stability to a declining neighborhood. Having invested financially in the neighborhoods, homeowners are less likely to move, and more likely to behave in ways that support neighborhood improvements, such as maintaining their properties, joining

forces to combat crime, and supporting local businesses. PJs should seriously consider using large-scale homeownership development, modeled after the HOZ, as the foundation for neighborhood revitalization.

In addition to the development of homeownership units, many homebuyers need additional support, such as downpayment or closing cost assistance, housing counseling to improve credit and mortgage-ability, post-purchase counseling to limit susceptibility to predatory lending, and intervention to avoid foreclosures. Rental housing activities and tenant-based rental assistance can play a role in housing redevelopment and neighborhood revitalization efforts as well.

Consider Housing Type and Design that Impact Marketability

PJs will also need to determine the scale and approach to the development. Acquiring and assembling large parcels of land for new development can be challenging in many urban environments, and this potential obstacle may determine the PJ's development strategy. PJs will also need to consider the housing types that will best meet the needs of the PJ's targeted clientele. Good housing design will be important to promote the vision and related principles that have been adopted by the community, such as mixed-uses, walkability, neighborly interaction, or compatible architecture. Most PJs will want to retain existing residents, and ensure that they have access to newly developed housing opportunities. Treating residents fairly is the right thing to do, and it also helps to secure necessary community support for revitalization efforts.

Offer Incentives to Attract Newcomers

Attracting new residents and businesses to the community may be difficult without offering incentives, and changing the public perception of the neighborhood. There is a range of financial incentives that can be offered. PJs can imitate successful marketing strategies from suburban developers, such as pre-sale and model homes approaches to housing sales. In addition, PJs should seek to build partnerships with developers who have experience with the type of housing development they undertake.

Use HOME Funds for Variety of Housing Activities

The HOME Program is a flexible source of funds that can be used for a wide range of housing activities in a redeveloping area. HOME PJs can choose to undertake rental or homeownership housing, through acquisition, rehabilitation, or new construction. They can provide direct financial assistance to homebuyers or tenants to create affordability. They can provide assistance in the form of grants, loans, or loan guarantees. When related to the development of HOME units, HOME funds can also be used for some housing-related costs, such as the development of on-site infrastructure or relocation costs.

Use HOME Funds in Concert with Other Funding

HOME is designed to increase the nation's supply of affordable housing. Units developed with HOME funds must be occupied by persons who are low- and very low-income. In addition, HOME imposes long-term affordability requirements. For rental housing, this means that rents must remain affordable, and units must be maintained in standard condition. For homeowner housing, this means that homes must either remain affordable to a subsequent, low-income buyer, or the HOME investment must be recaptured and reinvested in other HOME-eligible activities.

Although flexible, HOME can only be invested in affordable housing activities. It cannot be used for the non-housing components of the revitalization plan. The PJ must identify other sources of funds to support affordable housing activities. HUD's Community Development Block Grant program (CDBG) can be used for many housing and non-housing neighborhood revitalization activities. It is an ideal funding source to partner with HOME for revitalization activities.

Build on Sound Infrastructure

Sound infrastructure should not be taken for granted. Communities need streets and transportation; water, wastewater, and stormwater systems; open space; lighting; and utility infrastructure. Developing and repairing infrastructure is costly, and PJs must assess their existing infrastructure needs prior to finalizing

redevelopment plans, in order to fully determine the cost of housing development.

Help Residents and Customers Get Around

Transportation systems include local roads and regional highways (and related parking facilities), public transport, and safe pedestrian walkways or bicycle pathways. These systems must support the neighborhood's residents and local economy, and provide effective means for residents to get to and from work and shopping, and customers and vendors to get to and from the neighborhood's businesses. Effective transportation systems will impact the marketability and desirability of the neighborhood. PJs must work with transportation planners to coordinate efforts and maximize appropriate transportation solutions to any challenges that are identified in the planning process.

Secure Clean Water Supply and Utility Infrastructure

A clean water supply and system is one of the most basic of public health needs. PJs must evaluate the capacity of its water, wastewater, and storm water systems prior to redevelopment activities to ensure that these systems will be able to accommodate a volume increase.

The infrastructure to support utility connections (electric, gas, telephone, and Internet) is typically developed by private utility companies, and often paid for by developers for new utility connections. PJs should consult early in the planning process with utility companies about what services are needed, and how these services are provided to the neighborhood.

Open Space and Lighting are Desired Amenities

Open space should be designed to provide safe and attractive leisure and recreational opportunities for those who live and work in the neighborhood. Adequate and well-designed lighting in parks and other public spaces can also improve the neighborhood's attractiveness and security. Redevelopment plans should not overlook these amenities.

Finance Infrastructure with Non-HOME Funds

HOME funds cannot be used wholesale for infrastructure improvements or development. However, HOME can be used to finance on-site infrastructure that is necessary for HOME-assisted housing. Typically, infrastructure is financed through the proceeds of bonds issued by local government. Many communities also use developer fees, or impact fees to cover the cost of infrastructure that is needed for new development activity.

Strengthen the Commercial District to Support Residential Activity

There is a reciprocal relationship between a strong commercial district and a residential community. Residents need relatively easy access to certain goods and services, and to jobs. People often want to live near healthy and vital commercial districts that offer attractive shopping, cultural experiences, and convenient access to jobs and daily needs. Businesses need a steady stream of customers.

In redeveloping neighborhoods, commercial districts generally have a number of needs that the PJ can address to provide support:

- The district may need to be revitalized. Businesses need space that meets the needs of the business, is clean and attractive, and has appeal that will interest and attract customers.
- The existing businesses in the district may need support, such as technical assistance in areas of business development, financial assistance to cover costs related to expanding, or ongoing assistance with marketing, promotions, or events planning.
- The district may need new businesses to fill vacancies, or newly developed business space.

Improve Commercial District's Building Infrastructure

Providing effective support to the commercial district will require an understanding of the neighborhood's assets and an ability to articulate the unique advan-

tages of the neighborhood, an accurate market analysis, and a market strategy. Redevelopment efforts should incorporate design features that support commerce. That is, buildings should incorporate design features that promote visual merchandising; older buildings should be renovated to promote the unique character of the district; and customers' need to socialize in comfortable, accessible, and attractive public spaces should be met.

Commercial districts should be safe, and accessible by many means of transit, and adequate parking must be readily available. PJs should build partnerships with other stakeholders in the community to support revitalizing commercial districts. There are some financial resources available for commercial district redevelopment, such as HUD CDBG and Section 108 loan guarantees, tax increment financing, and U.S. Small Business Administration's certified development companies.

Support Commercial District's Businesses

For a commercial district to succeed, its individual businesses must succeed, or be easily replaced. An effective commercial revitalization strategy will include some activities designed to support the businesses in the district. PJs are usually well-positioned to provide at least some of these activities, such as training, information, coordinated marketing, and assistance for business expansion. PJs can work with local residents to identify the districts needs, and the residents' shopping patterns. PJs can also provide support in recruiting new businesses to the district. Direct assistance to businesses in the district might be secured from the S.B.A., which provides a number of loan programs to support individual businesses; or the U.S. Treasury Department, which administers New Market Tax Credits. Microenterprises might be eligible for assistance through the CDBG program, and businesses in Main Street districts might be eligible for a limited pool of funds available through the Main Street Program of the National Trust for Historic Preservation.

Create Mechanism to Support District's Needs in the Long-Term

Once established, commercial districts often need the support of an entity that can stay focused on the needs

of the district overall, rather than just on the needs of the specific businesses. These needs are varied, depending on the district, but may include marketing, security, events planning, or infrastructure development. Many different types of organizations can serve these functions, such as a nonprofit organization, an agency of the local government, a loosely organized committee of the affected businesses, or a formalized business improvement district (BID). BIDs are increasingly common because they generate the revenue needed to keep the entity operational. Local businesses need to organize and lobby the local governing body to establish a BID. BID legislation should provide authorization for the BID to assess an additional tax on the properties in the designated boundaries. The legislation should further specify how those taxes could be used (i.e., eligible activities) to support the district. Special events and fundraising drives are another way to raise operational funds to support the commercial district. In addition to the revenue, these activities also serve as opportunities to promote the district, and encourage residents and businesses to celebrate the neighborhood.

Provide Key Services for Residents

"Quality of life" is difficult to define, as what constitutes quality of life will vary, depending on the interests and values of the individuals involved. Nonetheless, there are certain services that impact the quality of life in a revitalizing neighborhood. When these services are coupled with a sound housing stock, vital business district, and functional infrastructure to support basic needs, they complete the picture of an attractive neighborhood. The key services include schools, safety (crime prevention), parks, recreational facilities, community centers, public libraries, and social services.

Families Seek Good Schools

Most families with children would identify high quality public schools as the most important asset that a neighborhood can provide. Test scores are used to measure school quality, and PJs should be familiar with the reputation and actual performance of its neighborhood schools. Strong school performance should be highlighted in marketing literature, as

should alternative schooling options. Coordination between the PJ and school district officials will be important when housing development is likely to result in a number of new students, and when school performance is not adequate. PJs can assist the school in sharing information about development plans, and may wish to assist with capital improvements or maintenance that the school might require. While education is primarily a state-funded service, there are numerous private foundations that are interested in investing funds to improve local schools.

Safety Counts for Everyone

A neighborhood will not attract residents and businesses if it is not, and does not remain, safe. PJs can help promote neighborhood safety by developing buildings and public spaces that minimize opportunities for crime, and by forging partnerships with local law enforcement and the community.

Buildings can be designed to create “defensible space.” This concept, promoted by architect and city planner Oscar Newman, speaks to how a community’s built environment can impact on the crime rate. Newman has found that reducing building height and the number of building entries per housing unit minimizes the opportunity for crime in affordable housing developments. Space must be designed to encourage residents to act as owners of space that is technically public, and available for all to use. When residents are empowered to “own” these spaces, they will maintain them. Further, when there are a limited number of persons who have regular access to these public spaces, strangers with criminal intent are more likely to be recognized.

Effective community policing requires a long-term commitment to building a partnership between individual police officers and the stakeholders of the community. Community policing typically includes resident participation in neighborhood law enforcement (through neighborhood watch programs, for instance), as well as increased presence of police in the neighborhood.

Meet Diverse Health and Social Needs

Neighborhood facilities, such as community centers, libraries, parks and recreational facilities are all important to create places and opportunities for people to spend their leisure time, stay fit, pursue cultural and intellectual interests, and see and socialize with their neighbors. The availability of these facilities within the neighborhood will contribute greatly to the neighborhood’s ability to develop a sense of place, and a place of meaning for its residents. Neighborhood facilities should provide a wide range of recreational opportunities that appeal to a diverse cross-section of the neighborhood’s residents or potential residents.

There are people in every neighborhood who need specialized services, such as health care or social services. The elderly, medically fragile, disabled, and young residents of a neighborhood will have needs that cannot be overlooked. A neighborhood’s success at meeting these needs will further set the neighborhood apart from others as a special place that provides meaning and purpose to the lives of its residents.

Coordinate Revitalization Initiative for Best Results

Large-scale, housing development in a declining neighborhood can provide an immediate, physical, and visible improvement to the neighborhood. A huge investment of this type is, however, at great risk without coordinated efforts to improve other aspects of neighborhood life. PJs must concentrate their efforts, and resources, in a comprehensive way in order to stabilize a declining community until market forces can take over. PJs who wish to see their housing investments improve neighborhoods for the long-term should only make investment decisions after completing a plan for a comprehensive revitalization effort that capitalizes on the neighborhood’s existing assets and opportunities, and addresses the neighborhood’s most vexing challenges.



Appendix 1

Key Requirements for Neighborhood Revitalization Strategy Areas

Background

The Consolidated Plan regulations, and subsequently the Community Development Block Grant (CDBG) regulations, were amended in 1995 to establish criteria for approving locally determined strategies for revitalizing specific areas of communities. The area covered by this approach is referred to as a Neighborhood Revitalization Strategy Area (NRSA).¹ The focus of the strategy for the NSRA must be economic empowerment of the low- and moderate-income population of the area.² As an incentive to undertake targeted revitalization, the CDBG regulations provide benefits in the form of regulatory flexibilities for CDBG-assisted activities undertaken in an NSRA. Development and approval of a NSRA does not result in additional CDBG resources.

CDBG grantees do not need to commit specific future funds for use in the NSRA at the time that the strategy is submitted. However, the community's annual Action Plan submission to HUD must describe the resources that will be used to achieve the goals for the strategy area.

Key Requirements of a Neighborhood Revitalization Strategy Area

The Consolidated Plan regulations provide instructions for the preparation, submittal, and approval, of a Neighborhood Revitalization Strategy Area.³ Neighborhood Revitalization Strategies are submitted to HUD for review and approval through the grantee's

Consolidated Plan process. Stakeholder involvement and support is key to this process.

Neighborhood and Demographic Criteria

The Neighborhood Revitalization Strategy (NRS) must fully describe the geographic area to be covered by the Strategy. The area must meet certain requirements including:

- The area selected must be contiguous.
- The area selected must be primarily residential.
- The area selected must contain a high percentage of low- and moderate-income residents. The percentage of low- and moderate-income residents must be equal to the grantee's "upper quartile percentage" as computed by HUD or 70 percent, but in any event, not less than 51 percent. For example:
 - Grantee A has an upper quartile percentage of 78 percent; the NSRA must have at least 70 percent low- and moderate-income residents;
 - Grantee B has an upper quartile percentage of 58 percent; the NSRA must have at least 51 percent low- and moderate-income residents; or
 - Grantee C has an upper quartile percentage of 43 percent; its NSRA must have at least 51 percent low- and moderate-income residents.
- Neighborhoods within Federally-designated Empowerment Zones (EZs) and Enterprise Communities (ECs) are presumed to meet all of the NSRA criteria, including the low- and moderate-income criteria.

¹ For the state CDBG program, a comparable revitalization area is established, called Community Revitalization Strategy Areas (CRSAs). The rules for the CRSAs are somewhat different regarding required contents and approval. Notice CPD 96-01 provides more guidance for entitlement communities and Notice CPD 97-01 provides more guidance for states on NRSAs and CRSAs, respectively.

² As defined by CDBG regulations, a low- or moderate-income household has a gross annual income that is less than 80 percent of the area median income.

³ See 24 CFR 91.215(e)(2).

Community Consultation

The written submission must outline the process used by the community to develop the strategy. The strategy must be developed in consultation with members of the community, including:

- Residents of the area;
- Owners/operators of businesses in the area;
- Local financial institutions;
- Nonprofit organizations; and
- Community groups.

The NRS must also include a description of the methods used by the community to provide outreach to the groups noted above. In addition, the NRS must describe how the needs and concerns of the consulted parties—particularly residents of the selected neighborhood—were incorporated into the strategy.

Assessment

The NRS must include an assessment of the economic conditions of the area.

- The strategy must assess the economic conditions of the proposed neighborhood. This analysis would include a discussion of such topics as:
 - Levels of unemployment;
 - Numbers of businesses located within the area, including numbers of neighborhood businesses, such as grocery stores, drug stores and gas stations; and the number of people employed by such businesses;
 - Access to capital (or lack thereof) in order to form businesses in the area;
 - Housing needs of residents in the area including rents; home prices; and housing quality; and
 - Current availability of economic development or other community services within the area.
- The strategy must describe the opportunities for economic development improvement within the neighborhood. This analysis might include a discussion of such topics as:
 - Unmet demand for specific types of facilities or services, such as the need to create or foster a lending institution within the neighborhood;

- Community organizations that are ready and available to assist with economic development and other revitalization efforts;
 - Skills or services that are currently unused or underutilized within the community; and
 - Fledgling projects started within the neighborhood but unable to take root due to lack of funding.
- The strategy must describe the problems that the community is likely to face as it implements programs in the neighborhood. This discussion might cover such common problems as:
 - Hesitation from private investors (such as area banks) to invest in the area;
 - Community opposition to certain types of development activities (“not in my back yard” sentiments);
 - Limited available resources;
 - Inexperience of local community groups or organizations; and
 - Crime and/or security concerns at project sites.

Economic Empowerment

The NRS must describe how the recipient plans to develop the selected neighborhood. Specifically, the strategy must discuss the activities that will be undertaken to create meaningful jobs for unemployed low- and moderate-income residents of the area. This discussion should be realistic and indicate exactly how the recipient plans to accomplish this objective.

The strategy must highlight how the plan will promote revitalization of the neighborhood. In other words, what the strategy is really going to do to help turn the neighborhood around and promote economic opportunity for residents.

Performance Measures

The NRS must set goals and anticipate results for the implementation of the plan. These results must be described in measurable terms. These performance standards are referred to as benchmarks. Benchmarks may cover such areas as physical improvements, social initiatives, and economic empowerment. Recipients are expected to report on their progress toward these benchmarks.

HUD Review, Approval, and Monitoring

As described previously, the completed Neighborhood Revitalization Strategy should be submitted to HUD with the grantee's Consolidated Plan for review and approval. If the recipient has already submitted its Consolidated Plan for a given year, the Neighborhood Revitalization Strategy may be submitted as an amendment to the plan.

HUD will approve NRS strategies for HUD-designated Empowerment Zones and Enterprise Communities located within an entitlement community without further review. However, the EZ/EC recipient must submit a request to HUD for this approval.

Once approved, the strategy remains in effect for the term designated by the recipient in the strategy. If the recipient wishes to extend the strategy beyond the original time frame, it must explain this in its subsequent Consolidated Plan submission.

Recipients may amend their strategies.⁴ An amendment may occur when:

- Conditions that existed at the time of the strategy submission have changed substantially, or
- When the recipient has determined that the originally approved strategy has not been effective and a different approach is needed.

Benefits of a Neighborhood Revitalization Strategy Area

As mentioned previously, communities with one or more HUD approved Neighborhood Revitalization Strategy Areas are offered enhanced regulatory flexibility in undertaking certain CDBG-funded activities in the strategy area. These flexibilities are designed to promote innovative programs in economically disadvantaged areas of the community.

Economic Development

CDBG recipients may use CDBG funds for economic development activities. Economic development activities in an approved NRSA are able to take advantage of the following flexibilities:

- Activities that assist businesses and that are designed to meet the CDBG job creation or retention requirements need not track the income of applicants they interview or hire because the assistance may be qualified as meeting "area benefit" requirements. This provides a significant reduction of the administrative burden to the assisted business and the recipients. This administrative relief is intended to provide an incentive to businesses to participate in the community's job creation/retention programs.
- Economic development activities carried out in the approved neighborhood under the strategy are exempt from the aggregate public benefit standards. The public benefit standards typically limit the amount of assistance that can be expended on each activity. This exemption affords recipients much greater flexibility in selecting and implementing development activities, and reduces the amount and scope of information that recipients must collect and document regarding their programs.

Public Services

CDBG grantees are typically limited to a cap of 15 percent of their annual grants for public service activities. All public services offered within the approved NRSA and carried out as part of qualified projects under the strategy by certain types of organizations, known as Community Based Development Organizations (CBDOs), are exempt from the public services cap. This exemption permits recipients to offer a more intensive level of services within the approved area, if desired. This flexibility includes job training and other employment related services and, as such, it can provide an important foundation for economic opportunity for neighborhood residents.

Housing

The CDBG regulations typically require that low- and moderate-income households occupy each unit of single family housing that is assisted with CDBG funds, and at least 51 percent of the multifamily units that are assisted with CDBG funds. For housing that is CDBG-assisted in an NRSA, a greater mix of income levels is allowed. Specifically, recipients are permitted to treat

⁴ Amendments must follow the Consolidated Plan amendment process found at 24 CFR 91.505.

all housing in the NRSA for which assistance is obligated in a given year as one multi-unit housing structure. This means, for all units combined (single family and multifamily units), low- and moderate-income households must occupy at least 51 percent of the total number of units. This allows for a greater mix of incomes because “over-income” households can occupy single family homes as long as the total housing units meets the 51 percent requirement. This is probably the most appealing element of the NRS concept and can be used to further promote neighborhood revitalization and Homeownership Zones.

Appendix 2

Summary of Key Neighborhood Planning Concepts

There are four key planning concepts, which are similar and interconnected to one another, including:

- Traditional Neighborhood Development (also called Neo-Traditional Development);
- New Urbanism;
- Smart Growth; and
- Transit-Oriented Development.

Traditional Neighborhood Development

Traditional Neighborhood Development (TND) refers to the development of cohesive neighborhoods, each with their own commercial core and linked to one another by some form of transit. In essence, TND revives the concepts associated with pre-World War II era neighborhoods, with a focus on:

- Human scale, walkable neighborhoods;
- Moderate to high residential densities; and
- A mixed-use core with office, retail, educational, and recreational uses that are accessible to residents.

Traditional Neighborhood Development places great emphasis on maximizing the ease of passage for pedestrians and cyclists, through interconnected streets, sidewalks, and paths that allow for several alternative modes of transportation.

Other features of TND include:

- A mix of homes at costs appropriate for a range of household sizes and styles;
- Pedestrian-friendly commercial development with storefronts facing the street and well-landscaped parking;
- Housing design that places entry doors and porches facing the street, with garages placed into the back of homes;
- Neighborhood design that emphasizes community connectedness and de-emphasizes the presence of automobiles;

- Protection of the natural amenities of an area by minimizing alterations to the natural environment (such as channeling creeks) or avoiding sensitive areas altogether (such as nesting habitats); and
- Architecture that reflects and is consistent with the historical neighborhood or community style (such as Craftsman, Victorian).

Traditional Neighborhood Development zoning codes can be developed to encourage walkability and diversity. Several cities, including Austin, Texas and Davidson, North Carolina have adopted an optional TND code for new residential developments. For example, the TND-based code in Davidson provides for a 30 percent reduction in transportation fees charged to the developer in return for pedestrian-oriented design features and another possible 30 percent reduction for transit-friendly design.

Mixed-Use Codes

Mixed-use codes are similar to TND codes in that they call for a mix of residential and commercial buildings, but this type of code usually permits higher density levels than TND codes. Live/work codes tend to focus on creating small, adaptable spaces for micro-businesses within a residential project. Mixed-use and live/work codes are generally used in urban areas and are designed to protect an existing mixed-use area or to diversify an existing area. For example, Sonoma, California adopted a development code that provides for “live/work” units in almost every district in the city and exempts them from density calculations.

New Urbanism

New Urbanism is a formal name for a planning approach that evolved from the traditional development (neo-traditional) planning movement in the early 1990s. New Urbanism is a development model aimed at creating more diverse, walkable neighborhoods. The basic principles of New Urbanism are not new; they are based on the elements of viable urban communities that were built prior to the dominance of

the automobile and suburban sprawl. New Urbanism principles can be applied from the regional level all the way down to the neighborhood block and street level.

The principles behind New Urbanism, as outlined in the charter of the Congress for the New Urbanism, are:

- Neighborhoods should be diverse in use and population;
- Communities should be designed for pedestrian traffic and mass transit as well as the car;
- Physically and universally accessible public spaces and community institutions should shape cities and towns; and
- Urban places should be framed by architecture and landscape design that celebrates local history, climate, ecology, and building practices.

These principles are further detailed in three categories: The region, the metropolis, the city and the town; the neighborhood, the district and the corridor; and the block, the street and the building. Some key components of neighborhood level principles, that are most applicable to revitalization planning, include:

- The neighborhood is the essential element of development and redevelopment of the metropolis and should form an identifiable area that encourages citizens to take responsibility for their neighborhood's maintenance and evolution;
- A neighborhood should be compact, pedestrian-friendly, and mixed-use;
- Many activities of daily living should occur within walking distance, and interconnected streets should be designed to encourage walking and reduce the number and length of car trips;
- A broad range of housing types and price levels should bring people of diverse ages, races, and incomes into daily interaction;
- Transit corridors should be used to help organize the metropolitan structure, link neighborhoods and revitalize the urban center;
- Greater building densities and more intense land uses should be within walking distance of transit stops;
- Civic, institutional, and commercial activity should be concentrated and embedded in each

neighborhood. Schools should be located so that children can walk or bicycle to them;

- Graphic urban design codes should be used to improve the economic health and harmonious evolution of the neighborhood; and
- Parks should be distributed within the neighborhood, and conservation areas and open space should be used to define and connect different neighborhoods.

The **Congress for the New Urbanism (CNU)** is a nonprofit organization, founded in 1993, that works to promote New Urbanist design by facilitating discussion among professionals involved in the development business—architects, developers, planners, and others. CNU sponsors annual conferences, known as Congresses, for the sharing and discussion of best practices in New Urbanism. For more information, see the CNU website at <http://www.cnu.org>, or contact:

The Congress for the New Urbanism
The Hearst Building
5 Third Street, Suite 725
San Francisco, CA 94103-3296
Phone: 415 495-2255

Smart Growth

Smart Growth refers to a set of policies and programs enacted by government agencies with the specific intention of integrating land uses in such a way as to create more livable communities. Smart Growth is typically seen as an alternative to the sprawl development that has characterized suburban development in this country in the last several decades.

The focus of Smart Growth is on improving transportation options, reducing the impact of development on the environment, and providing accessibility to a variety of land uses within clustered, walkable areas. Smart Growth and New Urbanism share similar concepts and are typically complementary to one another.

According to the Smart Growth Network, the key principles of Smart Growth are to:

- Create a range of housing opportunities and choices;
- Create walkable neighborhoods;
- Encourage community and stakeholder participation;
- Foster distinctive, attractive places with a strong sense of place;
- Make development decisions predictable, fair, and cost effective;
- Mix land uses;
- Preserve open space, farmland, natural beauty, and critical environmental areas;
- Provide a variety of transportation choices;
- Strengthen and direct development towards existing communities; and
- Take advantage of compact building design.

While the most comprehensive and effective Smart Growth programs are enacted at the state or regional level, individual policies and practices can be applied at the neighborhood level. For example, infill of existing vacant land, redevelopment of unused or underutilized land, improvement of mixed-use design features, and enhancement of transportation options are all relevant principles for revitalization planning.

In the early to mid-1990s, the Smart Growth movement gained attention and momentum in the country. Government entities at the local, state and Federal levels began enacting legislation and incentive programs to dictate or encourage the principles of Smart Growth. Some of the most visible examples of Smart Growth programs and development include: Portland, OR; the State of Maryland; and Austin, TX.

In a community that wishes to increase housing choices, the Smart Growth Network suggests that applying the principles of Smart Growth can help a community achieve this goal. For existing neighborhoods, this can be done by creating new housing units within existing housing developments—through attached housing, accessory units, or conversion to multifamily dwellings—and by developing units on land that is already served by existing infrastructure. This will support a more diverse population and allow more equitable distribution of households of all income levels across the region. Further, the Smart Growth Network suggests that new housing construc-

tion within existing commercial centers can provide foot traffic and consumers in evenings or weekends when the commercial district is not otherwise in use.

The **Smart Growth Network** was founded in 1996 by the U.S. Environmental Protection Agency and several nonprofit and government organizations, in response to increasing community concerns about the need for new ways to grow that boost the economy, protect the environment, and enhance community vitality. SGN continues to be coordinated by EPA, primarily in partnership with the International City/County Management Association (ICMA) and the Sustainable Communities Network (SCN).

For more information, see SGN's website at <http://www.smartgrowth.org/default.asp>, or contact:

Smart Growth Network
 c/o International City/County Management Association
 777 North Capitol Street, NE Suite 500
 Washington, DC 20002
 (202) 962-3623

Transit-Oriented Development

Transit-Oriented Development (TOD) refers to neighborhoods that are planned, designed and developed to maximize and encourage the use of mass transit and alternative transportation options. Transit-Oriented Development is considered a subcategory of Smart Growth and can be used with the other previously discussed planning concepts.

The goal of Transit-Oriented Development is to reduce the use of automobiles and to provide residents of the areas with accessibility to other transportation modes. Key elements of TOD include:

- A neighborhood center with transit stations (such as bus or rail);
- Mixed-use development with the goal of clustering both land use (that is, shops, offices, schools, public spaces) and demographics (including students, seniors, various income ranges);

- High density uses in the center near the transit station with lower density further outwards;
- Facilities and conditions conducive to other alternate transportation modes such as walking and cycling; and
- Traffic calming, parking management, open space and other features to reduce the impact of automobile usage.

Transit-Oriented Development typically involves new suburban neighborhoods designed around new transit stations, rather than the redevelopment of areas within older, urban cores. However, revitalization of older urban neighborhoods can incorporate the principles of TOD if rail stations are located in or planned as part of the revitalization area.

Transit Area Codes allow for transportation-related land uses, such as a transit corridor, station area zone, and transit district. These codes often overlay codes that create new requirements without changing the requirements of the existing code. These codes can support a variety of public transit programs, such as rapid bus service and light or heavy rail. Key features of transit area codes include increased density, density minimums, reduced parking requirements, mixed use and pedestrian access to transit.

Transit-Oriented Development typically requires changes to comprehensive plans and zoning ordi-

nances to provide for the density and scale of development in the relatively small areas around the stations. Many TOD projects have occurred on a regional level due to the regional nature of planning and building mass transportation systems. Good examples of TODs can be found in Portland, OR; King County, WA; and Arlington County, VA.

Reconnecting America is a relatively new national organization formed to link transportation networks and the communities they serve, and to assist communities with the revitalization of historic transit stations as a way to both improve transportation services and bring life back to downtowns. One of its programs, the Center for Transit-Oriented Development, provides technical assistance and products to support this effort. The Center just released *The New Transit Town: Best Practices in Transit-Oriented Development*, edited by Hank Dittmar and Gloria Ohland. Publisher: Island Press, December 2003.

For more information, visit the group's website at <http://www.reconnectingamerica.org>, or contact:

Center for Transit-Oriented Development
 4251 Howe Street
 Oakland, CA 94611
 Phone: 510-393-9102

Appendix 3

Summary of HOME Long-Term Affordability Requirements

The primary purpose of the HOME Program is to increase the supply of affordable housing for low-income households. PJs can choose to achieve this purpose by using HOME funds to assist in the acquisition, new construction, or rehabilitation of affordable housing units; to provide direct financial assistance to low-income homebuyers and existing homeowners; or to provide tenant-based rental assistance. To ensure that HOME-assisted housing units remain affordable beyond the time of the HOME investment, the HOME Program requires that long-term affordability restrictions be imposed for a minimum period of time. The specific affordability requirements and the length of the affordability period depend on the type of housing assisted, and the amount of the per-unit HOME assistance. PJs also have the option of imposing affordability periods that are longer than the minimum periods required by HUD.

The affordability requirements for rental housing are found in the HOME regulations at 24 CFR 92.252. The affordability requirements for homeownership housing are found at 24 CFR 92.254. These regulations, and related guidance, can be accessed through HUD's HOME program website at <http://www.hud.gov/offices/cpd/affordablehousing/programs/home/>.

Rental Housing

The long-term affordability period for HOME-assisted rental units is determined by the per-unit amount of HOME assistance and the type of assistance provided for the rental property, as follows:

- If the per-unit HOME assistance is less than \$15,000, the affordability period is five years.
- If the per-unit HOME assistance is between \$15,000 and \$40,000, the affordability period is ten years.
- If the per-unit HOME assistance is greater than \$40,000, or consists of rehabilitation involving refinancing, the affordability period is 15 years.
- If the assisted project consists of new construction or the acquisition of newly constructed units, the affordability period is 20 years.

Throughout the long-term affordability period, owners/managers of HOME-assisted rental housing must assure that HOME-assisted units are rented to low- and very low-income households at affordable rents, and that these properties remain in standard condition.

PJs should notify property owners/managers of the High HOME Rents and Low HOME Rents for varying unit sizes for HOME-assisted rental housing on an annual basis throughout the period of affordability. During this period, rents charged for HOME-assisted units may not exceed these rental limits. [Note, the maximum rents include utilities. If the tenant pays utilities, a utility allowance (established by the PJ) must be deducted from the HUD-determined HOME rents.] Further, all projects must be occupied by low-income households, and in projects with five or more HOME-assisted units, the units with Low HOME Rents must be made available to very low-income households.

During the period of affordability, when a HOME-assisted unit becomes vacant or a tenant of a HOME-assisted unit becomes "over-income," the owner/manager must take specific actions to bring the property into compliance with the income and rent requirements. The owner/manager must also ensure that the property continues to meet applicable property standards throughout the period of affordability.

The long-term affordability period applies regardless of a change of ownership. The PJ must enforce the requirements through a written agreement and a deed restriction, covenant running with the land, or other enforcement mechanism approved by HUD.

Special requirements apply in the event of foreclosure. The HOME Program permits the affordability restrictions to terminate upon foreclosure. However, while a deed or other restriction is terminated for purposes of clearing title, the PJ's obligation to provide affordable housing for the period of affordability is **not** terminated. The PJ's failure to meet this obligation may result in the repayment of HOME funds. These requirements are described more fully in HUD's *HOMEfires* Volume 5 Number 2, June 2003.

HOMEfires is available online at <http://www.bud.gov/offices/cpd/affordablehousing/library/homefires/volumes/vol5no2.cfm>.

Existing Homeowner Housing

Existing homeowners who receive HOME assistance to rehabilitate their properties are not subject to long-term affordability requirements. However, the PJ has the option of imposing such requirements. At the time the HOME funds are committed, the homeowner must be low-income and must live in the home as his/her principal residence.

Homebuyer Housing

During the long-term affordability period, homebuyers who receive HOME-assistance to purchase their homes must continue to live in the HOME-assisted property as their principal residence. Although the assisted homebuyer must be low-income at the time the HOME funds are committed, once the qualified homebuyer purchases the property there are no further income limit requirements that apply to the existing homeowner.

However, if the assisted homebuyer sells his/her property during the affordability period, who can buy the property and whether the PJ recaptures any funds are determined by the provisions of the recapture or resale agreement that the PJ executed with the homebuyer at the time the HOME assistance was committed.

The long-term affordability period for HOME-assisted homebuyer housing is determined by the per-unit amount of HOME assistance that enabled the homebuyer to purchase the property, as follows:

- If the per-unit HOME assistance is less than \$15,000, the affordability period is five years.
- If the per-unit HOME assistance is between \$15,000 and \$40,000, the affordability period is ten years.
- If the per-unit HOME assistance is greater than \$40,000, the affordability period is 15 years.

The method for determining the amount of “HOME assistance,” for the purposes of determining the period of affordability, varies depending on whether the PJ

chooses to use a recapture option or a resale option for controlling home sale during the affordability period.

The recapture option and the resale option respond to different market conditions. In its Consolidated Plan, the PJ must describe the recapture or resale guidelines it will use for each homebuyer program. The PJ may establish more than one type of option for the same program, provided the PJ advises the homebuyer about which option will be used before the HOME funds are committed. These provisions should be explained to homebuyers in simple terms, and included as part of the closing documents so that a homebuyer fully understands his/her obligations during the affordability period and how the recapture or resale provisions will be applied upon the sale of the property or when the property ceases to be the homebuyer’s principal residence. Some PJs execute a separate written agreement with homebuyers to evidence that the homebuyer understands and agrees to the recapture or resale requirements.

Recapture Option

Recapture is a mechanism for the PJ to recover all or a portion of the direct HOME assistance if the initial HOME-assisted buyer decides to sell the house during the affordability period. Recaptured funds must be reinvested in other HOME-eligible activities to preserve affordability. The recapture option is often the simplest for most PJs. When a recapture option is used, the homeowner is at liberty to sell the HOME-assisted property to any buyer, at any price the market will bear.

When a PJ uses a recapture option, the period of affordability is based on the amount of direct HOME assistance that enables the buyer to purchase the unit. This includes any HOME assistance that reduces the purchase price from fair market value to an affordable price, or otherwise directly subsidizes the purchase by the homebuyer (such as downpayment assistance, closing cost assistance, mortgage financing, or interest rate buy-downs). This does not include any “development subsidy” which is the amount of HOME assistance in excess of fair market value that is used to produce the unit.

If sale to a new owner occurs during the affordability period, the PJ can choose to:

- Recapture the entire amount of the direct HOME assistance, or, when HOME funds are loaned, any outstanding loan balance on a HOME loan.
- Forgive a portion of the direct HOME assistance based on the length of time the homebuyer has occupied the home, in relation to the period of affordability. For example, the PJ might forgive 50 percent of the assistance amount for an owner who sold the home halfway through the period of affordability.
- Share the net proceeds, when the proceeds are insufficient to repay the full amount of HOME assistance. Net proceeds are the sales price minus the repayment of any non-HOME loan balance and closing costs that were financed by the homeowner. Net proceeds may be divided proportionally based on the ratio of the HOME assistance to the sum of the homeowner's investment (downpayment and any documented capital improvements financed by the homeowner) plus the HOME assistance.
- Permit the repayment of the homeowner's investment in full before any HOME funds are recaptured. The homeowner's investment includes any downpayment and documented capital improvements financed by the homeowner. The HOME subsidy is then repaid only to the extent that net proceeds are available.

The PJ must deposit all recaptured HOME funds in the PJ's HOME Investment Trust Fund account, unless the PJ permits a state recipient, subrecipient, or CHDO to retain recaptured funds in accordance with a written agreement. Recaptured funds must be used for HOME-eligible activities, in accordance with all HOME requirements. Recaptured funds are generally treated as program income, with the exception that ten percent of the recaptured funds may not be used for eligible administrative and planning costs since recaptured funds are a return of the original HOME investment (and the ten percent administrative funds have already been calculated on the original allocation).

Under the recapture option, once the recapture occurs, the long-term affordability period terminates and HOME requirements no longer apply to the property. The home can be sold to any homebuyer, regardless of income.

For more information on recapturing funds, see HUD Notice CPD-97-9, *HOME Program Income, Recaptured Funds, Repayments and CHDO Proceeds*, available online at: <http://www.hud.gov/offices/cpd/affordablehousing/lawsandregs/notices/>.

Resale Option

The resale option ensures that the HOME-assisted unit remains affordable over the entire period of affordability, even in the event of a subsequent sale. This option is often preferred by PJs in high cost or rapidly appreciating housing markets. Using this option, the PJ may either require the owner to sell to another eligible low-income homebuyer or establish a "presumption of affordability." When the resale option is used, the period of affordability is based on the total amount of HOME funds used to assist the acquisition, development and purchase of the housing (i.e., the HOME investment).

Sale to an Income-Eligible Homebuyer

This option requires the following criteria to be met:

- The new purchaser must be low-income and occupy the property as the family's principal residence.
- The sales price must be affordable to a reasonable range of low-income homebuyers, as defined by the PJ. Many PJs choose to establish the maximum sales price by calculating the maximum principal, interest, taxes, and insurance (PITI) that could be paid by a reasonable range of low-income households without exceeding 30 percent of gross income (a widely used standard of housing affordability).
- The original homebuyer, now the home seller, must receive a fair return on his or her investment, as defined by the PJ. The PJ should identify its method for determining a fair return in the written resale documents that apply to the property. The homeowner's investment includes any downpayment, loan principal payments, and capital improvements financed by the homeowner.
- Once an affordable price that offers a fair return to the seller is established, a PJ may choose to require the repayment of all or a portion of the HOME grant or loan upon resale, should net

proceeds from the sale allow this. This is most likely to occur in housing markets where prices are appreciating.

Presumption of Affordability

This option relies on the presumption that a specific neighborhood in its entirety is affordable and that it will continue to remain affordable for the foreseeable future, and therefore, any sale within that neighborhood will be affordable. In other words, market forces will ensure the continued affordability of HOME-assisted properties, and the PJ can presume the property will be sold at an affordable price to another low-income household. In order to rely on a presumption of affordability, the PJ must demonstrate that the neighborhood is, and is likely to remain, affordable. To do this, the PJ must undertake a market analysis and document the affordability of the neighborhood in accordance with specialized procedures established by HUD and outlined in the HOME Final Rule at 24 CFR 92.254 (a)(5)(i)(B). The PJ's methodology and conclusions must be reviewed and approved by HUD. If the PJ continues to offer homeownership assistance for housing in the neighborhood, it must periodically update the market analysis to verify the original presumptions and continued affordability.

Providing HOME Assistance to the Subsequent Buyer

Under the resale option, if a new homebuyer receives HOME assistance to purchase a property that has previously been assisted with HOME funds, the PJ may terminate the original period of affordability. A new period of affordability may be established based on the amount of the direct HOME assistance provided to the new homebuyer, regardless of when during the initial period of affordability the property is sold. The PJ also has the option of retaining the original affordability period. If no new HOME assistance is provided, the new homebuyer must assume the remaining term of the original long-term affordability period.

Resale Option with Development Subsidies

The resale option must be used when HOME assistance is provided only as a development subsidy and there is no direct HOME assistance to the homebuyer. The development subsidy is the difference between the cost to develop housing and the fair market value.

This type of subsidy is generally used in markets where the development costs exceed market value. Note that when the resale option is used, the affordability period is based on the total amount of HOME assistance invested in the housing and not on the amount of the development subsidy.

For example, the PJ provides \$50,000 in HOME assistance as a construction loan to a developer. The appraised value after construction is \$45,000 because of neighborhood and market conditions. The house is sold for the fair market value of \$45,000. The \$5,000 difference between the \$45,000 sales price and the \$50,000 construction loan represents a development subsidy provided to the developer. Since there is no direct assistance to the homebuyer in this instance, the resale option must be used. The affordability period is fifteen years, based on the total amount of the HOME investment, or \$50,000.

Sometimes HOME assistance is structured so that both a development subsidy and assistance to the homebuyer are provided. When this happens, the PJ has the option of imposing either resale or recapture requirements. If the resale option is used, the minimum affordability period must be based on the total amount of HOME funds invested in the acquisition and development of the property plus any additional HOME funds directly assisting the homebuyer (e.g. downpayment and closing cost assistance). If the recapture option is used, the minimum affordability period is based on the amount of HOME assistance that enabled the homebuyer to purchase the property, as described above under the Recapture Option.

Enforcing Resale and Recapture Provisions

To enforce both resale and recapture provisions, PJs must execute an appropriate written agreement with the homebuyer. In addition, in order to enforce the resale provisions (except when a "presumption of affordability" has been approved by HUD), the PJ must impose a deed restriction, covenant running with the land, or similar mechanism approved by HUD. It is also a good business practice to use these mechanisms to enforce the recapture provisions as well. Most lenders and secondary market entities have loan products that accommodate these provisions, as long as they allow for the deed restriction or other restrictions

to be lifted in the case of foreclosure. PJs can address lenders' concerns, as the HOME Program permits the affordability restrictions to terminate upon foreclosure. PJs should be aware, however, that in the event of a foreclosure, while a deed or other restriction is terminated for purposes of clearing title, the PJ's obligation to provide affordable housing for the period of affordability is not terminated. The PJ's failure to meet this obligation may result in the repayment of HOME funds.

For more information on resale and recapture provisions

For more information on selecting and structuring a resale or recapture option, see *Using HOME Funds for Homebuyer Programs: Structuring Resale and Recapture*, HUD-1674-CPD. For a copy of this model program guide, see HUD's Office of Affordable Housing Programs online library at <http://www.hud.gov/offices/cpd/affordablehousing/library/modelguides/index.cfm>. Further guidance on resale and recapture provisions is provided in HUD's *HOMEfires* Volume 4, Number 4, October 2003 and Volume 5, Number 5, November 2003. These *HOMEfires* are also available at HUD's Office of Affordable Housing Programs online library at <http://www.hud.gov/offices/cpd/affordablehousing/library/homefires/index.cfm>.



Appendix 4

Infrastructure Needs and Assets Checklist

The following checklist reviews the major components of a neighborhood's infrastructure. To complete the checklist:

- 1) Record observations about the condition of each infrastructure component.
- 2) Classify each component as an infrastructure need or asset. (Infrastructure needs require repair, upgrade, or complete replacement. Infrastructure assets require minimal investment.)
- 3) List the investments (repairs, upgrades, and system replacements) needed for the component to meet current and future needs.

Transportation Components	Condition	Need or Asset	Investments Needed
Local Roads		<input type="checkbox"/> Need <input type="checkbox"/> Asset	
Parking		<input type="checkbox"/> Need <input type="checkbox"/> Asset	
Alternative Transportation Systems		<input type="checkbox"/> Need <input type="checkbox"/> Asset	
Water System Components	Condition	Need or Asset	Investments Needed
Water Delivery System		<input type="checkbox"/> Need <input type="checkbox"/> Asset	
Wastewater System		<input type="checkbox"/> Need <input type="checkbox"/> Asset	
Stormwater System		<input type="checkbox"/> Need <input type="checkbox"/> Asset	

Open Space Components	Condition	Need or Asset	Investments Needed
Parks, Playgrounds, and Other Open Space		<input type="checkbox"/> Need <input type="checkbox"/> Asset	
Open Space Furnishings (e.g., benches, waste receptacles, fountains)		<input type="checkbox"/> Need <input type="checkbox"/> Asset	
Utility Components	Condition	Need or Asset	Investments Needed
Electrical		<input type="checkbox"/> Need <input type="checkbox"/> Asset	
Gas		<input type="checkbox"/> Need <input type="checkbox"/> Asset	
Telephone		<input type="checkbox"/> Need <input type="checkbox"/> Asset	
Internet		<input type="checkbox"/> Need <input type="checkbox"/> Asset	
Community Lighting Components	Condition	Need or Asset	Investments Needed
Street Lighting		<input type="checkbox"/> Need <input type="checkbox"/> Asset	
Lighting in Parks, Playgrounds, Other Open Spaces		<input type="checkbox"/> Need <input type="checkbox"/> Asset	