

# Great Neighborhoods Great City

The Healthy Neighborhoods Approach in Baltimore

**2004 UPDATE**

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For the Goldseker Foundation



# PREFACE

The Healthy Neighborhoods strategy to revitalize Baltimore's communities focuses on reinvigorating stagnant real estate markets and building stronger connections among residents.

This is an update of an occasional paper of the same title published by the Goldseker Foundation in 2001. That publication offered a different, market-oriented way of looking at how neighborhoods in Baltimore might more effectively approach physical and social revitalization.

We asked neighborhood strategist and Foundation consultant, David Boehlke, to describe the Healthy Neighborhoods approach to revitalization in neighborhoods elsewhere that were threatened by disinvestment, but not yet deeply distressed, and to explain how a local pilot project was attempting to adapt this model to similar communities in Baltimore.

Since the first version of "Great Neighborhoods, Great City", much has happened:

- The paper and the successes of the pilot phase of Healthy Neighborhoods have helped attract significant private funding for the effort and allowed it to expand from its original six neighborhoods to ten.

- The publication spurred an ongoing community-wide discussion about the performance and capacity of the city's community development organizations and how they are funded.
- Healthy Neighborhoods, Inc., was created as a permanent entity to raise significant private and public capital and to follow the program's pilot phase with a sustained effort to extend this approach to neighborhoods across Baltimore.
- The paper has emerged as a focus for setting community development agendas in a number of cities across the country.

While the early returns are encouraging, distinct and difficult challenges remain. As Boehlke argues, to ultimately succeed, Healthy Neighborhoods must counter years of disinvestment, by re-energizing neighborhood real estate markets and, as important, by convincing current and prospective residents to become directly involved in strengthening and promoting the positive aspects—the assets—of their communities.

We recognize this work is anything but easy, not least because it seeks to replace conventional deficit and subsidy-oriented strategies with a more positive, asset and investment-based approach that brings with it increased accountability for results.

We are under no illusion that foundations can substitute either for public investment by cities and states or for private capital from financial institutions. And foundation funding cannot begin to have the enormous impact of everyday decisions by residents of our neighborhoods to invest their energies and dollars in the promise of a brighter future.

What we can do, and what we hope this publication will accomplish, is support new thinking, new language, and new expectations for what is possible in moving Baltimore to more sustainable community renewal.



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# INTRODUCTION

Baltimore is beginning to deploy an innovative strategy for “in the middle” communities—the neighborhoods that do not grab headlines for high rates of crime and vacancy but that also do not get much community attention and attract only limited investment.

Baltimore City has long been an innovator in neighborhood development. In the 1970s, the City’s urban home-steading programs received national recognition as a result of local government’s imaginative policies, hard work by City and nonprofit staffs, and a unique low-interest loan program. During the 1980s, high-profile harbor neighborhoods, notably Federal Hill and Canton, began to revitalize because the City facilitated large-scale private development of new homes and renovation of historic rowhouses. More recently, in the 1990s, Baltimore again won national acclaim by aggressively renewing decayed high-rise public-housing complexes through the concentrated use of public subsidies.

Over the past three decades, Baltimore has developed imaginative strategies for transforming a city under stress. Now Baltimore is beginning to deploy an innovative strategy for “in the middle” communities—the neighborhoods that do not grab head-

lines for high rates of crime and vacancy but that also do not get much community attention and attract only limited investment.

Overall, neighborhoods in the middle are attractive and in good repair. They usually consist of long blocks of modest but well-maintained rowhouses or clusters of single-family frame houses on tree-shaded lots. Unfortunately, these neighborhoods are too often remembered for problem properties on the busiest streets or for the odd oversized or poorly built dwellings. Such troubled properties often are slow to sell, are readily converted to marginal rental units, and are the first to be abandoned. Moreover, even when sales prices are stable, too many houses are so undervalued that it doesn’t make economic sense for homeowners to upgrade them significantly. The resulting disinvestment erodes confidence, discourages neighborhood leaders, and undermines even simple acts of neighborliness and cooperation among residents.

There may be dozens of reasons for this disinvestment—including poor schools, high crime, limited city services, high taxes—but there are just as many compelling reasons for people to stay and invest. Most houses in the neighborhoods in the middle were built to last. Prices are truly affordable, and rooms are spacious, with high ceilings and distinctive features. For many current and prospective residents, these neighborhoods offer racial and economic diversity, historic architecture, and proximity to arts and entertainment in a revitalizing urban core.

Neighborhoods in the middle are vital to Baltimore’s future. Given the City’s loss of population and physical decay over the past thirty years, it is absolutely clear that the City needs the social and financial investment that residents of such neighborhoods can offer. If Baltimore is to continue as a unique, viable, diverse urban center, it must preserve, promote, and celebrate these neighborhoods. To test these

ideas, a pilot project—the Healthy Neighborhoods Initiative—began in 2000 to demonstrate how vulnerable City neighborhoods could become vibrant again. The results were so heartening that residents and civic leaders are now collaborating in a second step that will take this work to a greater scale through a newly formed organization, Healthy Neighborhoods, Inc.

This partnership nonprofit will collaborate with existing community development groups throughout the City to advance the Healthy Neighborhoods approach to revitalization. The partners will look beyond neighborhoods as collections of problems and deficiencies, and concentrate

instead on leveraging neighborhood assets and on influencing people to invest in their homes and blocks. This approach contends that neighborhoods decline when people stop investing not only their money and resources, but also their time and energy. Healthy Neighborhoods responds to the fundamental problem of disinvestment by using tested, feasible strategies that stress building home equity and strengthening social fabric. The overarching goal is to help neighborhoods become places where it makes sense for residents to invest their time, effort, and money and where neighbors are willing and able to manage everyday community issues.

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# NEIGHBORHOODS CONSTANTLY CHANGE: MANAGING CHANGE IS THE CHALLENGE

Neighborhoods are always in transition. People move in and out, capital is invested or withdrawn, patterns of good property maintenance become stronger or weaker. Such changes define and redefine the market niche and social cohesion for any neighborhood.

Who stays and who decides to leave? Who is attracted and who chooses to look elsewhere? Answers to such individual investment decisions are the driving forces in determining neighborhood health or deterioration.

These investments need to be understood in several ways. Most people think of money first. Every property owner decides whether an improvement makes sense in light of local housing values. In neighborhoods where the cost of upgrading a kitchen and bath exceeds the total value of the property, there is a strong disincentive for homeowners to make improvements. In fact, the disincentive can be so powerful that even necessary repairs are delayed or done at a minimal level.

The second aspect of investment is less obvious, although it is just as important. When a neighborhood can no longer retain stable households and

can't attract solid replacement households, there is a fundamental change in the investment of "social capital"—the time and effort residents take to connect with each other. Residents are less willing to support formal efforts, such as a kids' sports team or a block association, and they begin to limit the time they spend in everyday neighborly activities. Such subtle disinvestment does not go unnoticed, either outside the community or from within. A lack of social investment confirms the perception that a neighborhood is not a place where people choose to be.

Whether investments are financial or social, individual decisions are based on the issues of choice, competition, confidence, and predictability. Taken together, these aspects of any household's decision-making shape investment patterns that strongly influence a neighborhood's prospects. Each provides a different way to understand how reinvestment can be triggered.

**Choice: America is a country defined by consumer choice in every aspect of its national life—from autos to toothpaste and from fast food to neighborhoods.** People make choices every day about where to live, what to own, how much to invest in a house, and even whether it is time to paint the back bedroom. Although it is true that people need shelter, most decisions about housing are not based on needs but on wants, and a massive real estate and mortgage industry has emerged to meet those wants. Indeed, the federal government has structured tax codes, highway projects, and national housing programs primarily to increase customer options by making suburban housing more affordable, by facilitating easy automobile access, and by creating large capital markets.

**Competition:** Every neighborhood faces constantly changing competition in attracting and retaining good neighbors. Competitors include new suburbs and new apartment complexes, but the strongest competition comes from other older communities that are being transformed and thereby opening up new opportunities to attract residents. In many central cities where populations are static or even declining, this competition results in some neighborhoods becoming virtually empty. In a competitive context, it isn't enough for a neighborhood to be a good place to live; the neighborhood must be able to attract residents even as its competitors change every year.

**Confidence:** Real estate markets shift rapidly in America. Jobs and people are highly mobile, so there are strong forces undermining neighborhood stability. Older neighborhoods are often a confusing mixture of perceptions and behavior. To make sense of this, residents seek more stability, especially in terms of their confidence about the value of their homes. Confidence weakens when "for sale" signs proliferate, and it can erode completely when those signs stay up month after month. Residents want the confidence gained when others affirm that their neighborhood is an attractive place to live—when current residents choose to stay and invest, or when newcomers with sufficient finances choose to move in.

**Predictability:** Even though America is one of the world's most rapidly changing places, many people want things to stay the same, or at least to be easily understood. But Andy Griffith's slow-moving Mayberry has been replaced by Bart Simpson's wildly unpredictable Springfield. In response, residents try to manage the consequences of rapid transition through spoken and unspoken agreements. Such agreements help provide order by setting standards of behavior (no loud music after 10:00 p.m.) or standards of upkeep (no trash out the day before collection). New neighbors are considered good neighbors if they notice and abide by the prevailing norms. Of course, differences in language, culture, and experience can undermine the agreements, resulting in less predictability and potentially in more transition.

The Healthy Neighborhoods approach views these aspects of neighborhood dynamics—choice, competition, confidence and predictability—as fundamental to any coherent and effective strategy for neighborhood revitalization. If a revitalization strategy does not take into account that any neighborhood, like much of America, is subject to consumer decision making, then that strategy (no matter how good it looks on paper) will run into trouble when it encounters the realities of the residential marketplace.

Remarkably, too many older neighborhoods are being "revitalized" as though these four dynamics didn't apply.

Indeed, many cities attempt to influence investment decisions by drafting community plans that primarily identify and address physical problems. Few plans even consider restoring housing value as a community goal, and resident leadership is usually presented more as a way to manage neighborhood problems than as a revitalization goal in itself. In typical government-

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sponsored plans, managing problems—reducing negative conditions—is considered a major thrust of neighborhood renewal.

The inherent assumption is that buyers and renters will return to a community because something bad has been removed. That approach hasn't worked in other aspects of American life that are driven by competition and choice, and it won't work in neighborhoods. The necessary ingredient in any neighborhood revitalization strategy must be to create good reasons for people to make decisions that benefit themselves while producing results that serve the whole community.

For many Baltimore neighborhoods in the middle, the desired outcomes are clear: build home equity (raise sales prices, increase appraised values, expand investment in home improvements) and strengthen the social fabric (broaden civic participation, change the language used to describe neighborhoods, promote neighborhoods as neighborly places). Conventional plans and projects may produce desirable outputs, like repaired streets, improved houses, and reduced crime. But they ultimately fail unless the central outcome of all that work is increased home values and expanded civic involvement.

Obviously, there are fundamental differences between conventional revitalization and the philosophy of Healthy Neighborhoods. The following table illustrates how different neighborhood investment frameworks handle key revitalization issues. The chart makes clear that the Healthy Neighborhoods approach targets equity growth and social connectedness by paying attention to choice, competition, confidence, and predictability. If a project doesn't significantly address these areas and doesn't substantially increase financial equity and social connections, then the project isn't a Healthy Neighborhoods investment.

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# COMPARISON OF APPROACHES TO REVITALIZATION: CONVENTIONAL AND HEALTHY NEIGHBORHOODS

Issue	Conventional	Healthy Neighborhoods
<b>Purpose</b>	Make houses safe and code-compliant.	Restore real estate market values so people can invest confidently.
<b>Strategy</b>	Repair as many houses as possible in as large an area as possible.	Select properties for maximum visual market impact.
<b>Consumer</b>	Focus on houses and households with greatest needs.	Respond to severe problems, but focus on houses and diverse homeowners with good potential for strengthening prices and raising housing maintenance standards.
<b>Programs</b>	Use government subsidies to create standardized programs and to distribute grant dollars by regulation.	Develop a variety of flexible incentives for residents to achieve specific outcomes and to serve the desired market segment.
<b>Standards</b>	Enforce minimum standards.	Create expectations of quality rehabilitation and good design.
<b>Support</b>	Assist borrowers with debt problems, affordability, and subsidy needs; provide classes on budgeting and home repair.	Provide all needed consumer support services; market the neighborhood; and encourage block projects, pride in community, and resident leadership.

# HEALTHY NEIGHBORHOODS PRINCIPLES: A FRAMEWORK FOR RESULTS

The four elements of neighborhood stability are a positive image, a viable real estate market, good physical conditions, and strong social connections.

The most effective revitalization strategies target four elements that profoundly affect neighborhood stability: the positive or negative **image** that defines the neighborhood, the viability and particular characteristics of the neighborhood's real estate **market**, the quantity and quality of improvement to and maintenance of the **physical conditions** of individual houses and public spaces, and the strength of the **social connections** among neighbors and with local institutions. The specific programs, policies, and strategies in Healthy Neighborhoods reflect several basic principles:

**Healthy Neighborhoods builds assets.** The Healthy Neighborhoods approach is an asset-oriented strategy that builds both household and neighborhood equity. A healthy neighborhood is one in which property values appreciate in a way that encourages continued resident investment—those investments are financial (such as rehab and homeownership) as well as social (such as participation in neighborhood associations and in neighborly activities).

For an older neighborhood to position itself to compete successfully for resident investment, it must recognize, enhance, and market its unique assets and amenities. It needs to draw attention to the historic nature of housing, the unique "story" the neighborhood has to tell as part of the heritage of a city, the quality of local parks and greenways, and the presence of neighborly institutions such as garden clubs and community-serving churches. Neighborhood plans must position those assets as the defining features of a place and leverage them to achieve neighborhood revitalization.

**Healthy Neighborhoods focuses on markets.** Every neighborhood, old or new, has a definable "market niche." Based on the type of housing and the relative mix of amenities, the

neighborhood has a likely pool of customers to which it can successfully market itself.

All investments by new and current residents must reinforce the housing market—that is, investments should and can increase home values. Even small-scale rehabilitation projects by current homeowners should include exterior improvements that add to curb appeal and home value, because each home is a billboard for the image of the neighborhood. Larger scale home purchase and renovation loans should be encouraged at dollar levels and with design standards that raise property values ten or even twenty percent above current depressed prices.

Each resident making an investment enhances the neighborhood's overall market prices. Loans to those who invest in the neighborhood are made attractive by low interest rates; the resulting projects are homeowner-led and do not require the large grant subsidies common to many homeownership programs. Conventional subsidized projects often result in sales prices that are much lower than the cost of the home and that quickly distort local real estate markets. In

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Healthy Neighborhoods, loans are used to encourage predictable and supportable increases in the market value of a neighborhood rather than as a way to artificially prop them up.

**Healthy Neighborhoods targets outcomes.** Conventional neighborhood improvement programs celebrate output numbers: the number of housing units completed, homes sold, or loans made, or the amount of counseling done. These data can be signs of progress but are not necessarily indicators of success. Healthy Neighborhoods outcomes measure whether the neighborhood is improving as a place for neighbors to invest and to build equity and neighborly connections. A laundry list of outputs can look productive, but it can easily divert efforts to achieve the central outcome of neighborhood health.

**Healthy Neighborhoods values neighbors as investors and leaders.** Prospective homeowners and current residents—not community development corporations, government agencies, or other funders—are the most important neighborhood decision-makers. Every investment by nonprofits and other outside institutions, large or small, must be structured to encourage property owner investment with the greatest potential for raising home prices and maintenance standards. Traditional approaches often subsidize households with the greatest need and provide housing as an end in itself. Healthy

Neighborhoods strategies encourage all households to invest in their homes and in other activities that secure the neighborhood's future.

Recognizing neighbors as investors, community-based nonprofits must actively cultivate resident participation and leadership. Healthy Neighborhoods strategies include small-scale block improvements that engage new and current neighbors in "pride" projects that improve the image of the neighborhood, provide a vehicle for neighbors to form bonds, and encourage new leaders to emerge. Diversity and rapid change in older urban neighborhoods require attention to social cohesion. Unless people have positive ways to relate, effective means of communication, shared visions for the neighborhood, and the ability to manage

everyday issues, the investment in physical change will not translate into long-term success.

Healthy Neighborhoods builds assets, focuses on markets, targets outcomes, and values residents as investors and leaders. The key principles have been tested in real situations and have proven workable and effective as a framework for sustained community renewal. This is well demonstrated through a decade of implementation in Battle Creek, Michigan, and through the experience of more than two years of work in nearly a dozen very different Baltimore neighborhoods. The results of those efforts are detailed in the following pages to show how actual communities are achieving Healthy Neighborhoods outcomes.

The best way to influence investment choices is not to get rid of problems but to identify what people want and provide it.

# SUCCESS IN BATTLE CREEK: HOW COMMON SENSE RENEWED A CITY

The first major test of Healthy Neighborhoods strategies started twelve years ago in Battle Creek, a small city with big city problems.

In the 1990s the most extensive applications of the Healthy Neighborhoods approach were in the Midwest, notably in Battle Creek, Michigan, where the principles were applied in a comprehensive revitalization initiative. What was learned there can teach much about the approach and its effectiveness.

Twelve years ago, Battle Creek was a small city with big-city problems. The litany of issues was familiar: drugs, unemployment, teen pregnancy, vacant houses, failing schools, and declining commercial areas. What made Battle Creek different from a big city was that the newer neighborhoods had desirable suburban-style houses, good schools, convenient shopping, and great parks and lakes, and were only minutes from downtown. Therefore, Battle Creek's older neighborhoods were not competitive sites for stable owners and renters. Those central areas had affordable and attractive houses on beautifully treed lots, but they also had negative images, sales prices that were too low to encourage investment, poor home improvement standards, and few residents willing to promote the neighborhoods or even cooperate with each other.

Civic leaders worked hard to attract new industries and jobs, to rebuild the infrastructure and city services, and to upgrade downtown Battle Creek. All of this was at risk if the older neighborhoods continued to lose families and housing value while adding blighted rentals and vacant houses. Accepting this reality, civic leaders joined with residents to identify sections of the city that had potential to be "places of choice," which they defined as neighborhoods that could compete to retain and attract households with sufficient resources to keep the houses and blocks in good condition.

Community leaders committed to an open process with broad community participation. The result was that a small local nonprofit organization—Neighborhoods Inc. of Battle Creek—was restructured as a Healthy Neighborhoods partnership. Residents, civic leaders, lenders, corporations, foundations, and the city government created a strong board of directors with the challenge to raise housing values, upgrade property maintenance standards, address blight, increase citizen participation, and involve community institutions in the renewal process.

Because the board members knew that the first projects had to be sure winners, the hardest decision was selecting just three investment sites when so many places needed help. The answer was to choose areas with a variety of good housing options to serve the widest range of customers. Other criteria focused on site marketability and visibility, the cost of upgrading houses relative to potential long-term value, and the willingness of the neighbors to take responsibility for their blocks.

Local leaders took the risk of serving all income groups—not just the poor—by using incentives instead of subsidies to restore housing values.

Furthermore, Neighborhoods Inc. decided that all customers should be served, not just low-income households, and that, whenever possible, the program should use incentives rather than subsidies. The goals were ambitious: return the local real estate market to vitality, create positive neighborhood images, and set high standards for home repair and maintenance. And there was an absolute commitment to including residents who could market the houses, promote the blocks as neighborly places, and take responsibility for the neighborhoods in the future.

The results have been substantial and effective. More than six hundred households purchased and improved houses. In excess of a hundred vacant houses were fully renovated or removed and replaced with landscaped yards, community green spaces, or parks. Other vacant sites were used for new construction—the first in these neighborhoods in decades. Through direct action, forty percent of all targeted-neighborhood houses were improved through the various programs, and over twenty percent of all houses were purchased by new homeowners. More than a thousand rehab loans were made in a 2800-house area. Whole blocks were upgraded with three-color paint jobs, coordinated lighting, and property renovations. More than two hundred block projects were completed and celebrated.

Over eight years, housing prices in the target neighborhoods nearly tripled and reached a level where ownership and quality improvements became good investments. Many of the earliest buyers have seen their equity positions climb quickly, and longtime homeowners once again count on their properties having real value.

Through a multiyear effort, Battle Creek repositioned itself in terms of employment, educational options, and health care services as well as increased housing values and improved neighborhood stability. By 2000, there was truly a sense of pride and celebration about the community's renewal and its future.

Unfortunately, even those successes can't negate national economic disruptions, and today Battle Creek mirrors the rest of the nation as jobs move across the borders, enrollment in public schools declines, and fewer households have health insurance. The city and its older neighborhoods are under enormous stress.

Yet even with such fundamental challenges, the neighborhoods have been able to sustain themselves. More houses are on the market, but housing values are stable. Fewer major home improvement projects are under way, but good home maintenance is practiced. Marketing efforts continue to promote older neighborhoods as good choices,

and residents consistently reaffirm their leadership on their blocks and in the city. Innovative programs have been introduced as older initiatives have been scaled back in light of new economic realities.

What characterizes the new actions is that they are proactive instead of reactive. Rather than being overwhelmed by the problems associated with rapid change, Battle Creek's neighborhoods and civic leaders are managing change through the basic principles of the Healthy Neighborhoods approach.

Neighbors are agents of change who respond to new problems through shared values and proactive language.

# THE FUTURE IN BALTIMORE: THREE STEPS TO NEIGHBORHOOD RENEWAL

Baltimore is constructing a new future for its neighborhoods, based on the commitment to "build from strength," which is at the heart of both City policy and the Healthy Neighborhoods initiative.

Battle Creek offers a realistic story of positive change and renewed stability. Cities and neighborhoods can't return to past glories; the focus must be on creating a better future. New programs and policies, innovative approaches and careful research won't result in meaningful outcomes without consensus about the context for change. For Baltimore that context has three elements. There is a commitment to move away from primarily treating problems. There is a willingness to value neighborhoods "in the middle." Finally, there is recognition that both a broad-based partnership and organizational capacity are necessary to achieve measurable success.

## Looking Beyond Problems

Baltimore is constructing a new future for its neighborhoods, based on the commitment to "build from strength," which is at the heart of both City policy and the Healthy Neighborhoods initiative.

Although the idea of building from strength seems simple, it actually is

quite complex. Building from strength isn't limited to finding a successful business or institution to anchor renewal, and it doesn't mean simply extending a program that works. Building from strength means looking carefully at each neighborhood's assets and leveraging those assets to change people's investment choices.

What are strengths with the potential to influence choices? Many obvious ones come to mind: an employment center, like a hospital, university, or an active commercial area; a desirable geographic feature, such as an attractive park or a harbor view; a solid housing stock, perhaps architecturally or historically important or affordable and easily maintained; or even an adjacent neighborhood that has never declined or has already renewed.

A strength also could be the crucial but less visible impact of active residents. Baltimore neighborhoods as diverse as Glen, Ashburton, Greektown, Mayfield, and Lauraville might not have much in common, but each is resilient because its residents consistently reaffirm their confidence in their blocks and neighborhood.

In Healthy Neighborhoods terminology, strengths can be found in the positive identity of a neighborhood, in the stability of its real estate market, in the desirability of its physical conditions, and in the mutual actions of its residents. Location, amenities, employment, and institutional life are all strengths, but more critical are the ways a neighborhood presents itself, how it is positioned in the real estate market, the level of maintenance and home improvement, and the day-to-day actions of neighbors.

## Seeking Out Sites with Potential

Nearly eighty percent of Baltimore's homeowners live in neighborhoods that are neither greatly distressed nor obviously thriving—good places that could be great neighborhoods. Their images aren't overwhelmingly negative, but they also aren't very positive. The real estate market is functioning, but it is not actively attracting new buyers with enough resources to make significant home improvements. The physical

conditions of public and private structures and spaces are usually just acceptable. And although many neighbors are involved in the community, there aren't enough of them who are willing to deal with the growing number of issues. Those characteristics describe most of Baltimore's neighborhoods, and it is here that the most innovative efforts have been tested over the past three years.

In 2000, six neighborhoods were chosen for the pilot Healthy Neighborhoods program and four more were added later. The sites varied greatly in property size and prices, nearby amenities, and the extent of resident and staff capacity to support the new initiative. Each community served a different market niche, and each faced different challenges in attracting and retaining stable households. What evolved was a remarkable mix of strategies and tactics to jumpstart financial and social asset building.

The available resources were quite modest: limited funding for staff, small grants for block-based self-help projects, various loans for home purchase or improvement, resources for neighborhood marketing, and training support for staff and residents. From this conventional list of tools, the target neighborhoods crafted innovative strategies for proactive revitalization initiatives.

### Creating Capacity that Works

It is not enough to have a good strategy; success also requires coordination and cooperation among supporters and enough organizational capacity to deliver the tools that make the strategies work. Over the past three years Baltimore has created the needed partnerships. All levels of government, foundations, lenders, corporate givers, and other leaders are involved, as are nearly a dozen nonprofits. The nonprofits often work in tandem to provide unique services outside their traditional service areas to ensure that each community is assisted appropriately.

This spirit of cooperation touches every aspect of the implementation effort. Staff cross traditional boundaries to advise other communities. Some nonprofits contract to serve other groups. This is not a zero-sum game

where only one place can be the winner. Those in participating neighborhoods realize that they serve different market niches and that success for one community can translate into success for the whole City.

Of course, for the City to truly prosper, the interventions need to be at a scale that makes a difference. There must be professionalism in the delivery of customer services, lending products that people want, and block projects that produce visible change. Leaders in the Healthy Neighborhoods movement recognized that a pilot project is not enough. For the concept to be an effective tool in Baltimore, there must be an organization responsible for institutionalizing the programs. The answer to that challenge is Healthy Neighborhoods, Inc., which will be fully operational early in 2004.

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# LESSONS RELEARNED: BALTIMORE'S OUTCOMES REAFFIRM NATIONAL EXPERIENCES

Actions that value neighborhoods and neighbors can reverse the cycle of decline and revitalize communities as places of choice.

Healthy Neighborhoods principles are based on a common sense approach to rebuilding real estate values and strengthening social fabric. Outcomes in Baltimore neighborhoods parallel results elsewhere. What follows are eight lessons that are shaping the progress of local Healthy Neighborhoods revitalization initiatives.

**First, a Healthy Neighborhoods initiative raises property values.** This acknowledges that the costs of purchase and high-quality renovation exceed the sales prices of properties in depressed markets and that subsidies are ineffective tools to correct that problem. If substantial subsidies are needed, the real estate market recognizes that purchase and rehabilitation do not make sense without those subsidies, and that too often government programs are underfunded and restricted to low-income buyers. Conventional subsidies often signal trouble in the market and further depress sales. To convince strong buyers to invest well ahead of the market, Patterson Park Community Development Corporation uses an imaginative mix of attractive interest rates, highly skilled architectural and

rehab advice, personal attention to customers, and exciting promotional events. Property values have increased without the appearance of subsidies as a driving force.

**Second, a Healthy Neighborhoods initiative emphasizes high standards of property improvement and maintenance.** Every house conveys messages about the neighborhood. Neighbors and homebuyers observe what is valued and how much people are willing to commit. Large frame houses are a defining element of the Garwyn Oaks neighborhood, so poor maintenance sends a loud message. The Garrison Boulevard United Neighbors Association offers low-interest loans, community standard-setting projects, and one-on-one consulting services to households to create and reinforce high standards of repair and day-to-day maintenance. The improved appearance is attracting homebuyers and encouraging long-term residents to reinvest.

**Third, a Healthy Neighborhoods initiative markets a neighborhood as a good choice to call home.** The message goes beyond houses and neighborhood amenities. Marketing must

tell the positive stories of the owners, especially new buyers. Homebuyers seek assurance that others like themselves value the neighborhood. Promotional campaigns, newspaper articles, and welcoming parties can spotlight a place as a good choice with great neighbors. Seven Healthy Neighborhoods sites collaborated to create high-quality promotional materials, in conjunction with Live Baltimore Home Center, an innovative nonprofit organization that promotes City neighborhoods. Combining this citywide marketing powerhouse with local hands-on efforts produces a clear message that those neighborhoods are places of choice.

**Fourth, a Healthy Neighborhoods initiative recognizes that increasing real estate values won't change a neighborhood unless residents become personally involved in the community.** To promote broad-based participation, long-term owners and new buyers need to collaborate around positive themes. If efforts focus only on what is not working, too many potential community leaders will lose interest. Mount Vernon is a mix of commercial and institutional structures, apartment houses, and single-family

properties. This is exactly the kind of neighborhood where residents usually are overlooked as agents of change. Nevertheless, Midtown Community Development Corporation employs resident-driven marketing and promotional efforts and homebuyer potluck dinners to both sell the houses and promote Mount Vernon as *the* place to be.

**Fifth, a Healthy Neighborhoods initiative replaces negative terms with positive language.** Any neighborhood could be described as having a crime watch program, but a healthy neighborhood is described as safe and neighborly. The facts are the same, but the message is different. Nonprofits, government staff, and residents need to agree on positive language that markets the neighborhood, instead of negative words that label the place as deficient. The new language must be integrated into community events and projects. Belair-Edison had a long history of local leaders who identified problems and worked hard to correct them. The result was a good community that was too often misunderstood as a very troubled place. Belair-Edison Neighborhoods Inc. used a series of meetings to re-identify the neighborhood's virtues. Festivals, community projects, new signs, promotional materials, and media outreach reinforce the positive message. Today Belair-Edison is described in terms of its wonderful assets, the unique value of its houses, and its reputation for neighborliness.

**Sixth, a Healthy Neighborhoods initiative reaches diverse income groups.** Too often, nonprofits serve only low-income households or first-time buyers, when what is needed is a full range of customers. A revitalizing community shouldn't deny services to households because they earn above eighty percent of median income. A healthy community values everyone, including people with resources to move elsewhere. Loan applicants are approved because of their potential to improve the community and make consistent payments, not because they have a limited income. Rebuilding a neighborhood requires involving, not excluding, all stable households. Reservoir Hill is a place of extremes: parts are beautifully restored and other parts are mostly abandoned. Reservoir Hill Improvement Council has created a variety of strategies for distinct areas and for all ranges of incomes. The Council encourages programs that serve low-income residents, but it also reaches out to all income groups to join a viable, diverse neighborhood.

**Seventh, a Healthy Neighborhoods initiative includes all residents—renters, homebuyers, and homeowners—to make sure they succeed as responsible residents and good neighbors.** Budgeting classes should be open to everyone, because an evicted tenant and a homebuyer facing foreclosure reinforce the same negative

story. Likewise, a resident group who can't manage a block cleanup or a youth team that can't find an adult coach reflect the same absence of leadership. Creating a healthy neighborhood requires a commitment to a comprehensive program that helps all residents succeed. All of the Healthy Neighborhoods groups recognize that renewal isn't limited to physical change. Substantial staff time and resources are devoted to supporting residents, borrowers, and new buyers to ensure that the social dynamics of change are as successful as physical revitalization.

**Eighth, a Healthy Neighborhoods initiative supports sustainable change.** Good maintenance standards should be established and repeatedly reinforced. Loans should encourage increased investment and high-quality improvements. Marketing programs and efforts that support resident involvement should be continuous. Neighborhoods don't decline in a year or two, and they don't recover overnight. The process must be long and conscious for the payoff to exceed the investment. That is why Baltimore's leaders have determined to move from a pilot program to the creation of Healthy Neighborhoods, Inc. This is the right action at the right time.

# THE LEADERSHIP CHALLENGE FOR BALTIMORE: GREAT NEIGHBORHOODS CAN CREATE A GREAT CITY

Healthy Neighborhoods works in a range of Baltimore neighborhoods and in cities across the country, but the approach succeeds only when an open process produces city-wide support and sufficient flexible resources. The approach requires substantial investment in neighborhood marketing and promotion as well as in helping residents lead the way to positive changes in their communities. Finally, the approach is not a one-time fix; it commits to sustained investment in rebuilding both the housing market and the social fabric.

In Baltimore, Healthy Neighborhoods is gaining acceptance as a powerful revitalization tool that deserves broad and energetic support. Now is the time to generate the commitment and resources necessary to make tangible, long-term improvements in a wide range of City neighborhoods.

The tasks for Baltimore's leaders are clear if the City is to succeed in this challenge:

- There must be a broad commitment to a reinvestment strategy. It will require leaders with vision and

courage to manage this innovative process. Baltimore must literally reinvent the partnerships that built the City originally.

- The commitment must be long-term, because neighborhoods recover only when the level of confidence is restored. Only then can residents make the decisions that will advance the neighborhood. Such confidence isn't gained quickly.

- Resources to achieve lasting community change must be substantial enough to make a difference, flexible enough to influence market decisions, and consistent enough to reinforce long-term investment. Limited capital with many restrictions and unpredictable availability will undermine success.

- Positive change must be conscious; it will not happen accidentally. Change demands an in-depth understanding of the real estate market, realistic work plans to foster reinvestment, and lots of good planning and hard work. Building from strength and promoting assets are only slogans unless the implementation strategies make sense.

- There must be a coherent, collaborative system to deliver market incentives and community-building services. This requires expanding government programs and local nonprofits to serve Baltimore with the skills and capacities that make a substantial difference.

- Resources, agencies, programs, and strategies will succeed only if there are enough committed residents who are prepared and willing to invest themselves in the process of renewal. This is not about a few leaders attending monthly meetings or a crime watch group or a block club. This is about valuing and investing in all residents as customers who must make decisions to commit their financial resources, time, and effort.

It is up to Baltimore's leaders to meet these challenges. Just as the City was developed by remarkable, risk-taking visionaries over its first two centuries, it must now be redeveloped by people working together, taking risks, and creating true communities of choice. The Healthy Neighborhoods approach provides a solid framework; the finished structure is up to the citizens and leaders of Baltimore.

[ The Healthy Neighborhoods approach provides a solid framework;  
the finished structure is up to the citizens and leaders of Baltimore. ]

# HEALTHY NEIGHBORHOODS, INC. FROM IDEA TO EFFECTIVE STRATEGY FOR CHANGE

Different cities choose distinct paths to developing Healthy Neighborhoods programs. In Baltimore, civic, nonprofit, foundation, and government leaders shaped the effort through three stages.

## **Investigating an Idea**

In 1998 a small group of Baltimoreans visited Battle Creek, Michigan, to see first-hand an innovative approach to neighborhood revitalization. The messages were clear. Sustainable change occurs only when it makes sense for people to invest themselves and their resources. This happens by changing perceptions and behaviors while emphasizing community assets over problems.

With those concepts in mind, Baltimore's Citizens Planning and Housing Association sponsored an ad hoc group of public and nonprofit leaders—the Healthy Neighborhoods Alliance—to analyze the conditions faced in Baltimore and explore how techniques used in Battle Creek could be applied to a variety of local neighborhoods.

## **Experimenting on the Blocks**

Cheryl Casciani of the Baltimore Community Foundation brought the idea to the Foundation's Community Development Committee, which agreed in 2000 to pilot Healthy Neighborhoods at six sites. The goal was to use public and private resources to demonstrate homeowner demand for investment in property purchase and home improvement in neighborhoods "in the middle," places that contain nearly 80% of the City's homeowner units.

Three actions defined the initiative: increased lending for home purchase and for standard-setting

home improvements; promoting resident involvement through hands-on efforts such as block projects; and, marketing houses and neighborhoods as great places to live. The participating groups reoriented their work to positive themes, targeted homeowner incentives to strong blocks, and actively marketed their houses and neighborhoods.

Compared with large public renewal programs, the resources were modest, but the effects were substantial. Every pilot site saw positive changes: increased home prices, expanded rehab lending, more block-level resident participation, and higher city-wide visibility. Indeed the results were such that four more sites affiliated before the pilot concluded, and two program years have produced \$6 million in direct investment, closed or in process.

## **Investing in Sustainability**

This track record demands attention. The strategy works especially well in those neighborhoods that most typify the City. If applied to all neighborhoods in the middle, the financial impact could be profound. Even assuming a modest \$10,000 value increase per house, homeowners—many of whom are low and moderate-income households—would recover more than \$1 billion in lost equity. That translates into \$24 million in new City revenue each year.

The main challenge was transforming a pilot program into an established entity. The Baltimore Community Foundation again agreed to lead the process and set up Healthy Neighborhoods, Inc. Public and private resources are now being pledged to ensure that the organization has the money and the staff it needs to succeed.

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