



---

PAPER DELIVERED

*HAWAII INTERNATIONAL CONFERENCE  
ON SOCIAL SCIENCES  
MAY 30 - JUNE 2, 2012*

WAIKIKI BEACH MARRIOTT HOTEL  
WAIKIKI, HAWAII

---

## **A Sustainable Redevelopment Template for Urban Neighborhoods**

---



Copyright Bruce Frankel 2011

**Bruce Frankel, Ph.D., AICP**

Professor of Urban Planning



CONTENTS

Contents .....	2
Means of Contact .....	5
<i>Biography Bruce Frankel</i> .....	5
Abstract .....	6
Preamble .....	6
<i>Relating Economic Development to Community Redevelopment</i> .....	6
<b>PART A: Redevelopment Strategies</b> .....	<b>9</b>
<i>Bifurcated Strategies</i> .....	9
<i>Seven Redevelopment Strategies</i> .....	9
1. Collective Action.....	11
2. Regulatory Impact.....	11
3. Partnering.....	13
<i>Chart of Public Sector Instruments for Partnering</i> .....	13
A. Regulation .....	14
B. Subsidization.....	15
C. Participation.....	15
D. Non-Governmental Organization.....	16
4. Corporate Sponsorship .....	17
5. Business Model.....	18
<i>Introduction</i> .....	18
6. Synergy of Investment as a “Strategy of Indirection” .....	20
7. Synthetic Reality .....	21
<i>Synergy of Investment</i> .....	21
<i>Return on Investment</i> .....	21
<i>Amalgem of Redevelopment Strategies Applied</i> .....	21
<b>PART B: Neighborhood Conditions Strategic to Redevelopment</b> .....	<b>23</b>
<i>NRSA Strategy</i> .....	23
<b>SITE SELECTION as a Strategy</b> .....	<b>23</b>

*NRSA Evaluation Criteria* .....24

*NRSA Scoring*.....25

**PART C: A Matrix: Relating Neighborhood Strategy to Conditions** .....27

**PART D: The Redevelopment Model** .....29

*Thematic Tradition*..... 29

    Sustainable Market Shift..... 29

    Strategic Choices ..... 29

*The Logic of A Neighborhood Redevelopment Strategy*..... 30

    Five-Step Model ..... 30

    STEPS 1 & 2: NRSA Selection & Path of Redevelopment ..... 32

    STEP 3: Block by Block..... 33

    STEP 4: Apply Strategic Responses to Conditions ..... 35

*Strategy A: Mixed-Income Solution*..... 35

            Simplified Example..... 35

            Actual Examples..... 37

*Strategy B: Model of Sustainable Financing*..... 41

*Strategy C: for Vacant Mixed Use Downtown*..... 42

*Strategy D: Innovative Tax-Increment & Tax Credit Financing*..... 44

        Summary of Findings ..... 44

*Strategic Use of Financial Instruments* ..... 45

            Tax Increment & Tax Credit Financing ..... 45

            Dedication of State Taxes ..... 45

            Smarter Investments ..... 45

            Sustainable Strategy..... 46

    STEP 5: Community Self-Determination & Quality Control..... 46

**PART E: Revealing the Nuances of Redevelopment Financing** ..... 47

*Concept of Tax Incentive Financing*..... 47

*Tax Increment Financing*..... 47

*Power of the Illinois TIF and Indiana HoTIF* ..... 48

        TIF under Illinois Municipal Code ..... 48

        Effective Property Tax Rates by Land Use in Chicago ..... 49

        TIF as Financing Private Improvements ..... 49

TIF as the Sole Requisite Subsidy for Affordable Housing.....52

*Tax Credit Financing*..... 54

    Chronology of Tax Credit Programs .....55

*Cumulative Results*..... 56

    Chart of Selective Tax Credit Programs & Their Capital Yields.....57

**PART F: Capacity–Building Action Agenda.....58**

*Organize*..... 58

*Knowledge, Strategic Planning, Leadership* ..... 58

*End Game* ..... 59

*Formulation of a Local Redevelopment Strategic Plan* ..... 59

        Process.....59

        Strategy.....59

*Neighborhood–Based*.....59

*Holistic*.....60

*Indirect* .....60

*Business Plan*.....60

*Corporate Sponsors*.....60

*Impactful Strategy*.....60

        Capability.....61

*Framework*.....61

*Tax Increment & Tax Credit Financing* .....61

*Dedication of State Taxes* .....62

*Smarter Investments* .....62

*Sustainable Strategy*.....62

**PART G: Recapitulation of Redevelopment Principles.....63**

*Create A Market*..... 63

*Select NRSA Wisely* ..... 63

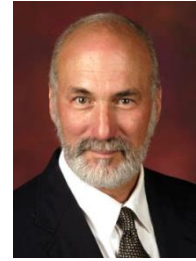
*A Template: Apply Strategy to Match Conditions* ..... 63

*Build & Deploy Capacity Creatively*..... 63

## MEANS OF CONTACT

---

Bruce Frankel, PhD, AICP  
Professor of Urban Planning &  
Head, Real Estate Development Program  
Ball State University  
AB 307  
Muncie, IN 47306  
PH: 765-285-5869  
FAX: 765-285-2648  
[bfrankel@bsu.edu](mailto:bfrankel@bsu.edu)



### BIOGRAPHY BRUCE FRANKEL

---

Since 2002 Bruce Frankel has served at Ball State University as a Professor of Urban Planning, Department Chair, and now directs the new interdisciplinary undergraduate and graduate programs in Real Estate Development. Prior to his current engagement, Dr. Frankel taught at Rutgers University and the University of Pennsylvania, and devoted twenty-four [24] years of full-time professional practice in running a local community development program and a private, public interest land development/ redevelopment firm concentrating on suburban infill and inner-city projects.

His doctorate is in city planning/ economics from the University of Pennsylvania, where he also received the professional Masters in City Planning. Dr. Frankel has held state licensure or professional certifications in planning, real estate brokerage, historic preservation, commercial appraisal, environmental risk assessment, construction management, and specialized health care facility management.

He is engaged across the essential cities and towns of Indiana in public service and in championing Muncie's neighborhoods. He is founder and President of the *Indiana City Corporation*, a statewide nonprofit entity serving the public's interests in planning and community development, and the *Muncie Neighborhood Redevelopment Corporation*, a redeveloper block by block of residential and commercial properties in economically impacted areas of the city. He also founded the *Emily Kimbrough Neighborhood Development Committee*, the only publicly-elected, city-recognized organization representing an historic district in the nation, and the new *Council of Neighborhoods*. He resides in the downtown Kimbrough Historic District with his wife and five children.

## ABSTRACT

---

Neighborhood reinvestment is constructed from six [6] distinct strategies, associated with sixteen [16] criteria reflecting neighborhood conditions, and representing both assets and liabilities. In essence, a redeveloper should select the neighborhood for the strategy, and vice-versa. This strategy/conditions matrix is explained through case histories and constitutes a template for neighborhood redevelopment. The association of the proper strategy for neighborhood conditions is a general postulation, with the larger purpose to frame a discussion over both neighborhood and strategy selection.

A five-step redevelopment model is constructed. Within that model are more particular strategies: [a] in mixing household incomes as the innovative means to achieve neighborhood stabilization and developer subsidies for affordable housing, [b] the specialized application for adaptively reusing downtown vacancies, and [c] the proper use of tax-increment and tax-credit financing. We demonstrate how each strategy is financially underwritten and involving sustainable financing in the form of a perpetual revolving fund; requisite subsidies are generated by the project, and, in this sense, financed by the developer.

The model presents dual objectives: [a] to utilize and leave in the project as little, if any, direct governmental subsidies, such as CDBG, HOME and NSP funds, and [b] to reinvest through instruments, such as tax credits, that do not depend on market conditions, cash flows and capital gains. These objectives become increasingly relevant in an emerging era of reduced public support for neighborhood redevelopment.

The aim is universal application of this model to any urban neighborhood, and especially those highly impacted economically. These strategies are designed to create a market. As such, sustainable neighborhood reinvestment should attract the attention of planners, neighborhood associations and action heroes, as well as redevelopment commissions. Deploying these methods, the author has managed redevelopment projects creating over 1,500 units of affordable housing and over \$220 million in nonresidential urban amenities.

## PREAMBLE

---

### **RELATING ECONOMIC DEVELOPMENT TO COMMUNITY REDEVELOPMENT**

---

Sometimes we mislead ourselves into the notion that the best path to jobs and income, or economic development, is an economic development strategy. That strategy focuses on making the cost of business cheaper, thus attracting firms to start, stay [retain] or relocate [attract]. The typical measures are minimized regulation, and reducing the cost of one or more factors of production. Land can be a gift and taxes on it and its improvements reduced. The labor or work force can be retrained, and taxes on labor reduced. Capital can be made readily available and inexpensive through low-cost debt. These are supply-side strategies that ignore demand requirements for economic growth

Second, we are fooled into thinking that the elimination of blight by itself and ignoring reinvestment is an effective redevelopment strategy. Many cities and towns have reverted to demolition as a “back to the future” strategy of eliminating blight, reminiscent of the clearance activities endemic to the urban renewal wave of the 1960’s and 70’s. These communities justify demolition as factually based on their loss of population, concomitantly with the loss of jobs, and the calculus that the cost of acquisition and rehabilitation would exceed the hypothecated market value of the property. Each argument is false and leads to a counter-productive conclusion.

Third and last, once we become committed to a community development course, often the strategy is project-based as distinct from neighborhood-based. HOPE VI is a housing project, and, as practiced, stabilizes the host neighborhood without spillover investment. As a market-based, housing affordability strategy, Section 8, with its limits on “fair market rents,” removes all rewards for reinvestment by tying their facilities to a market average. Even comprehensive projects of neighborhood redevelopment and within a broader sea of blight often are not strategically invented. They often do not pick the right neighborhood or even starting point within, and do not match an appropriate strategy to neighborhood conditions.

The central object of community development is reinvestment and the creation of a market in the micro-economy of a neighborhood. Public stimulus, typically in the forms of capital and operating subsidies, investment guarantees, and anchor tenancies, is there solely to induce private investment. By way of its “critical mass” the public action cloaks the current and historic market of neighborhood disinvestment with the simple and game-changing expectation that tomorrow will be better than today. All markets, including securities, commodities and real estate, run on this anticipation, and that is no “bull.”

Demolishing blight by itself leads nowhere. Admittedly, getting smaller in a place of a dwindling economy and population seems to serve the interest of sustainability. However, we face the inexorable fact that supply is a determinant of demand and there is not very much demand to live or to conduct a business in a slum. Loss of jobs and people is a symptom of a failed economy and degraded quality of life, not its underlying cause. I am optimistic that “if you rebuild it, they will come.”

The aforementioned test for demolition as the investment will be “under water” to the property’s market value assumes no market impact post redevelopment and its effect is to preclude any reinvestment in an under-performing micro-economy. If the city’s community development office were a bank we could call this red-lining and a criminal violation under the Community Reinvestment Act. Appraisals ignoring market impact are fallacious, yet commonly accepted. No banker ever lost his or her job because they did not make a loan. Hence, we offer Detroit.

The indirect, but effective, path to economic development is community development, and for the following reasons:

1. The location decisions of firms depend primarily on the quality of place. Yes, the availability of the factors of production [land, labor and capital] and the factor of transportation access count, but a talented labor pool and the personal preferences of executives who make those location decisions hinges on the quality of place, revolving around the notion of a livable community. Columbus, Indiana, as sponsored by Cummins Diesel Corporation, discovered this several decades ago<sup>1</sup>.
2. The untapped, undervalued assets of many economically-impacted neighborhoods and business districts of Indiana's cities and towns are in its "private infrastructure." We seem to find economic stimulus in rebuilding public infrastructure, but it is in rebuilding abandoned, vacant and blighted housing and commercial real estate that not only provides for jobs but livable communities, as mentioned above. In both senses, community redevelopment is economic development.
3. There are untapped human resources to be developed, and perhaps a derivative of my "collective action" and "community organizing" strategy, where institutions and programs become a vital part of the infrastructure of a community. My focus in this regard is upon nurturing the creative class and discussed later. Others may focus on family, for recapture from their suburban exiles, or the needs of specific groups other than this class of budding entrepreneurs, fine and performing artists, and associated NGO's that promote their creativity. Michigan's "cool cities" campaign is presented as an economic development strategy for its cities and towns and presents a coherent set of features for attracting the creative class.
4. Rebuilding communities represents a permanent investment. Providing subsidies to industry may prove transitory. Traditional business attraction and retention campaigns all impact the corporate balance sheet, but are either transportable or are lost if that industry should either fail or relocate to another community<sup>2</sup>.

---

<sup>1</sup> Since 1954 with the advent of the Cummins Engine Foundation there was an investment in architectural design and civic improvement, and which intensified under the chairmanship of J. Irwin Miller in attracting public building designs by I.M. Pei, Eero Saarinen, Kevin Roche and Cesar Pelli.

<sup>2</sup> Commonly provided through tax abatements, tax credits, specific job training, low cost capital, and recruiting trips to the Far East and Europe. Accordingly to Professor Michael Hicks "business attraction and retention efforts account for fewer than five percent of all jobs created in Indiana...A far less visible, but far more important part of economic development in is in the creation of places where people want to live. This is harder, more time consuming, but far more fruitful and lasting than relying solely on business attraction." Also, House Bill 1338 introduces a change to Indiana's tax incentives, adding what is known as a "clawback" provision. This requires businesses that receive tax incentives but have not met their stated jobs or investment goals to repay all or part of these incentives.



## PART A: REDEVELOPMENT STRATEGIES

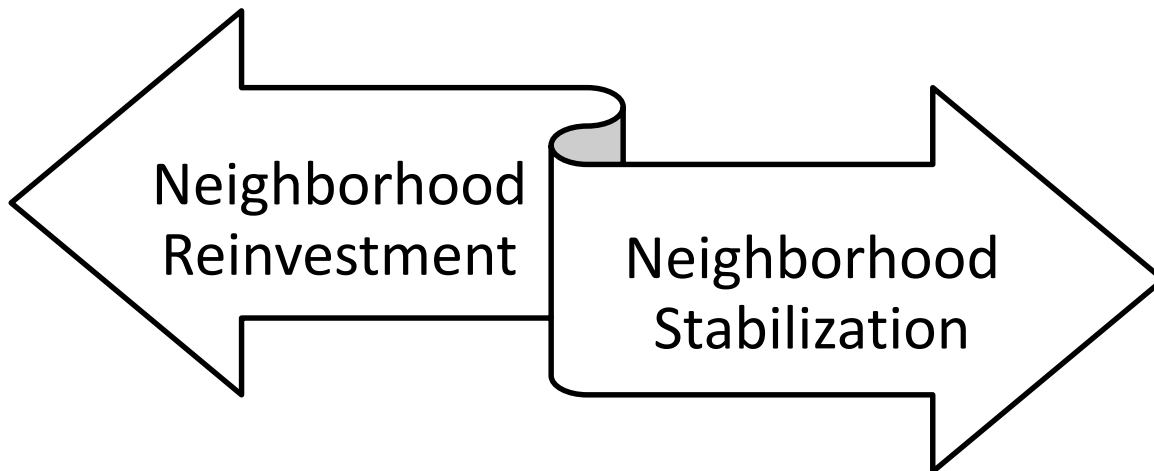
---

### BIFURCATED STRATEGIES

---

Neighborhood reinvestment is distinguished from stabilization. Reinvestment is suited to areas of disinvestment, where the values and physical condition of properties have been declining. These are economically-impacted neighborhoods, where tomorrow is expected to be worse than today, and where reinvestment must be “jump-started.”

In contrast, neighborhood stabilization is associated with areas of traditional investment, under threat of destabilization from a blighting influence, such a locus of property foreclosures or environmental hazards. Here the “cancer,” intrusive rather than endemic, must be remedied and neighborhood health restored.



### SEVEN REDEVELOPMENT STRATEGIES

---

There are six [6] fundamental approaches to redevelopment. As usually found in combination, we add a synthetic seventh:

---

## 1. Collective Action by Stakeholders

---

*...investors working in concert can change market perceptions, thus creating a market as all markets are created...that tomorrow will yield a brighter day and that investment is sustainable [e.g., just manage to host 400 property owners at your wine and cheese party]*

---

## 2. Regulatory Impact

---

*...another form of collective action resulting in public policies with impact on community problem-solving [e.g., NJ and affordable housing]*

---

## 3. Partnerships Among Economic Sectors

---

*...each economic sector performs a uniquely useful role in redevelopment: for-profit to raise capital and manage efficiently; public to subsidize, regulate or anchor; nonprofit to make eligible public and foundation programs and to redistribute resources in the public interest*

---

## 4. Corporate Sponsorship

---

*...corporate or its foundation underwriting of a redevelopment strategy [e.g., Judith Rodin, The University and Urban Renewal] and typical of the form of mortgage guarantees, anchor tenancy, etc.*

---

## 5. Business Model

---

*... redevelopment areas have undervalued assets that, once improved, can realize a positive return on investment [e.g., NTHP model]*

---

## 6. Synergy of Investment as a "Strategy of Indirection"

---

*..."connecting the dots" means seeing inter-relationships, as so production in one factor of redevelopment is dependent on progress in one of its key determinants, and then vice-versa [e.g., downtown retail depends on the demand side, so invest in downtown housing]*

---

## 7. Synthetic Reality

---

*...the reality is the combination of the above*

---

---

## 1. COLLECTIVE ACTION

---

Collective action is political or civic. It is featured as:

1. The art of “communicative planning,” defined as the engagement of the “stakeholders” of the affected community in highly substantive political discourse in identifying area redevelopment projects and formulating a plan of action; typically this “art” embraces the “charrette” process, aiming to resolve all significant issues preliminary to plan adoption and its implementation by the legislative body of the jurisdiction. Stakeholders, including public officials, civic leaders and citizens, are presumed equal in station, but the process honors expertise and the truth, and requires honesty, commitment and project champions. Its collateral product is community organization and political mobilization, enabling plan adoption and implementation.
2. Volunteer efforts at the neighborhood level, epitomized by neighborhood and business associations, and, sometimes, incorporated as nonprofit entities
3. Policy initiatives at the local level, such as the creation of a local historic district, business improvement district, or an allocation area [TIF district]; it impacts legislative and executive functions of local government and enjoys the support of the persons affected [stakeholders].
4. Organizing for lobbying, which is the process of inducing some other entity [intergovernmental aid, State/ Federal legislative or regulatory reform, corporate foundation giving] to assist in a local redevelopment effort

Whatever brand of collection action results, collective action is fundamental to all strategic approaches, because it is political. I propose for consideration that it is politics that lies at the heart of the success or failure of places. Typically, this is in the form of leadership at the highest level [sound mayor and council], and supported, indeed enabled, by civic forces.

A subset of collective action is the formulation, adoption and enforcement of public policies. In the second redevelopment strategy we focus on laws and regulation.

---

## 2. REGULATORY IMPACT

---

As one of the co-founders of the Fair Share Housing movement in New Jersey, dating from the first Mount Laurel<sup>3</sup> decision, I have appreciated the use of zoning to exact public interest development. In

---

<sup>3</sup> New Jersey Supreme Court in 1975 - Southern Burlington County N.A.A.C.P. v. Mount Laurel Township (commonly called Mount Laurel I). Plaintiffs challenged the zoning ordinance of Mount Laurel Township, New Jersey, on the grounds that it operated to exclude low and moderate income persons from obtaining housing in the municipality. New Jersey Supreme Court in 1983 - appeals in several of the cases, of which Southern Burlington County N.A.A.C.P. v. Mount Laurel Township was again the flagship case, gave the Court the opportunity to reaffirm and modify the Mount Laurel Doctrine and provide several methods or solutions to make the doctrine more effective. (Mount Laurel II). This led the State Legislature to adopt in 1985 the Fair Share Housing statute, providing a

this case, the 1985 New Jersey Fair Share Housing Act and associated case law has accounted for the development of 55% of the State’s new construction affordable housing need and 58% of the need for affordable housing rehabilitation.<sup>4</sup> I surmise that such regulation has proven more effective in New Jersey than the use of Federal and State expenditures in subsidizing affordable housing there.



The key to such regulation is the incentives in density bonuses and other affirmative measures for residential developer profits, and allowing for “developer subsidies” of affordable set-aside dwellings. Joining enforcement are those developers and seeking remedies through the State Council on Affordable Housing [COAH] or through the courts. Popular among developers and remaining unpopular with municipalities, in losing some measure of their home rule. This has been highly effective in pursuit of affordable housing objectives of the state.

Beyond this more dramatic example are the effects of other regulations on redevelopment:



### Safety & Welfare-Based Land Development Codes & Enforcement

- "Growth Management [e.g., Urban Growth Boundaries]
- Performance or Form-Based Zoning; Design Guidelines & Review; Historic Preservation ordinances
- Developer Exactions [Fees & Contributions]



### Health-Based Codes & Enforcement

- Environmental & Public Health
- Property [construction; maintenance]
- Licensure of certain business operations

method of allocating affordable housing obligations to each minor civil division in the State and affirmative measure in enforcement of that obligation through such means as inclusion subdivision zoning.

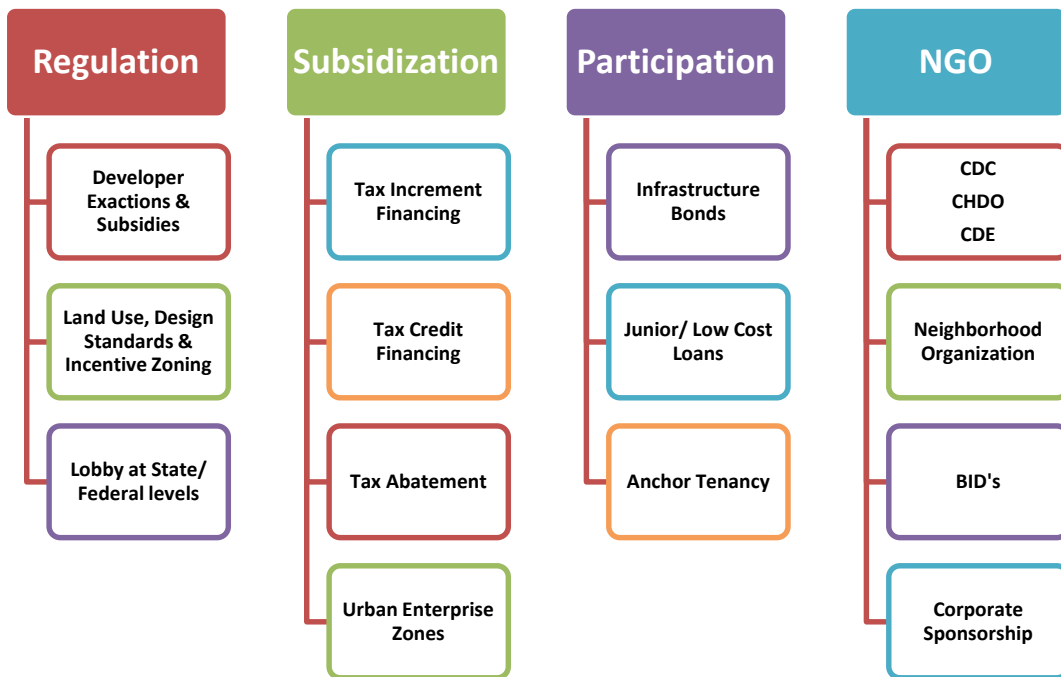
<sup>4</sup> Source: New Jersey Council on Affordable Housing [COAH] report 11/23/2010: New construction 59,759 completed of a need for 109,325 dwellings; rehabilitation need of 24,998 has been satisfied partially with 14,615 completed units. There are 313 cities and towns participating in certified plans under COAH. *NJAC* 5:96, 97

### 3. PARTNERING

Witness a trend at the local level away from governmental regulation of private industry and toward partnerships among the three economic sectors: for-profit, nonprofit [NGO] and public. In Indianapolis the strength of its planning and redevelopment is through the City Department of Metropolitan Development. The City of Portland, Oregon, known for its tradition of powerful land development regulation, has shifted to partnering with developers. Although regulation provides the base, negotiation and contributing roles for each sector determine each development project. The perceived benefits of such partnerships are in the precision and efficacy of the outcome.

The partnership is formulated from the following factors that impact the feasibility and form of the development:

CHART OF PUBLIC SECTOR INSTRUMENTS FOR PARTNERING



In a separate document I present the toolkit of such programs, and highlighted in the following discussion:

**A. REGULATION**

Section 1300 of the Indiana Code on Planning & Zoning [IC 36-7-4-1300]<sup>5</sup> allows for local impact fees, and limited to certain prescribed infrastructure<sup>6</sup> and the associated administrative costs. The section does not prohibit a contribution of the facility in lieu of the fee, nor does it prohibit a public subsidy to developments that serve the public interest; for example, affordable housing, artful, green or low impact design and development may be deserving of a subsidy.

Although seldom used in Indiana the impact fee imposes a development cost, which under the condition of its selective use can discourage development. Likewise development subsidies [i.e., “reverse or negative” impact fees] encourage development. As such the public sector is the gatekeeper for development.

Second, land development controls, mainly embraced by the zoning<sup>7</sup> and subdivision<sup>8</sup> provisions of the Indiana Code, present another gate. In my experience the irony is that local Indiana communities are demanding higher standards in concert with the interests of investors and developers. Controls, if crafted to enhance value, protect real estate investments, and, when universally applied, do not impact competitive costs.

Lastly, public policies at the state and Federal levels impacts development and redevelopment activities, and the role of local government should embrace lobbying for their reform. There are a plethora of such examples, of which a few are recited:

- a. Sections 39 and 48 of the Indiana Redevelopment Code provide for a TIF and HoTIF, respectively, but qualify areas through Section 45 with at least a third vacant land area. This encourages the development of corn fields and undeveloped land, rather than the redevelopment of cities and towns, and is anti-urban in its impact. Indeed, Section 48, creating the Housing TIF, was at the bequest of the City of Fort Wayne, and is a far more potent measure for redevelopment than the TIF of Section 39.
- b. Annually, the State Legislature allocates only \$450,000 for Historic Tax Credits, rendering their deployment as near useless. There is presently an 11-year queue for such credits, and awaiting a stronger historic preservation lobby, essential to the recovery of Indiana’s historic cities and towns.
- c. Although other states<sup>9</sup> provide legislation for Brownfield redevelopment, Indiana does not. We have subsidies for Phase I environmental assessment through IDEM, but other states dedicate state sales and corporate income taxes from the redevelopment of Brownfield sites toward

---

<sup>5</sup> Created by PL 221-1991

<sup>6</sup> [a] sanitary sewer/ wastewater treatment facility; [b] park or recreational facility; [c] road or bridge; [d] drainage or flood control facility; [e] water treatment/ storage/ distribution facility

<sup>7</sup> IC-36-7-4-600

<sup>8</sup> IC-36-7-4-700

<sup>9</sup> Principally, Michigan, Wisconsin, New Jersey, Pennsylvania, California

remediation reimbursement, thus facilitating both the remediation and redevelopment of these contaminated sites.

- d. The Federal Housing & Economic Recovery Act of 2008 [HERA] provided for HUD to operate a Neighborhood Stabilization Program in areas of high home foreclosure risk. Yet, HUD regulates neighborhood redevelopment and stabilization activities to exclude the amenities of retail and institutional uses, so essential to the objectives of the act.

## B. SUBSIDIZATION

---

Subsidies for redevelopment present two forms: [1] operating subsidies, and [2] capital cost, or financing, subsidies. As “participation” considers the latter, let us concentrate here on subsidizing the operation of an investment, or income-producing, property. Available to the public sector are taxes.

At the local level property taxes may be abated or used as a source of dedicated financing to the project or its “tax allocation district.” Tax increment financing may use the increment in taxes generated by the private improvements to improve public facilities and services, or may be capitalized to finance public bonds that build more significant improvements on either public or private property. We discuss the latter in the section below regarding participation.

There are Urban Enterprise Zones [UEZ] and the Federal and State levels, providing tax abatement to businesses located within such a district. Accordingly, the State Sales Tax of 7%, if fully abated on say a car dealership or jewelry retailer within a UEZ, would present a comparative advantage over the competition outside the UEZ.

Lastly, there are Federal and State income tax liabilities [personal and corporate] that may be reduced through special tax credit programs. The purchase of these tax credits through syndication provides a source of additional equity financing for a project, or the tax credits may accrue to the owner/ developer as an incentive to invest. In mind are Federal and Indiana Historic Tax Credits [HTC] and Federal New Market Tax Credits [NMTC], and Low Income Housing Tax Credits [LIHTC]. Although the Indiana HTC uniquely provides for homesteaders of historic properties, the thrust of tax credit programs is upon the investment property.

## C. PARTICIPATION

---

The public sector may participate in the for-profit or nonprofit enterprise as either a tenant or a lender. Anchor tenancy is a principal ingredient to project feasibility and private financing. The role I have performed for developers in cities like Trenton, New Jersey, is in securing the anchor leases from State agencies for new inner-city office space. Here I reviewed the listing of expiring leases in suburban locations from the State Office of Leasing Operations, and remind these agencies that State government has established an urban policy that would be addressed with the agency’s return to Trenton.

As a lender the public sector may provide junior, low cost loans to the redevelopment project, or issues bonds for associated infrastructure and other public improvements, such as parking garages or transit access. Indeed, the FHWA and FMTA provided the highways and transit investment largely responsible for the expansion of industry, particularly, but not exclusively the transportation industry, and both the development of the suburbs and the revitalization of several cities.

HUD in its housing programs provides both the mortgage and the rent subsidies that amortize it. HFA/VA and SBA provide credit-enhancement instruments [loan guarantees] for homeownership and small business expansion. Economic Development Authorities issue conduit bonds on behalf of private industry without such public guarantees or obligations to repay, but backed by private letters of credit and projected revenue underwriting; this beneficial financing is less expensive and more comprehensive.

Accordingly, in either role as a subordination lender, conduit lender, or surety agent, the public sector serves to close the financing gaps on economic development and redevelopment projects. Indeed, the now extinct UDAG and HoDAG programs of the 1970's and 80' were premised on gap financing and ran successfully as economic development and affordable housing measures.

#### **D. NON-GOVERNMENTAL ORGANIZATION**

Both the NMTC and LIHTC programs call for nonprofit organizations. With regard to NMTC that is in the form of a qualified Community Development Entity [CDE]<sup>10</sup> and for the housing program a Community Housing Development Organization [CHDO].

Indianapolis has Community Development Corporations for most of its neighborhoods and performing nonprofit economic and community redevelopment as well as affordable housing. They usually are part of the LISC network. The Local Initiatives Support Corporation is a national nonprofit providing technical assistance and capital<sup>11</sup>.

Commercial downtowns benefit from Business Improvement District ordinances and associations, and receive financing for capital improvements through TIF's and member fees. For residential neighborhoods these are in the form of neighborhood associations or redevelopment corporations.

The redevelopment model I practice is through a statewide nonprofit, the Indiana City Corporation, and locally in Muncie through the Muncie Neighborhood Redevelopment Corporation. The nonprofit form is essential, in that we use surpluses from the sale of market rate housing to subsidize affordably priced lower income units, and normally finding their way as the profits to for-profit developers.

Lastly, there is the overlooked role of corporate sponsorship of redevelopment projects, usually by a nonprofit community hospital or institution of higher or private education [the "Ed/Med" link] or by the nonprofit foundation arm of a for-profit company, such as the Lilly or Ball Brothers foundations.

---

<sup>10</sup> There are 22 CDE's in Indiana by way of the following cities: Columbus, Dillsboro, East Chicago, Evansville, Gary, Indianapolis, Lafayette, Logansport, Muncie, New Albany, South Bend, Tell City, Terre Haute

<sup>11</sup> Similarly, the Enterprise Foundation, operating from Columbia Maryland, has another network of CDC's



**4. CORPORATE SPONSORSHIP**

The experience of the West Philadelphia Initiative is the central value of corporate sponsorship. Similar in size to Indianapolis’s Fall Creek Place, but instead of largely vacant lots calling for historic recreations, the architectural program was to restore [from blighted multifamily dwellings] once stately single-family homes through costly rehabilitation.

The project bordered the University of Pennsylvania, and among the six program components was a mortgage guarantee of the university for the home buyers, employees of the institution. Of the 400 guarantees not one needed to be utilized, as not one foreclosure occurred, and



**5 Programs of The West Philadelphia Initiative  
Lost Money at Outset**

<p><b>Safe &amp; Clean</b></p> <ul style="list-style-type: none"> <li>•paid workers and no revenue</li> </ul>
<p><b>105% mortgage guarantees</b></p> <ul style="list-style-type: none"> <li>•400 members of Penn's faculty and staff have moved into University City. One of Rodin's incentives was to offer \$15,000 in tax-free money to any member of the faculty or staff who bought a home in the neighborhood and lived there for at least five years.</li> </ul>
<p><b>Development of retail anchors</b></p> <ul style="list-style-type: none"> <li>•Inn at Penn @ \$90 M capital cost – lost money for 5 years</li> <li>•Some money makers</li> <li>•Bookstore</li> <li>•40<sup>th</sup> Street Corridor of supermarket, six-screen cinema</li> </ul>
<p><b>Charter School</b></p> <ul style="list-style-type: none"> <li>•School of Education</li> <li>•“Sadie Tanner Mossell Alexander University of Pennsylvania Partnership School”</li> <li>•Penn subsidizes \$700,000 a year</li> </ul>
<p><b>Business development</b></p> <ul style="list-style-type: none"> <li>•Minority Business Enterprises</li> <li>•Highly subsidized incubator</li> </ul>

property values soared based on the combination of substantial, historic homes and a stable middle class residential population.

The benefits to the University were manifest in a meteoric rise in the quality of its faculty and student bodies [and ranking to #4 among all universities in North America] and the size of its endowment.<sup>12</sup> Penn did this not to save West Philadelphia, but itself, and in the process saved

<sup>12</sup> \$4.370 billion in endowment as market value in 2004 [540% of 1994’s \$808 million]; rise in ranking from 11<sup>th</sup> to 4<sup>th</sup> best university according to U.S. News survey in 2004.

both. Whether motivated from self-interest or altruism, this strategy works.

Examples of corporate sponsorship are ubiquitous. Several cities were developed by corporations, including:

- ⇒ Columbus, Indiana and the world-class architectural contribution of Cummins Diesel<sup>13</sup>
- ⇒ East Chicago, Indiana, a series of neighborhoods for workers, attendant to and built by their factories, and similar to the Pullman neighborhood of south Chicago
- ⇒ Audubon Park, New Jersey, a mutual housing corporation serving as a municipality and initiated by the Camden Shipyard<sup>14</sup>
- ⇒ Buffalo, New York, as developed by the Holland Land Company<sup>15</sup> as an historical footnote to this strategy

---

## 5. BUSINESS MODEL

---

### INTRODUCTION

---

Basically, from my experience with two eminently successful cases of redevelopment and one of affordable housing has emerged a strategy for the rejuvenation of Indiana's essential cities and towns, focusing on their mixed use downtowns. This approach I coin the "business model," but spirited by "social entrepreneurship."

---

<sup>13</sup> Co-Founder I. Irwin Miller of the Cummins Engine Company instituted a program in which Cummins paid the architects' fee if the client selected a firm from a list compiled by Mr. Miller. The plan was initiated with public schools. It was so successful that Miller went on to defray the design costs of fire stations, public housing and other community structures. The high number of notable public buildings and sculptures in the Columbus area, designed by such individuals as Eero Saarinen, I.M. Pei, Robert Venturi, Cesar Pelli, Richard Meier and others have led to Columbus being referred to as the "Athens of the prairie". Six buildings, built between 1942 and 1965, are National Historic Landmarks, and 60 other buildings sustain the Bartholomew County seat's reputation as a showcase of modern architecture.

<sup>14</sup> Audubon Park was established as a community within Audubon in 1941 with the construction of 500 housing units for employees of New York Shipbuilding in Camden, New Jersey. This was the first of eight projects undertaken by the Mutual Ownership Defense Housing Division of the Federal Works Agency. Audubon, seeking to rid itself of the development's Democratic voters and its public school students, pushed for and passed a referendum to form Audubon Park in 1947. All property in the borough is owned by the Mutual Housing Corporation, which rents homes to residents.

<sup>15</sup> A consortium of six Dutch banking houses, the company had, between 1792 and 1794, purchased over five-million acres of land, 200,000 of which were in Upstate New York -- 3.3-million west of the Genesee River, including the present site of Buffalo. In 1804 the company surveyed and plotted New Amsterdam, later known as Buffalo.

The business plan is to convert an assemblage of undervalued assets into an adequate investment return to not only support the investment, but an also essential set of public purposes. Markets rely on conventional thinking, and both asset and business valuation are perceptual. The central role of a land developer/ redeveloper, as should be that of a planner, is dual charge to add value and control events. Can events be so controlled for the ready supply of undervalued downtown properties to shift the perception of the market's value, and in so doing lead to sustainable redevelopment?

At the core of this strategy is the control of enough properties, in various stages of blight, their restoration and their staged resale in a manner to impact the market, and stimulate collateral investment. If the market is convinced that investment inexorably will continue, if you will that tomorrow will be better than today, value will rise in a sustainable way.

Exemplary in this regard is the National Trust Community Investment Corporation [NTCIC], a wholly owned for profit subsidiary of the 1949 Congressionally-chartered National Trust. It pursues long-term capital gains in acquiring a critical mass of properties in historic neighborhoods and inducing the shorter-term investment with both Historic and New Market Tax Credit financing.<sup>16</sup>

Less nobly but quite enriching to these capitalists were the strategies of J.P. Morgan and John Astor. Morgan would organize a consortium of stake-holding investors to make a run on buying stock in order to inflate its value. Astor made his fortune on buying and keeping slum properties but in neighborhoods with a rising potential, then selling when the market had ripened. Of course, neither has any claim to community development.

However, the business model underwrites the ambition of urban renewal and later day land banking methods. Again land is assembled, usually through Redevelopment Authorities and enough for a critical impact on the market, and performance contracts executed with master redevelopers.

During the fifteen-year period 1979-1995, the largest and one of the most successful urban renewal projects nationally was Circle Center Mall, a critical assemblage of four city blocks, highly blighted and with vacant buildings, and the redevelopment of its 786,000 s.f., the adroit use of tax increment financing for capital improvements and the entrepreneurial work of Simon Properties, the nation's most prominent mall developer.

The business model addresses the universal concern that not enough public resources are available to exact a bargain with the private sector, and, on which public/ private partnering in redevelopment has depended. Yes, every initiative in private investment for



---

<sup>16</sup> From 2003-07, NTCIC invested \$183 million in equity in their residential and commercial projects with the sale of such tax credits.

economically impacted markets requires some honey, whether in the form of capital and operating cost subsidies, low cost debt, anchor tenancy, etc. But, unless such public investments are highly leveraged, and their public sources renewed and with widespread availability, their approach to redevelopment is limited...at least compared to the resources of for-profit capital markets.

The limitations of the for-profit sector are short-sightedness and its inattention to related public interests. One is the displacement of households of low and moderate incomes given rapid and significant property appreciation, commonly termed “gentrification.” In economic development the displacement is the family business.

Myopic in nature is the inattention to indirect investment in other conditions that sustain investment, and which I conveniently term “amenities.” To a residential developer the indirection is in supportive retail, institutional and public uses. To the commercial developer it is in the purchasing power of a middle class, indigenous population, or in such residential development. To the use and product-specialized developer, these investments are uncommon, even un-contemplated.

**6. SYNERGY OF INVESTMENT AS A “STRATEGY OF INDIRECTION”**

In seeking your objectives, whether they are downtown retail, economic development, affordable housing, pursue its determinants. The following chart summarizes several applications of this principle.

<p><b>DOWNTOWN RETAIL SHOULD FOCUS ON DOWNTOWN RESIDENTIAL</b></p>	<p><b>HINT: ALL THE LAND AND TAX GIVEAWAYS PROVE INEFFECTIVE COMPARED TO THE DEMOGRAPHIC DRIVERS THAT TRIGGER RETAIL LOCATION</b></p>
<p><b>ECONOMIC DEVELOPMENT SHOULD FOCUS ON COMMUNITY DEVELOPMENT</b></p>	<p><b>HINT: LOCATION THEORY PRESENTS THE CENTRAL CASE FOR QUALITY OF PLACE</b></p>
<p><b>A SUSTAINABLE AFFORDABLE HOUSING STRATEGY REQUIRES MARKET RATE HOUSING</b></p>	<p><b>HINT: RE-REGULATE [INCENTIVE OR PERFORMANCE ZONING] FOR DEVELOPER-PROVIDED AFFORDABLE HOUSING SUBSIDIES FROM EXCESS PROFITS ON MARKET HOUSING</b></p>
<p><b>TO FOSTER GROWTH INSIDE THE CITY, MANAGE IT OUTSIDE THE CITY</b></p>	<p><b>HINT: URBAN GROWTH BOUNDARIES</b></p>
<p><b>IF YOU SEEK MORE POWER, GIVE YOURS AWAY. [POWER IS ENHANCED THROUGH ITS SHARING]</b></p>	<p><b>HINT: BEATS ITS CONCENTRATION EVERY TIME, OR TO EFFECTUATE A CAUSE REQUIRES AN EMPOWERED CONSTITUENCY</b></p>

---

## 7. SYNTHETIC REALITY

---

In short, the seventh strategy is an amalgam of two or more of the six distinct models. Such synthesis would prove common.

---

### SYNERGY OF INVESTMENT

---

The better strategies invest indirectly. A downtown “24/7” retail strategy requires an indigenous residential demographics, or purchasing power. Unless the downtown is a destination with certain “catalytic” uses, such as a minor leagues ball park, convention-related facilities, or critical mass of antique shops to attract the day traveler, conventioneer or vacationer, it will depend on the proximate residential area to sustain it. For example, retail in Muncie’s downtown is a losing game for its neglect of the requisite residential uses, and, thus, indigenous population for which shopping in the downtown is a convenience.

Likewise, a residential strategy depends on the commercial amenities of urban life. Office and other commercial, even light industrial, applications locate in or near the downtown due to its quality of life. The qualities of housing value, school value, workforce value, recreational and cultural value, and knowledge as a value drive location decisions of the firm, not just the proximity of a highway, which is experiencing a diminishing value given the restructuring of energy costs and the transformative factor of the information highway. This seems to go unrecognized by the State of Indiana.

---

### RETURN ON INVESTMENT

---

Further, the strategic assault on blight, on property disinvestment, is to realize a return quickly while minimizing its capital costs. No one would question the value of HOPE VI and the transformation of the abject blight of the 1940’s style public housing projects into a TND, but it is not every day that a community secures the required Federal funds, nor can every city afford the \$31 million in public funds to make Fall Creek Place in Indianapolis the awarded success that it is.

Short of such “heavenly manna” the “neighborhood revitalization strategy” of HUD is to identify and invest in an area with the expectation of a material improvement [public facilities, market value] within five years of sustained public and private efforts. This strategy that depends on limited investment seeks the marginal areas, and in progression leads to the more economically impacted ones.

What is not effective is to treat community redevelopment from an archaic public administration perspective. It is not the management of public expenditures. The abortion of community development is to plan, if you will to try, when public or private resources are present. Redevelopment calls for an investment strategy, not and expenditure strategy. Rather, it is resource-generating.

---

### AMALGEM OF REDEVELOPMENT STRATEGIES APPLIED

---

To observe the synthesis of strategies is to highlight the case of Fall Creek Place in Indianapolis. This project was conducted during the 4.5-year period 2000-2005, and initiated with a Federal

Homeownership Opportunity Zone [HOZ] grant from HUD. This award-winning project<sup>17</sup> represents an eminently successful redevelopment of a thoroughly blighted neighborhood northeast of the “regional center,” or downtown of Indianapolis.

There, \$31 million in public funds, or approximately 20% of the redevelopment costs for 430 [400 residential] lots, was allocated to Right-of-Way [ROW] and pocket park infrastructure and thereafter to homebuyers’ down payment assistance. The relatively low leveraging reflects the doubts that this project would succeed, given the extreme conditions faced at the outset of neighborhood disinvestment and crime.

Yet, the pace of sales doubled expectations,<sup>18</sup> property values for the market rate units appreciated an average of 8% per annum,<sup>19</sup> and an additional 120 units were developed in the fourth phase post 2005 absent any public subsidies. In sum, the strategy, although not without flaw, was a systematic march of concentrated reinvestment that achieved a market shift.



Present were all of the six strategic approaches to redevelopment:

1. community organization and nonprofit CDC involvement
2. enforced design regulations on all builders [albeit by agreement and not by ordinance]
3. an elaborate partnership of Federal and City agencies with a for-profit and nonprofit development team<sup>20</sup>
4. a successful pursuit of the business model, adding value to extremely “undervalued” assets
5. the indirection of generating demand for retail development from the mixed-income residential development
6. only corporate sponsorship was missing

---

<sup>17</sup> HUD as Model Home Ownership Zone [awarded 11 cities in 2000], APA for “smart growth” urban revitalization strategy, NTHP for historic preservation

<sup>18</sup> Approximately 90 units per annum were sold compared to the market study projected at only 45

<sup>19</sup> From approximately \$92/ s.f. to \$155/ s.f. over the 4.5 years of build-out and sales

<sup>20</sup> Mansur Properties as the master, for-profit developer and with, at one time, nine chosen builders; Kings Park Area Development Corporation [KPADC] as the nonprofit managing developer and primarily responsible for marketing

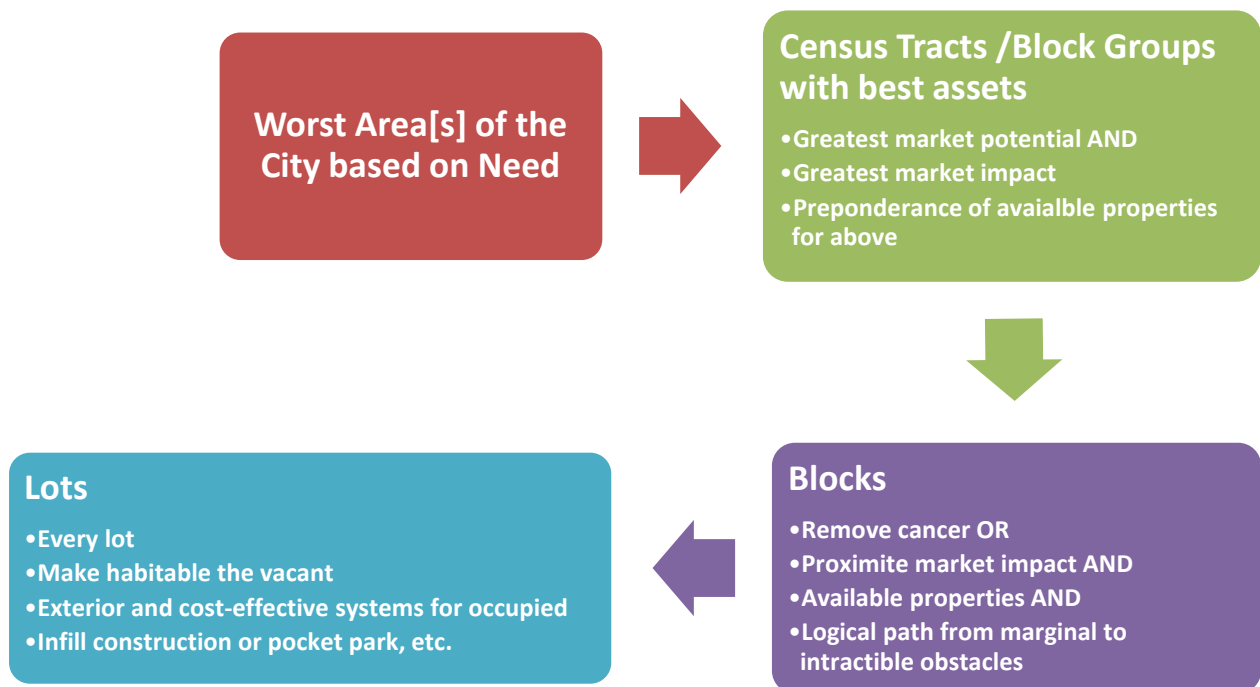
## PART B: NEIGHBORHOOD CONDITIONS STRATEGIC TO REDEVELOPMENT

We select neighborhoods for the strategy and vice-versa. Identifying and analyzing correctly the problems of neighborhoods portends great significance on strategic intervention and the problem-solving process of place-based planning. Fundamentally, we first address neighborhoods calling for redevelopment rather than stabilization.

### NRSA STRATEGY

A Neighborhood Redevelopment Strategy Area {NRSA} is defined by HUD as an area of redevelopment need that with an investment of public and private resources available can achieve a material effect and stimulate a market impact within five years. Accordingly, an area of disinvestment becomes one of investment. As a general guide the area is sixteen [16] blocks, varying by neighborhood conditions, including its identity, and the redevelopment strategy. The graphic below depicts the sequence in site selection and where to start within the chosen NRSA. The ensuing table lists sixteen [16] criteria used in selecting the NRSA and a survey sheet in evaluating each criterion. In this analysis, the McKinley neighborhood was selected as the primary NRSA.

### SITE SELECTION AS A STRATEGY



**NRSA EVALUATION CRITERIA**

<b>NRSA Evaluation Criteria</b>	
<b>1. Need</b>	<b>a. predominance of poverty, property deterioration/ blight, abandonment, foreclosures</b>
	<b>b. need to increase [choose: homeownership, rental opportunities, retail, etc.]</b>
	<b>c. contrast with city overall</b>
	<b>d. natural disaster</b>
<b>2. Marginality</b>	<b>a. adjoining an investment neighborhood</b>
	<b>b. manageable need</b>
	<b>c. proximity to “assets” [e.g., recreation, shopping, other urban amenities]</b>
<b>3. Infrastructure</b>	<b>a. public [acceptable or better]</b>
	<b>b. private [buildings as vacant, underutilized, but can work with]</b>
<b>4. Undervalued Assets</b>	<b>a. replacement cost &gt; market value; potential for property appreciation and capital gains</b>
<b>5. Visibility</b>	<b>a. on a “gateway” with high ADT’s</b>
<b>6. Land Uses</b>	<b>a. primarily residential, but posing a role for mixed uses</b>
<b>7. Community</b>	<b>a. sense of identity, or potential for its creation</b>
<b>8. Organization</b>	<b>a. practical politics at neighborhood level</b>
	<b>b. CHDO, CDE, CDC [nonprofits requisite to certain public programs]</b>
	<b>c. partnerships [in place or potential]</b>
<b>9. Resources</b>	<b>a. neighborhood assets</b>
	<b>b. other public investments made or pledged</b>
	<b>c. eligibility/ commitment for intergovernmental/ corporate sponsorship [e.g., qualify for NMTC, CDBG/HOME, TIF or HoTIF, etc.]</b>

Section: PART B: Neighborhood Conditions Strategic to Redevelopment



<b>10. Economy</b>	<b>a. realistic opportunity to create jobs in support of physical improvements, homeownership, etc.</b>
<b>11. Equity</b>	<b>a. compensation for neglect</b>
<b>12. Efficiency</b>	<b>a. cost-effective strategy</b>
<b>13. Politics</b>	<b>a. readiness by the polity; local, HUD, etc.</b>
<b>14. Readiness [to redevelop]</b>	<b>a. Land</b> <b>i. site control; legal access</b> <b>ii. regulatory approval</b>
	<b>b. Capital</b>
	<b>c. End User</b>
	<b>d. Knowledge</b>
<b>15. Redevelopment Plan</b>	<b>a. in place; adopted</b>
<b>16. Data</b>	<b>a. availability of documenting data</b>
<b>Scale 1-5 [low - high]</b>	

**NRSA SCORING**

Refer to ensuing page for our chart. The option remains to weight each of the 16 factors, such that an average score is competently reflective of conditions and their significance.

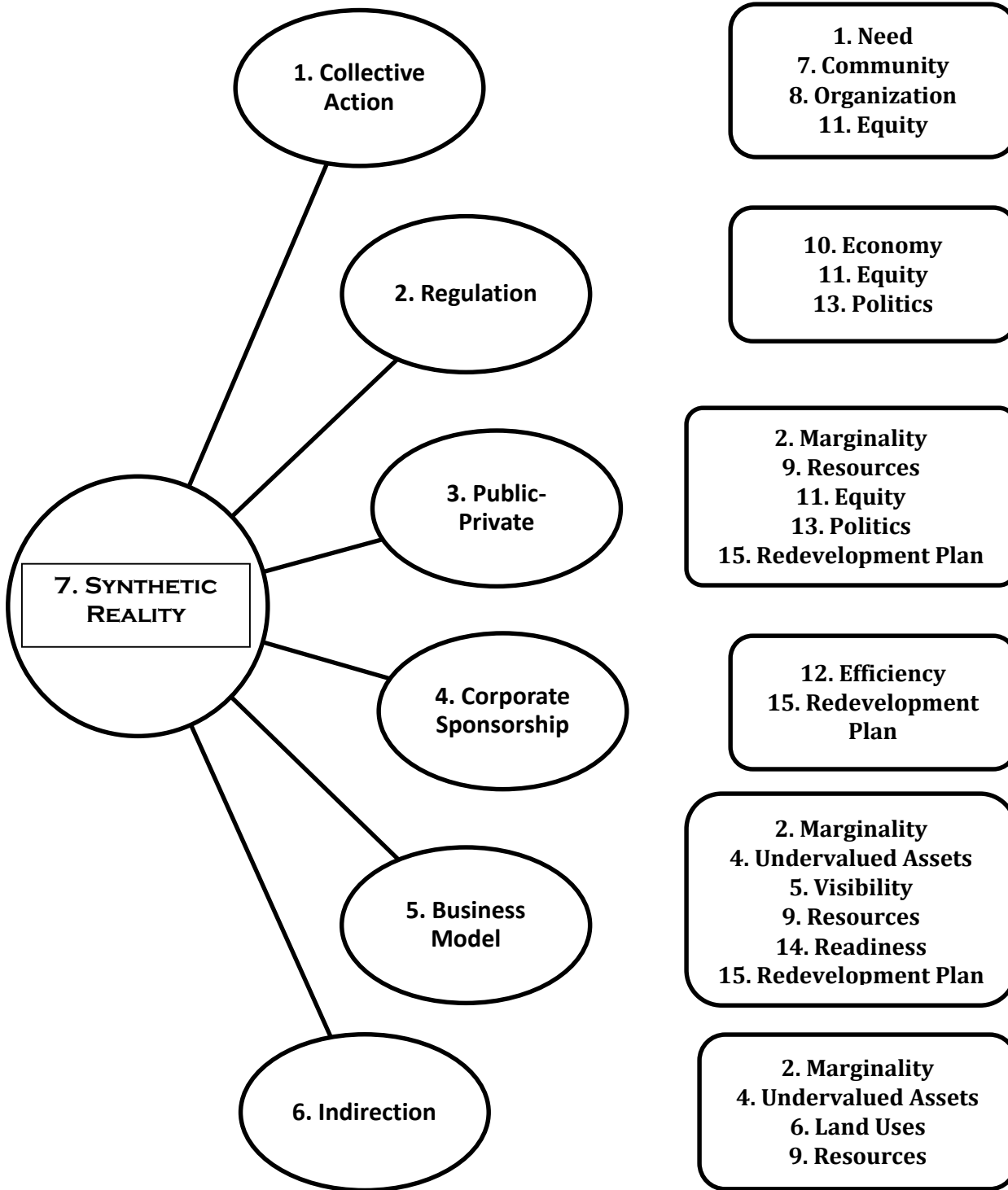
Neighborhood	CRITERIA	Need	Marginality	Infrastructure	Under valued	Visibility	Land Uses	Community	Organization	Resources	Economy [Jobs]	Equity	Efficiency	Politics	Readiness	Redev. Plan	Data	Composite Index
	AREA																	
	CT 1	2.0	4.0	5.0	5.0	5.0	4.0	3.0	4.0	4.0	5.0	2.0	2.0	5.0	2.0	2.0	4.0	3.63
Commercial Core	BG 1	2	4	5	5	5	4	3	4	4	5	2	2	5	2	2	4	3.63
	CT 2	4.0	4.0	4.3	4.3	4.3	3.7	3.7	4.0	3.7	2.7	3.7	3.3	3.0	4.0	3.0	4.0	3.73
McKinley/Gilbert	BG 1	5	5	4	5	4	3	3	2	5	2	5	4	3	5	5	4	4.00
Kirby HD	BG 2	4	2	4	3	4	4	4	5	3	3	4	3	3	3	1	4	3.33
Kimbrough HD	BG 3	3	5	5	5	5	4	4	5	3	3	2	3	3	4	3	4	3.89
	CT 3	4.0	3.0	3.0	2.5	2.5	4.0	2.0	2.0	3.0	2.0	3.0	3.0	2.0	4.0	1.0	4.0	2.81
South Industry	BG 1	4	2	3	2	2	4	2	2	3	2	3	3	2	4	1	4	2.67
North Industry	BG 2	4	4	3	3	3	4	2	2	3	2	3	3	2	4	1	4	2.99
	CT 4	4.0	2.7	3.0	2.3	2.3	4.0	2.0	2.0	3.0	2.0	3.0	3.0	2.0	4.0	1.0	4.0	2.77
Thomas Park	BG 1	4	2	3	2	2	4	2	2	3	2	3	3	2	4	1	4	2.67
Avondale	BG 2	4	2	3	2	2	4	2	2	3	2	3	3	2	4	1	4	2.67
South Central	BG 3	4	4	3	3	3	4	2	2	3	2	3	3	2	4	1	4	2.99
	CT 6	4.3	4.3	4.7	4.0	4.7	3.7	3.0	2.0	3.0	2.0	4.0	3.7	2.0	3.0	1.0	4.0	3.33
Old West End North	BG 1	4	5	4	4	5	5	3	2	3	2	4	4	2	3	1	4	3.44
Old West End South	BG 2	5	3	5	4	4	3	3	2	3	2	4	3	2	3	1	4	3.11
Old West End West	BG 3	4	5	5	4	5	3	3	2	3	2	4	4	2	3	1	4	3.33
	Average	3.79	3.75	4.13	3.90	3.98	3.79	3.08	3.25	3.46	2.71	3.33	3.13	2.88	3.63	2.13	4.00	3.43

## PART C: A MATRIX: RELATING NEIGHBORHOOD STRATEGY TO CONDITIONS

There is a loss in simplification, and associating strategic intervention based on specific neighborhood conditions is complex. Further, the conditions whether key, primary or secondary, are either present or need to be created. For example, a sense of community and role of organization are key to collective action, but they can be created. I offer the following abstraction, not in defining the concept, but in facilitating its discussion.

<i>NRSA Criteria</i>	<i>NRSA Strategy</i>					
	<i>1. Collective Action</i>	<i>2. Regulation</i>	<i>3. Public-Private</i>	<i>4. Corporate Sponsor</i>	<i>5. Business Model</i>	<i>6. Indirection</i>
<i>1. Need</i>	Red	Blue	Blue	Yellow	Yellow	Yellow
<i>2. Marginality</i>	Yellow	Yellow	Red	Blue	Red	Red
<i>3. Infrastructure</i>	Yellow	Yellow	Blue	Blue	Red	Blue
<i>4. Undervalued Assets</i>	Yellow	Yellow	Yellow	Blue	Red	Red
<i>5. Visibility</i>	Yellow	Blue	Blue	Blue	Red	Yellow
<i>6. Land Uses</i>	Yellow	Yellow	Yellow	Yellow	Blue	Red
<i>7. Community</i>	Red	Yellow	Blue	Yellow	Yellow	Yellow
<i>8. Organization</i>	Red	Yellow	Blue	Yellow	Yellow	Yellow
<i>9. Resources</i>	Yellow	Yellow	Red	Blue	Red	Red
<i>10. Economy</i>	Yellow	Red	Blue	Yellow	Yellow	Blue
<i>11. Equity</i>	Red	Red	Red	Yellow	Yellow	Yellow
<i>12. Efficiency</i>	Yellow	Yellow	Blue	Red	Red	Yellow
<i>13. Politics</i>	Yellow	Red	Red	Yellow	Yellow	Yellow
<i>14. Readiness</i>	Yellow	Yellow	Blue	Blue	Red	Yellow
<i>15. Redevelopment Plan</i>	Yellow	Yellow	Red	Red	Red	Yellow
<i>16. Data</i>	Yellow	Blue	Yellow	Blue	Blue	Yellow
<i>Legend →</i>	<i>Particular &amp; Key →</i>	Red	<i>Primary →</i>	Blue	<i>Secondary →</i>	Yellow

The chart on the ensuing page highlights the “particular and key” conditions associated with each strategic response.



## PART D: THE REDEVELOPMENT MODEL

---

### THEMATIC TRADITION

---

#### SUSTAINABLE MARKET SHIFT

---

To reiterate, the central theme of the redevelopment authority under various state codes and of the tradition of community development is to deploy various intervention strategies in order to create a market. Once a market has been established, private investment sustains the subject redevelopment area.

The proximate perception that a sustainable strategy has been achieved is in appreciating real estate values. Indirectly, rising values in retail and other commercial applications, educational quality, social and civic fabric, historic preservation, among an array of quality of life factors, becomes evident. These improvements may be the precursor to rising property values or a consequence. The refrain of the realtor that it is “location, stupid,” holds true in that the residential marketing strategy is in selling not the house, but the neighborhood. Thus, rising home values reflect rising and/or sustained confidence in the neighborhood.

Regrettably less obvious, is an understanding of how market value is created and destroyed. Value is a perception. Stock market prices, the commodities market, large consumer purchases, the price of money itself [e.g., interest rates] reflect the simple perception that tomorrow these values will either rise or fall<sup>21</sup>. As an investment the central measure is Return on Investment [ROI] and as consumption may be tagged as “smart shopping” [buying low within a reasonable time frame of the consumption need]. Our focus in downtown revitalization is on investment.

Accordingly, change the perception that tomorrow’s values will rise, and an acceptable ROI will be realized, and investment will take hold. Every investor knows this, the State Code and Federal housing and community development statutes and regulations recognize this, and successful downtown or other neighborhood strategies have utilized it.

#### STRATEGIC CHOICES

---

In areas experiencing disinvestment or, at least not sustainable investment, the strategic choice is to generate a critical mass of investment, public and private, and hopefully coordinated, to create the perception that values are rising and that this trend is sustainable. Such “critical mass” does not necessitate that the strategy involves every property, but enough investment is concentrated over an adequately designated redevelopment area and in a strategic range of investment products to create the market.

---

<sup>21</sup> J.P. Morgan, John Astor understood this. Morgan would organize a consortium of stake-holding investors to make a run on buying stock in order to inflate its value. Astor made his fortune on buying and keeping slum properties but in neighborhoods with a rising potential, then selling when the market had ripened. Of course, neither has any claim to community development.

The critical mass to “create a market” considers among six [6] fundamental approaches to market intervention. It may entail collective action, an organizing of stakeholders<sup>22</sup>. The regulatory approach realizes a minimum of public resources, focused on administration and monitoring/ enforcement, and costs a level playing field for investors. It may depend on public/ private partnerships where private capital and development is in concert with public land assemblage<sup>23</sup>, public subsidies<sup>24</sup>, and public improvements<sup>25</sup>. It may also be structured on the business model either involving corporate sponsorship of indirect benefits or the traditions of the direct returns of capital gains and tax sheltered cash flows, both yielding a higher than normal Internal Rate of Return [IRR] given the risk.

Although each of these fundamental approaches is conceptually different, an assessment of investment conditions<sup>26</sup> would promote a combination of strategic resources, and varying in their emphasis. For example, where the “architectural fabric” and latent demand suggested that properties, albeit in slum condition, were a “bargain,” or technically an “undervalued asset,” then the business model might receive emphasis. Absent either, then a public/ private partnership with subsidies on the supply or demand end might be required. Organization of stakeholders would transcend either situation.

## THE LOGIC OF A NEIGHORHOOD REDEVELOPMENT STRATEGY

---

### FIVE-STEP MODEL

---

The chart below outlines a disciplined model for neighborhood redevelopment, and which is discussed step-by-step in this section.

---

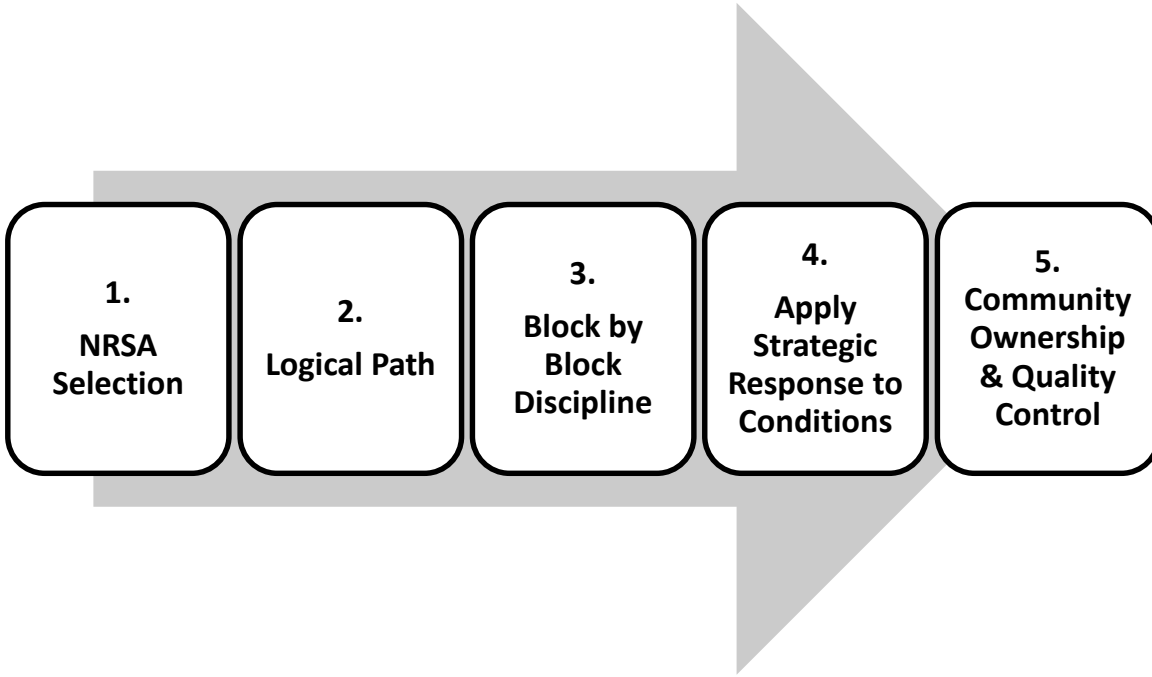
<sup>22</sup> This is an empowering concept that embraces community organizing and public regulatory measures; one example is historic preservation. It is apparent that if collectively neighbors improved their properties there would be market impact and be a rational strategy for individual asset gain.

<sup>23</sup> Ultimately, this may entail a declaration of blight and the use of eminent domain through a Redevelopment Authority.

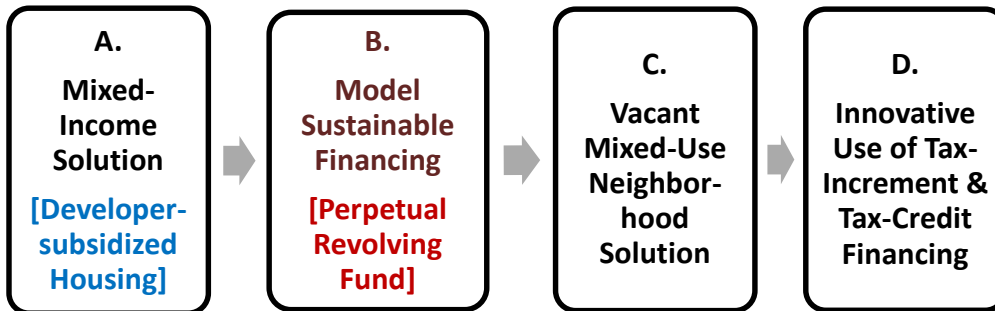
<sup>24</sup> The variety of subsidies includes cost write-downs [subordinated, low cost debt, the sale of tax credits, etc.], revenue enhancements [e.g., Section 8 rental supplements], and credit enhancement instruments, such as loan guarantees.

<sup>25</sup> This is most common in Tax Increment Financing [TIF] projects.

<sup>26</sup> This embraces market performance indicators, such as interest rates, and underlying factors, such as reflected in demographic demand and the physical condition of properties.

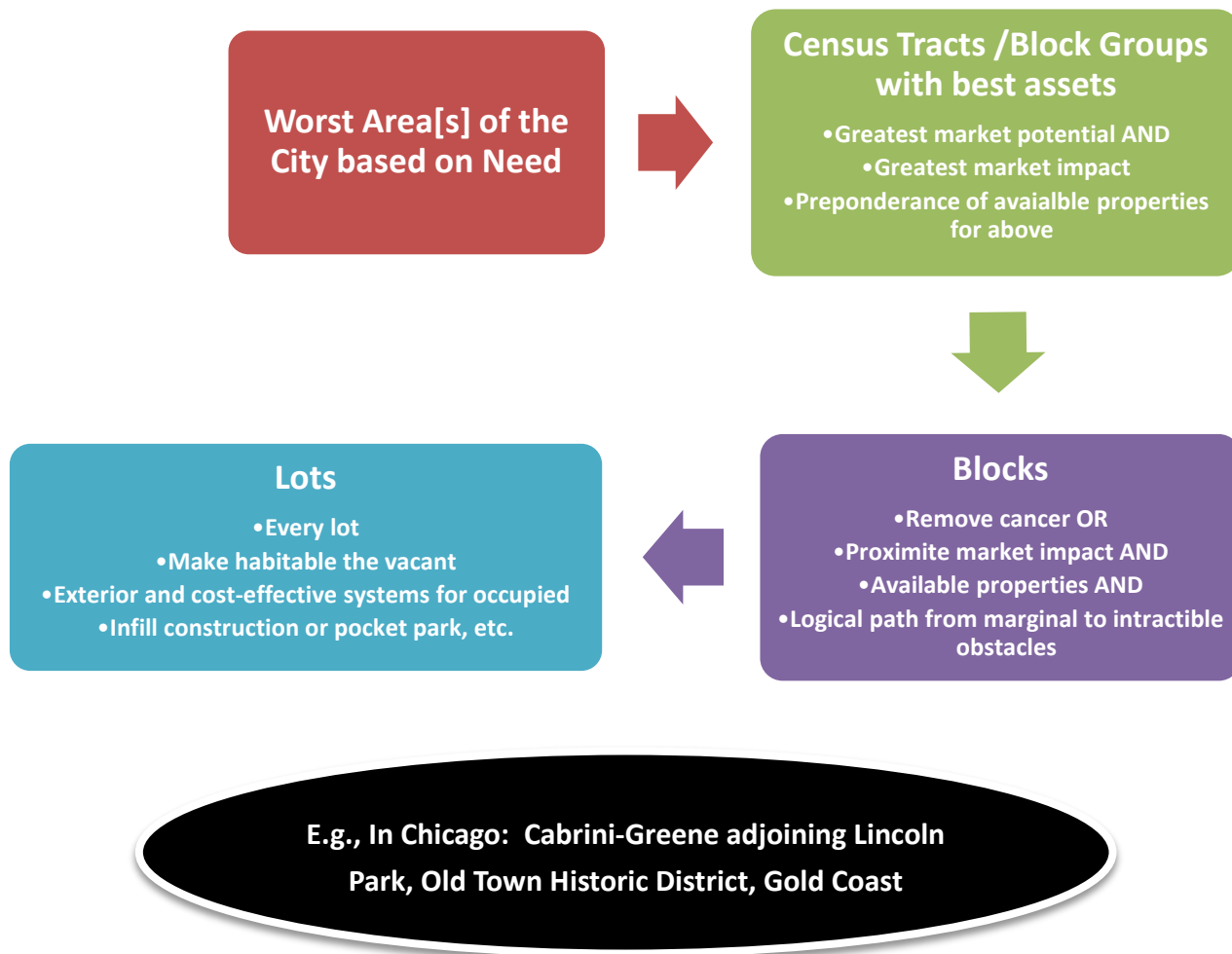


Among the strategic responses [# 4] we discuss the following:



**STEPS 1 & 2: NRSA SELECTION & PATH OF REDEVELOPMENT**

Neighborhood selection and the redevelopment path through it are illustrated by the graphic below and as repeated here from the section above:

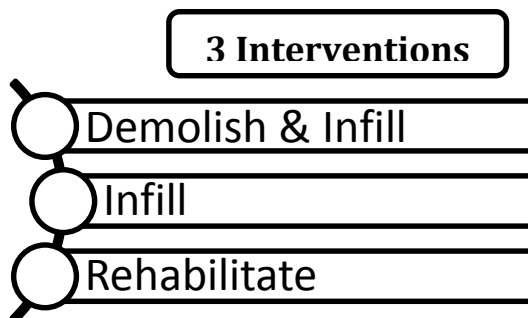
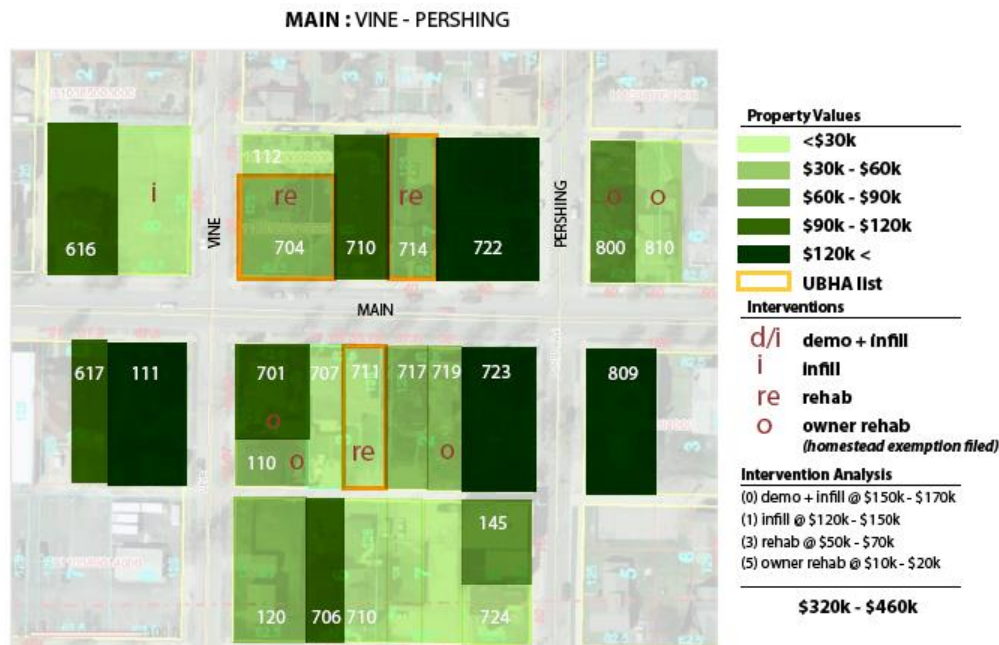




**STEP 3: BLOCK BY BLOCK**

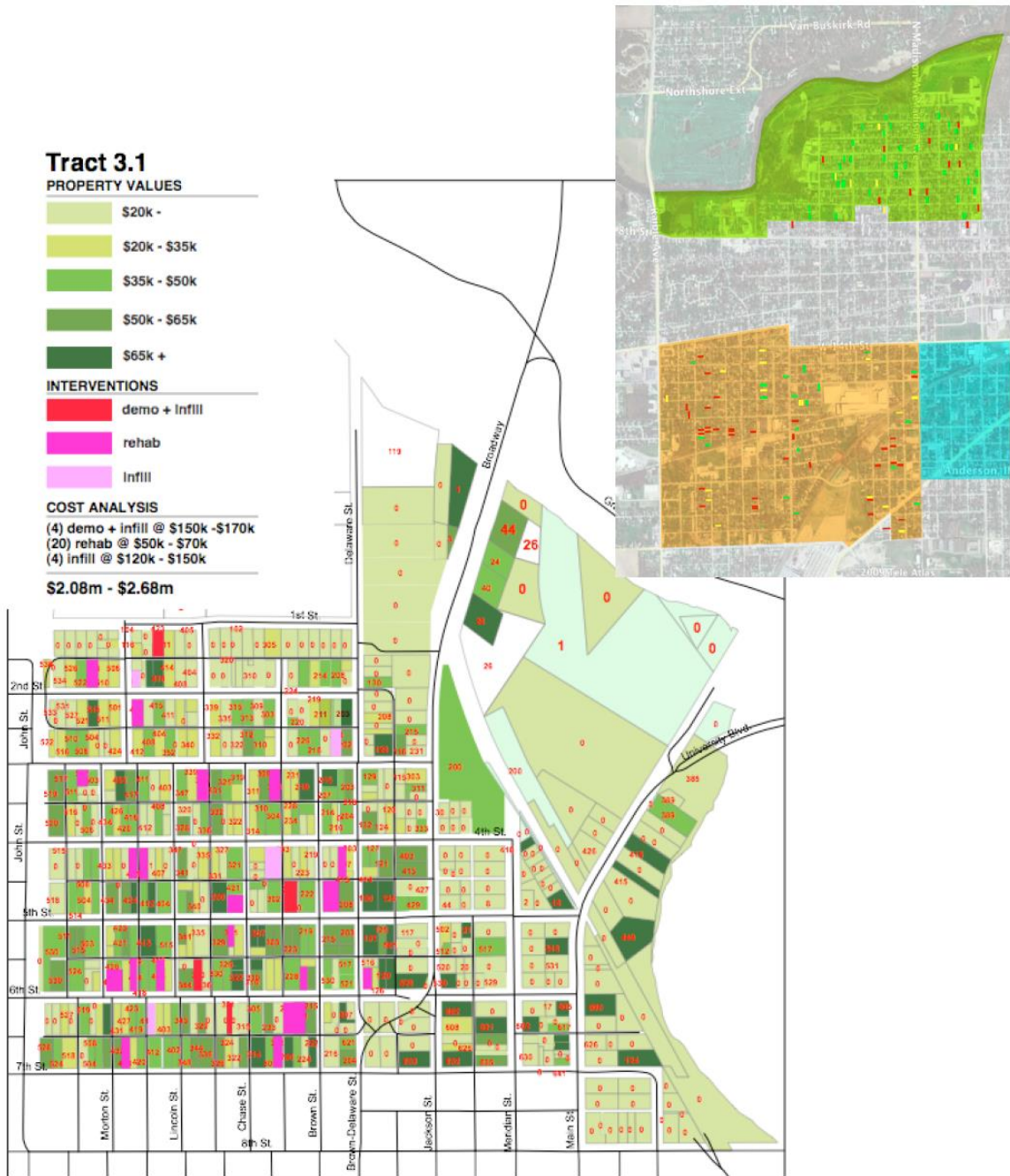
The redeveloper ought not to demolish or rehabilitate houses. It should redevelop neighborhoods and the smallest unit we consider is the block, defined as both sides of a street, one block long. Every property on that block is evaluated as to the need for demolition and reconstruction [we don't demolish and then leave, for we are committed to redevelopment], new construction on empty lots ["missing teeth"], and rehabilitation [both vacant and occupied buildings]. We endeavor to leave a block with every property appropriately improved, and to thus create a market of investment. Neighborhoods are then rebuilt in the continuity of one block at a time. The strategy of selecting neighborhoods and their blocks to start is outlined and summarized from sixteen criteria under "Site Selection Strategy."

The graphic and analysis below depicts blocks in two neighborhood redevelopment strategy areas of Muncie City, and presents the property by property and block by block approach. Each property that is either vacant or occupied but deteriorating is designated for redevelopment action and included in the redevelopment budget. The redevelopment plan should also include streetscape and front yard improvements.



The following depicts an entire neighborhood redevelopment strategy in Anderson City.

Example planning and strategy diagrams identifying target properties in selected census tracts at a city scale. And then breakdown of those individual properties values along with recommended strategies for utilization.



**STEP 4: APPLY STRATEGIC RESPONSES TO CONDITIONS**

**STRATEGY A: MIXED-INCOME SOLUTION**

The following set of charts demonstrates a sustainable, revolving fund strategy based on the mixed-income solution. The reader should note that by including middle-income housing the nonprofit redeveloper can provide a “developer subsidy” for affordable housing to low and moderate income buyers.

***SIMPLIFIED EXAMPLE***

	50% AMI	80% AMI	120% AMI	Cost Mixture	Sold Mixture	Price Net Proceeds Mixture
				\$ 370,000	\$ 370,000	\$ -
<b>Market Price</b>	\$ 110,000	\$ 130,000	<b>\$ 170,000</b>	<b>Bold</b> represents sold price [lesser of affordable and market prices]		
<b>Cost</b>	\$ 100,000	\$ 120,000	\$ 150,000			
<b>Affordable Price</b>	<b>\$ 80,000</b>	<b>\$ 120,000</b>	\$ 180,000			
<b>Surplus [Subsidy]</b>	\$ (20,000)	\$ -	\$ 20,000	<- Sold Price - Cost		

### Actual Example

Direct Costs and Revenues	Average per Property	Total
Dwellings	1.20	60
Bedrooms	3.02	151
Assessed Value	\$25,482	\$1,274,100
Proposed Acquisition Value @ 85% Assessed	\$21,660	\$1,082,985
Demolition Cost	\$7,732	\$61,856
New Construction Cost	\$160,521	\$2,889,375
Rehabilitation Cost	\$90,119	\$2,883,800
<b>Total Direct Cost of Acquisition &amp; Development</b>	<b>\$138,360</b>	<b>\$6,918,016</b>
Revenue from Sales	\$170,200	\$8,510,000
<b>Surplus [Deficit] before indirect costs and administration</b>	<b>\$31,840</b>	<b>\$1,591,984</b>

**ACTUAL EXAMPLES**

Single Family Detached New Construction	Acquisition & Development Cost Assumptions					
	2-BR	3-BR	4-BR			
s.f.	1,650	1,800	1,950			
Cost/s.f.	\$80	\$75	\$70			
Acquisition	\$5,500	\$7,000	\$8,500			
A&D Cost	\$137,500	\$142,000	\$145,000			
Affordable Home Price:				Net Surplus		
@ 50% AMI	\$81,299	\$90,549	\$103,279	[Deficit and		
Surplus [Subsidy]	(\$56,201)	(\$51,451)	(\$41,721)	need for		
@ 80% AMI	\$130,176	\$141,528	\$164,053	Subsidy] with	% average	
Surplus [Subsidy]	(\$7,324)	(\$472)	\$19,053	homebuyer	sale price	50% + 80% AMI
@ 120% AMI	\$195,263	\$212,292	\$246,080	income mix		
Surplus [Subsidy]	\$57,763	\$70,292	\$101,080	<b>(\$22,668)</b>	<b>-17.0%</b>	50% + 80% + 120% AMI
				<b>\$78,413</b>	<b>38.2%</b>	

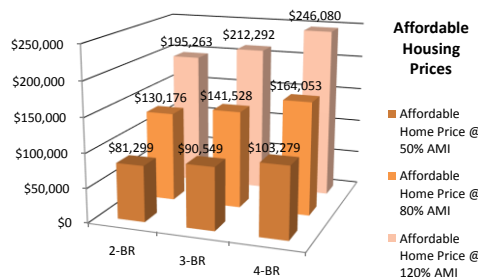
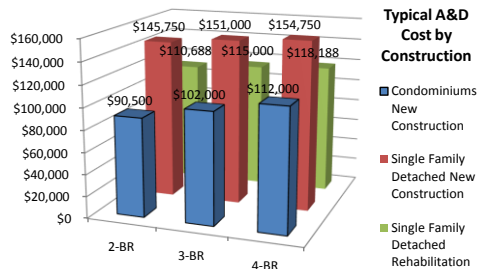
  

Single Family Detached Rehabilitation	Acquisition & Development Cost Assumptions					
	2-BR	3-BR	4-BR			
s.f.	1,650	1,800	1,950			
Cost/s.f.	\$60	\$56	\$53			
Acquisition	\$13,000	\$14,500	\$16,000			
A&D Cost	\$112,000	\$115,750	\$118,375			
Affordable Home Price:				Net Surplus		
@ 50% AMI	\$81,299	\$90,549	\$103,279	[Deficit and		
Surplus [Subsidy]	(\$30,701)	(\$25,201)	(\$15,096)	need for		
@ 80% AMI	\$130,176	\$141,528	\$164,053	Subsidy] with	% average	
Surplus [Subsidy]	\$18,176	\$25,778	\$45,678	homebuyer	sale price	50% + 80% AMI
@ 120% AMI	\$195,263	\$212,292	\$246,080	income mix		
Surplus [Subsidy]	\$83,263	\$96,542	\$127,705	<b>\$30,582</b>	<b>22.9%</b>	50% + 80% + 120% AMI
				<b>\$158,288</b>	<b>77.2%</b>	

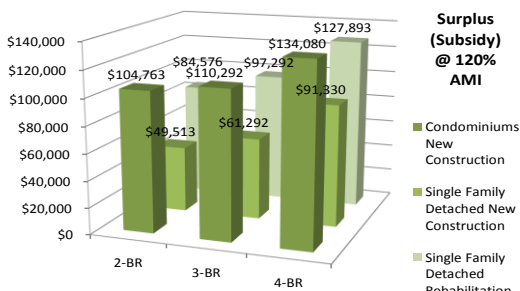
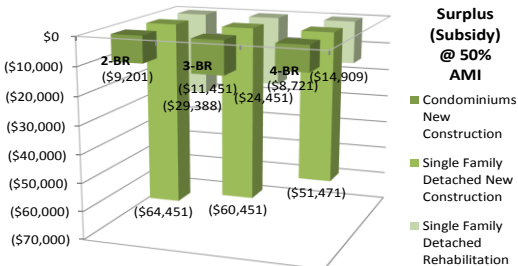
Summary Tables

# Project Cost

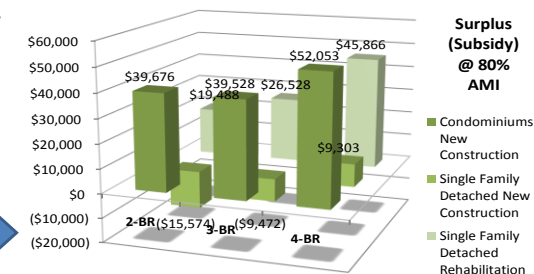
# Set for Affordability

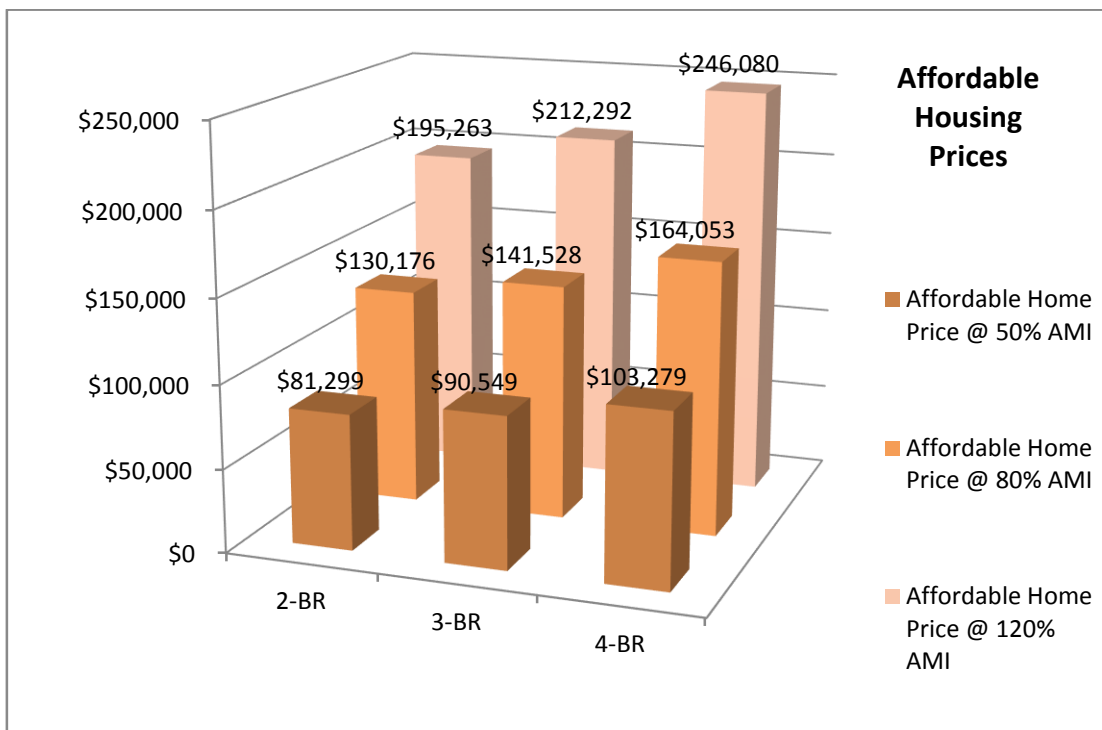
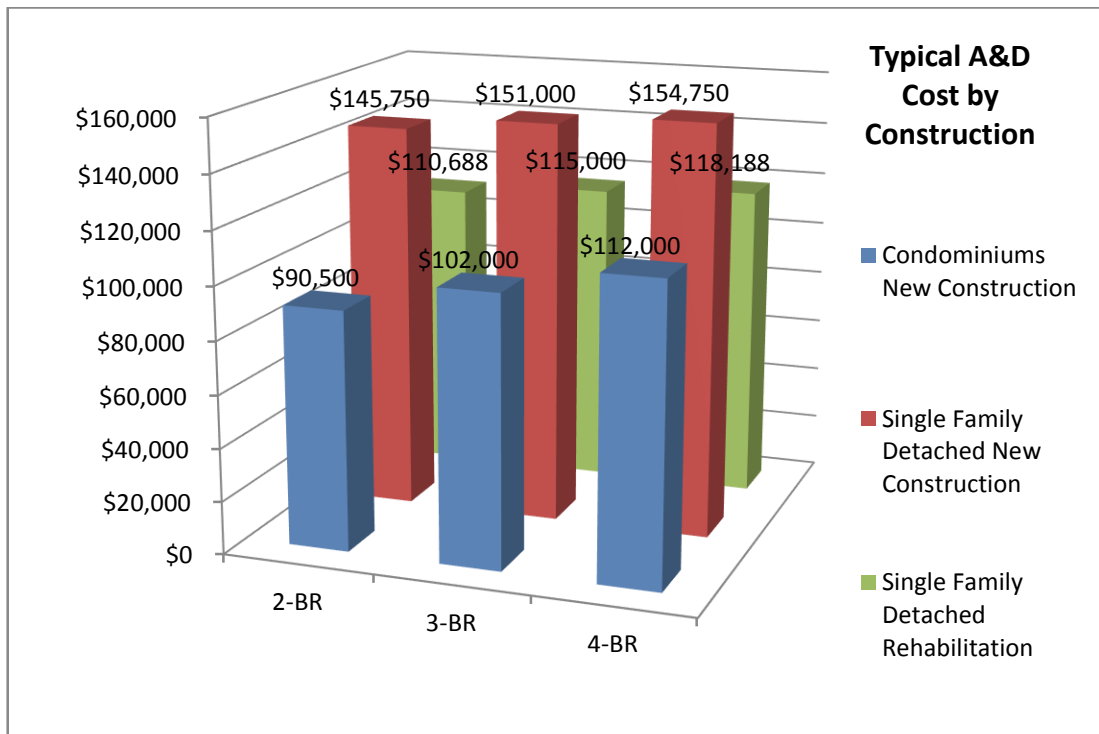


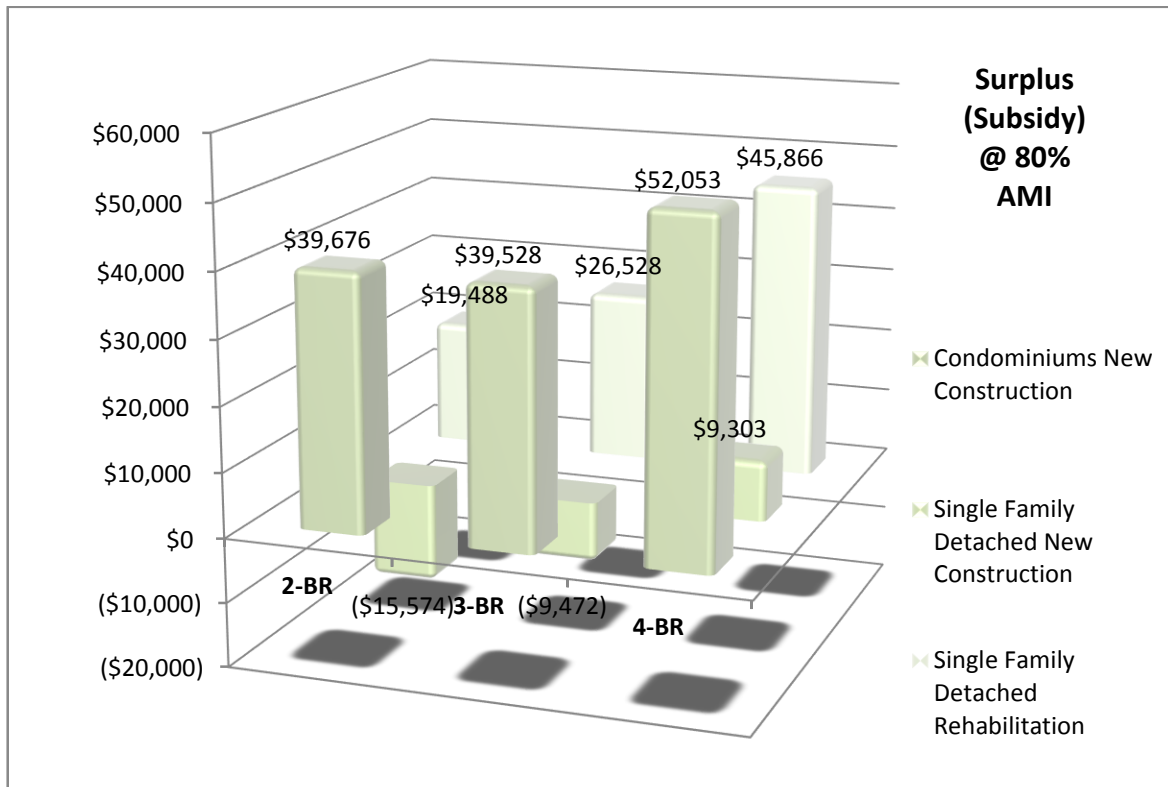
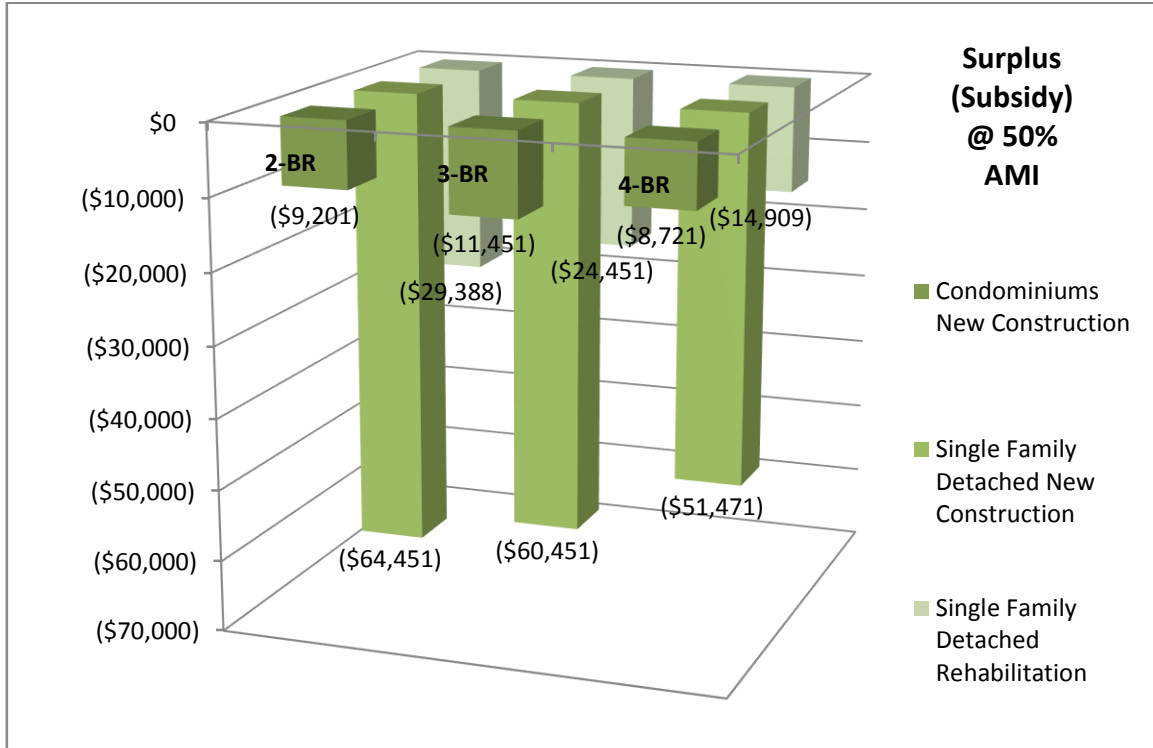
Subsidies needed at 50% AMI



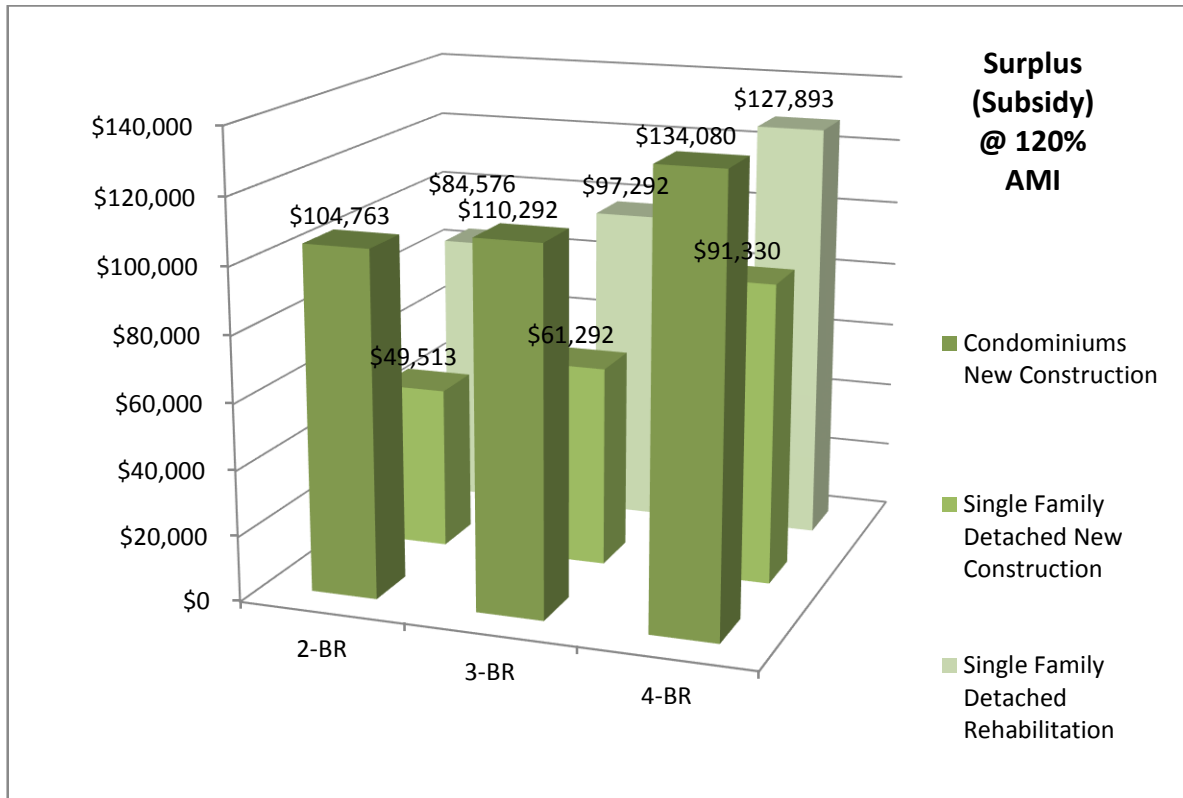
Subsidies provided at 80% & 120% AMI











**STRATEGY B: MODEL OF SUSTAINABLE FINANCING**

The financially sustainable model is structured around the revolving fund [loan or grant]. There are strategic choices toward achieving the objective of a sustainable, or perpetual, loan. The determining variables are presented in the ensuing chart:

## Affordability Test

- Underwrite at affordability levels [homeowners; renters]
- Mitigate defaults; maximize economy

## Select Inexpensively

- Smaller houses to rehabilitate
- Rehab may be less costly than new construction
- Depreciable assets permits greater tax credit and increment financing

## Redistribution

- A large enough pool of both A&D interim loans and permanent mortgage funds whereby surplus net proceeds of less needy homebuyer sales provides the requisite affordability subsidies to more needy sales
- An adequate income mix of buyers to achieve the above

## Social Redeveloper

- Require the role of a public or private, nonprofit master developer [but, a “socially conscious” for-profit is possible]
- Can JV with property owners; need not acquire

## Role of Investment

- Recapture secondary mortgage investment upon buyer 's resale
- a public A&D loan would require no ROI [return on investment];
- a private A&D loan would function as a line of credit where interest carried would be structured into each transaction
- The larger funds and attendant redevelopment activities engenders private investment sooner in the target area

### STRATEGY C: FOR VACANT MIXED USE DOWNTOWN

Property owners of the downtown buildings would enter into a redevelopment agreement with the Redevelopment Corporation, a community development nonprofit.

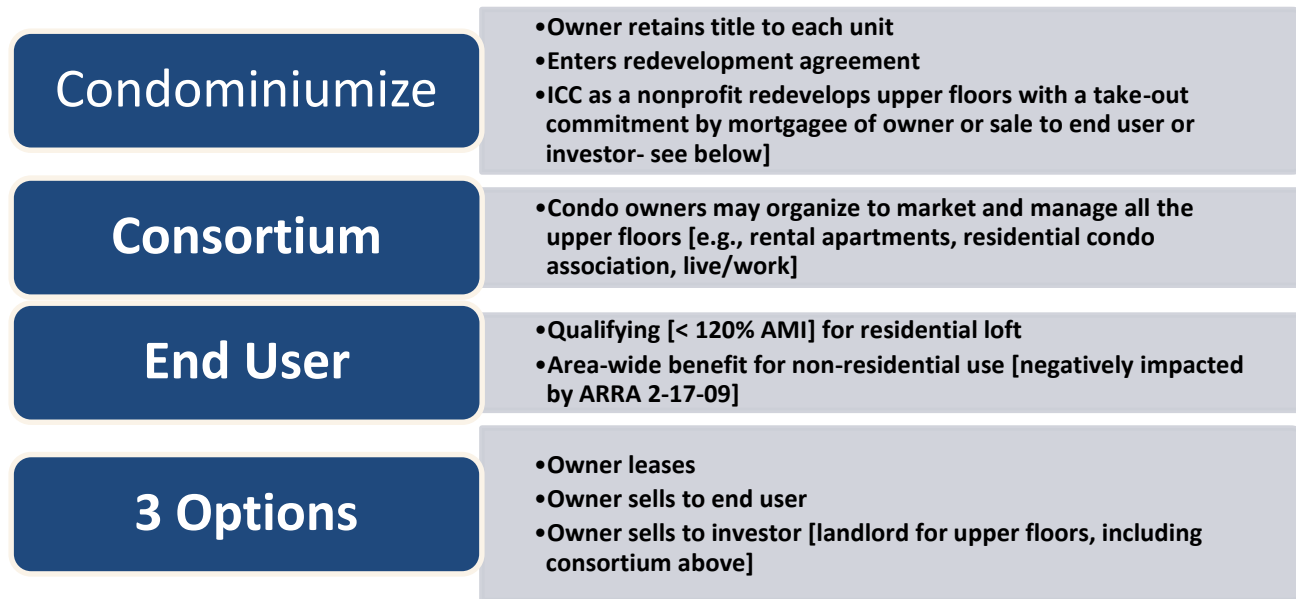
First, each floor of the building would be vertically subdivided as a condominium, with the building owner retaining title to each. Second, the consortium of owners would decide on the redevelopment of these vacant floors, their marketing to users, and their property management.

Reimbursed under the agreement [funded from proceeds of sale or refinance], the redeveloper would rehabilitate these vacant floors consistent with the proposed adaptive reuse. For example: apartments or residential condominiums, which could be age-restricted; live/ work for artists, craft-persons, emerging entrepreneurs; for other non-residential uses, such as an inn, cultural and entertainment use, expanded retail and office, then CDBG, Development Fund or other sources would be utilized.



The reuse with the CNRF must be residential, and with other funds can a mixed use, supportive of residential; the residents must be those earning no greater than 120% of County median income and their rent or sale price must be affordable. Each owner then has three options to [a] rent the space, [b] sell to the user, or [c] sell to another investor [could be the consortium of selling owners].

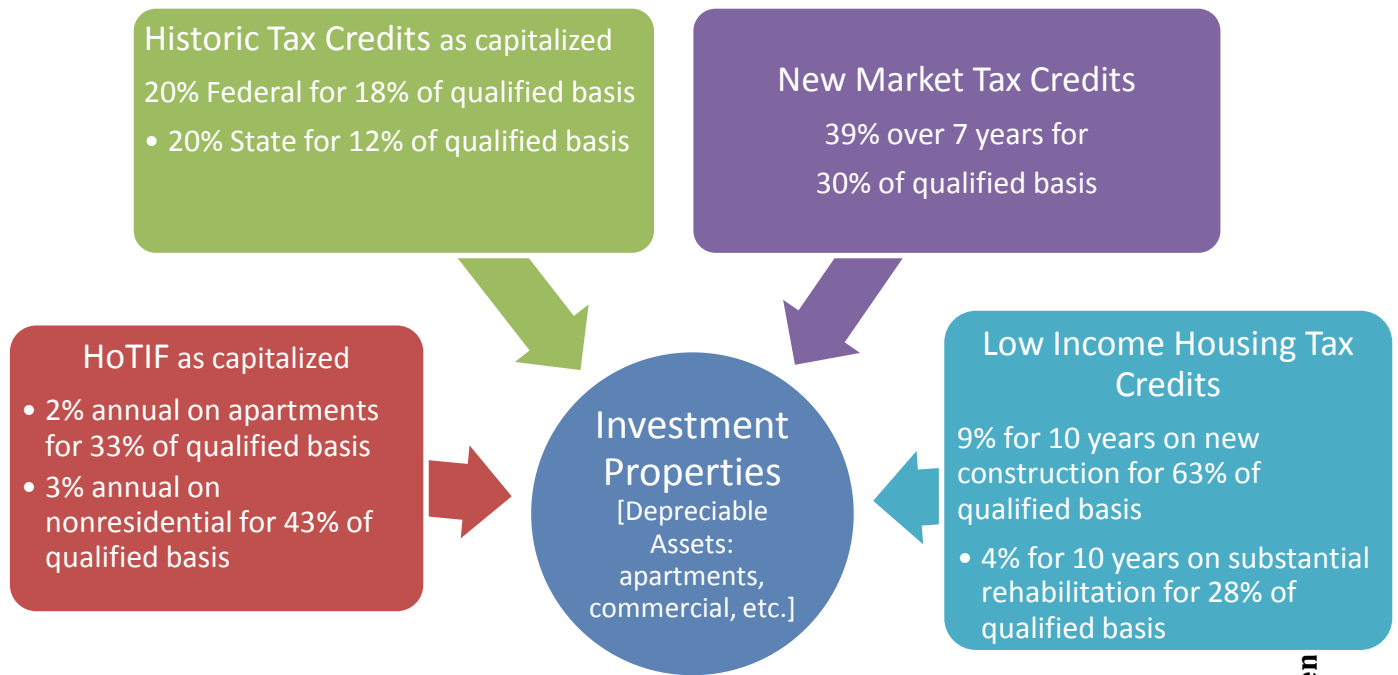
The logic of such collective action is that a market can be created for this vast unused private infrastructure of the heart of the city, and with less risk and greater return than by acting as individual owners. This strategy is graphically presented:



**STRATEGY D: INNOVATIVE TAX-INCREMENT & TAX CREDIT FINANCING**

***SUMMARY OF FINDINGS***

For apartments and commercial properties we go to capital markets in the sale of tax credits, and the bond market to provide funds underwritten through Housing Tax Increment Financing [HoTIF]. The tax credits include those for historic properties, as well as for low income apartments, and those in targeted areas where New Market Tax Credits apply. These financial methods make the unfeasible workable, and when applied together can result in a financial surplus which is dedicated to other neighborhood projects. The graphic below in this section summarizes these methods.



The chart of “Selective Tax Credit Programs & Their Capital Yields” is presented in the final section. These various tax credit programs, which through syndication can yield the estimated capital yields, commonly place little to no demands on the owner for either cash flow or capital gains, and thus serve as a source of gift equity.

## STRATEGIC USE OF FINANCIAL INSTRUMENTS

---

The key financial instruments useful in areas of disinvestment involve returns independent of conventional market valuation. The market is a primary barrier to investment, and so inducement must be in the form of tax credits and the innovative use of state and local taxes.

### TAX INCREMENT & TAX CREDIT FINANCING

Beyond the array of intergovernmental and corporate foundation support in the forms grants and junior loans [deferred payment, low cost subordinated debt], there are Federal and Indiana programs that would raise capital in equity markets, and the innovative use of taxes to finance private and public capital improvements. I identify several, yet briefly and reserving a future opportunity to explain each adequately:

- ☞ The Indiana Housing Tax Increment Financing [HoTIF] is a much more powerful instrument for both residential and commercial redevelopment than the original TIF [e.g., Muncie has 3 TIF districts, but no HoTIF], and can be used to raise 25-75% of the value of the private investment through self-liquidating public bonds. The Illinois TIF has performed this function for some time, and is widely used in Chicago neighborhoods.
- ☞ Private capital markets will buy tax credits, with proceeds subsidizing residential and commercial “investment property” improvements as much as 50%. Again, Muncie, and many other places are without any organized deployment of either Historic or New Market Tax Credits.
- ☞ Some developers do include Low Income Housing Tax Credits to subsidize rental housing for households at or below 60% of County median income. But, the aforementioned tax credit programs can also deliver affordable housing, and for a wider range of household incomes, including the middle class. The programs I propose can be cumulative, resulting in little or no mortgages and even achieving “over-financed” projects, and for which surpluses may be used for other public purposes.

### DEDICATION OF STATE TAXES

In another paper I will describe [a] Urban Enterprise Zones [UEZ] that can suspend the sales tax, [b] Brownfield Redevelopment programs that can reimburse environmental remediation through the dedication of State taxes from the site’s redevelopment, and [c] Community Revitalization Enhancement District [CReED] and Certified Technology Parks [CTP] that can pass through a substantial tax credit to merchants and other tenants in our commercial downtown [or any location with a CTP] from property improvements.

### SMARTER INVESTMENTS

Intergovernmental grants tend to be spent rather than invested. A “smarter” public investment in housing and commercial properties has three features: [1] mortgages underwritten for affordability to mitigate defaults and maximize economy, [2] broad income mix of buyers, whereby “over-financing” of the least needy can subsidize the more needy, and [3] subsidies recaptured at the point of the buyer’s

resale. Such a revolving loan to acquire, redevelop and sell becomes as efficient as to approach a perpetual investment.

### **SUSTAINABLE STRATEGY**

The combined use of State taxes, tax credit and increment programs, and the revolving loan presents a **sustainable** redevelopment strategy. They rely on the resources of the for-profit capital markets and maximize the deployment of public resources. Yes, both government and capitalism can be directed to serve the needs of poorer communities. A declining city's untapped resources applied to its poverty and blight can qualify it for an unprecedented recovery. The greater challenge lies in appreciating these concepts and initiating this process.

---

### **STEP 5: COMMUNITY SELF-DETERMINATION & QUALITY CONTROL**

---

Planners, at the outset and throughout, must solicit and engage citizens in both the planning and development processes. Do not envision a conventional public hearing, but democracy in action, where stakeholders, regardless of their station in the community, are invited to participate in an open process of meaningful discourse. The process assures participants of their ownership of the redevelopment plan and quality control of its implementation.

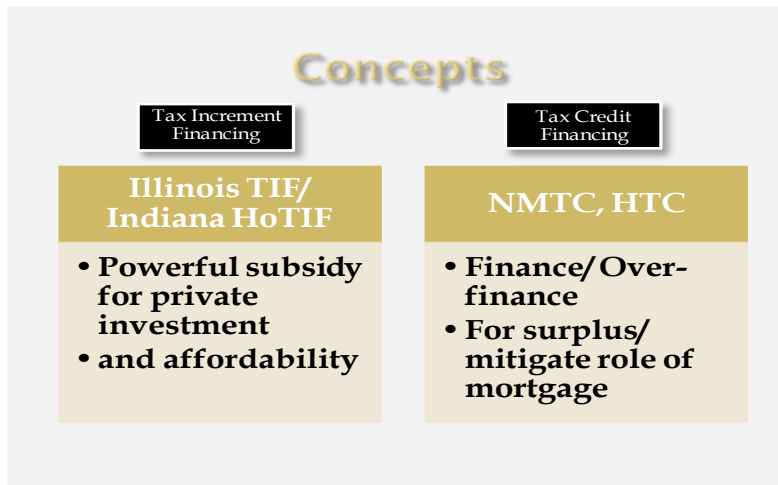
An intentional by-product of this is stronger community organization and “leads” to market our products. The process of reporting monthly to neighborhood stakeholders in the implementation of the plan also invites funding sources to join us in this quality control. The graphic below in this section depicts this process.



## PART E: REVEALING THE NUANCES OF REDEVELOPMENT FINANCING

### CONCEPT OF TAX INCENTIVE FINANCING

**Tax incentive financing** may involve tax abatement [local property, sales, income, etc.] or the use of tax increment and tax credit financing to raise private capital in funding both private and public improvements in the redevelopment area. With the presentation of sustainable, or perpetual, funding above, we present two additional innovative redevelopment financing concepts:



### TAX INCREMENT FINANCING

Tax Increment Financing is authorized by Section 39 of the State’s Redevelopment Code, and the Housing TIF by Section 48. Both treat the increment in assessed property valuation from construction and the tax increment thereof placed in a trust account to be invested within or for the benefit of the “tax allocation area” [TIF District].

They differ in many respects:

Feature	TIF	HoTIF
<b>Tax Trust Account</b>	Only on the tax increment attributable from the private construction improvements.	May also include the base tax pre-improvement.
<b>Investment of Tax Trust</b>	Only on public improvements and services that benefit the TIF District	May also be spent on private property improvements

## POWER OF THE ILLINOIS TIF AND INDIANA HOTIF

The State has areas that qualify for a Housing TIF [HoTIF], a much more powerful instrument for both residential and commercial redevelopment than the original TIF, but without parse application statewide.

In an area of disinvestment, the HoTIF can be used to raise 15-86% [refer to chart below] of the value of the private investment within the district through self-liquidating public revenue bonds, with the incremental tax serving to underwrite the issue and repay the bond purchasers. The wide ranges reflects various land uses and whether the bonds are taxable or tax-exempt; for the purpose of this illustration let us presume these bonds raise a third of the total investment. The HoTIF is substantially greater for nonresidential commercial properties and for apartments than for owner-occupied properties under this year’s tax reform, but there remains no legal restriction on redistributing such resources for the desired impact.

The public bonds are then invested in continued private property improvements, and conducted in a neighborhood-wide manner likely would raise every property value. Local government would gain revenue on this appreciation in contrast to losing revenue from deteriorating property values, as is the historic and current case. It would mitigate the costs of demolition, code enforcement and the less tangible ones of embarrassment and despair.

### TIF UNDER ILLINOIS MUNICIPAL CODE

The Illinois TIF is cited *CHAPTER 65. ARTICLE 11. DIVISION 74.4.: TAX INCREMENT ALLOCATION REDEVELOPMENT ACT*. Its eligible uses:

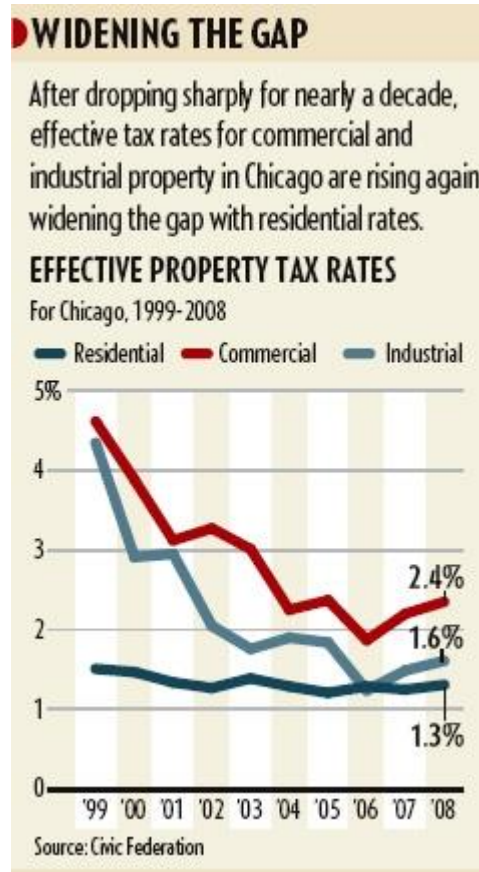
- ☞ Rehabilitation or renovation of existing public or **private buildings**
- ☞ Property acquisition
- ☞ Construction of public works or improvements
- ☞ Job training
- ☞ Relocation
- ☞ Financing costs, including interest assistance
- ☞ Studies, surveys and plans
- ☞ Marketing sites within the TIF
- ☞ Professional services
- ☞ Demolition and site preparation



**EFFECTIVE PROPERTY TAX RATES BY LAND USE IN CHICAGO**

We reviewed a report of the Civic Federation researching the trend of property tax rates as reported on August 23, 2010 for the period 2006-2008. That disclosed the average rates [annual property tax as % of market value] by land use, as follows:

- ▣ 1.3% Homesteads
- ▣ 2.4% Commercial
- Apartments/ Rental Housing
- Retail
- Office



**TIF AS FINANCING PRIVATE IMPROVEMENTS**

The State of Indiana has areas that qualify for a Housing TIF [HoTIF], a much more powerful instrument for both residential and commercial redevelopment than the original TIF, but without parse application statewide. Illinois, and especially Chicago, has used this instrument of redevelopment for some time, and yet not to its fullest value

In an area of disinvestment, the Illinois TIF can be used to raise 25-38% [refer to chart below] of the value of the total investment [33-60% of the private investment] within the district through self-liquidating public revenue bonds, with the incremental tax serving to underwrite the issue and repay the bond purchasers. In Indiana, the HoTIF can be used to raise 15-86% of the private investment. The wide ranges reflects various land uses and whether the bonds are taxable or tax-exempt; for the purpose of this illustration let us presume these bonds raise a third of the total investment. In both states the TIF/

HoTIF is substantially greater for nonresidential commercial properties and for apartments than for owner-occupied properties under this year's tax reform, but there remains no legal restriction on redistributing such resources for the desired impact.

The public bonds are then invested in continued private property improvements, and conducted in a neighborhood-wide manner likely would raise every property value. Local government would gain revenue on this appreciation in contrast to losing revenue from deteriorating property values, as is the historic and current case. It would mitigate the costs of demolition, code enforcement and the less tangible ones of embarrassment and despair.

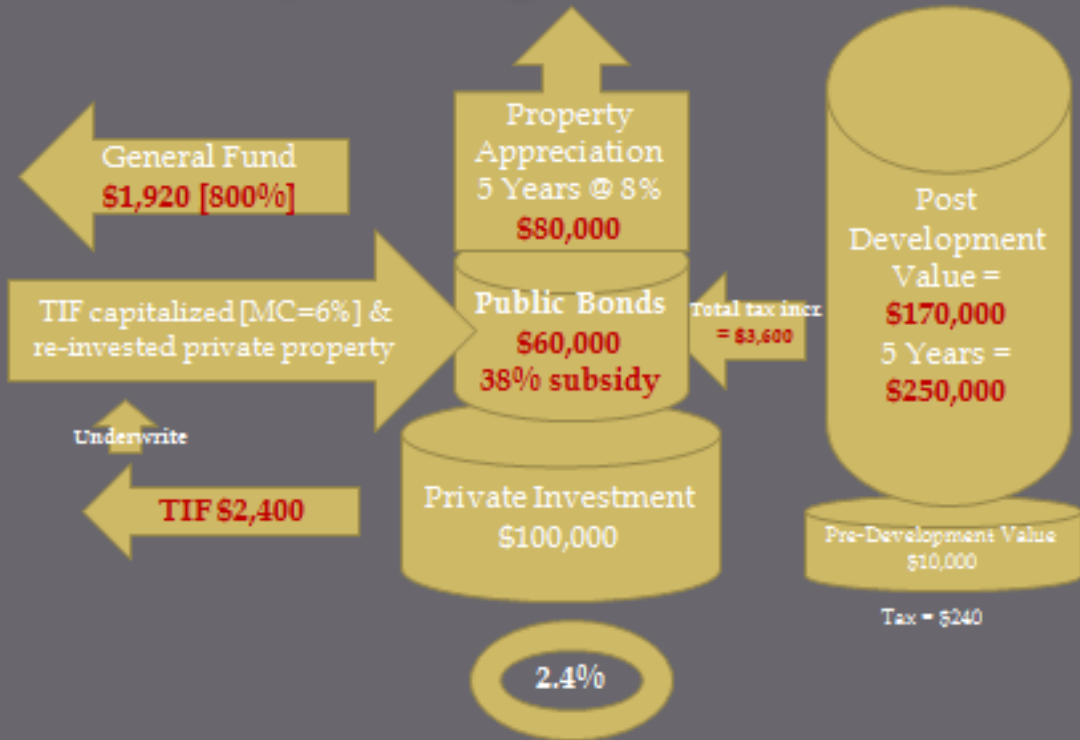
For illustration and in Chicago, we take a property, residential or commercial, but in this illustration a defunct apartment building, worth, conceptually, \$10,000. The investor finances \$100,000 in improvements through a private lender [a local bank, credit union, or mortgage-backed security] and an additional \$60,000 completing the gut rehabilitation through the public bonds described above.

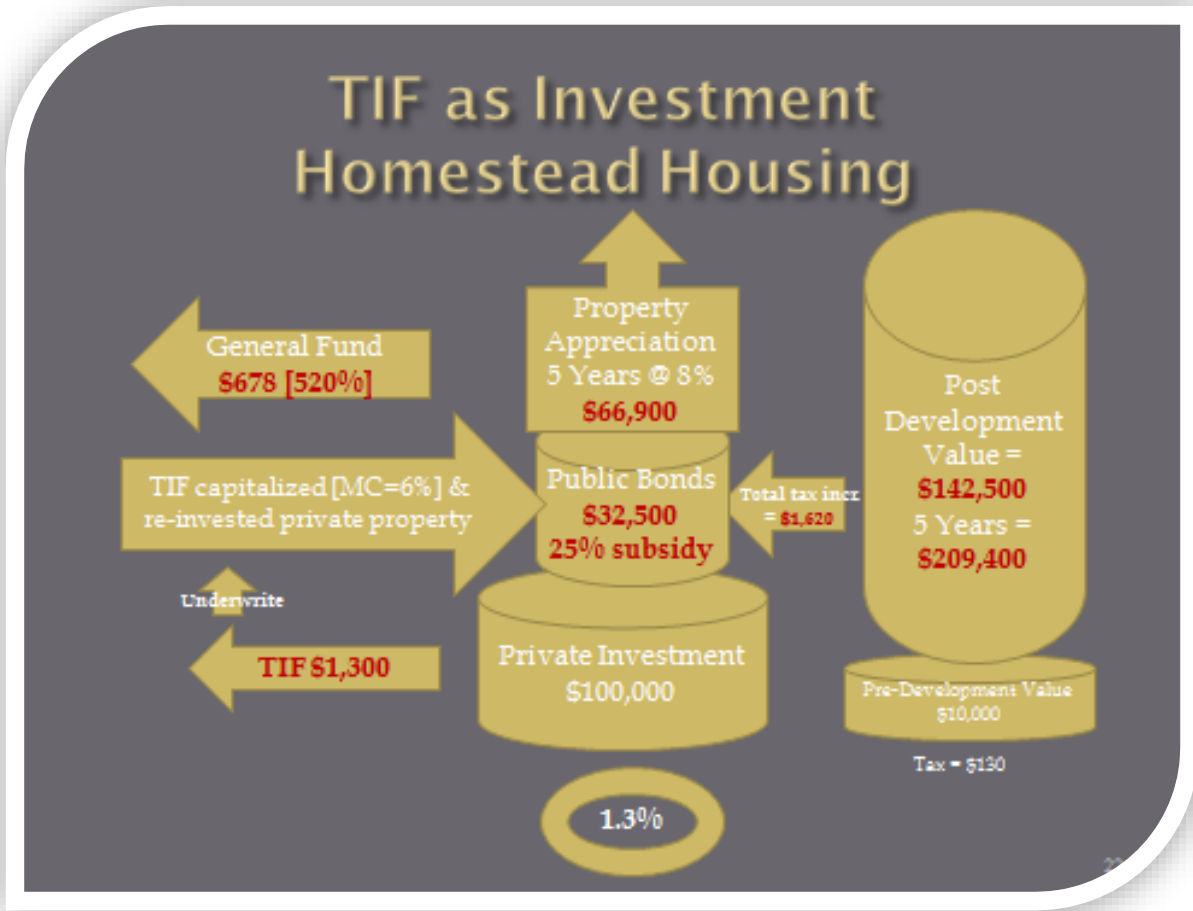
The private lender is satisfied with a loan to cost ratio of just 60% [ $\$100,000 / \$170,000$ ]; the public lender is assured of its repayment through the owner's tax payments.

If we presume, in a concerted, neighborhood-wide redevelopment, that property values will appreciate at the same annual rate as Fall Creek Place in Indianapolis [worse at the start than most any neighborhood in the State] of 8%, then another \$80,000 in value will be realized within five years, yielding \$1,920 on this multifamily home, and deposited for the school district and other units of local government. This tax increment for general and special purpose local governments is 800% of the pre-redevelopment tax of \$2400 on a \$10,000 property. Although we have heard the popular view that TIF's rob us of taxes, and indeed they do when applied improperly, we challenge anyone to explain how they would in the strategy just presented for a neighborhood of disinvestment.

We then apply the same method to homesteads, substituting Chicago's tax to value ratio of 1.3% instead of the 2.4% on investment properties. These results are indicated in the second chart below:

## Concept 1: TIF as Investment Multifamily Housing or Commercial Uses





**TIF AS THE SOLE REQUISITE SUBSIDY FOR AFFORDABLE HOUSING**

The charts below demonstrate how the simplified use of HoTIF financing for the owner-occupied single-family dwelling can be made affordable. We calculate an affordable purchase price for a four [4] bedroom dwelling at \$120,900. Affordability is based on an average for low and moderate income households and FHA/ FNMA “front end” underwriting standards.<sup>27</sup> The example above is that the dwelling has a capital investment of \$142,500.

<sup>27</sup> 5% down payment, current APR’s, hazard insurance at \$3.25 per \$1,000, and property taxes as previously quoted as 1.3% of the home price

The results, absent any other developer or external subsidies, is a housing payment monthly of \$858, or \$65 less than the household and HUD costs to rent under the Section 8 program.

### Affordable Housing

<u>4-BR DWELLING HOUSEHOLD NEED</u>	<u>4-BR DWELLING AFFORDABLE PRICING</u>
▣ Low Income for household of 6 = \$31,050	\$94,600
▣ Moderate Income for household of 6 = \$49,680	\$147,200
▣ Average Low/Moderate =	<b><u>\$120,900</u></b>

2008 Data

### HoTIF as Affordable Housing Subsidy

▣ Acquisition & Redevelopment Cost [Purchase Price]	\$142,500
▣ Less HoTIF [Homeowner pays taxes, City Trust pays second mortgage]	-\$32,500
▣ Less Developer Subsidy [0.0%, but an option]	-\$0
▣ Equals Conventionally Financed Price	<b>\$110,000</b>
▣ Less Buyer Down Payment [@ 5%]	0
▣ Equals Amortizing Mortgage [LTV = 77%]	\$110,000
▣ Monthly Mortgage Payment [AMC = 0.073/ 12 months]	\$669
▣ Monthly Tax Payment [annual = 1.3%] [less homestead deduction]	\$150
▣ Monthly Hazard Insurance [annual = 0.325% to replace]	\$39
▣ Total Monthly Housing Payment	\$858
▣ Compare to Section 8 FMR [2007]	\$923
1. Owner saves \$65 over total cost [household + subsidy] to rent same unit	
2. \$110,000 of conventionally financed price < \$120,900 average affordable price	

## TAX CREDIT FINANCING

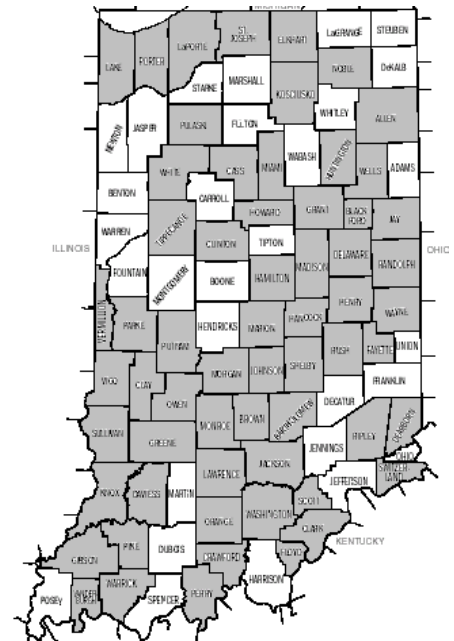
For illustration, one proposal is a self-help effort, neighborhood by neighborhood, that marries the unique roles of nonprofit with for-profit entities, and calls upon the public sector to cooperate. It treats a community’s apparent liabilities and weaknesses as assets for recovery, in that our Federal and State governments have established programs for the recovery of distressed places on the qualifications of our own impoverished neighborhoods and economy of disinvestment. If done expertly, this strategy generates substantial net revenues for both public and private sectors, and would transform both the physical [blight] and economic [investment and income] environment.

Beyond the array of intergovernmental and corporate foundation support in the forms grants and low cost loans, there are Federal and Indiana programs that abet the raising of capital in equity markets, and the innovative use of taxes to finance mortgaged debt. We identify several:

Second, there are Federal and Indiana tax credits for owners that improve their properties. You may be one of 72 cities [refer to featured list] with neighborhoods that qualify for New Market Tax Credits [NMTCT]. By selling such credits in established capital markets, 30% of project costs could be raised.

*New Markets Loan Financing (cont.)  
State of Indiana  
Counties with Qualified Low-Income  
Communities (shaded)*

New Markets Loan Financing Indiana 72 Low Income Community Areas		
1. Anderson-Madison County	25. Indianapolis-Marion County	49. Owen County
2. Bloomington-Monroe County	26. Jackson County	50. Parke County
3. Bluffton-Wells County	27. Jay County	51. Perry County
4. Boonville-Warrick County	28. Johnson County	52. Peru-Miami County
5. Brown County	29. Kendallville-Noble County	53. Pike County
6. Clark County	30. Knox-Starke County	54. Plymouth-Marshall County
7. Clarksville-Clark County	31. Knox County	55. Princeton-Gibson County
8. Clay County	32. Kokomo-Howard County	56. Pulaski County
9. Columbus-Bartholomew County	33. Lafayette/West Lafayette-Tippecanoe County	57. Putnam County
10. Connersville-Fayette County	34. Lake County	58. Randolph County
11. Crawford County	35. LaPorte-LaPorte County	59. Rushville-Rush County
12. Davies County	36. Lawrence-Marion County	60. Salem-Washington County
13. Dearborn County	37. Lawrence County	61. Scott County
14. East Chicago-Lake County	38. Logansport-Cass County	62. Shelbyville-Shelby County
15. Elkhart-Elkhart County	39. Madison County	63. South Bend-St. Joseph County
16. Evansville-Vanderburgh County	40. Marion-Grant County	64. Speedway-Marion County
17. Fort Wayne-Allen County	41. Martinsville-Morgan County	65. Sullivan County
18. Frankfort-Clinton County	42. Michigan City-LaPorte County	66. Switzerland County
19. Gary-Lake County	43. Monon-White County	67. Terre Haute-Vigo County
20. Greene County	44. Muncie-Delaware County	68. Valparaiso-Porter County
21. Greenfield-Hancock County	45. New Albany-Hoyd County	69. Vermillion County
22. Hammond-Lake County	46. New Castle-Henry County	70. Versailles-Ripley County
23. Hartford City-Blackford County	47. Noblesville-Hamilton County	71. Warsaw-Kosciusko County
24. Huntington-Huntington County	48. Orange County	72. Wayne County



For local historic districts or properties on the State and Federal Historic Registers, another 30% of historic renovation costs could be contributed by investors utilizing the 20% Federal and 20% Indiana credit [HTC]. The latter we discount by the multi-year delay in receiving the credit due to the severe under-allocation of this credit by the State Legislature [\$5 million to remedy the waiting list and \$1.5 million in tax allocation to fund at current demand]. These may a call for “collective action,” as previously described.

The HoTIF and all of these tax credits [NMTC, HTC] may be cumulative, and in my tally of capital that can be raised equals 93% of the cost of the improvements, and could as well readily “over-finance” these projects. All unnecessary financing would be treated as surplus for investment in public properties and services, or as supplemental subsidies for groups with special needs. I also can envision a neighborhood-based college scholarship program, financial incentives for anchor and incubator businesses in commercial areas, and the proliferation of Habitat production as a counter to subprime lending’s exit.

All of these references to tax credits and capital yields are presented below “Chart of Selective Tax Credit Programs & Their Capital Yields”

If the property is rented to households falling within 60% of the County’s median income, then Low Income Housing Tax Credits are available and can raise from 28% to 62% of the qualified basis of the property improvements depending on whether it is rehabilitation or new construction and the Federal involvement in the financing, if at all.

There is a perfect fit. These investors care about the tax credits and the stability of these properties over the period of tax recapture [5-10 years for the above programs]. They are “investment blind” as to any other investment value, as they do not participate in either rental cash flows or capital gains upon sale, both of which accrue to the property owner.

All of these references to tax credits and capital yields are presented in the chart at the end.

---

#### CHRONOLOGY OF TAX CREDIT PROGRAMS

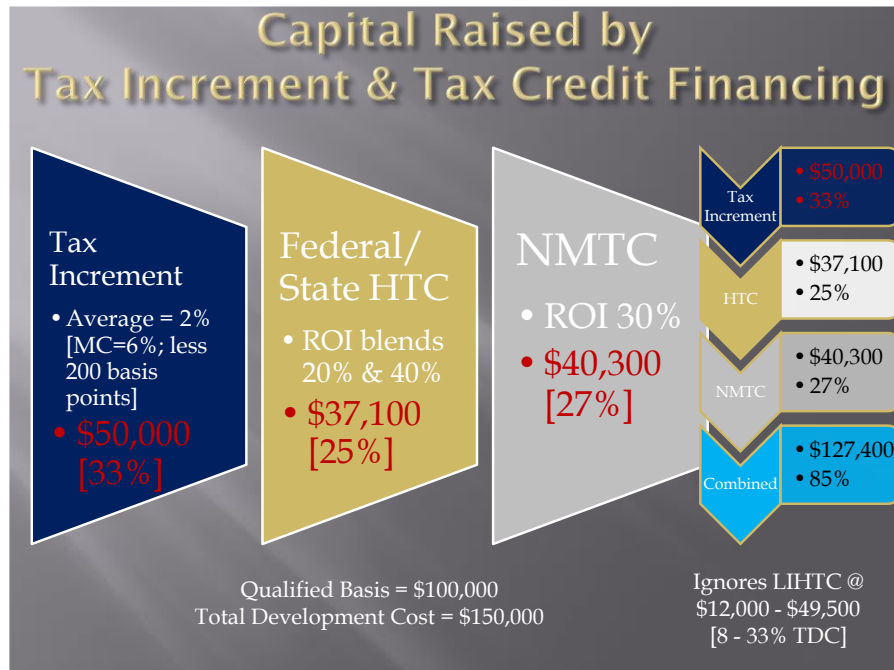
---

- **1976: Enactment of Federal Historic Tax Credit (rehabilitation tax credit)**
  - Use for all income-producing (depreciable) property
  - Certified historic rehabilitation of certified historic building(20%)
  - Rehabilitation of older (pre-1936) non-historic and non-residential building (10%)
- **1986: Enactment of Low-Income Housing Tax Credit**
  - Create construction and rehabilitation of affordable rental housing
- **2000: Enactment of New Markets Tax Credit**
  - Apply to qualified businesses (real estate investments), excludes most housing
  - Can combine with the Rehabilitation Tax Credit, but not with the LIHTC
  - 2003 –First Allocation of NMTCs to CDEs
- **Enactment of State Historic Tax Credits**
  - Enacted at various dates, but in all 50 states
  - Rules generally parallel federal historic tax credit

- Indiana can combine with Federal HTC [40%] + owner-occupied housing eligible for Indiana Residential Historic Rehabilitation Credit [RHRC] – refer to Indiana Department of Natural Resources, Division of Historic Preservation & Archaeology, SHPO

## CUMULATIVE RESULTS

There are restrictions on the use of Low Income Housing Tax Credits [LIHTC] in combination with other Federal programs.<sup>28</sup> However, the combinations of NMTC, HTC, HoTIF, and tax-exempt revenue bonds remain unrestricted. Thus, it is possible to severely reduce or eliminate mortgaged debt, or even to “over-finance” a project when these instruments are jointly deployed. The over-finance<sup>29</sup> when managed by a public or private nonprofit master redeveloper becomes useful in financing other projects with a public purpose, and perhaps with no source of revenue. For illustration: single family homesteads and historic preservation subsidies, neighborhood pocket parks, social/ manpower/ health care services, educational and cultural programs. The chart below assumes a modest accumulation of these programs.



<sup>28</sup> The annual tax credit is reduced from 9.0% to 4.0% when tax-exempt bond or any Federally-subsidized debt financing is used, or exempts from qualified basis any portions of projects costs financed with any Federal grant or tax credit program. Structuring this is an art unto itself.

<sup>29</sup> Either no private financing, or with some conventional private financing, to achieve a surplus of funds over the application of funds



## CHART OF SELECTIVE TAX CREDIT PROGRAMS & THEIR CAPITAL YIELDS

Data Inputs and Calculations	LIHTC			NMTC		HTC			
	New Constr. + < 50% Tax Exempt Bonds	New Constr. + > 50% tax exempt bonds	Rehab + Taxable Bonds	New Construction	Rehab	Federal Historic Register Rehab	Federal < 1936 Rehab	Indiana Historic Register Rehab	Combine Fed/State HRTC
Total Project Cost	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000	\$10,000,000
Improvement Cost	\$ 9,000,000	\$ 9,000,000	\$ 5,000,000	n/a	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000
Acquisition Cost	\$ 1,000,000	\$ 1,000,000	\$ 5,000,000	\$ 1,000,000	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000
Disqualified Costs	\$ 100,000	\$ 100,000	\$ 50,000	\$ -	\$ -	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000
Eligible Basis	\$ 8,900,000	\$ 8,900,000	\$ 4,950,000	\$ 10,000,000	\$ 10,000,000	\$ 4,950,000	\$ 4,950,000	\$ 4,950,000	\$ 4,950,000
Applicable Fraction [Eligible Units/ Total Units]	60%	60%	60%	100%	100%	100%	100%	100%	100%
Qualified Basis	\$ 5,340,000	\$ 5,340,000	\$ 2,970,000	\$ 10,000,000	\$ 10,000,000	\$ 4,950,000	\$ 4,950,000	\$ 4,950,000	\$ 4,950,000
Credit by Building Type	9%	4%	4%	39%	39%	20%	10%	20%	40%
Average Annual Credit	\$ 480,600	\$ 213,600	\$ 118,800	\$ 557,143	\$ 557,143	\$ 990,000	\$ 495,000	\$ 990,000	\$ 1,980,000
Years Placed in Service	10	10	10	7	7	n/a	n/a	n/a	n/a
Value of Credit over Service	\$ 4,806,000	\$ 2,136,000	\$ 1,188,000	\$ 3,900,000	\$ 3,900,000	\$ 990,000	\$ 495,000	\$ 990,000	\$ 1,980,000
ROI Requirement	69.2%	69.2%	69.2%	76.9%	76.9%	90.0%	90.0%	60.0%	75.0%
Equity Induced	\$ 3,326,233	\$ 1,478,326	\$ 822,215	\$ 2,999,100	\$ 2,999,100	\$ 891,000	\$ 445,500	\$ 594,000	\$ 1,485,000
NOI	\$ 750,000	\$ 750,000	\$ 750,000	\$ 750,000	\$ 750,000	\$ 750,000	\$ 750,000	\$ 750,000	\$ 750,000
Cap Rate	10%	10%	10%	10%	10%	10%	10%	10%	10%
Capitalized Value	\$ 7,500,000	\$ 7,500,000	\$ 7,500,000	\$ 7,500,000	\$ 7,500,000	\$ 7,500,000	\$ 7,500,000	\$ 7,500,000	\$ 7,500,000
LTV	75%	75%	75%	75%	75%	75%	75%	75%	75%
Maximum Mortgage	\$ 5,625,000	\$ 5,625,000	\$ 5,625,000	\$ 5,625,000	\$ 5,625,000	\$ 5,625,000	\$ 5,625,000	\$ 5,625,000	\$ 5,625,000
Total Project Cost	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000	\$10,000,000
Mortgage	\$ (5,625,000)	\$ (5,625,000)	\$ (5,625,000)	\$ (5,625,000)	\$ (5,625,000)	\$ (5,625,000)	\$ (5,625,000)	\$ (5,625,000)	\$ (5,625,000)
Equity	\$ (3,326,233)	\$ (1,478,326)	\$ (822,215)	\$ (2,999,100)	\$ (2,999,100)	\$ (891,000)	\$ (445,500)	\$ (594,000)	\$ (1,485,000)
Financing Gap [surplus]	\$ 1,048,767	\$ 2,896,674	\$ 3,552,785	\$ 1,375,900	\$ 1,375,900	\$ 3,484,000	\$ 3,929,500	\$ 3,781,000	\$ 2,890,000
Proportionate Gap [surplus]	10%	29%	36%	14%	14%	35%	39%	38%	29%

Legend: Blue is a calculator; Black is an input; Red is a likely market or regulatory input

## PART F: CAPACITY-BUILDING ACTION AGENDA

---

Lastly and most importantly, there is the local capacity that we must build to utilize these strategies and to avail the tools, of which this presentation reflects a suggestive, not exhaustive, list.

My students have applied this to the Bronzeville neighborhood; this suggests the most important approach to community building. The frame of reference is on the neighborhood, not an isolated project. They have selected Bronzeville among various neighborhood redevelopment prospects, based on strategic conditions, and their path of redevelopment functions to expand an existing market of investment block by block into an adjoining area of disinvestment. They have utilized all six [6] redevelopment strategies and in various combinations on ten[10] project sites. Lastly, my students have analytically underwritten each project as to enjoy both market and financial feasibility, enabling the actions of their action plan.

We attend in this final section to steps in developing a local capacity for neighborhood redevelopment.

### ORGANIZE

---

First, organize and mobilize at the neighborhood level; you already should know the people in the room, and you are all incorrigibly committed for the long-term, and will develop a managerial skill in driving your agenda. There are techniques for organizing stakeholders, identifying projects and their champions, and mobilizing around an action agenda, but the subject of another report.

The advantages to local elected officials in such a grass-roots organizing campaign is several: One, as the public discourse is inclusive and highly substantive, issues become resolved, and the contentions are removed before they appear before the legislative body and the executive. Two, if elective officials facilitate this endeavor, they then may be in a position to count on the same organized effort in their re-election. Third, although popular plans [refer to section below] are sometimes viewed as restricting the discretion of elected officials, they also empower all and make effective the efforts of those officials.

Which neighborhoods? The State Code terms these “redevelopment areas.” They present residents of economically impacted neighborhoods. Depending on the program, there is a corporate form, typically a nonprofit Community Development Entity [CDE] as a master redeveloper and coordinating for-profit entities on discernible projects.

### KNOWLEDGE, STRATEGIC PLANNING, LEADERSHIP

---

Second, acquire expertise. This typically requires seed money, and the community may look to public universities in Indiana or various private consultants for support.

Third, each neighborhood will need a strategic business plan for the financial and market underwriting, and may also opt for a community development plan, identifying neighborhood needs, setting a vision, and prioritizing objectives and actions. These plans direct and then sell your projects, and are indispensable. Remember, do not think small, for there is greater risk to improving a single property than 400 properties. We outline the formulation of such a strategic business plan below.

Finally, our elected officials should cooperate, if not lead this effort. At a minimum is the need for some ordinances and resolutions. But, I have yet to meet a case study where political leadership was not a requirement. I remember the Austin, TX, bumper sticker..."if the people lead the leaders will follow."

---

## END GAME

---

We return to the underlying values of planning as well as public interest real estate development: Control events and add to the value of place. The planning process commits to civic engagement between elections in furtherance of democratic values, as does the campaign process during election season. Yet, it does so more substantively.

---

## FORUMULATION OF A LOCAL REDEVELOPMENT STRATEGIC PLAN

---

For a local redevelopment strategic plan I consider its process ["plan" as a verb], its strategy ["plan" as a noun], and a new set of tools in its implementation [capacity to act]. Such a plan should be in two parts, directed toward the public and its leadership, and another suited to an audience of realty investors and their support professionals.

---

### PROCESS

---

Process is primary to product. The process of planning is political action, and should serves a citizenry to organize, take ownership of the plan [participation is based on the expectation of influence], and then act. The form I have been practicing with other Indiana communities aggressively solicits stakeholders, who participate as equals regardless of station, commit to a meaningful discourse, and determine the outcome. It is a deliberate form that resolves contentious issues and fosters consensus, a useful, if unique, political product. It is genuine democracy as rarely practiced, the democracy between elections, and how we ought to be governed. I say this not from some theoretical construct, but from my experience and continued amazement.

The process is conducted in open public forums, several in a series, both real and online "virtual", escaping from the boundaries of three-minute time limits and fostering actual conversations. It structures the discussion by planning elements [issues], leading to projects and identifying their champions. It mirrors the strategy addressed below in organizing by the building blocks of a community's neighborhoods and where participants have a heightened stake.

The beneficial product is community organization and empowerment. By sharing power public officials gain power, for this is not a zero-sum game. Elected officials never lose any authority in adopting the plan, but are relieved of the fractious outcomes of such decision-making, and gain a mandate to act effectively.

---

### STRATEGY

---

---

#### NEIGHBORHOOD-BASED

---

We pursue a logical thread. The purpose of planning is to solve problems of place. We start with the place where you live or have a business. The neighborhood focus then leads to a project-based plan.

No project has a place in the plan without a champion, a shepherd who is accountable. Also identified are Neighborhood Redevelopment Strategy Areas, selected for and with the strategy to generate a market response and materially improve conditions in say five years.

### HOLISTIC

---

Focused on problem-solving projects, we invite government and corporate sponsors to act non-bureaucratically, but, rather, holistically. Government is structured to deliver services. What if it operated to solve problems, and with services so coordinated? The coordination would embrace line departments, authorities and commissions, be inter-governmental, and utilize citizen volunteers. Ombudsmen assigned [read “reassigned,” as we look not to expand government] to each neighborhood and working with its stakeholders presents a new, exciting “reinvention of government.”

### INDIRECT

---

We promote a “strategy of indirection,” meaning to work rather on the determinant of what we want. Downtown retail should focus on downtown housing, expanding the resident population with enough purchasing power to generate retail demand; conversely, such retail amenities nurture downtown living. Economic and community development are complimentary, as the location decision of firms depends on the quality of life here, and vice-versa. Fundamentally effectuate redevelopment and escape the costly politics of annexation through the County’s management of growth inward, halting sprawl. Indirection and integration presents a frontal assault on our frustration when attempts in one arena fail.

### BUSINESS PLAN

---

The strategic plan envisions these community development action plans and each project presents its financial, market and political feasibility. This plan provides for the resources and strategic actions by champions to implement each project. All business plans do this, and mistakenly almost all public plans do not.

### CORPORATE SPONSORS

---

Why not attract corporate sponsorship, appealing not just to their eleemosynary instincts, but their self-interests? Ball State is an underutilized, under-challenged resource. Its various programs study Muncie, even providing applied research and plans. But, is there institutional investment beyond the campus, so evident in some of our leading universities [see Judith Rodin, The University & Urban Renewal]?

A city’s several major employers [e.g., education, medical care] don’t pay local taxes, and might be adverse to a “payment-in-lieu-of-taxes” for services the city renders. Alternately, they could provide corporate sponsorship: employer-sponsored housing; anchor the downtown revival with a facility, such as medical arts or clinic, live/work business incubator, class studios, even dormitory, and begin to fill the floor areas of vacancies; anchor a residential neighborhood by awakening an empty school. Improving the built environment would lead to better employees [at an area university, better faculty and student bodies], and generate more economic development than do most junkets to Asia and tax abatements locally.

### IMPACTFUL STRATEGY

---

The present and foreseeable market context is deep recession. There are a plethora of Chicago neighborhoods and mid-west small cities and towns enjoying an underlying strategic position as the

affordable bargain, and with resources for entrepreneurship and the arts particularly attractive to the “creative class.” Yet, with moderate qualification these economically impacted Chicago neighborhoods and small town core downtown neighborhoods appear abandoned by the market.

Redevelopment is all about changing market perception, and that is induced through overwhelming, concerted actions [read “surge”], rather than unrelated, piecemeal ones. In our neighborhoods of disinvestment, virtually no one is investing in a single property, but would if they were more certain of the area’s redevelopment, and, consequently, of their return-on-investment. Rehabilitating one house is much riskier and less feasible than 400 lots in a neighborhood. How would collective action unleash the vast resources of the private economy?

---

### CAPABILITY

---

In preface, *“we have abundant resources and sufficient tools for redevelopment, and lack only the knowledge for their effective use.”*

I identify below neglected, indeed unknown, resources. Their application falls within the rubric of “enterprise planning” [my own term, but others embrace “social capitalism”] which places demands on the spirit and knowledge of entrepreneurship to advance the public interest in community and economic development.

---

### FRAMEWORK

---

A city’s traditional excuse is in lacking the resources required to solve problems; given the recent condition of both our public and private economies there appears no dissent to this position. I dissent. The plan should make us more resourceful by demonstrating how to acquire and then apply these resources.

The liabilities of economically impacted neighborhoods include poverty and blight. But, these conditions when skillfully presented induce a flood of intergovernmental and, more significantly, private resources. The principals in this enterprise constitute a marriage of nonprofit and for-profit entities, while the role of the local government is to authorize certain “marital” activities.

Central is a City-wide, neighborhood-oriented, nonprofit as the master redeveloper and with staff experience/expertise to conduct a complex set of actions. How does a strategy generate substantial net revenues for both public and private sectors, and transform both the physical [blight] and economic [investment and income] environment?

---

### TAX INCREMENT & TAX CREDIT FINANCING

---

Beyond the array of intergovernmental and corporate foundation support in the forms grants and junior loans [deferred payment, low cost subordinated debt], there are Federal and Indiana programs that would raise capital in equity markets, and the innovative use of taxes to finance private and public capital improvements. I identify several, yet briefly and reserving a future opportunity to explain each adequately:

- ☞ Chicago's TIF and Indiana's HoTIF represent a much more powerful instrument for both residential and commercial redevelopment than the original TIF, and can be used to raise 25-75% of the value of the private investment through self-liquidating public bonds.
- ☞ Private capital markets will buy tax credits, with proceeds subsidizing residential and commercial "investment property" improvements as much as 50%. Again, most Indiana cities and towns are without any organized deployment of either Historic or New Market Tax Credits despite widespread eligibility.
- ☞ Some developers do include Low Income Housing Tax Credits to subsidize rental housing for households at or below 60% of County median income. But, the aforementioned tax credit programs can also delivery affordable housing, and for a wider range of household incomes, including the middle class. The programs I propose can be cumulative, resulting in little or no mortgages and even achieving "over-financed" projects, and for which surpluses may be used for other public purposes.

#### DEDICATION OF STATE TAXES

---

Another day I will describe [a] Urban Enterprise Zones [UEZ] that can suspend the sales tax, [b] Brownfield Redevelopment programs that can reimburse environmental remediation through the dedication of State taxes from the site's redevelopment, and [c] Community Revitalization Enhancement District [CReED] and Certified Technology Parks [CTP] that can pass through a substantial tax credit to merchants and other tenants in our commercial downtown [or any location with a CTP] from property improvements.

#### SMARTER INVESTMENTS

---

Intergovernmental grants tend to be spent rather than invested. A "smarter" public investment in housing and commercial properties has three features: [1] mortgages underwritten for affordability to mitigate defaults and maximize economy, [2] broad income mix of buyers, whereby "over-financing" of the least needy can subsidize the more needy, and [3] subsidies recaptured at the point of the buyer's resale. Such a revolving loan to acquire, redevelop and sell becomes as efficient as to approach a perpetual investment.

#### SUSTAINABLE STRATEGY

---

The combined use of State taxes, tax credit and increment programs, and the revolving loan presents a **sustainable** redevelopment strategy. They rely on the resources of the for-profit capital markets and maximize the deployment of public resources. Yes, both government and capitalism can be directed to serve the needs of poorer communities. A declining city's untapped resources applied to its poverty and blight can qualify it for an unprecedented recovery. The greater challenge lies in appreciating these concepts and initiating this process.

## PART G: RECAPITULATION OF REDEVELOPMENT PRINCIPLES

---

Simply, we summarize the principles presented in this paper and applied in the students plan for Bronzeville:

### CREATE A MARKET

---

Start by understanding the end game. The public sector is capable of financing one or more projects as public works or HOPE VI, etc. It lacks the capacity to redevelop a neighborhood and then to maintain that reinvestment sustainably. The end game to is create a shift in market investment through the simple perception that tomorrow will yield higher realty values than today. That perception is not conveyed through the “mirrors” and “magic show” of the real estate market bubbles of the last decade, but through tangible improvements in the quality of place. It represents the turning of a neighborhood that presents the dichotomy as a good location and bad address, into a desired address. Capitalism, founded on the principle of “buy low, sell high” is receptive to this end game.

### SELECT NRSA WISELY

---

In identifying neighborhood redevelopment strategy areas, we must select intelligently. The proximity of an area to disinvestment, declining property values and including property abandonment, to one of investment presents the objective. Block by block investment spreads from a stable to an unstable neighborhood, induced by any one of our six [6] strategies, and usually in their combination. Despite its blight, the economically impacted neighborhood may convey several useful, yet unappreciated, assets, such as proximity to a commercial core or a park, historic/ architecturally significant buildings, and neighborhood identity and organization.

Second, NRSA’s are chosen for their impact. They are on a corridor leading to the downtown, and, thus, convey visibility. They have the highest rates of housing abandonment and deterioration, and, thus, present the prospect for dramatic improvement. If they are the worst neighborhood, their redevelopment demonstrates to any other neighborhood that redevelopment is doable.

### A TEMPLATE: APPLY STRATEGY TO MATCH CONDITIONS

---

We identify and then apply six [6] distinct redevelopment strategies to sixteen [16] neighborhood conditions. The process of matching is more significant than any prescription here of appropriate matches. This is our neighborhood template, a paradigm for practicing redevelopment.

### BUILD & DEPLOY CAPACITY CREATIVELY

---

Lastly, the convention of a community development plan is to end with an action plan. Planning education and the practice of planning must engage in the actions of such action plans. Community organization, the functions of a master redeveloper, smarter financial instruments and public policies, and the creative and effective use of those instruments and policies are central examples of the requisite actions. These actions require knowledge, above and beyond that found in the traditional

schools of business, planning, and public administration. They elevate to the skills of the “enterprise planner.”

---

END

---