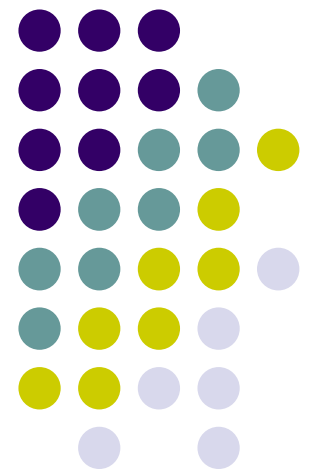
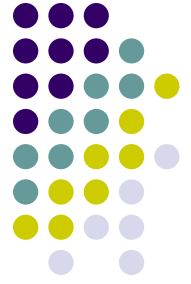


MAKING EQUITABLE REVITALIZATION A REALITY

**Alan Mallach, Senior Nonresident
Fellow, The Brookings Institution**

**Mayors Innovation Project
Summer 2008 Meeting**





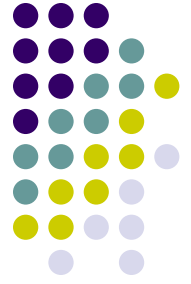
Equitable revitalization

A neighborhood's health is powerfully driven by the extent to which it has a competitive housing or real estate market; that is, the extent to which individuals **choose** to live in that area rather than other areas to which they could move.



Equitable revitalization

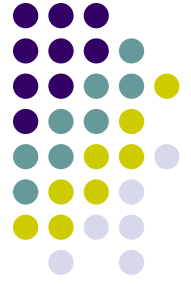
- A neighborhood where nobody **wants** to live, and where people live only because they have no other choices, will not be a healthy neighborhood.
- As people who live in such a neighborhood gain choices, they move out.



Equitable revitalization

Healthy neighborhoods are neighborhoods of choice – a neighborhood of choice is a neighborhood where:

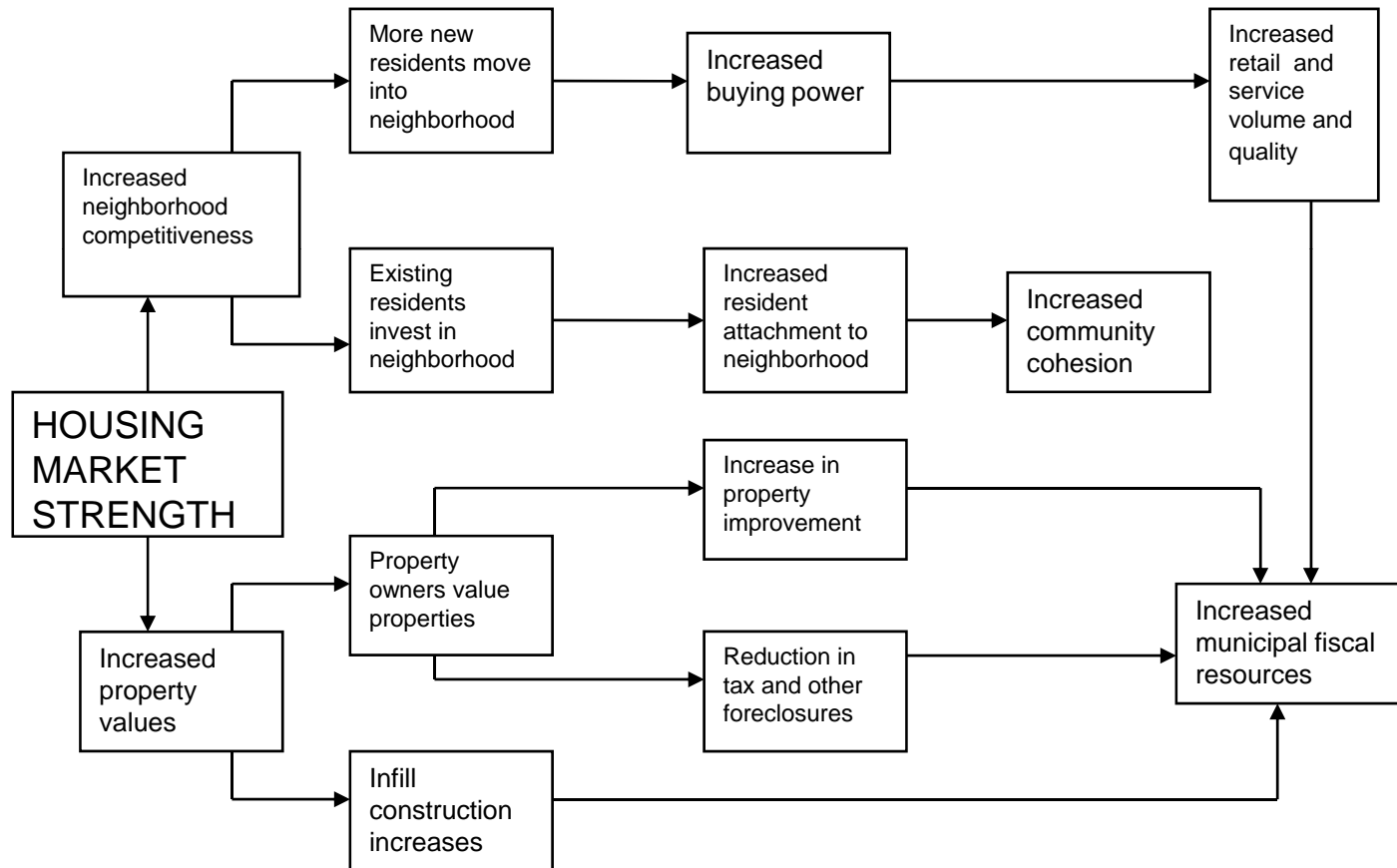
- People who have enough income to choose between neighborhoods **choose** to move into the neighborhood
- People who have enough income to leave the neighborhood **choose** to stay

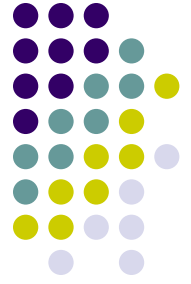


Equitable revitalization

- Choices are reflected in housing market strength – the more people choose to stay in or move into the neighborhood, the stronger the local housing market becomes.
- Housing market strength translates into other positive neighborhood changes

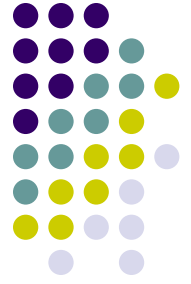
Equitable revitalization





Equitable revitalization

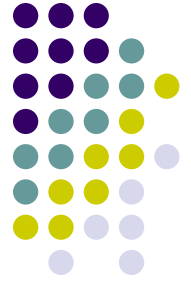
- The same dynamics of housing market change that can build stronger neighborhoods can also destabilize neighborhoods, impose excessive cost burdens on residents, and push them out of their neighborhoods



Equitable revitalization

Creating healthy, economically integrated neighborhoods demands two things:

- Building the housing market - turning neighborhoods into neighborhoods of choice that attract a diverse economic mix of residents
- Preserving opportunities for lower income people to remain in the neighborhood – fostering equitable redevelopment.



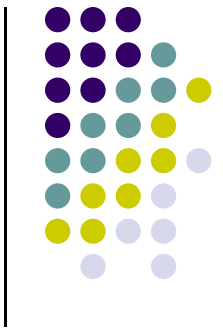
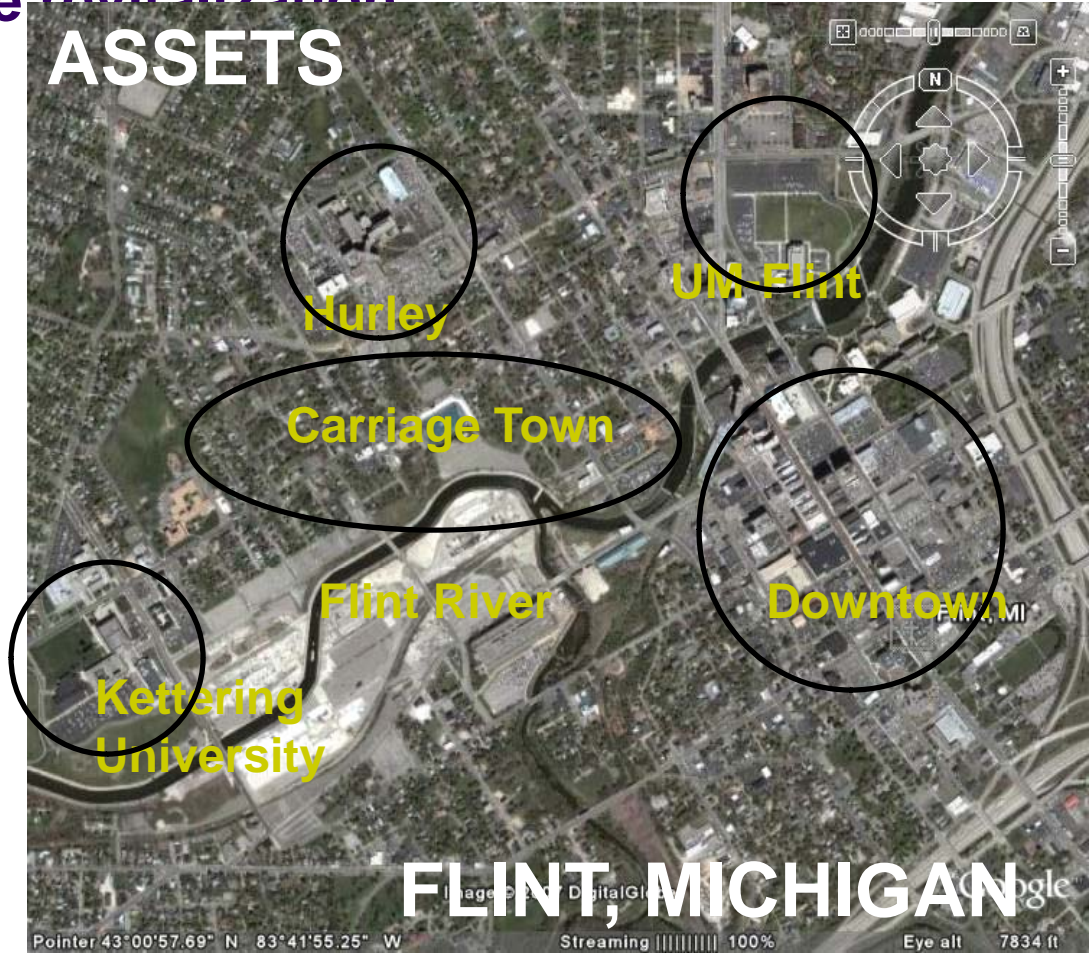
Equitable revitalization

Before one can build the market, one must understand the neighborhood from a market perspective:

- What are its physical features?
- What are its market conditions and which way are they trending?
- What are the problems discouraging market activity?
- What are the assets that can potentially help build the market?

Equitable revitalization

ASSETS



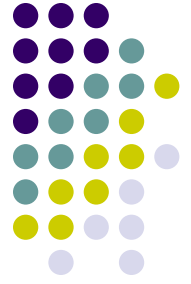


Equitable revitalization

How do you build a neighborhood housing market?

- Increase the desirability of the neighborhood's housing stock
- Increase neighborhood stability
- Increase neighborhood amenity value and quality of life

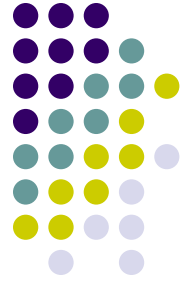
These are all ways of influencing consumer choices



Equitable revitalization

Increasing the desirability of the neighborhood's housing stock:

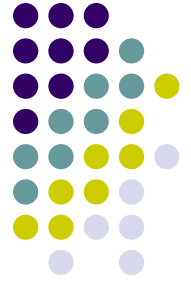
- Physical characteristics of housing do not reflect market demand
- Cost to build or rehabilitate housing exceeds market value of new or improved property
- Properties in neighborhood are not appreciating, or are losing value
- Potential buyers are unaware of availability of desirable housing stock



Equitable revitalization

Increasing neighborhood stability:

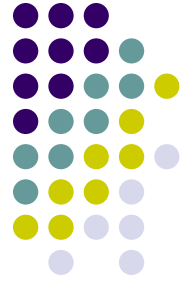
- **Reduce** property abandonment
- **Reduce** foreclosures
- **Reduce** concentrations of poverty
- **Reduce** crime
- **Increase** homeownership rate
- **Increase** property investment by owners



Equitable revitalization

Enhancing neighborhood amenity value and quality of life:

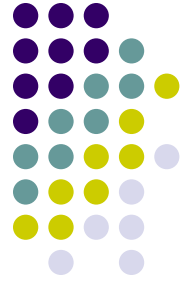
- Neighborhood appearance (curb appeal)
- Parks and open space
- Economic opportunities
- Transportation
- Shopping and services
- Schools



Equitable revitalization

How do you preserve opportunities in appreciating neighborhoods for lower income people?

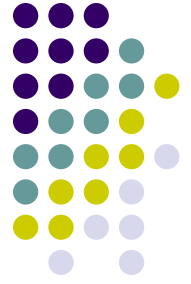
- Preserve and/or expand the affordable housing stock
- Prevent or mitigate involuntary displacement
- Build resident incomes and wealth



Managing neighborhood change

Preserving and expanding the affordable housing stock:

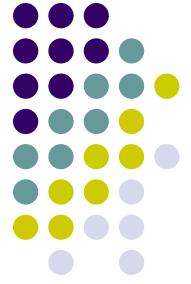
- Preserve existing subsidized or affordability controlled housing
- Preserve affordability in the private market housing stock
- Convert private market housing into affordability-controlled housing
- Create new affordability controlled housing



Equitable revitalization

Preventing or mitigating involuntary Displacement:

- Homeowners
- Tenants in private market housing
- Tenants in publicly-assisted or affordability-controlled housing.



Equitable revitalization

Building resident incomes and wealth

- Job strategies
- Business development strategies

This is a complementary, not a primary, strategy for equitable revitalization – even if effective, most residents will not see incomes rise at same rate as prices.



Equitable revitalization

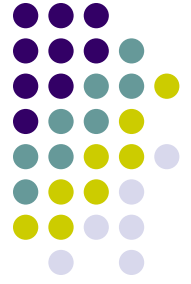
- Affordable housing preservation and creation strategies are development-oriented
 - ➔ **they require money**
- Strategies to prevent displacement are more regulatory
 - ➔ **they require legal authority.**



Equitable revitalization

Both require more than money or legal authority:

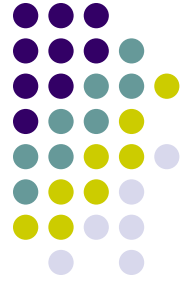
→ They require political will



Equitable revitalization

Timing is everything

- Each market building or equitable revitalization strategy ‘fits’ better or worse, depending on current market conditions and market change taking place in the neighborhood



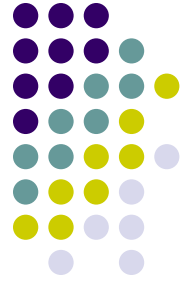
Equitable revitalization

For market-building activities, the key question is:

- ***what are the current market conditions in the neighborhood?***

For equitable revitalization, the key question is:

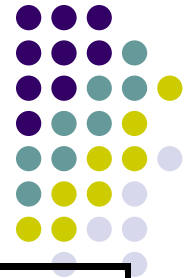
- ***what is the course of market change in the neighborhood?***



Equitable revitalization

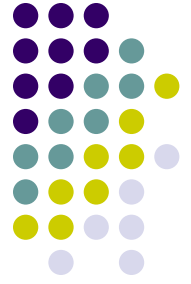
How can one know whether and how a neighborhood is changing?

- Track market change through indicators of change:
 - House price trends
 - Incomes of new homebuyers
 - Volume of real estate activity
 - Vacancies/abandoned properties
 - Tax delinquencies



Equitable revitalization

STAGE OF CHANGE	INDICATORS OF CHANGE
1	Slight improvement in market conditions – property values and rents still low, slight increase in speculative, large market gap, continued disinvestment/abandonment
2	Moderate improvement in market conditions – moderate property values, increased sales (more LM homebuyers), reduced market gap and disinvestment/abandonment
3	Strong improvement in market conditions – property values increasing, increase in homebuyers and homebuyer incomes, market gap and disinvestment disappearing
4	Strong improvement in market conditions – moderately high values, many economically diverse owner-occupant buyers, development moderately profitable, high maintenance level
5	Sustained strong market conditions – high property values and rents, homebuyers mostly middle/upper income, development very profitable, consistently high maintenance.

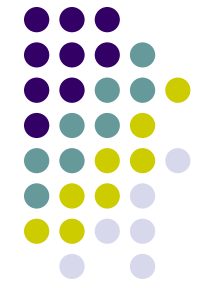


Equitable revitalization

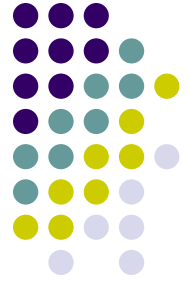
Evaluate and change strategies as neighborhood market conditions change:

- Track neighborhood market change
- Change the mix of market-building and equitable revitalization strategies as market conditions change
- Change specific strategies and activities to reflect changes in neighborhood conditions

Equitable revitalization



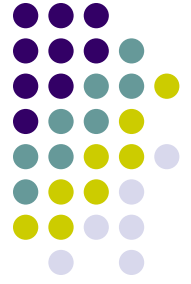
STRATEGY	STAGE OF NEIGHBORHOOD CHANGE					
	0	1	2	3	4	5
Rehab grants and loans to landlords		*	**	*	*	*
Rent control ordinance		*	*	**	**	**
Tenant right of first refusal ordinance	*	*	**	***	**	*
Acquisition of privately-owned properties	*	*	***	**	*	
Land bank for future affordable housing	*	**	***	**	*	
Inclusionary zoning ordinance			*	**	**	***



Equitable revitalization

All neighborhoods are different

- Each neighborhood has different assets and problems that create different conditions for market change and different opportunities for equitable revitalization.
- There is no one “right” economic mix for a neighborhood – different people seek out different neighborhoods for different reasons.
- In the end, the mix must be driven by the neighborhood’s characteristics and assets.

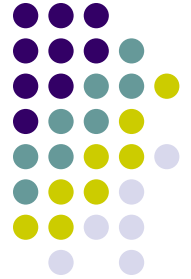


Equitable revitalization

Neighborhood change happens in a citywide and regional context:

- Opportunities for economic mix are both created and limited by citywide and regional housing markets.
- Neighborhood strategies should be designed to work within the framework of citywide economic growth strategies.
- The need for affordable housing strategies is affected by affordable housing opportunities elsewhere in city and region.

Making equitable revitalization a reality



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