Managing Neighborhood Change: Building Stronger Markets

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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.
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- A neighborhood where nobody \textit{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.
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
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- 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.
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- Increased neighborhood competitiveness
  - More new residents move into neighborhood
    - Increased buying power
      - Increased retail and service volume and quality
  - Increased resident attachment to neighborhood
    - Increased community cohesion
  - Increase in property improvement

Housing Market Strength

- Increased property values
  - Infill construction increases
    - Increased municipal fiscal resources
    - Reduction in tax and other foreclosures
  - Property owners value properties
    - Increased resident attachment to neighborhood
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- 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.
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- 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.
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- What factors drive neighborhood housing market conditions?

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IN-MIGRATION ➔ NEIGHBORHOOD HOUSING MARKET CONDITIONS ➔ DESIRABILITY OF NEIGHBORHOOD HOUSING STOCK

COMPETING SOURCES OF HOUSING SUPPLY ➔ NEIGHBORHOOD STABILITY

ECONOMIC GROWTH ➔ NEIGHBORHOOD AMENITIES AND QUALITY OF LIFE
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- 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.
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● 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?
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House Price Appreciation in Asbury Park NJ by Census Tract 1997-2005

TRENDS
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- 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
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- 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
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<table>
<thead>
<tr>
<th>MARKET DEFICIENCY</th>
<th>STRATEGY</th>
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</thead>
<tbody>
<tr>
<td>Physical characteristics of housing stock do not reflect market demand</td>
<td>Build large-scale market-changing redevelopment project</td>
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<td></td>
<td>Build new infill housing scattered around the neighborhood oriented to consumer demand</td>
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<td></td>
<td>Create demand-sensitive housing by rehabilitating and reconfiguring existing housing stock</td>
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<td></td>
<td>Create demand-sensitive housing through adaptive reuse of industrial or commercial buildings</td>
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</tbody>
</table>
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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
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Increasing neighborhood stability:
- Reduce property abandonment
- Reduce foreclosures
- Reduce concentrations of poverty
- Reduce crime
- Increase homeownership rate
- Increase property investment by owners
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<table>
<thead>
<tr>
<th>STABILITY FACTOR</th>
<th>STRATEGIES</th>
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<tbody>
<tr>
<td><strong>ABANDONMENT</strong></td>
<td>HOME-funded CDC rehab program targeting abandoned properties</td>
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<tr>
<td></td>
<td>Incentives for middle-income families to buy and rehab abandoned properties</td>
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<tr>
<td></td>
<td>Early warning system to identify properties at risk of abandonment</td>
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<td></td>
<td>Vacant property receivership to gain control of vacant properties for rehabilitation</td>
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</table>
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PROBLEM: Abandoned properties

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

EXAMPLE: HANDS, Inc. neighborhood strategy, Orange, NJ
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- 212 Snyder Street, Orange, New Jersey
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- **Elements in neighborhood amenity value and quality of life:**
  - Neighborhood appearance (curb appeal)
  - Parks and open space
  - Economic opportunities
  - Transportation
  - Shopping and services
  - Schools
<table>
<thead>
<tr>
<th>AMENITY VALUE</th>
<th>CRITICAL ELEMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>PARKS AND OPEN SPACE</td>
<td>Amount and characteristics of open space areas</td>
</tr>
<tr>
<td></td>
<td>Open space “fit” between resident needs and nature of facilities</td>
</tr>
<tr>
<td></td>
<td>Maintenance and appearance of open space areas</td>
</tr>
<tr>
<td></td>
<td>Programming and activity level in open space areas</td>
</tr>
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<td></td>
<td>Safety of open space areas</td>
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</tbody>
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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
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Patterson Park
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- Timing is everything
- Each strategy ‘fits’ better or worse, depending on the particular market conditions and trends in the neighborhood
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- 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

<table>
<thead>
<tr>
<th>STRATEGY</th>
<th>NEIGHBORHOOD HOUSING MARKET CONDITION (1 = LOWEST, 6 = HIGHEST)</th>
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<tbody>
<tr>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Create large-scale market-changing or transformative redevelopment projects</td>
<td>***</td>
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<tr>
<td>Build new scattered-site housing targeted to market demand</td>
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<tr>
<td>Create demand-responsive housing through rehabilitation and reconfiguration of existing stock</td>
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</tr>
<tr>
<td>Create demand-responsive housing through adaptive reuse of non Residential structures</td>
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- 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
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