VI. STRATEGIES TO IMPROVE MIDDLE NEIGHBORHOODS

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ANOTHER MEETING; SAME OLD AGENDA

Those of us in the community development field spend many evenings at neighborhood meetings. At a typical meeting in any rec center, you might find a city planner, a community organizer, a police officer, perhaps a late-arriving city council member and, of course, the dozen residents who constitute the neighborhood association. Likely agenda items include complaints about landlords, crime, noisy teens, speeding traffic, and any other everyday problem that many older neighborhoods face. Consider just a few usual comments.

> *"We need to repair those abandoned houses and sell them to new homeowners."*
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> *"Everyone and that includes investors should be held responsible to meet all property codes."*
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> *"The crime and drug problems must be brought to the attention of the police, the politicians, and the media."*
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> *"The high rents landlords charge should shame them into better upkeep of their properties."*

And, of course:

> *"It is just common sense. If we can get rid of problems, our neighbors and others will reinvest in the houses and the community."*

Common sense—meaning a traditional attack on perceived problems—is repeatedly cited as the best way to improve a neighborhood. But after reviewing multiple attempts to address problems in middle neighborhoods, I would argue that common sense approaches are not working. What is needed is the substitution of "uncommon" sense strategies—innovative ways of moving middle neighborhoods to a better, more livable condition.

This chapter offers alternate approaches that are being used by residents and city officials around the country to reinvigorate middle neighborhoods.

UNIQUE REALITIES FOR THE MIDDLE

City officials, policy makers, and even residents typically undervalue middle neighborhoods. These neighborhoods are not thriving enough to attract sustained private investment, yet are not troubled enough to warrant concentrated public attention. Middle neighborhoods might have good houses on desirable blocks, many of which have a majority of homeowners and the remnants of a good reputation. But these places all face an unstated dilemma: a profound lack of confidence in the neighborhood, resulting in an inability to compete for the solid buyers and renters that every neighborhood must have to succeed.

To compete, middle neighborhood residents and their allies must understand the realities of their real estate market: high numbers of houses for sale, low prices, a lack of buyers, the community's negative image, and other market dysfunctions that undermine confidence in the future of the neighborhood.

What is needed to gain this understanding is a thorough assessment of the neighborhood as well as its assets, liabilities, and position in the market place. Any work plan must address actual dysfunctions. Rather than discussing code compliance or crime watches, attention should focus on critical conditions—such as the sales and rental markets, the competitive advantages of other neighborhoods, the declining disposable income of the residents, and the lack of a shared vision for the future. Unless a viable strategy reckons with the market realities of the neighborhood, no sustained change will happen.

This market placement dictum does not mean that crime reduction or the appearance of the neighborhood is unimportant. Such problems are always an issue, but there is a much larger dynamic also happening. Understanding how current residents, businesses, and institutions perceive the neighborhood is essential in formulating approaches that can make the neighborhood more competitive.

In this chapter, I discuss four core themes:

- The first asks, What is needed to shape approaches for stabilizing and strengthening middle neighborhoods? What do we need to know?
- The second focuses on how the real estate market can become more competitive. What are communities doing to be more competitive?
- The third theme examines how to stimulate investment in these communities. How can lending resources be expanded to reinforce the market?
- The fourth area addresses policies that are obstacles to middle neighborhood success. How are policies undermining the recovery of middle neighborhoods?

Each of these themes will be discussed and examples provided when possible.

STRATEGIZING FOR NEIGHBORHOOD IMPROVEMENT

Today, most neighborhood reinvestment efforts involve two quite different strategies—eliminating problems and creating new options, particularly for low-income households. Federal programs—such as Community Development Block Grants (CDBG), tax credits, and Department of Justice grants, among others—drive this approach, but they carry restrictions that can be harmful to middle neighborhoods. In particular, federal guidelines predetermine which problems to address and federal income regulations delineate who can be served and which assets can be added.

It is no surprise that rebuilding neighborhood confidence is not a typical federal program goal. Although building affordable housing or renovating foreclosed housing can be cast as improving the neighborhood, the reality is that further concentrating poor households and renovating hard-to-sell houses are ineffective strategies to help neighborhoods strengthen their positions in the marketplace. Neighborhoods won't thrive again through income-targeted efforts or public projects. They thrive when they offer the residents and newcomers what they want.

What then should be the primary goal of renewal strategies in middle neighborhoods? The answer is straightforward: Build confidence in the future of the neighborhood. Greater confidence is achieved when residents again feel pride in their homes and neighborhood, when real estate again sells and rents successfully, and when investments in houses again make economic sense. Such bold outcomes are not easily achieved and the work is complicated given that the approaches requires uncommon sense—taking actions that flow against the tide of governmental interventions that can weaken confidence.

Of course, building confidence is an unworkable strategy in severely troubled neighborhoods; one cannot build confidence in the face of overwhelming dysfunction. On the other hand, for stable and recovering neighborhoods, confidence is already achieved and the challenge in those places is how to shape the transformations to serve the full range of residents. However, in middle neighborhoods, confidence building is the critical element that will strengthen the community over the long haul. The central question is how can a middle neighborhood craft a workable strategy. Below, I offer basic steps that support strategy development.

USE REAL-TIME DATA

Challenge: Many neighborhoods still create and carry out programs on the basis of old census data, stale sales information, and out-of-date ownership records. For causing the recovery of a neighborhood real estate market, this data is obsolete. Old data often address concerns that no longer exist and overlook opportunities that can make the necessary difference.

One common lesson learned in middle neighborhoods is the need for good data and thoughtful analysis. For example, one middle neighborhood was viewed as stable because very few homes were for sale. However, closer examination showed that the aging homeowners were unable to sell their homes for what they thought they were worth, so they decided to stay put even though the houses were too large and much too expensive to maintain. Because there was no effort to attract younger buyers, many homeowners sold to investors when they could no longer stay in their homes due to financial or health reasons. If neighborhood leaders had analyzed who owned, who was selling, and who was buying, they could have identified the underlying problems and created promotions and homebuyer incentives to attract younger families to the neighborhood.

In contrast, the civic leaders of Jamestown in western New York decided to gather data on sales prices, ownership patterns, and market trends, and then hired a college student to visit each of the approximately 9,000 residences to rate the quality of upkeep and repairs as well as the extent of exterior reinvestment. This information was coupled with up-to-date data and gave civic leaders and city officials a comprehensive picture of neighborhood market conditions and behaviors. The leaders learned that although population loss was slowing, the process wasn't uniform and affected each neighborhood differently. They concluded that the middle neighborhoods most needed loans and self-help projects to build confidence. Information and analysis drove the program outcomes instead of government grants or "common sense" problem-solving strategies.

Takeaway: Knowing what is actually happening in the neighborhood marketplace is the best way to select and support strategies to effectively improve neighborhoods. With good data and clear benchmarks, residents and their allies can map their community's recovery and know if they are succeeding in improving the market position of the neighborhood.

IDENTIFY MARKET REALITIES

Challenge: Many middle neighborhoods were originally built to serve modest-income households. They offer traditional working-class housing that no longer attracts young families who often desire more than one bath and two bedrooms. Other middle neighborhoods were built with big houses for large families and today are seen as too expensive to own and maintain. Still other neighborhoods are considered too drab and it is hard to be confident about a place that is described as forgettable.

Although middle neighborhoods often have construction or design challenges, they also have a remarkable range of positive features. Promoting these qualities is key. Maybe the communities were constructed in the era of wide sidewalks or trees, or have many parks, or historic community facilities. Today these places might still have a solid social fabric and a reputation for imaginative holiday lights or lush gardens or active houses of worship. All of these features can support desirability so long as they are identified and promoted.

However, the positive features are not always self-evident. One Denver suburb was originally built with smaller 1950s tract houses so most buyers passed it by even though more recently built houses had three or four bedrooms. By helping buyers understand that a full range of houses was available, the diversity of housing in this middle community became a selling point. Buyers of varied needs could find the home they wanted.

Many cities are focused on demolition to change neighborhood investment psychology. Fortunately, removing buildings from dense older neighborhoods often gives the needed openness that cannot be found in other older areas. The critical question is how those open spaces are used. Cleveland is famous for innovations that have "re-imagined" hundreds of vacant lots. Neighborhood Progress Inc. of Cleveland even offers residents an impressive guidebook for addressing vacant space.

In another Ohio city, a neighborhood nonprofit partnered with a community arts group to improve lots that were not adopted by adjacent homeowners. A dozen orphan lots could have become eyesores but instead they are now known for their art and their uniqueness. When residents are being pro-active about their community, there is a noticeable increase in pride and confidence.

Takeaway: National experience is consistent: Selecting the best-suited strategies is critical. Even a disinvested tract house neighborhood or a community facing abandonment can be successfully marketed through a concentrated effort to find what makes the place special and what can be promoted, and to whom—that is, what market segment might be attracted to the neighborhood. When those elements are identified and leveraged, a market can be strengthened.

ASSESS STRENGTHS

Challenge: It is easy to enumerate problems to be solved, but that information does not promote investment. A thriving neighborhood must pay attention to its advantages and promote what makes it a good place for current residents to stay and for new residents to choose.

Neighborhood advantages are more varied than most people realize. Location is important, as is the quality of construction and the architectural appeal, but a neighborhood is much more. Some places are known for the friendly ways in which neighbors interact. Other communities are attractive because of their institutional anchors or a special cluster of unique houses or a remarkable history. Chicago bungalows and Baltimore row houses might be drab clichés to some people, but others see continuity and predictability as a virtue. Identifying defining features and using these as strengths is critical to any effort to reposition a middle neighborhood.

In the process, residents should be reminded of what is so good about the place that they have called home for years. Often they have become complacent about the neighborhood's positive features. One densely populated middle neighborhood on the East Coast acted as if the large stream valley park on its northern boundary was in someone else's neighborhood and the existence of a large city-owned golf course on its western edge was only a place to drive past and not something to be valued. Partnering with groups (environmentalists, golfers, etc.) who sought these amenities allowed the community to define itself as a much more desirable place to buy a home. This, in turn, encouraged public agencies and local nonprofits to make those purchases and rehabs easier. Coordinated open houses, direct marketing of the neighborhood, home tours, discounts for police officers to buy, small loans and grants, and dozens of other tactics were used to market the community as highly desirable.

Takeaway: If a middle neighborhood is to thrive again, the major focus cannot be on removing problems without an equal or greater focus on promoting the advantages of the place—which requires knowing the positive features of the place. People do not choose a neighborhood or choose to reinvest in their homes because the community no longer has certain problems; they choose a place because it offers them something they want.

THINK SMALL FIRST

Challenge: Middle neighborhoods lack high status; they are often labeled as average. Have you ever seen a bumper sticker announcing the proud parent of an average student? In middle neighborhoods, housing is solid but too much is a bit shabby. Public facilities are adequate but worn. Commercial areas are dated and do not attract many new customers. Often small steps are needed to reverse the negatives.

When residents feel unnoticed and uncared for, it is tempting to conclude that nothing will change unless there is a major breakthrough, such as a new housing project, a renovated community center, or an upgraded commercial strip—all actions that take considerable planning and public resource allocation. For example, one older middle neighborhood in the mid-South decided that new houses would be the answer. The resulting project followed the principles of New Urbanism: The lots were small and the porches nearly touched the sidewalks. However, the government subsidy needed to make the housing feasible restricted the incomes of potential buyers, many of whom barely qualified for financing and lacked the wherewithal to install landscaping, buy proper porch furniture, or manage even minor upkeep. Over time, this major project had the unintended consequence of weakening confidence in the future of the neighborhood.

For more than 20 years, one Great Lakes city sought to reposition troubled but viable neighborhoods with numerous large housing projects. But there was little positive carry-over to adjacent blocks. The projects were successful at many levels, but it took decades for nearby areas to reflect the change. Getting the large developments built required long lead times and substantial resources—and created long-term expectations that could not be met.

A better approach starts small. For example, for decades Rochester, New York, lost businesses and population mostly due to new technologies that were displacing jobs. As a response, city government developed a variety of large-scale projects, but the leaders of one area decided to also partner with a nonprofit to create small programs to rebuild confidence and to stimulate investment behaviors. The selected site surrounded a city-sponsored eight-house in-fill development. The neighborhood strategy focused on modest projects to improve the curb appeal of existing homes and to enhance landscaping. These efforts were conducted in partnership with the local real estate board. Reinforced by sophisticated market savvy from real estate agents, the small improvements reinforced standards of good maintenance and supported an active real estate market like other successful communities.

Takeaway: Large projects sound great and architectural renderings can be seducing. But middle neighborhoods usually are too vulnerable to wait for such projects. Smaller community-based initiatives are typically more effective at dealing with the core issues. However, if large projects should happen, there must be a companion plan to leverage positive impacts on the whole neighborhood.

FORGE RELATIONSHIPS AMONG NEIGHBORS

Challenge: Strategies do not work unless residents are integral to the work. Too many middle neighborhoods have lost the ties that once linked their residents together. Fewer households have children; there are new racial and ethnic groups; and many people are working two jobs. It is hard to have confidence in your neighbors if you do not know them.

If asked about what made their neighborhood attractive when they first moved in, many longtime residents speak about how neighborly the place was. They knew everyone on the block and people paid attention to one another. The sidewalk of the shut-in was shoveled. The missing dog was quickly found. The locked-out child was given a place to stay until his parents came home. People saw themselves as buying both a house and a neighborhood. Even though these memories are sometimes seen through rose-colored glasses, it is true that most middle neighborhoods were originally desired because of their stability and neighborliness.

Thriving neighborhoods are filled with people who know and trust their neighbors, so scores of middle neighborhoods employ block projects as powerful tools for improving ties. The stated goal is usually a cleanup or beautification, but the more important outcome is that neighbors are given a chance to interact. Instead of passively attending meetings, residents are bridging barriers of age, race, language, and income by working together to improve their neighborhood. Residents undertaking shared activities and socializing reignite the neighborliness that once made the place so attractive.

Engaging neighbors is a powerful strategy for improving middle neighborhoods and can be implemented for a variety of goals. In the Belair-Edison neighborhood in Baltimore, Maryland, the initial organizing was aimed at installing front porch lights to create a sense of oversight and to offer a welcoming feeling. After years of completing similar projects, teams of neighbors now host marketing parties in renovated houses for sale. They invite their co-workers, friends, and relatives as potential buyers. The intent is not only to sell the homes but also to create a sense of resident control over what was happening in the market.

Takeaway: Accomplishing physical change in the neighborhood is great, but building solid neighborly relationships has an even higher rate of return when it comes to successful middle neighborhoods. Particular programs such as home sales efforts and block projects empower the residents to shape their community in a positive way.

Clearly, there are many more elements in crafting strategies for middle neighborhoods, but the above examples demonstrate some of what needs to be done. Data must be up-to-date and useful. There must be an honest appraisal of the neighborhood's conditions and realities. Strategizing should move from cataloging problems to identifying marketable strengths. The first strategic steps in neighborhood change should be manageable and timely. Neighbors working together are critical to any strategic approach to change in middle neighborhoods. All of these actions should be seen as a form of uncommon sense.

REBUILD MARKET CONFIDENCE

Once workable realistic strategies for improving a neighborhood have been created, new action plans must focus on the market goals and should avoid whatever has not worked in the past.

To rebuild market confidence in middle neighborhoods, plans must make sense in the market context. Too often, the goal is building new housing or better parks or reopening the closed elementary school. But these actions seldom address what is hindering the neighborhood from competing well in the neighborhood marketplace. Moreover, investment does not follow from the removal of obstacles; investment follows when and where opportunities are increasing. As Marcia Nedland demonstrates elsewhere in this volume, successful creative efforts to strengthen markets in middle neighborhoods are already happening. What follows are examples of what to do to re-build market confidence and how different places are doing just that.

IMPLEMENT MARKETING CAMPAIGNS

Challenge: Neighborhoods cannot sustain confidence without a viable real estate market. Both neighbors and newcomers need to believe that buying a home or improving one will add to its value. Confidence building without positive change in the sales values and rents will ultimately fail, because people want to invest their time, effort, and money sensibly. Reaching the right market segments is a key to building market strength and increasing values.

Successful middle neighborhoods evaluate the competition and compete where there is a real chance for success. If there are only one or two niche markets, these must be the focus. Targeting market segments that are not likely to be attracted to the neighborhood is likely to be ineffective. Is the focus on current owners, new buyers, more desirable investors, or stronger tenants? The answer is important, because missteps are easy to make. Rehabbed houses that have no market or are in poorly chosen locations profoundly undermine stability. New houses that do not sell are disastrous to the market. Upgraded rentals that are empty reinforce a negative image.

The principle is to pick the most likely buyers and renters and then seek them out. Recognizing this, many middle neighborhoods target households with children because of the exceptional quality of the local elementary schools, while other neighborhoods target singles and childless couples where the schools are weak. One Michigan neighborhood targeted gay households to buy and restore very large 100-year-old homes. Other places market to young firefighters and police officers, many of whom qualify for special loans if they buy in their cities. Still other neighborhoods aggressively seek out quality investors to improve the rental market and many communities have developed incentive grants for real estate agents in order to stimulate sales. The common goal is getting more home buyers and solid landlords.

To make the most of these efforts, middle neighborhoods also must have the capacity for ongoing campaigns to inform the public about the real estate market. More than relaying numbers, marketing initiatives should describe the new buyers and the improvements they are making. Likewise, it is important to publicly congratulate long-term current owners who decide to reinvest—even with a 10 percent annual turnover of houses, home improvements by the remaining 90 percent of owners are pivotal.

These promotional campaigns should be brought directly to people in ways that readily engage the target audience. Muskegon, Michigan, county government hosted a holiday party at one of its renovated houses and provided access to other nearby restored houses. Even though there was bitter cold and snow, curiosity proved to be a powerful force in stimulating interest in the houses and in the neighborhood. In Cicero, Illinois, newly built properties were marketed by holding barbecues at the homes of recent buyers. Their invited friends were told of other homes for sale and were encouraged to join the newcomers in moving into the neighborhood. Another city created an involved agent list, which included those real estate agents active in the community who had completed additional training on special financing for middle markets. By having a targeted list of active agents, it was possible to fully educate them on what was happening and to arm them with the information needed to complete sales. The issue is not which specific programs are chosen; the key issue is using techniques that achieve sustainable market change.

Takeaway: Confidence does not grow without good communication and marketing does not mean much unless people act on the information. Better upkeep, more upgrades, and active sales all show a recovering middle market, which, in turn, feeds more confidence. With good data and clear benchmarks, residents and their allies can map their community recovery and determine if they are improving the market position of the neighborhood.

MANAGE THE NEIGHBORHOOD STORY

Challenge: Middle neighborhoods are not sexy; they do not command feature articles in the local newspaper, unless there is a problem. After a drive-by shooting, the local television news will describe where the event happened in detail and will surely interview a distressed resident. Something positive like a farmers' market or a park restoration might receive general mention, but the neighborhood might never be cited.

Residents of middle neighborhoods consistently complain that any news reported about their neighborhood is bad news. Middle neighborhoods are not good copy. There are few ribbon-cutting ceremonies on new housing projects and there are no gushing reviews about the latest new coffee house or trendy restaurant. Regrettably, instead of directly confronting this problem, too many neighbors concede to being labeled. But to rebuild a market, there must be a communications plan to create and promote the stories that convey the value of the neighborhood to existing residents and prospective newcomers. If not, information about most middle neighborhoods will continue to be controlled by others.

Fortunately, many middle neighborhood leaders are building market confidence by proactively crafting what they want to say. Neighborhoods, Inc. of Hammond, Indiana, works with a half-dozen older small cities east and south of Chicago. One successful project involves having homeowners agree to the installation of a park bench on their yards next to the sidewalk. This "public" bench gives an opportunity for people to stop, sit, and talk. The group also sponsors unique, upbeat events like community-wide dog walks and marching groups of neighbors all playing kazoos. These fun, tongue-in-cheek events are the centerpiece of the neighborhood newsletter, which conscientiously omits any police call reports and instead enthusiastically includes before and after photos of the property changes taking place. The message is consistently upbeat.

Youngstown, Ohio, has lost two-thirds of its population. As such, confidence should be at a low point—but to counteract this, each and every neighborhood improvement is given coverage in local media and especially in the neighborhood newsletters. Citywide newsletters convey images of a city filled with murals, renovated houses, new homebuyers, reclaimed vacant lots, resident-sponsored gardens, and restored park sites. These articles honor what the neighbors are doing, but just as importantly, they create a more positive story of where the community and middle neighborhoods are heading.

Takeaway: The challenge sounds simple: Create and promote a positive message to strengthen the neighborhood and the value of its real estate. However, the task is not easy. Neighborhood and city leaders need to commit to a new way of talking about communities so that positives are moved up-front and negatives are addressed in the background. The concept is not complicated, but the execution is very hard and requires conscious change from years of complaining.

CREATE POSITIVE IDENTITIES

Challenge: As any real estate agent will tell you, it is very hard to build market confidence in a place that does not have a name. Remarkably, many middle neighborhoods are distinct places but are lumped with other communities under names like the Westside or the Fifth Ward. However, such large areas usually have a great deal of variety, so if only a general name is used, the neighborhood takes on all of the baggage—good and bad—that applies to the whole area.

Geneva, New York—an attractive small city on a Finger Lake—recognized there were ongoing problems undermining neighborhoods in the city. Some parts of the city had poor-quality housing; other parts had large homes that were under-maintained. Some areas consisted of small houses built after World War II that were being converted to rental housing. To many residents, the city was just a list of problems, but the reality was much different. There were areas of older homes in beautiful condition; many of the largest houses had been fully restored. Some neighborhoods had incredible parks or attractive median strips leading to community facilities. But the positives could never be fully promoted because there were no distinct neighborhood identities.

Of course, residents were neighborly, but usually with other residents on the same block. The need was to define a larger area with enough similarities so residents could work for common outcomes. Yet these areas had to be small enough to be manageable. After months of analysis, a dozen neighborhoods were identified and were given distinct standing by city government and in the marketing of the city. Today many residents describe themselves as living in these newly named neighborhoods. The simple act of creating neighborhood identities empowered residents to act together for community change. Recently, this paid off when the city was nominated as one of 15 national finalists for the All-America City Award.

In a Michigan community, a large swath of the city was called the North Side, even though much of the area was actually northeast of the downtown. People avoided confusion by simply using street names as their identity, which in turn produced scores of identities. To untangle all of the confusions, local leaders decided to call the overall area The Historic Northside, but then identified each of a half-dozen distinct areas with specific neighborhood names based on history or prominent features. This created a sense of place and specialness.

Takeaway: A rose by any other name is still a rose, but what if it has no name, no identity, and no distinctness? In recovering middle neighborhoods creating identity is critical to sustaining the cohesiveness necessary for a more confident community and a thriving real estate market.

ACCENTUATE POSITIVES

Challenge: Neighbors often believe resources come to places with needs and not to places that are succeeding. But this view is often mistaken, especially when applied to middle neighborhoods. Public and private resources also come to places that offer potential and have a plan to initiate positive change.

The old common sense: To get attention and funding, one large urban East Coast neighborhood promoted its rat extermination campaign over many years and the area became well known for its infestation. Hardly a market builder. A community in the South faced a significant drug problem centered on one house and the neighbors used the media to effectively communicate that fact to the rest of the city, even though this just reinforced notions that the area had serious problems. And across the country, neighbors often appear before city councils to decry how troubled their neighborhoods are and, of course, these stories are repeated endlessly on city cable channels.

Such efforts to publicly address problems almost always create negative perceptions.

The uncommon sense: One older southern mill town offers cutting days, when long-term residents with established gardens provide plant cuttings to new neighbors. Another neighborhood does cleanups that include a public event for awarding prizes for the most improved alleys. And one small Indiana city makes a tradition of using public meetings to highlight the best blocks and the best rehabs. The ostensible reason for such efforts is to promote positive change, but the added outcome is to publicly and enthusiastically encourage both the residents and others to see the community in a more positive way, which is necessary for market recovery.

Takeaway: Touting neighborhood problems publicly typically has the unintended consequence of tagging the neighborhood as problem ridden. Meeting quietly, but effectively, with city officials to deal with problems can produce results without hurting a neighborhood's reputation. Positive strengths needed to be shouted.

CELEBRATE THE NEIGHBORHOOD

Challenge: As stated differently earlier, middle neighborhoods "don't get no respect." They cannot demonstrate significant distress; they are not able to be the squeaky wheel, and when they focus on problems, they often lower confidence. So middle neighborhoods need to create their own message and use every possible tool listed to make people feel confidence about these places.

One of the most underrated marketing tools is celebration. Neighborhoods that celebrate themselves are neighborhoods that build standing in the larger city. And, they build status with their own residents who take pride in their community. The Highlandtown neighborhood in Baltimore had long been a place of choice for various working-class ethnic groups. The level of pride was evident to the most casual observer. But change was happening and it was not clear where the neighborhood would end up. Would it be the next location for ethnic and racial transition? Would it transition from an elderly homeowner community to a place of choice for emerging young households of means? Would it be seen as a sustainable middle neighborhood?

In this case, the answer is all of the above. The neighborhood leadership group employs dozens of techniques to sustain a remarkable market mix. The leaders ensure that market concerns are addressed with first-rate counseling and with lending products for homebuyers supplemented with caring professional foreclosure assistance. Simultaneously, the historic park was rediscovered as a neighborhood and city resource. This Victorian greensward is now the "in" place for open-air plays and water ballets. At the same time, corner taverns that survived from the 1930s were promoted as places where "everybody knows your name." There are wine festivals that honor the homemade wines still being made by older ethnic families. The neighborhood cleanups have become excuses for block parties. The Main Street programs heavily tilt toward celebration, including parades of homemade lanterns around Halloween, widely promoted farmer markets, and cross-cultural events. The neighborhood also parlayed an arts district designation to engage residents from all backgrounds and ages in shared activities.

The results are outstanding, but perhaps the most important outcome is that the neighborhood has weathered both economic and ethnic transition and the recent downturn in prices better than many similar neighborhoods. The neighborhood thrives because it is known for its diversity, its respect for history, its stability, its sense of whimsy, and its healthy market.

Takeaway: As the saying goes, it is hard not to smile while eating ice cream. The leaders of middle neighborhoods must recognize that simply enjoying the people and values of the neighborhood can be a powerful tool for neighborhood market recovery.

Elsewhere in this book, there are more examples of marketing techniques to craft strategies for middle neighborhoods. The examples here are provided to show how strategies can be implemented with a bias toward neighborhood marketing. There should be an aggressive marketing campaign. Middle neighborhoods too often are treated as second choices in real estate marketing. To address this, the neighborhood needs to manage its own story and not expect others to promote it. Further, middle neighborhoods must create clear positive identities and must market their strengths. Finally, middle neighborhoods need to celebrate themselves as the special places they are.

INVESTING IN MIDDLE NEIGHBORHOODS

What we have seen in the above examples are ways that communities are strengthening their middle neighborhoods by creating effective, achievable strategies and by acting to reignite market confidence. To reinforce these actions, additional investment dollars are critically important—both from private sources and from public funds.

In terms of household or lender investment in middle neighborhoods, the proof of success is in changing behaviors. Moreover, some leaders in the lending community are making important headway in increasing lending in middle neighborhoods. Sometimes that means using or modifying a Community Reinvestment Act product and other times it means making loans to be kept in portfolio until seasoned. In many cases, the focus has been on purchase loans, but easier access to home improvement loans can be just as important. In some cases, leaders in the lending community have stepped up to do quite imaginative projects.

Some examples are at a significant scale, particularly the case of Baltimore, Maryland, where a the Healthy Neighborhoods program (described at length in Chapter VIII) has galvanized neighborhood groups, public programs, and lender commitments to set a high standard for investment in the target neighborhoods. But there are also many smaller examples that speak to similar lender involvement in neighborhood confidence building.

Canton, Ohio, uses various small strategies to impact specific areas, many of which are middle neighborhoods. The Community Building Partnership (CPB) is a nonprofit primarily focused on those neighborhoods, and part of their work involves partnering with lenders. In one case, Huntington Bank is aggressively making loans available through CPB. The underwriting is very flexible (580 credit score, $500 buyer cash, 3 percent required through the buyer or a grant, and no private mortgage insurance.) In the past year, 103 portfolio mortgages have been made, totaling a $13.2 million investment. Huntington Bank supported the work of CPB by paying $250 for each closed loan. Further, Fifth/Third Bank has granted $15,000 to CPB to provide incentive down payment assistance of up to $2,000 for each loan. And a large local credit union, CSE Federal, uses CPB to market home improvement loans. Each of these lenders recognizes that lending is a critical part of stabilizing a soft real estate market.

Oswego, New York, is a small city with houses ranging from grand to very modest in neighborhoods with a wide range of conditions. Neighborhood leaders decided to select specific middle market areas to promote homeownership and to encourage more improvement lending. One lender—Pathfinder Bank—committed to being a significant player. It makes an annual $25,000 contribution to the local revitalization organization and it is providing creative construction financing for an LLC controlled by 22 neighbors who are have bought and are restoring a vacant sorority house. The president of that bank is a hands-on participant in the work of the revitalization organization and has joined with a local foundation to support the activities of the group.

The results on the street testify that the dollars and leadership time have been effectively invested. But to further encourage home improvements, the nonprofit follows a program developed in Jamestown, New York, where small matching grants are given to homeowners in middle neighborhoods. In Oswego, 100 grants averaging $1,000 have resulted in over $200,000 of small-scale upgrades to houses on targeted blocks. The plan for next year is to include a lender home improvement loan option with this program.

Of course, expanding lending is not enough unless there is a commitment of the larger community to confidence-building initiatives. Although faced with significant funding obstacles, many cities recognize that investing in middle neighborhoods makes good economic sense. City investment preserves solid housing stock and infrastructure as well as builds the tax base cities need to provide services to all neighborhoods. It is much less expensive to reinvigorate middle neighborhoods than to recover failed neighborhoods.

For many cities, investing in middle neighborhoods is also a way to serve lower-income households. Some of these households live in these middle neighborhoods already and successful interventions can protect their equity and their quality of life. For low-income households elsewhere in the city, making sure that middle neighborhoods do not decline improves the standards of housing for neighborhoods they might someday call home.

Other communities are investing in middle neighborhoods because these neighborhoods provide a ladder of housing opportunities as households improve their economic situations. More neighborhood stability means additional opportunities for good rentals and affordable home buying in desirable areas. Solid renters and first-time buyers can locate in a thriving middle neighborhood and expect it to remain stable or even to improve.

Almost without exception, cities invest in middle neighborhoods as a low-cost strategy. The costs of buying and repairing sound older houses are far less than the costs of restoring failed housing. The program costs can be remarkably low in comparison to the positive impact on the city tax base.

Investing in middle neighborhoods is a tested strategy. Lenders know that involvement in these neighborhoods creates new market opportunities. Innovative cities have developed formats for tailored, low-cost interventions that increase housing values by addressing the need for more investment—often despite policy obstacles to neighborhood recovery.

ADDRESSING POLICY OBSTACLES

A focus on middle neighborhoods raises core public policy issues. Is "community development" actually just a term denoting work in low-income neighborhoods on issues such as affordable housing and community facilities or does it include efforts to recover at-risk communities that need to rebuild market confidence? Can the field change from a one-size-fits-all approach to one that recognizes the range of housing markets and neighborhood dynamics across the country and even across many cities?

The recent emphasis on foreclosure intervention through the Department of Housing and Urban Development's Neighborhood Strategy Program (NSP) illustrates the dilemma. In strong market cities, foreclosure assistance was helpful in nearly all qualified neighborhoods. But in weak market cities, the NSP's focus on more troubled areas meant that resources were not targeted to middle neighborhoods, but instead were spent on high-cost renovations on troubled blocks. Detroit, Flint, and Saginaw in Michigan are classic examples of this distorted investment scheme. Further, in many cases the appraised values of the renovated houses in the distressed neighborhoods were so low that lenders weren't willing to make such small home mortgage loans. Severely distressed markets like Gary, Indiana, faced no sales demand in the selected distressed neighborhoods. Gary saw costs of $80,000 to renovate a house appraised at $17,000 and no lenders wanted a 30-year loan or even a 15-year loan of less than $20,000. The realities of the real estate market just did not fit the NSP guidelines.

The decades of CDBG investments illustrate many of the same points. For example, funds can easily be spent on replacing existing sidewalks in low-income communities, but the rules often do not allow modest funds to be spent to repair walkways in many middle neighborhoods. With a few exceptions, CDBG rules essentially dictate that only low-income households can be assisted directly and only if the properties are brought fully to code—no matter if the economics make little sense in that market.

Policy obstacles do not stop at government. Foundations and corporate giving programs are often unwilling to assist middle neighborhoods. Their argument is that these places are not in the most need. Funders do not want to be seen as helping a place that is generally viewed as adequate. Of course, there are exceptions to these rules and some cities like Cleveland, Rochester, and Baltimore are home to funders that look beyond need to see potential.

Further, the pervasive national fixation on gentrification is often an impediment to government or philanthropic funding for middle neighborhoods. While middle neighborhood residents seldom worry about new neighbors who might be better off financially, these residents are warned that gentrification is a risk and cities like San Francisco and Washington, D.C., are used as illustrations. In reality, data from cities nationally shows that the bigger worry in middle neighborhoods is insufficient active investment. For most legacy cities, the central challenges are to maintain their tax bases, for households to conserve their equity, and for residents to live in neighborhoods of choice.

NEXT STEPS

Cities across the country are recognizing that middle neighborhoods are valuable assets that have been overlooked and allowed to slowly decline. Today these cities are being strategic about how they address their middle neighborhoods and how they develop work plans for positive change. They do this because it makes uncommon sense.

But too many middle neighborhoods continue to be forgotten—and public policies, especially federal community development programs, reinforce this problem by funding programs that undermine market recovery. If there is to be a future for middle neighborhoods beyond individual efforts like those listed here and elsewhere in this volume, the next steps will have to focus on a national policy that engages government, funders, and nonprofits with residents to achieve the confidence building that will strengthen these neighborhoods.

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