

The Ripple Effect

Economic Impacts of
Targeted Community
Investments



An overview of the City of Richmond's *Neighborhoods in Bloom* initiative
and the quantifiable results found in the study
The Impacts of Targeted Public and Nonprofit Investment on Neighborhood Development
commissioned by The Federal Reserve Bank of Richmond

A publication of the
Richmond, Virginia office of

LISC

A message from Richmond LISC

The Ripple Effect reviews key findings of *The Impacts of Targeted Public and Nonprofit Investment on Neighborhood Development*, an extensive new study that documents the success of Richmond, Virginia's focused revitalization policy known as *Neighborhoods in Bloom*. This summary provides an overview of that policy's critical components and the circumstances surrounding its impressive results.

The *Neighborhoods in Bloom* approach to community revitalization involved elected and administrative officials in the City of Richmond, neighborhood associations, community development corporations, financial institutions and the Richmond office of Local Initiatives Support Corporation (LISC).

The Federal Reserve Bank of Richmond also became a vital partner by commissioning methodologically rigorous research that provides hard evidence regarding the policy's effectiveness. For many years, the community development industry has relied heavily on anecdotal information to make the case for investing in neighborhood change. *The Impacts of Targeted Public and Nonprofit Investment on Neighborhood Development*, through data collection and sophisticated analysis, goes far beyond this by quantifying the positive results of a well-defined and replicable investment strategy. This study can provide essential guidance to other communities about how best to accomplish revitalization in America's urban centers and first-ring suburbs.

Richmond LISC is proud to have been a partner in the creation and implementation of the *Neighborhoods in Bloom* policy as well as this important effort to better understand its impact. We hope this publication will help to generate ideas, discussion and further innovation in the Greater Richmond community, as well as throughout the nation.

Greta J. Harris

Senior Program Director – Richmond LISC

Acknowledgements

The *Neighborhoods in Bloom* partners, especially Richmond LISC, would like to thank the Federal Reserve Bank of Richmond for its leadership and support of research that can help elevate accountability and effectiveness in the community development industry.

A team of professionals – Dr. John Accordino of Virginia Commonwealth University, Dr. George Galster of Wayne State University in Detroit, and Peter Tatian of the Urban Institute in Washington, DC – conducted the research. They have been studying changes in America's neighborhoods for decades.

Special appreciation goes to Connie Bawcum, former acting city manager of the City of Richmond, whose vision and tenacity transformed *Neighborhoods in Bloom* from an idea to reality, and Wendy Hirsch, the former Richmond LISC external affairs officer who helped guide this study to its conclusion.

Neighborhoods in Bloom Partners

City of Richmond

Elected and Administrative Officials

City Departments:

- Code Enforcement
- Community Development & Planning
- Economic Development
- Police
- Public Works and Utilities
- Social Services
- Tax Assessment

Community Leadership

- Neighborhood Teams Process with Partnership Boards
- Blackwell Community Civic Association
- Blackwell Tenants Association
- Carver Area Civic Improvement League
- Newtowne West Civic Association
- New Visions Civic League
- Church Hill Concerned Citizens Association
- Highland Park Southern Tip Neighborhood Association
- Historic Jackson Ward Association
- Southern Barton Heights Community Association

Development Practitioners

- Better Housing Coalition
- ElderHomes Corporation
- Highland Park Community Development Corporation
- Historic Jackson Ward Association
- Interfaith Housing Coalition
- Neighborhood Housing Services of Richmond
- Oregon Hill Home Improvement Council
- Richmond Redevelopment and Housing Authority
- Southside Community Development and Housing Corporation
- Virginia Supportive Housing

Supportive Partners

- Housing Opportunities Made Equal
- Local Initiatives Support Corporation (LISC)
 - Richmond Office
- Virginia Commonwealth University
- Virginia Department of Housing and Community Development
- Virginia Housing Development Authority
- U. S. Department of Housing and Urban Development (HUD)

Private Sector Supporters

- BB & T
- Bank of America
- First Market Bank
- Nationwide Insurance
- Martin Agency
- SunTrust Bank
- Wachovia Bank



Executive Summary

When a rock is tossed into the ocean, it rarely makes waves. But when dropped into a small pond, the ripples it creates are obvious.

That physical phenomenon is what inspired Richmond leaders to create *Neighborhoods in Bloom*, a policy that directed public and nonprofit investments to specific communities with the aim of attracting and sustaining additional private capital. Beginning in 1999, the initiative channeled about 80 percent of the city's federal housing money (between \$6 million and \$7 million annually), plus other resources, into 6-to-12 block areas within seven Richmond neighborhoods suffering from crime and economic disinvestment. At the same time, LISC, the nation's leading community development support organization, aligned its grants and loans with the city's investments.

In each neighborhood, increased police patrols were followed by aggressive code enforcement, setting the stage for block-by-block rebuilding, including existing owner improvements, rehabilitation of blighted properties, and new housing construction to create mixed-income homeownership possibilities.

Now, five years later, *The Impacts of Targeted Public and Nonprofit Investment on Neighborhood Development*, conducted for, and funded by, the Federal Reserve Bank of Richmond, reviews the economic impact of that policy. The study reveals important information that should be useful to leaders in America's urban centers and first-ring suburbs as they compete for new business, housing and economic opportunities.

Downtown Richmond



Seven communities in the City of Richmond were involved in the *Neighborhoods in Bloom* initiative.

“The impressive results of Richmond’s targeted investments should prompt community leaders elsewhere to seriously consider this approach to neighborhood improvements.”

—Dr. Theodore Koebel, Director
The Virginia Center for Housing Research
Virginia Tech

Compared with previous revitalization strategies that sprinkled resources throughout many communities to address needs as well as political wishes, *Neighborhoods in Bloom* invested in focused areas with the goal of attracting private support. The results have been impressive. Crime in the targeted areas is lower, blight is diminished, and newly occupied homes are generating new tax revenues.

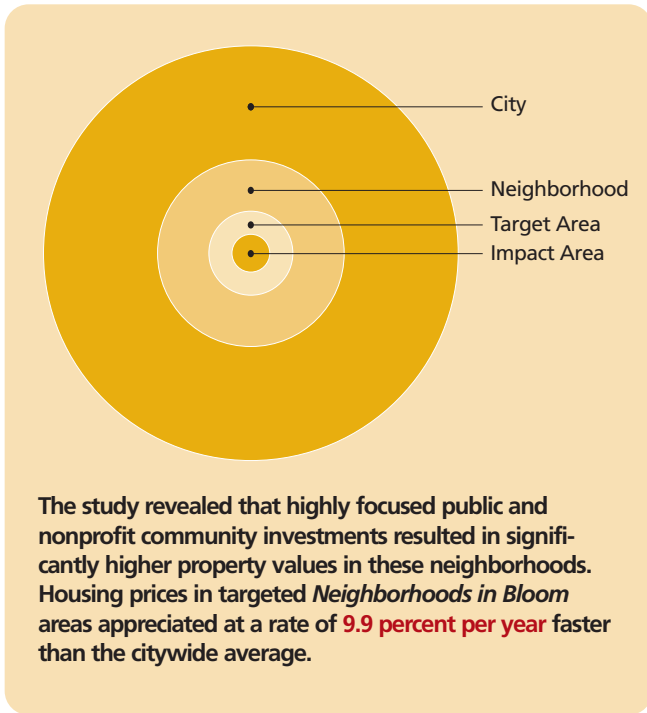
The underlying assumption of *Neighborhoods in Bloom* is that public and nonprofit resources alone are not enough to transform distressed neighborhoods. Traditional market capital must be available as well. For the City of Richmond, the question remained as to whether the *Neighborhoods in Bloom* concept could attract sustained private investment. This study helps answer that important question.



Neighborhoods in Bloom is a policy that directs public and nonprofit investments to specific neighborhoods with the aim of attracting and sustaining additional private capital.



The *Neighborhoods in Bloom* Concept



“The neighborhood-level investment data for the *Neighborhoods in Bloom* project makes this a very rare dataset. It will allow us to get at several important research questions regarding the effectiveness of public and private expenditures that we have not been able to address in previous studies.”

—Jeffrey Lacker, President
Federal Reserve Bank of Richmond

The Results

The *Impacts of Targeted Public and Nonprofit Investment on Neighborhood Development* study reviewed the placement and scale of five years of targeted city and LISC investments and accounted for variable conditions, such as interest rates, housing starts and nearby economic development activities. After rigorous quantitative and qualitative analyses, the study revealed that highly focused public and nonprofit community investments resulted in significantly higher property values in these neighborhoods.

Using an adjusted interrupted time series (AITS) model, the economic impact outcomes revealed by the study were extraordinary. For example:

- Housing prices in targeted *Neighborhoods in Bloom* areas appreciated at a rate of 9.9 percent per year faster than the citywide average.
- Prices in non-targeted blocks, but within 5,000 feet of the impact areas, increased annually at a rate of 5.3 percent faster than the citywide average. This suggests that the effects of *Neighborhoods in Bloom* investments reach beyond the impact areas, although to a lesser degree.
- The most significant home price impacts occurred after a threshold investment of \$20,100 in the same block had been reached.
- As investments in a given block increased beyond the level of this threshold, a significant boost in prices of initially 50 percent with continued 9.6 percent annual increases thereafter was experienced.
- Even blocks in the target area that had no investment experienced substantial increases in value suggesting a spillover effect in the entire target area.

Additionally, outside of the study, the City of Richmond reported other results of the *Neighborhoods in Bloom* policy, including:

- The city issued about 1,000 code violations in the seven neighborhoods, resolving more than half of them.

- Nearly 400 new or renovated houses were sold or are under development.
- More than 130 owners repaired their homes.
- Aggregate value for tax assessments in the targeted areas increased between 44 and 63 percent.
- During the first three years of the initiative, crime in the targeted areas decreased by 19 percent as compared to a 6 percent reduction citywide.

The graphs on page 12 show the change in the average annual home sale price and City of Richmond investment after implementation of *Neighborhoods in Bloom*.

The increasing property values reflected in the study have hastened neighborhood change. As the gap between development costs and market values shrinks, private investments return to formerly isolated neighborhoods. That is the ripple effect. New and diverse families move in. Existing residents recommit themselves. There is a growing sense of possibility and hope – a shared vision, encompassing downtown development and community revitalization, that the City of Richmond can now offer a better quality of life to more of its citizens.



“Neighborhoods in Bloom has helped to make dreams come true for people who had little or no hope of reaching the ultimate American dream of homeownership.”

—Mr. Thomas James, Community Leader





The Community History

Founded on the banks of the James River, the City of Richmond is now home to several Fortune 500 companies and is enjoying a robust downtown rejuvenation, where more than \$4 billion has been invested over the last decade. While new development has brought great energy to the city, one of its greatest assets is linked to the past: architecturally-rich, diverse neighborhoods.

Within 10 minutes of City Hall and the State Capitol, however, 70 percent of the region's most impoverished communities can be found. All original *Neighborhoods in Bloom* communities are located within this concentrated poverty zone. Corresponding crime and lagging neighborhood school performance are also present in these areas.

Several factors helped to create these unfortunate conditions. Suburban flight, which began a half century ago, continues to some extent for families with economic choice. Public policies that encouraged highway construction through inner-city areas laid waste to these neighborhoods, as did the concentration of large-scale public housing and urban renewal strategies that destroyed whole communities. Private sector red-lining discouraged further private investment.

In the past, the city typically spread federal funds thinly among many lower income communities, responding as much to political pressure as to neighborhood needs. The unfortunate result was that the critical mass of public investment necessary to stimulate private market activity was never achieved. In short, the city used its federal resources to ameliorate poor physical conditions, subsidize rents and mortgages for lower income families, and manage political expectations, rather than seed scaled neighborhood revitalization.

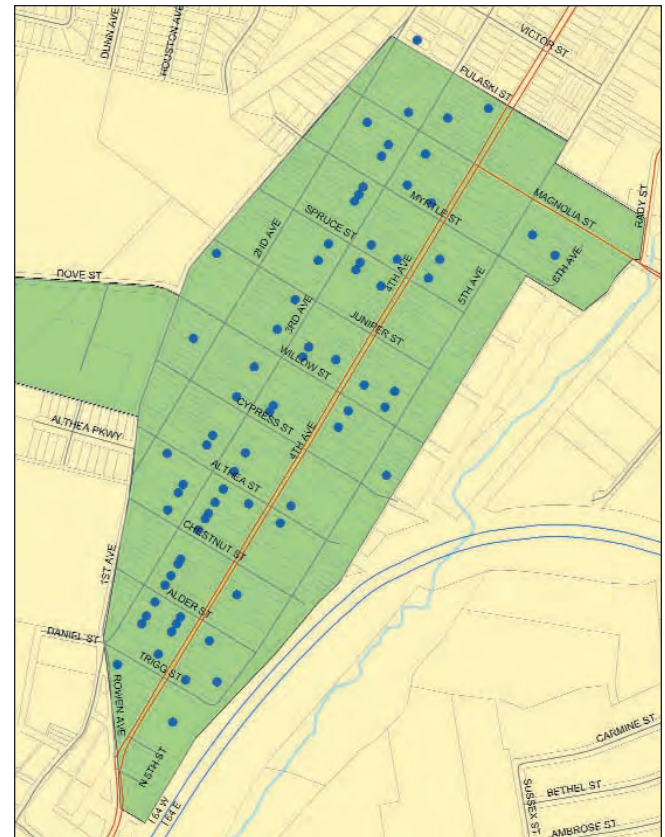




“There’s a good feeling in the neighborhood now. Our new neighbor helps my husband in the yard... Neighbors caring about each other...we’re getting it back.”

– Louise Cain, Community Leader

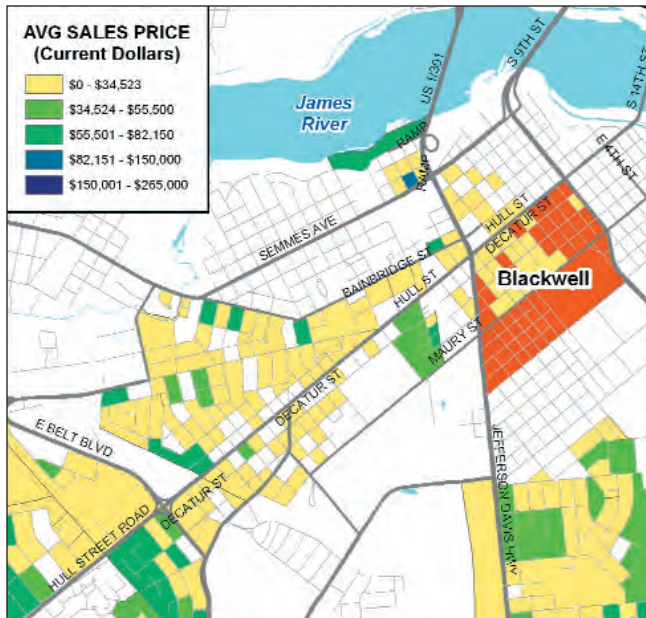
Neighborhoods in Bloom (NIB) Property Inventory Highland Park–Southern Tip



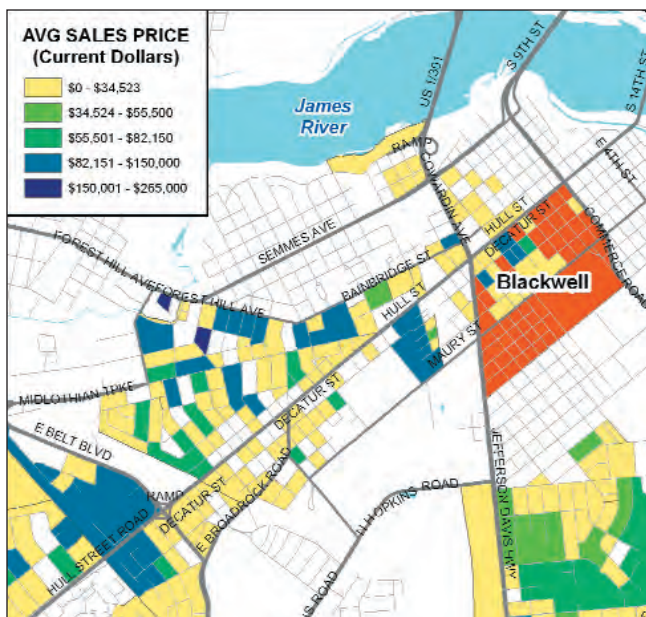
■ NIB Target Area ■ NIB Properties Completed or Under Development



Average Sales Price Comparison Decatur Street



1995-1996



2003-2004

Key Elements for Success

For any community to successfully tackle challenges associated with distressed neighborhoods, several critical components must be in place. Beyond hard work and luck, *Neighborhoods in Bloom* employed three key elements that helped to achieve its results.

Process

Decisions about which communities were selected for the *Neighborhoods in Bloom* initiative were driven by data and science, not politics and favoritism. Each community had to qualify based on a set of measurable conditions. But it did not simply involve need or a minimal level of blight. It also required the potential for an infrastructure that, if supported by an infusion of significant public and nonprofit funds, could build on that foundation and later attract private investment. A painstaking consensus-building process included identification of the neighborhood selection criteria, review of the available data and agreement on the results of the quantitative and qualitative analyses. After adoption by City Council, targeted communities received significant public and nonprofit investments, in some cases 400 percent increases, to implement *Neighborhoods in Bloom* and become catalysts for economic and social change.

Neighborhoods in Bloom pulled back the veil from the decision-making process and transparently allowed partners to participate in an effort to promote community change.

When the policy started, of the 970 properties located within the target blocks, only 26 percent were owner occupied, 25 percent were vacant lots where houses had already been demolished, and 21 percent were vacant and abandoned structures. More than 70 percent of the properties had building or environmental code violations. The neighborhoods also had 11 drug hot spots and some of the highest crime rates in the city.

In general, *Neighborhoods in Bloom* employed seven interdependent and long-term strategies that required sustained commitment by participating leaders: 1) partnership development; 2) housing rehabilitation as well as new construction; 3) existing homeowner repairs; 4) proactive code enforcement; 5) resident empowerment; 6) public safety initiatives; and 7) leveraging of private investment.

Political Will

Richmond is an independent city, as are all cities in Virginia. Furthermore, a statewide moratorium on annexation prevents it from acquiring additional land for development and subsequent tax revenue generation. Until 2005, Richmond had a city manager form of government with a ward system that elected nine council representatives, with no at-large members.



City Council provided leadership as it set aside the desires, and sometimes needs, of individual districts for the good of the city overall via an open community rebuilding process.

In 1999, City Council worked through its strategic plan goals, which included crime and blight reduction and economic development aimed at bolstering tax revenues. The acting city manager introduced the *Neighborhoods in Bloom* concept after a series of meetings with various community development partners.

City Council first agreed to the concept of a limited number of “investment” communities and to the specific selection criteria to identify these neighborhoods. Quantitative and qualitative analyses were then conducted on more than 40 neighborhoods to aid in the ranking and selection process. When the final seven communities were presented to City Council, with unanimous approval from each of the three recommending groups, only five council districts received *Neighborhoods in Bloom* resources.



1600 block of Decatur Street before and after

Partnerships

Community residents, development practitioners and City of Richmond staff worked tirelessly to develop a new approach to neighborhood change.

Community Leaders

Resident leaders had a 25-year history of organizing themselves and working collaboratively with the city through their Neighborhood Teams Process (NTP). Building on this existing structure, a sub-set of each NTP district, named a Partnership Board, was created to involve residents in *Neighborhoods in Bloom* communities. The Partnership Board helped select impact areas, ensured quality and accountability of property developers, and sought continued support of City Council.

Community Development Partners and LISC

The development practitioners and Richmond Redevelopment and Housing Authority, under the umbrella trade association of the Richmond Community Development Alliance, combined the *Neighborhoods in Bloom* resources with other public and private investments to develop nearly 400 quality mixed-income housing units in the targeted communities during the first five years of the policy. These activities followed a

This high-performing partnership exhibited leadership where individual organizational interests were subordinated to the shared desire to produce impact on behalf of targeted communities.



“stepped” approach to rebuilding quality residential areas – affordable, then moderate, then market-rate housing – helping many of these neighborhoods turn the corner toward increased health and vitality.

Prior to *Neighborhoods in Bloom*, LISC invested significant financial and technical assistance in its nonprofit partners to help them strengthen their business operations. This support, in part, helped the community development corporations (CDCs) become organizationally prepared to use increased funding from the city to deliver tangible neighborhood revitalization results. During the initial stages of the initiative, LISC also helped to negotiate disputes among housing practitioners and promote solidarity among many friendly competitors. As trust grew among RCDA members, the group unilaterally endorsed annual funding recommendations to City Council without each member advocating for its individual organization.

City Administration and Staff

The highest ranks of the city administration embraced the concept of neighborhood revitalization and encouraged city staff to work across departmental disciplines, streamlining processes and coordinating resources. Through this effort, neighborhood development attained a new status in City Hall. It became a method for increasing homeownership among diverse residents, resulting in increased property tax revenues.

Conclusion

Although the *Neighborhoods in Bloom* effort has enjoyed great success, much work remains to be done. Remaining sections of the targeted neighborhoods still require increased investment, and other entire communities have yet to benefit from this policy at all. “Success thresholds,” which identify when a participating *Neighborhoods in Bloom* community can graduate and thus make room for others to be incorporated into the initiative, have not yet been determined.

As the process for measuring neighborhood impact continues, greater analysis of other augmenting community amenities, such as school performance, supportive services and jobs, must be made. They are critical to sustaining the physical improvements that come with residential development. Additionally, a more regional dialogue is necessary to address equitable and successful revitalization strategies as neighborhood deterioration continues to spread to surrounding suburbs.

The City of Richmond and its many partners should be proud of *Neighborhoods in Bloom's* results. The policy and its implementation provide an extraordinary example of how collaborative partnerships, coalesced around a sound concept, can yield significant economic benefit.



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Barton Heights



Highland Park



Jackson Ward



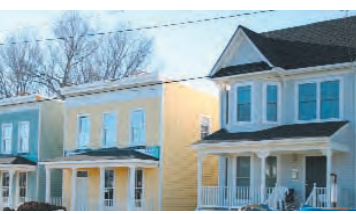
Carver/Newtowne



Oregon Hill

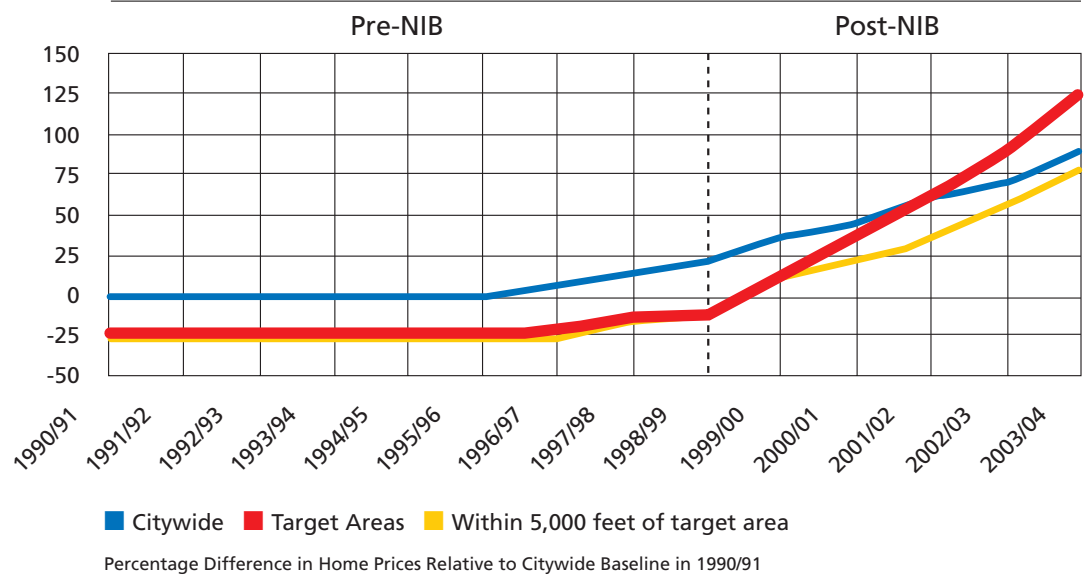


Blackwell

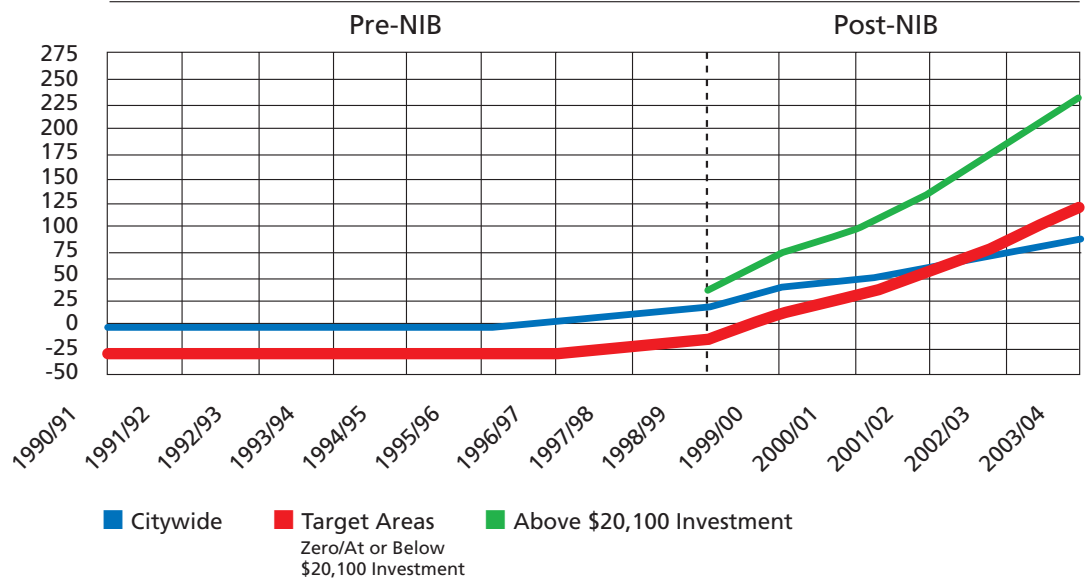


Church Hill

Average Annual Home Sale Price



City of Richmond Investment



Neighborhood Selection Process

The *Neighborhoods in Bloom* policy targeted federal redevelopment capital received by the City of Richmond in a limited number of areas, meaning that some communities were ineligible to receive program resources – specifically federal Community Development Block Grant (CDBG) and HOME funds. A rational neighborhood selection approach with broad grassroots support was devised to make the process more palatable for communities that had to wait while others received investments. This was critical to the program's long term success.

First, a participatory process identified indicators of neighborhood condition and development potential for each of the 40 neighborhoods that were eligible for federal resources prior to the inception of the program. The indicators selected were:

Assessment of Neighborhood Condition:

- **Occupancy and condition status of structures.**
- **Criminal activity.**
- **Demographics** including poverty level and percent of owner-occupied housing.

Assessment of Neighborhood Potential:

- **Neighborhood Capacity for Revitalization** including engaged civic associations, neighborhood plans and the presence of active revitalization partners.
- **Market Factors** such as employment potential, commercial potential, existing and planned investments, availability of land and proximity to public housing as well as major traffic corridors.
- **Neighborhood Trends** – Is the neighborhood improving or declining?

Second, based on assessment factor scores, the neighborhoods were placed into four groups – redevelop, revitalize, stabilize and protect. Recommendations were made that only those communities in the redevelop and revitalize groups would be targeted for participation in *Neighborhoods in Bloom*. More specific definitions for each group were:

- 1. Redevelop:** Neighborhood has extensive problems.
- 2. Revitalize:** Neighborhood shows significant signs of decline but has conservation areas; has received infusions of federal resources and has a housing stock that can be rehabilitated.
- 3. Stabilize:** Neighborhood shows marginal signs of decline but growing code enforcement issues exist.
- 4. Protect:** Neighborhood has few problems but requires attention to maintain existing quality of life.

Finally, by the end of 1999, after many hours of community meetings and neighborhood tours, there was widespread support for the targeting concept and a general consensus about which neighborhoods should participate. The city's commitment to a participatory process and its use of descriptive neighborhood condition data yielded surprising results. Even communities that would not directly benefit from initial *Neighborhoods in Bloom* resources endorsed the targeting approach because they believed it was necessary for the good of the city as a whole.

This summary was produced by:
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