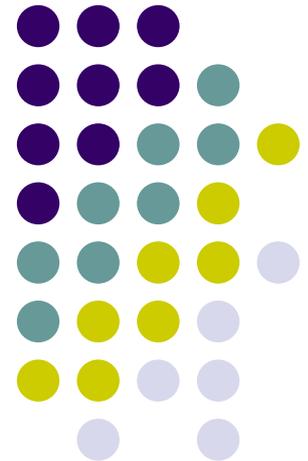
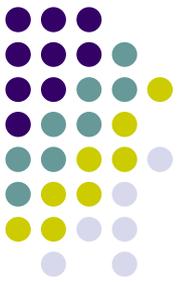


# Managing Neighborhood Change: Building Stronger Markets

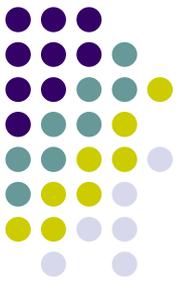
Alan Mallach, Senior Fellow  
National Housing Institute



## Building Stronger Markets

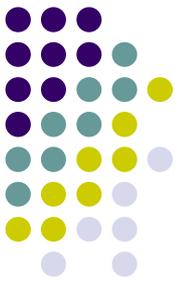


A neighborhood's health is powerfully driven by the extent to which it has a competitive housing or real estate market; that is, the extent to which individuals **choose** to live in that area rather than other areas to which they could move.



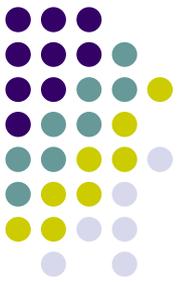
## Building Stronger Markets

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



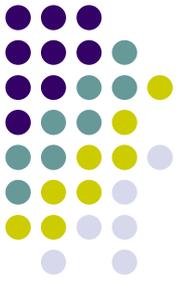
## Building Stronger Markets

- **Healthy neighborhoods are neighborhoods of choice – a neighborhood of choice is a neighborhood where:**
  - People who have enough income to choose between neighborhoods **choose** to move into the neighborhood
  - People who have enough income to leave the neighborhood **choose** to stay

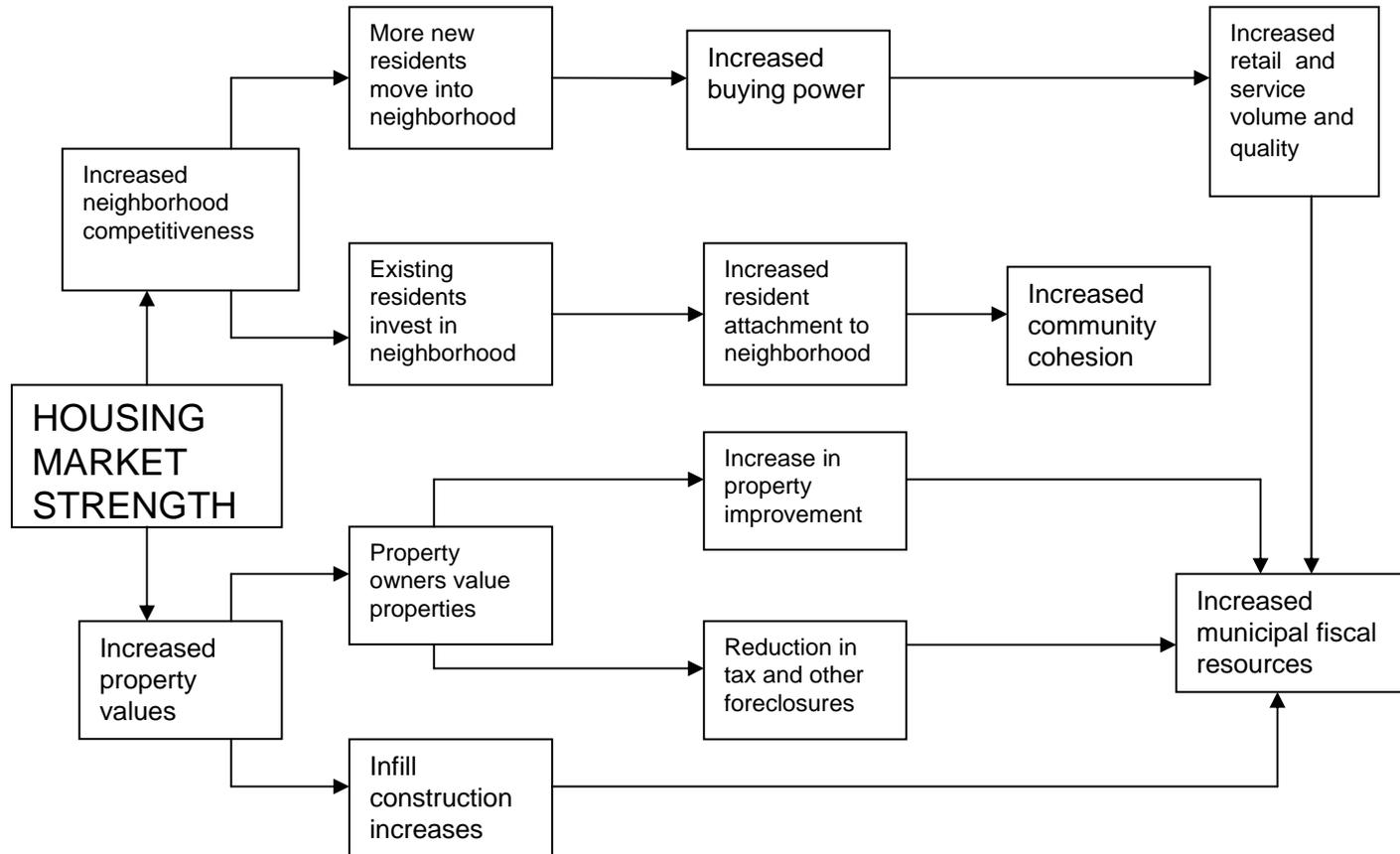


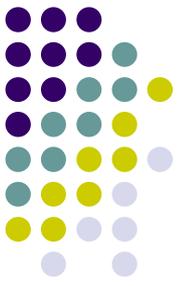
## Building Stronger Markets

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



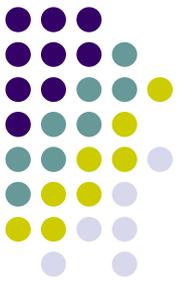
# Building Stronger Markets





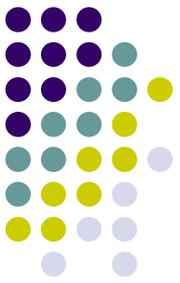
## Building Stronger Markets

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



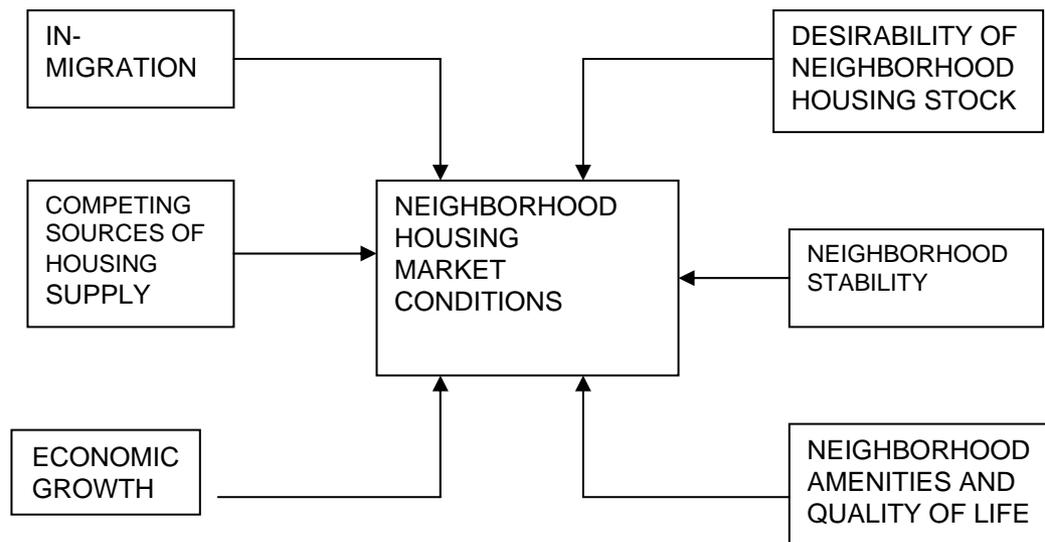
## Building Stronger Markets

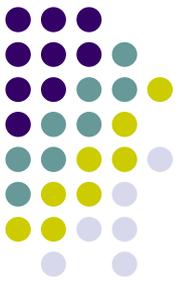
- **Creating healthy, economically integrated neighborhoods demands two things:**
  - Building the housing market - turning neighborhoods into neighborhoods of choice that attract a diverse economic mix of residents
  - Preserving opportunities for lower income people to remain in the neighborhood – fostering equitable redevelopment.



# Building Stronger Markets

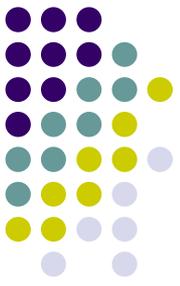
- What factors drive neighborhood housing market conditions?





## Building Stronger Markets

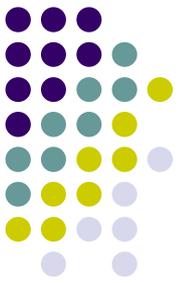
- Neighborhood market change can be driven by exogenous or endogenous change.
- Change in exogenous factors creates the **potential** for neighborhood change
- Change in endogenous factors **realizes that potential** on the ground



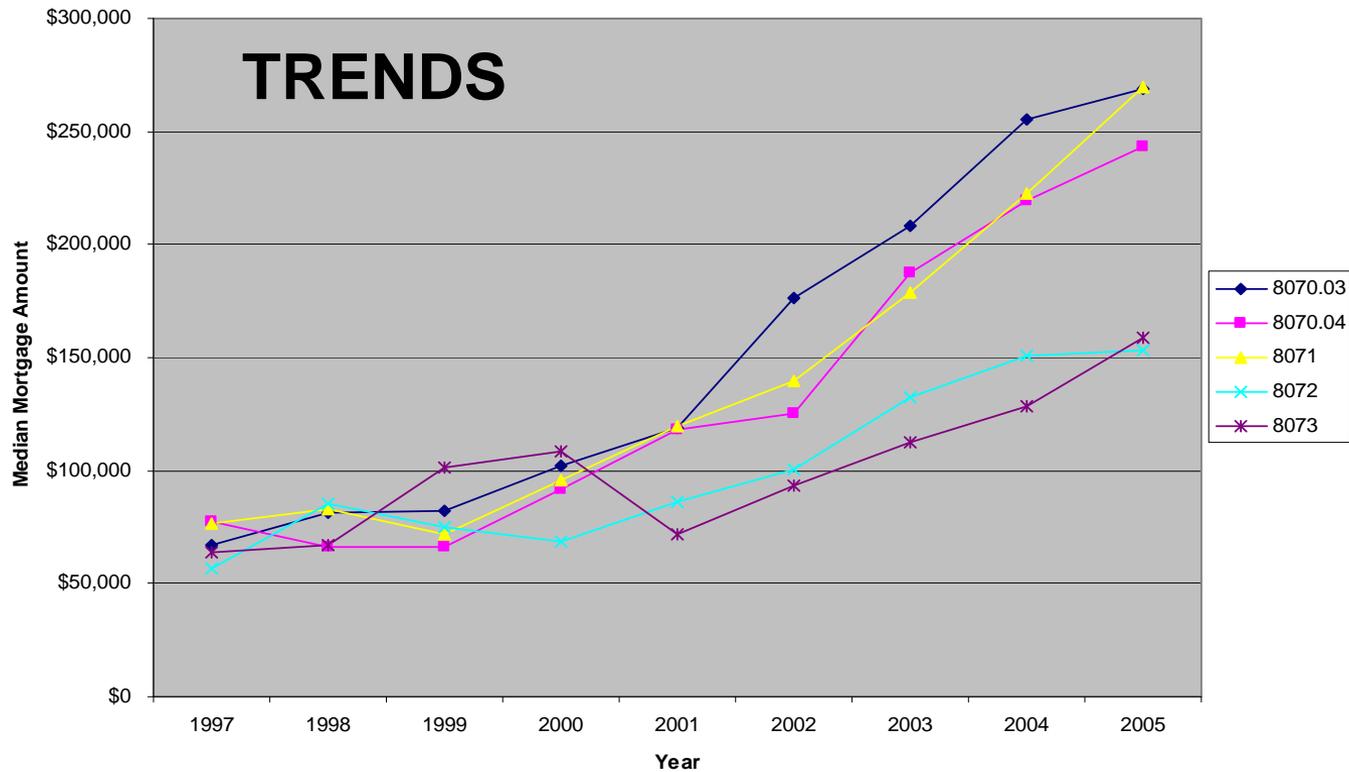
## Building Stronger Markets

- **Before one can build the market, one must understand the neighborhood from a market perspective:**
  - What are its physical characteristics?
  - What are its market conditions?
  - Which way are they trending?
  - What are the problems discouraging the market?
  - What are the assets that can potentially help build the market?

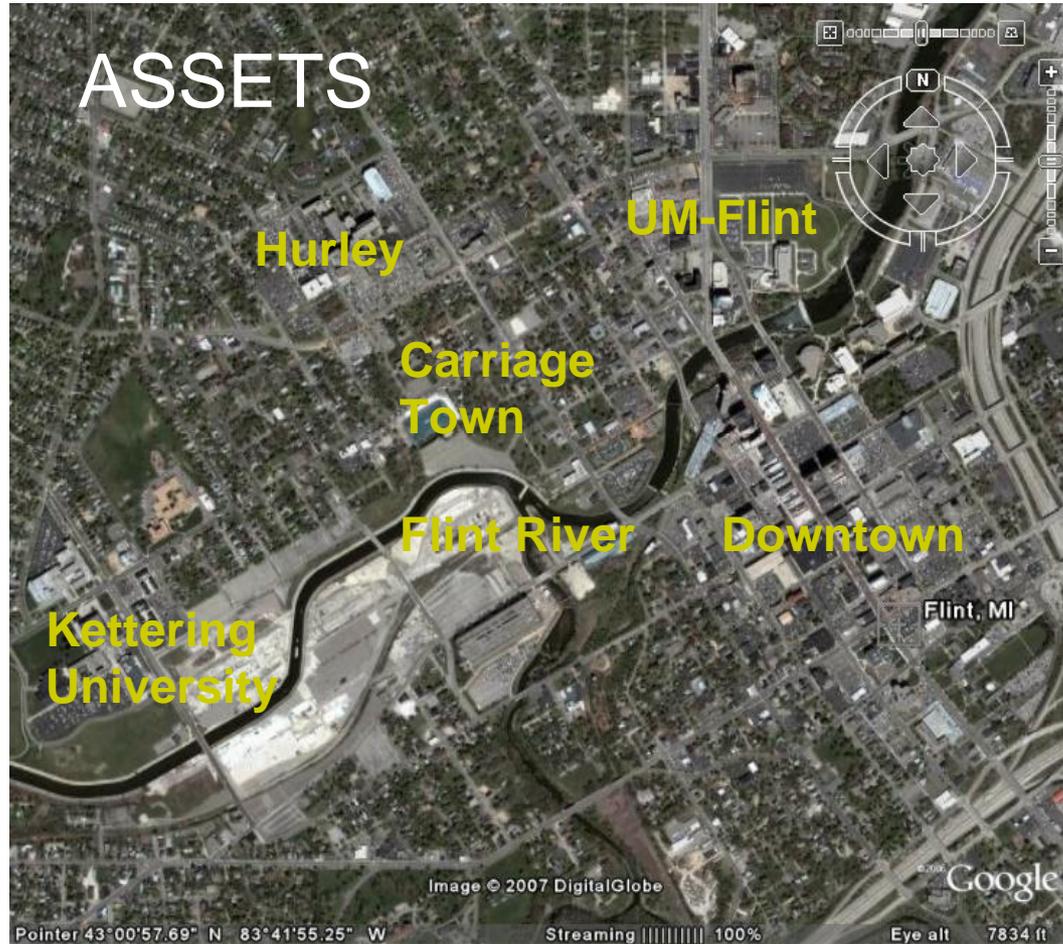
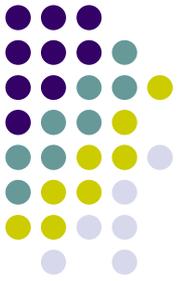
# Building Stronger Markets

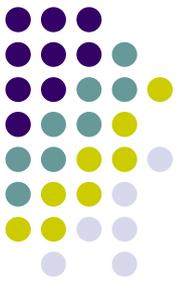


House Price Appreciation in Asbury Park NJ by Census Tract 1997-2005



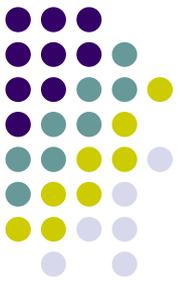
# Building Stronger Markets





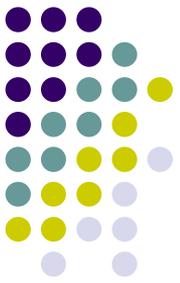
## Building Stronger Markets

- **How do you build a neighborhood housing market?**
  - Increase the desirability of the neighborhood's housing stock
  - Increase neighborhood stability
  - Increase neighborhood amenity value and quality of life
- **These are all ways of influencing consumer choices**



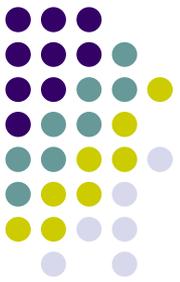
## Building Stronger Markets

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



# Building Stronger Markets

MARKET DEFICIENCY	STRATEGY
<p>Physical characteristics of housing stock do not reflect market demand</p>	<p>Build large-scale market-changing redevelopment project</p>
	<p>Build new infill housing scattered around the neighborhood oriented to consumer demand</p>
	<p>Create demand-sensitive housing by rehabilitating and reconfiguring existing housing stock</p>
	<p>Create demand-sensitive housing through adaptive reuse of industrial or commercial buildings</p>

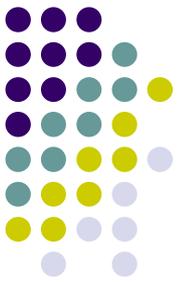


## Building Stronger Markets

**PROBLEM:** Cost to rehabilitate vacant houses exceeds market value of improved property.

**STRATEGY:** Use market gap capital subsidies to motivate middle-income households to buy and restore abandoned properties

**EXAMPLE:** Jackson-Ward Neighborhood Revitalization Program, Richmond, VA

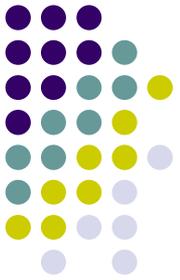


## Building Stronger Markets

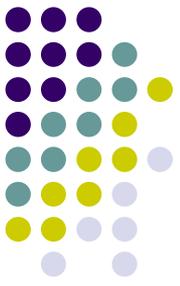
### **Increasing neighborhood stability:**

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

# Building Stronger Markets



STABILITY FACTOR	STRATEGIES
ABANDONMENT	HOME-funded CDC rehab program targeting abandoned properties
	Incentives for middle-income families to buy and rehab abandoned properties
	Early warning system to identify properties at risk of abandonment
	Vacant property receivership to gain control of vacant properties for rehabilitation

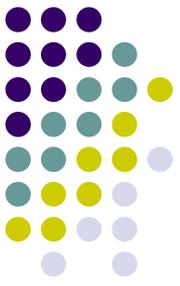


## Building Stronger Markets

**PROBLEM:** Abandoned properties

**STRATEGY:** Systematically target abandoned properties for rehabilitation and sale to moderate income homebuyers

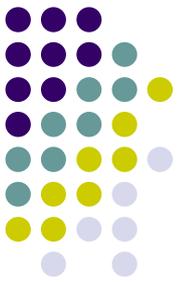
**EXAMPLE:** HANDS, Inc. neighborhood strategy, Orange, NJ



## Building Stronger Markets

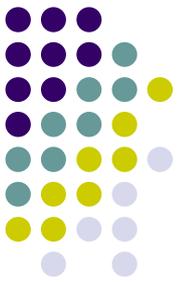
- 212 Snyder Street, Orange, New Jersey





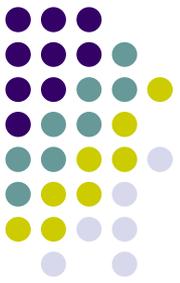
## Building Stronger Markets

- **Elements in neighborhood amenity value and quality of life:**
  - Neighborhood appearance (curb appeal)
  - Parks and open space
  - Economic opportunities
  - Transportation
  - Shopping and services
  - Schools



# Building Stronger Markets

AMENITY VALUE	CRITICAL ELEMENTS
<b>PARKS AND OPEN SPACE</b>	Amount and characteristics of open space areas
	Open space “fit” between resident needs and nature of facilities
	Maintenance and appearance of open space areas
	Programming and activity level in open space areas
	Safety of open space areas



## Building Stronger Markets

**PROBLEM:** Once-magnificent community park has been badly neglected but represents major opportunity for neighborhood

**STRATEGY:** Restore the park and program for diverse activities to make it a center of neighborhood activity

**EXAMPLE:** Patterson Park Community Development Corporation, Baltimore, MD

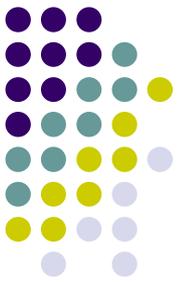
# Building Stronger Markets



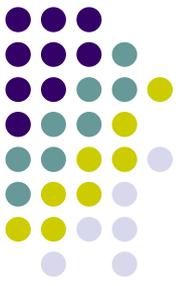
## Patterson Park



## Building Stronger Markets

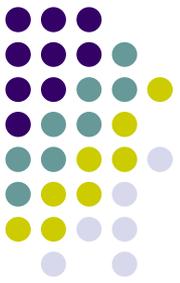


- **Timing is everything**
- **Each strategy ‘fits’ better or worse, depending on the particular market conditions and trends in the neighborhood**



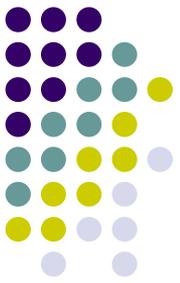
## Building Stronger Markets

- Key questions to ask:
  - *Is the strategy **relevant**?* Does it address a real problem?
  - *Is the strategy **effective**?* Is it likely to yield the desired results?
  - *Is the strategy **efficient**?* Is the cost reasonable, and the balance of costs and benefits better than alternative strategies?



# Building Stronger Markets

STRATEGY	NEIGHBORHOOD HOUSING MARKET CONDITION (1 = LOWEST, 6 = HIGHEST)					
	1	2	3	4	5	6
Create large-scale market-changing or transformative redevelopment projects	***	***	*	0	0	0
Build new scattered-site housing targeted to market demand	*	**	***	**	0	0
Create demand-responsive housing through rehabilitation and reconfiguration of existing stock	0	*	***	**	0	0
Create demand-responsive housing through adaptive reuse of non Residential structures	*	**	***	**	0	0



## Building Stronger Markets

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

# Building Stronger Markets



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