



# Facing the Urban Challenge

The Federal Government and  
America's Older Distressed  
Cities

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## Executive Summary

The end of World War II heralded an era of urban disinvestment in the United States. Suburban flight, deindustrialization and automobile-oriented sprawl triggered massive population and job loss in the cities that had driven America's economic growth for the preceding century. While some cities began to rebound in the 1990s, others, including great cities like Detroit and Cleveland, have continued to decline. As their population has shrunk, lack of demand has created a new urban landscape dominated by vacant lots and abandoned buildings. Their residents have become poorer, with many unable to compete in the national labor market. The recession and the crisis in the automotive industry have hit these cities heavily, making already difficult conditions worse. At the same time, they contain assets important for the future of their states and the United States as a whole, including major universities, major centers of medical research, and rich traditions of entrepreneurship and innovation.

How these cities acknowledge the reality of being a smaller city, reconfigure their physical environment, reuse surplus land and buildings, and target their resources to capitalize on their assets will likely determine whether they will continue to decline, or will achieve vitality as smaller but stronger cities.

The federal government should be their partner in addressing this challenge. While the federal government is already heavily invested in these cities, its investment has been piecemeal and sporadic. Remaking America's distressed older cities as smaller and stronger should be central to the future federal engagement with those cities.

Since the Housing Act of 1949, the federal government has attempted to shape the contours of the nation's cities. For all the programs launched and dollars spent, however, it is hard to show much connection between the urban condition today – either the revival of some cities or the continued distress of others – and federal initiatives of the past sixty years. Why? Federal initiatives have lacked a coherent strategy, have lacked coordination, and have failed to make a sustained commitment to any project, neighborhood, or community.

While it is impossible to tell what the next few years will bring, for the first time in many years it is opportune to propose new ways for the federal government to address the challenges of America's distressed older cities. But if federal policy is to help regenerate the distressed older cities, they need to be the focus of distinct strategies rather than part of a generic federal urban policy. The transformations of the past two decades have rendered the concept of "the cities" as a single whole no longer useful for policymaking. While an explicit federal policy focus on distressed older cities may raise substantive and political difficulties, its importance is such that it should not be sidetracked by these considerations.

Reflecting that these cities will look very different in the future from what they were in the past, regeneration efforts need to focus on three complementary goals: strengthening core areas by building on key physical, economic and institutional assets; preserving viable residential neighborhoods and housing; and identifying long-term non-traditional and green uses for vacant lands and buildings. The federal government can play a major role in this process in five key areas:

***Strategic planning.*** If the different elements that figure in the revitalization of older cities are to achieve that goal, they must be grounded in plans that can help cities and metros make difficult choices about allocating resources, managing land inventories, building on assets for economic growth, and linking central cities to their metro areas. By rethinking existing federal planning requirements, including the Consolidated Plan requirements under the CDBG program, and providing support for new comprehensive planning efforts, the federal government can help cities better plan to address population loss.

***Reutilizing urban land.*** Large and growing areas of vacant and underutilized land and buildings with little development demand are a part of all distressed older cities. Any strategy for rebuilding these cities must incorporate a vacant land reconfiguration approach that both reflects market realities and the need to improve the community's quality of life, integrating land banking and site remediation with strategies for using urban vacant land in creative new ways. The federal government should help cities plan and carry out land management and reconfiguration strategies, support brownfields remediation, help develop green stormwater management systems, and foster the growth of urban agriculture.

***Investing in transformative change.*** Distressed older cities and their regions need to stabilize their economic base, provide jobs for their residents and scope for businesses to grow. For that to take place, they must focus on transformative change – spotting the opportunities to integrate these cities into the post-industrial economy. Federal support for economic revival should help them build on core physical assets; reinforce or retool economic clusters and skill bases, and maximize institutional assets, their universities and medical centers. The federal government should pursue opportunities to make catalytic investment in transformative projects and maximize the potential of the cities' anchor institutions to build the local and regional economy.

***Revitalizing neighborhoods.*** The long-term vitality of older cities equally hinges on building sustainable residential areas, yet many cities lack effective strategies to maintain and strengthen their neighborhoods. Local governments and CDCs need access to tools to stimulate market demand in at risk neighborhoods. The federal role in this area that began with the Neighborhood Stabilization Program should be expanded and given a new strategic focus, using NSP to leverage other federal programs, restructuring existing federal programs to focus on

neighborhood stability, and initiating new targeted neighborhood revitalization programs for distressed older cities.

**Addressing affordable housing.** Federal affordable housing programs should better balance the need to provide housing for these cities' low income residents with the need to improve the cities' economic vitality, and retain and attract middle income households. Federal policy should move away from producing more housing in distressed older cities and focus on upgrading the existing housing stock, by restructuring the Low Income Housing Tax Credit program and providing new resources to support private rental housing and foster sustainable homeownership opportunities.

Beyond these areas, three cross-cutting tasks are of critical importance:

***Better coordinate federal resources directed to the distressed older cities.***

A strong federal policy commitment to the distressed older cities demands the ability to coordinate multiple federal programs. The Office of Management and Budget should lead a systemic effort to foster greater coordination of federal programs and enable states and localities to use federal resources in an integrated fashion.

***Use federal resources to leverage state policy change.*** State governments create the opportunity framework for their cities through their laws, policies and use of resources. States create—or thwart—regeneration by fostering fiscal fairness or perpetuating fiscal inequities; by enabling regional action or blocking it; and by targeting resources or distributing them “like peanut butter.” The federal government should push the states to take more constructive steps to support urban change, while recognizing them as essential partners in revitalizing their distressed older cities. Rules governing how states spend federal dollars should be revised to ensure that funds are used to further urban revitalization, and while new programs are framed or existing ones evaluated, federal officials should identify and incentivize state policies to maximize the outcomes of each program.

***Build the capacity of local government and others to carry out effective strategies for change.***

Local governments in distressed older cities are severely limited in their capacity to deliver effective strategies for change. The federal government should initiate efforts to build their ability to plan and carry out effective revitalization strategies. In the short term, cities need help building their skills to implement urgently-needed programs and use available resources wisely. In the long term, they need help to transform themselves into stronger, more resilient and responsive organizations.

\* \* \*

In little more than two years, the way America's politicians, policymakers, and practitioners think about the nation's older industrial cities has changed

dramatically. Urban population loss has been recognized and a growing number of cities are using it as a basis for planning. At the same time, the state of the nation's older industrial cities is perhaps worse than it has ever been. The next few years may be some cities' last opportunity to begin rebuilding before the cumulative weight of abandonment, poverty, and disinvestment engulfs even their strongest neighborhoods.

This, then, is the moment for bold federal action, but this action should reflect a different approach to using federal resources, fostering transformation based on a new vision of the future of these cities.

## **Introduction**

The end of World War II heralded an era of urban disinvestment in the United States. Suburban flight, deindustrialization, and automobile-oriented sprawl triggered massive population and job loss in the cities that had driven America's economic growth for the preceding century. While some cities began to rebound in the 1990s with population and economic growth, others—including large cities like Detroit, Cleveland, and St. Louis as well as many smaller cities and towns—did not, and have continued to decline. As these cities' population has shrunk, lack of demand for their land and buildings has created a new urban landscape dominated by vacant lots and abandoned buildings. Meanwhile, their remaining population has become poorer, with many residents lacking the skills, labor force attachment, or mobility to compete in the regional or national labor market. More recent developments, including the rise and fall of subprime lending, the so-called Great Recession, and the crisis in the automotive industry, have hit these cities with particular force, exacerbating already difficult conditions.

One of these cities' most central challenges is how to confront the reality that they are and will continue to be far smaller cities—not in land area, but in population and economic might—than they were in their heyday. How they reconfigure their physical environment and repurpose their surplus buildings and vacant land, and how they target their resources to capitalize on their man-made and natural assets, may largely determine whether their future will be one of continued decline, or of new vitality.

As these communities grapple with these issues, the federal government can and should play a supportive role. To be sure, the federal government is already heavily invested in the nation's distressed older cities—but its investment has been piecemeal and sporadic, without strategic direction. The physical remaking of America's older cities as smaller, stronger communities offers a framework to focus federal engagement, while the arrival of a national administration committed to giving greater attention to the cities offers a rare opportunity. The Obama Administration has already taken the first steps, reflected in an August 2009 White House memorandum to federal department heads that called for a new focus on place-based strategies. The memo pointed out that "...the prosperity, equity, sustainability, and livability of neighborhoods, cities and towns, and larger regions depend on the ability of the Federal government to enable locally-driven, integrated and place-conscious solutions...not disparate or redundant programs which neglect their impact on regional development."<sup>1</sup>

This paper will attempt to seize this opportunity. It will first look at the challenges facing America's distressed older cities, focusing particularly on the causes and effects of widespread property vacancy and abandonment. It will then examine the role and influence of federal policy on these cities over the past half century, and argue for replacing fragmented programs and initiatives with a coherent strategy that addresses their unique issues. Finally, it offers a set of specific recommendations for how the federal government can help distressed older

cities reshape their physical landscape such that it becomes an asset for economic growth.

### **I. The Challenge of America's Distressed Older Cities**

A number of factors have led to the current condition of America's distressed older cities, including both long-term economic and population change, and, more recently, the foreclosure crisis and the Great Recession, both of which have hit these cities with particular intensity. Addressing the vicious cycle of market decline, abandonment, and vacant land that has ensued as a result of these forces will be central to these communities' future physical and economic transformation.

#### **Population loss, job loss, and urban decline**

The economic expansion of the United States during the second half of the 19<sup>th</sup> century

and the first half of the twentieth was fueled by the nation's manufacturing might. Cities like Pittsburgh and Detroit became icons of American history, synonyms for steelmaking and the automobile industry, while many other cities, large and small, played similar roles. These places included not only major cities like Cleveland and Buffalo, but also smaller cities like Youngstown with its steel mills; Schenectady, New York, original home of General Electric; and still smaller places like East Liverpool, Ohio, once a hub of the American ceramics industry.

The second half of the 20<sup>th</sup> century brought devastating consequences for the country's older industrial cities, from New York City to the smallest urban places. Alongside the movement of population from the Northeast and Midwest to the South and West, an equally pronounced shift from city to suburb took place, triggered by mass automobile ownership (and the new highways that supported it) and widespread access to affordable mortgages for new suburban homes.<sup>2</sup> Between 1950 and 1960, the signs of collapse were already visible in a number of older cities. In that decade Detroit lost 280,000 people, Milwaukee 130,000, and St. Louis over 100,000.

While the effects of suburbanization were apparent during this period—marked most visibly, perhaps, by urban riots in the late 1960s and the white-flight that followed them—the full effects of deindustrialization were not widely felt until the 1970s. During that decade, Dayton, Ohio lost 46 percent of its manufacturing jobs, for example; Detroit nearly 40 percent.<sup>3</sup> The small city of Lima, Ohio, with a population of slightly more than 50,000 at the time, lost 8,800 manufacturing jobs in the 1970s and 1980s.<sup>4</sup> As plants closed, population loss accelerated. Between 1960 and 1980, Detroit lost nearly half a million people, while Cleveland, Philadelphia and St. Louis each lost roughly 300,000.

Deterioration of the cities' physical fabric and public services, along with rising crime rates, prompted continued middle-class flight during the ensuing decades.<sup>5</sup> As the cities hollowed out, they found themselves with weak housing demand, a

shrinking tax base, and an increasingly impoverished resident population. In the most deeply depressed cities, as many as one-third of the residents are below the poverty level, compared to just 13 percent of residents nationally. (Table 1).<sup>6</sup>

**Table 1. Distribution of Households by Ratio of Income to Poverty Level, Selected Cities**

City	Household income below poverty level	Household income 1.0 to 1.99 times poverty level	Household income 2.0 times poverty level or higher
Gary	33.2%	23.9%	43.0%
Detroit	32.5	23.3	44.2
Cleveland	29.7	25.2	45.1
Youngstown	29.6	25.6	44.8
<b>United States</b>	<b>13.2</b>	<b>17.9</b>	<b>68.8</b>

Source: 2005–2007 American Community Survey three-year estimates

While some cities saw population and economic growth revive during the 1990s, many other cities did not. The largest 21 distressed older cities are those that were among the top 100 in population in the United States in 1950, but which had lost over 25 percent of their peak population by 2007 (Appendix 1).<sup>7</sup> The total universe of distressed older cities, including satellite industrial cities like Camden, New Jersey or East St. Louis, Illinois, and distressed inner-ring suburbs, like East Cleveland, numbers well over 100.<sup>8</sup>

The decay of the inner-ring suburbs of many older cities reflects the extent to which the decline of the central cities affects a far larger area than that contained within the central city’s boundaries. Most distressed older cities are located within metro areas that are also showing at best modest population and economic growth. Forty-six of the 65 distressed older cities identified by Vey in *Restoring Prosperity* were located in metro areas in weak economic condition, while only three were in strong metros.<sup>9</sup> Ten of the 19 metro areas in which the 21 large distressed cities are located lost population between 2000 and 2008, while none of the others grew at a rate of even 1 percent per year.<sup>10</sup> The Pittsburgh metro area lost the most, 80,000 people, or over 3 percent of its population, between 2000 and 2008.

Growth in these metros, moreover, takes place largely at the fringes, as households that once lived in central cities or inner-ring suburbs relocate outward and are not replaced, a pattern that has come to be known as “sprawl without growth.”<sup>11</sup> The Cleveland metropolitan area is a good example. Since 1970, the city of Cleveland has lost 350,000 people, while the inner ring—the balance of Cuyahoga County—has lost an additional 100,000. During the same period, the other four metro counties have grown steadily, yet their total gain has been 200,000, or less than half of the loss experienced simultaneously by the core and inner ring. Between 1970 and 1990, as the metro area lost 6 percent of its population, its developed land area increased by 31 percent.<sup>12</sup>

### **A bust without a boom: the foreclosure crisis and the Great Recession**

In 2000, the condition of the distressed older cities was bleak. After decades of job and population loss, most had seen little reversal during the 1990s. Although Americans had begun to flock to cities in growing numbers during that decade, 20 of the 21 large distressed cities continued to lose population during the 1990s. Meanwhile, entire neighborhoods and downtowns elsewhere were being transformed, not only in global cities like New York and Chicago, but in cities such as Boston, Washington, DC, Minneapolis, and Atlanta. During the 1990s, Chicago gained over 100,000 residents, Atlanta over 20,000, and Minneapolis and Boston nearly 15,000 each.

While the boom or bubble years of the early 2000s prompted some observers to believe briefly that many distressed older cities had finally turned the corner, those hopes were soon dashed. Parts of some cities did indeed see real change during those years. Most notable were the downtown revivals that led to over 10,000 new condominiums and apartments in Center City Philadelphia, and to the reinvention of areas like the Warehouse District in Cleveland and Washington Avenue in St. Louis into vibrant, mixed-use areas.

Outside of downtowns and a handful of neighborhoods such as Cleveland's Tremont, however, no sustained revival took place. House prices rose steadily between 2000 and 2006 in Detroit and in Cleveland, but this increase was fueled by subprime mortgages and speculation, not by economic growth or in-migration. When the bubble burst, prices fell faster in those cities than almost anywhere else in the United States. Foreclosures skyrocketed, going in Cleveland from 1,600 in 2000 to nearly 10,000 in 2007.<sup>13</sup> Areas that had shown signs of revival and reinvestment, like Slavic Village or Mount Pleasant in Cleveland, saw those trends reversed, with abandoned properties appearing on once-stable streets. By the end of 2008, the median house sales price in Cleveland was in the mid-teens and in Detroit under \$10,000.<sup>14</sup> Although the impact of the foreclosure crisis was less pronounced in other older cities such as Pittsburgh and Buffalo, both cities continued to suffer from shrinking demand and low house values.

Not only did Cleveland and Detroit continue to lose population between 2001 and 2006— despite a handful of high-profile market-driven projects—but both continued to lose jobs. As Table 2 shows, between 2001 and 2006, when the nation as a whole was seeing job growth, Wayne County, which contains Detroit, lost 10 percent of its private employment base, while Cuyahoga County, which contains Cleveland, lost 6 percent of its private sector jobs.<sup>15</sup> Since 2006, job loss in both counties has accelerated. All told, Wayne County lost over 100,000 jobs, and nearly 60,000 manufacturing jobs, from 2001 to 2008.

**Table 2. Change in Private Sector Employment, 2001–2008**

County	Category	2001	2006	2008	Average annual $\Delta$ 2001-2006	Average annual $\Delta$ 2006-2008	% change 2001-2008
Cuyahoga OH	All jobs	692800	652528	631758	- 8054	- 10385	- 8.9%
	Mfg jobs	107756	85943	79855	- 4363	- 3044	- 25.9%
Wayne MI	All jobs	731386	657826	617264	- 14712	- 20281	- 15.6%
	Mfg jobs	141432	96423	83507	- 9002	- 6458	- 41.0%

Source: Bureau of Labor Statistics

The restructuring of the automobile industry will further undermine many of America's distressed cities, not only because of the closing of many Big Three plants, but because the restructuring will ripple down the supply chain. The 21 plants that the Delphi Corporation (a key auto parts supplier) plans to close include locations in Dayton and Columbus, Ohio; in Flint and Saginaw, Michigan; and in Milwaukee.<sup>16</sup> As a result, as the United States climbs out of the Great Recession, the distressed older cities of the nation and their metropolitan areas may find themselves even further behind many other parts of the country than they were a decade earlier.

### **Housing, abandonment, and vacant land**

The most visible symptom of sustained population loss is the proliferation of boarded houses and apartment buildings, empty office buildings and storefronts, and idle industrial buildings, along with vacant lots where similar buildings once stood. These vacant buildings and lots reflect the loss of demand for housing or business activity in cities that are losing both jobs and population. With more households leaving the city than coming in, the available supply of housing exceeds the demand. The same is true of commercial uses, as retail and service establishments either follow customers to the suburbs or go out of business entirely. More and more homes and other buildings cannot find either buyers or tenants, and are ultimately abandoned.

The most severely distressed cities share a common pattern, as shown in Table 3 below. Despite decades of demolitions, nearly one out of every four housing units in Detroit and Gary was vacant in 2007. Roughly half of these units—and well over half in Buffalo, Gary and Youngstown—are neither being marketed for rent or sale nor being held for any other purpose, and can be considered abandoned.<sup>17</sup> No reliable data is available on the number of vacant non-residential properties or vacant lots in these cities, but their vacancy rates are likely to be even greater than housing vacancy rates.

**Table 3. Vacant Housing in Selected Cities, 2007**

City	Total DUs	Vacant DUs	“Other Vacant” DUs*	% Vacant/Other Vacant DUs	
Buffalo	143,720	30,495	18,909	21.2	13.2
Cleveland	215,760	50,342	23,938	23.3	11.1
Detroit	368,932	91,543	38,238	24.8	10.9
Gary	42,831	10,684	7325	24.9	17.1
St. Louis	179,797	38,238	23,365	21.3	13.0
Youngstown	34,343	7334	4762	21.4	13.9

\* “Other vacant” is a surrogate for abandoned property. For explanation, see endnote 21.

Source: 2007 American Community Survey

Low demand also means low house prices. While Detroit may be an extreme case, house prices in even the healthier distressed older cities are well below the national average, with estimated 2009 median house values of \$67,100 in Rochester and \$88,800 in Pittsburgh.<sup>18</sup> While some may view such low house prices as making home ownership affordable to a larger spectrum of potential buyers, they actually create more problems than they solve. When existing houses sell for less than their replacement cost and fail to appreciate over time, developers have no incentive to build new houses on vacant land, and home buyers have no incentive to fix up houses that have fallen into disrepair. Except for subsidized housing, which raises other public policy issues discussed later, little new housing is being built in most distressed older cities outside a few high-end, usually downtown, locations.

A corollary to this is a surplus of inexpensive rental housing, i.e. that which is affordable—if not to the very poor—to households with incomes well below 50 percent of the metropolitan area’s median income (AMI). In Dayton, Ohio, as shown in Table 4, the median gross rent in 2000 was affordable—depending on the number of bedrooms—at 34 to 41 percent of AMI.<sup>19</sup> At the same time, the rental vacancy rate—including only units actively being offered for rent—was a high 13 percent. The picture is similar in other distressed older cities, and has important implications for construction of new affordable rental housing, which may be further destabilizing otherwise viable units in the private rental market.

Depopulation has created a new urban landscape. Instead of the fabric of occupied houses that once existed, blocks contain a mix of vacant lots where houses once stood; vacant houses, often fire-damaged and awaiting demolition; absentee-owned occupied houses, usually in poor repair and candidates for future abandonment; and a surviving handful of owner-occupied houses, often occupied by an elderly individual or couple. Hundreds of blocks in Detroit, Buffalo, and Gary contain far more vacant lots than structures, and more vacant structures than occupied buildings. For example, over 40 square miles of the city of Detroit, or nearly one-third of the city’s land area, is vacant land.<sup>20</sup>

**Table 4. Rental Housing Affordability in Dayton, Ohio (2000)**

	0 bedroom	1 bedroom	2 bedroom	3 bedroom
Median gross rent	\$317	\$371	\$484	\$589
Income needed to afford median gross rent (household spending 30% of income for rent)	\$12,680	\$14,840	\$19,360	\$23,560
Household size	1	2	4	5
HUD Area Median Income (2000)	\$36,900	\$42,200	\$52,700	\$56,900
Affordability level of median gross rent (as % of AMI)	34%	35%	37%	41%
Rent affordable at 50% of AMI	\$461	\$528	\$659	\$711
% of rental units in Dayton affordable at 50% AMI	80%	84%	74%	70%

*Source: Rent distribution by number of bedrooms from 2000 Census. Median rents computed by author.*

While residential uses cover most urban land, abandonment of non-residential properties is even more extensive. With little demand for industrial and commercial space, millions of square feet of industrial, storefront, and office space go begging. The 3.5 million square foot Packard Motor Car Company plant on Detroit's East Side has been sitting empty for over 50 years, as "trees grow on the plant's roof, and chunks of concrete regularly fall from the bridge that connects two of its buildings."<sup>21</sup> The supply of storefront space vastly exceeds the demand even where commercial streets abut healthy residential areas, as most non-poor residents have cars and can shop in more convenient, often less expensive, suburban shopping centers and supermarkets. While older loft buildings in downtown areas of cities like Cleveland and St. Louis have been adapted to residential use, those properties represent only a small part of the available vacant space.

Population loss and land redundancy are long-term realities, not short-term trends. Within a time frame useful for planning, Detroit will not regain the million people it has lost since 1950, or Cleveland its lost half-million.<sup>22</sup> In these cities, the amount of vacant land and buildings far exceeds the potential demand for new houses, stores, or industrial parks. They can no longer think of land and buildings solely in terms of redevelopment and rebuilding. Instead, cities must begin explicitly to recognize that they are and will remain smaller than they once were, and begin thinking about their economic future in these terms.

## **II. Cities and Markets: Variations Within and Between Cities**

Although all distressed older cities share the conditions summarized above to some degree, they do not share them equally, nor are different sections of each city equally subject to those conditions. Indeed, there is enormous variation both from one city to the next, and within each city, from one neighborhood to the

next. Understanding these variations is critically important in framing federal policies that will be sensitive to the complex realities of these cities.

**One size does not fit all: differences between cities**

The variations in social and economic condition among the 21 largest distressed cities shown are almost as great as their similarities. A loss of 60 percent of a city’s peak population, for example, has vastly different consequences for land utilization and economic activity than a loss of 25 percent. And while the percentage of households in poverty in all 21 cities is well above the national average, there is a vast difference between 20 to 22 percent of the city’s households being poor (as in Baltimore, Akron or Pittsburgh), and over 32 percent (as in Detroit, Gary or Flint). (Table 5)

**Table 5: Employment of Local Workforce by Sector, Selected Cities**

	Detroit	Cleveland	Pittsburgh
Manufacturing	15.5%	14.5%	5.3%
Education and health care	24.2%	24.5%	33.3%

*Source: American Community Survey, 2005-2007 three year estimates*

The relative economic health of a city stems from many factors, but the economic health of its region is a particularly important one. The relative strength of Cincinnati compared to many of its Ohio counterparts may have less to do with what the city itself has done than with the fact that the Cincinnati metro area, a region encompassing parts of Ohio, Kentucky, and Indiana, has shown stronger economic growth and more in-migration in recent decades than many other Ohio metro areas. While none of the metros in which these 21 cities are located have experienced the explosive growth of their Sun Belt counterparts, some, including Baltimore, Philadelphia and Albany, benefit from being located in regions that have shown steady growth in recent years. Regional growth not only means greater job opportunities, but creates opportunities for urban neighborhoods to build stronger markets by capturing a share of that growth.

Major systemic differences between cities also flow from the city’s size. Larger cities are not just larger, but are *qualitatively* different from smaller ones in important respects, including their asset base and their relationship to their metro. This can be seen by comparing Cleveland and Cincinnati, which were both among America’s most important cities from the mid-19<sup>th</sup> through the mid-20<sup>th</sup> century, with their smaller Ohio counterparts.<sup>23</sup> These two cities’ historic roles led to the growth of a business and civic infrastructure of a scale and importance far beyond the presence of the industrial plants that gave them their economic base. Large corporations were headquartered in each city, which led to the growth of major financial institutions such as Fifth Third Bank in Cincinnati and National City Bank in Cleveland, as well as major law firms and other ancillary businesses; the creation of educational and health facilities of national significance such as Case Western Reserve University and the Cleveland Clinic; and the endowment of renowned cultural institutions such as the Cleveland Art Museum and the Cleveland Orchestra. Although many of the banks and

corporations are gone or have been acquired by firms headquartered elsewhere, the infrastructure that was created during these cities' stronger days is an asset on which to build for the future.<sup>24</sup>

Smaller cities, however, have fewer of these legacies. Even in their heyday, they had a far smaller corporate presence and fewer major financial or other institutions, and typically lost local ownership of their industries—if they ever had them—earlier than larger cities. Their professional classes tend to be smaller, and more likely to have decamped early for the suburbs. Their educational, health, and cultural institutions tend to be local or at most regional rather than national in significance, while their philanthropic resources tend to be modest. The talent pool from which they draw their political and civic leadership is a smaller one, and their ability to recruit talented professionals from outside the area for key public sector positions more limited.

Smaller cities may also have difficulty finding the critical mass needed to make important redevelopment strategies feasible. For example, to create the synergies that arise when enough demand for loft living emerges, as in Cleveland's Warehouse District or St. Louis' Washington Avenue, a city needs a large enough pool of young adults or empty nesters with shared tastes and adequate income. Where that pool is too small, the likelihood of enough demand coming together to support an area's revitalization diminishes significantly. This is a major stumbling block not only for cities like Flint, Gary or Youngstown, but even more so for the large number of even smaller distressed cities like Lima, Ohio or Chester, Pennsylvania.<sup>25</sup>

In the final analysis, there is no single pattern or feature—social, economic, or physical—that characterizes all of America's distressed older cities. Federal policymakers need to be sensitive to these variations, recognizing that “no one size fits all,” and framing programs and policies so that they can be adapted locally to reflect the particular problems and opportunities of each community.

### **Markets matter: differences inside cities**

While distressed older cities vary significantly from one another, citywide trends and characteristics mask even more pronounced variations within each city. Almost every older city contains neighborhoods that are stable or gaining population and areas that are shrinking faster than the city as a whole. Healthy or strong market neighborhoods, measured by sustained home buying and high levels of maintenance and reinvestment, are often concentrated in a few distinct areas within the city. Strength, however, is relative. In Philadelphia, strong market areas such as Spring Garden or Chestnut Hill command prices well above replacement cost, thus promoting speedy reuse of any property that becomes vacant. In Flint or Dayton, however, houses in even the strongest neighborhoods sell for well below replacement cost. Any increase in the number of vacant or foreclosed properties can put those areas at risk of destabilization.

In other parts of these cities, home buying has declined to such an extent that the housing market has effectively ceased to exist. These areas can be characterized as “non-market” areas.<sup>26</sup> Still other areas fall in between, retaining some market activity, but not enough to enable them to sustain their vitality without intervention by the local government, a community development corporation (CDC), or a neighborhood organization.

Strong market neighborhoods, although they may contain only a small part of each city’s land area, contain most of each city’s middle-income population, its aggregate property value, and its real estate activity. In 2006, 77 percent of all of the home purchases and 93 percent of the aggregate dollar value of home purchases in Dayton took place in less than 30 percent of the city’s 58 census tracts. One single census tract accounted for 10 percent of the city’s home purchases, and nearly 20 percent of aggregate dollar value.<sup>27</sup>

While Dayton may be an extreme case, the basic reality is not that different elsewhere. Each city has an “economic city,” in which most of its economic activity takes place, and a “political city” defined by its political boundaries. In a shrinking city, the boundaries of the “economic city” are far smaller than the official municipal boundaries of the “political city.”<sup>28</sup> Preserving the vitality of the economic city, including not only the city’s viable neighborhoods but its still-vital non-residential and institutional areas, is critical for maintaining remaining economic vitality and tax base. While all cities have a mix of strong and weak market areas, a key difference between cities lies in the ratio between the two. While in Dayton or Gary, weaker areas may cover the majority of the city’s land area, stronger market areas make up a much larger part of Philadelphia or Albany.

Strong market neighborhoods in older cities tend to fall into two broad categories. Many are older, well-established upscale neighborhoods, such as Mt. Adams in Cincinnati or Chestnut Hill in Philadelphia, while others—including areas in or near city downtowns—have emerged more recently as vital residential communities. Although Cleveland is losing population rapidly, neighborhoods such as Tremont or Ohio City are relatively stable, while the downtown Warehouse District is gaining population. Although Buffalo’s downtown has seen little residential growth, nearby Allentown is a strong, vital community. Many older city neighborhoods with functioning housing markets, however, are potentially at risk of decline. Indeed, an important aspect of the current foreclosure crisis is that it has *not* hit the most distressed neighborhoods, but rather those that were strong enough to generate home buying activity in recent years.

Market activity is not the only relevant measure of neighborhood health, but it is a critical one, because it drives many other neighborhood forces, including people’s readiness to invest in their homes or their willingness to stay in an area when they have the economic means to move elsewhere. Preserving neighborhoods where market activity is still taking place while developing new

land uses for areas where the market no longer functions are two central themes in the smaller city paradigm. Understanding the variation between the different areas in a city with respect not only to their market activity but their physical conditions, social capital, assets and other features, is a critical step in planning for the city's regeneration.

### **III. Federal Policy and Distressed Older Cities: 1949–2009**

America's distressed older cities matter. The 21 largest distressed cities alone hold roughly 7 million people, and they make up the hubs of metro areas with a population of 32 million, or more than 10 percent of the population of the United States. These largest cities represent only part of the population that lives in distressed older metros, which totals between 40 and 50 million people, spread over many different states. These areas are not going to disappear, and their population is not going to move *en masse* to the Sun Belt.

Distressed cities contain major assets, which can potentially play an important role in the future economic growth of their metros and their states. Six of the 21 cities each contain the headquarters of six or more of the nation's Fortune 500 companies, for example.<sup>29</sup> Moreover, Johns Hopkins in Baltimore, Carnegie-Mellon in Pittsburgh, and Case Western Reserve in Cleveland are among the nation's most dynamic centers of education, research, and innovation, while the Cleveland Clinic, Buffalo's Roswell Park, and once again Johns Hopkins, are at the cutting edge of medicine worldwide.

Since the middle part of the last century, the federal government has helped shaped these cities, pouring billions of dollars into education, housing, poverty alleviation, and other activities. While the extent and nature of the federal role has ebbed and flowed, its existence has been a constant under Republican and Democratic administrations alike. For all the programs launched and dollars spent, however, it is hard to show much connection between the American urban condition today—either the revival of cities like Atlanta and Boston or the continued distress of Detroit and Buffalo—and the federal initiatives of the past sixty years.

#### **Sixty years of federal urban initiatives**

Although federal urban policy can be traced back to the public housing program of the 1930s, the 1949 Housing Act is a better starting point. The urban renewal program, its centerpiece, was a commitment to cities based on a plausible theory of change: It focused not only on replacing slums with better housing, but on restoring the competitive position of older cities relative to their growing suburbs. In the end, however, it was largely a failure. Over 600,000 families, mostly poor and often African-American, were displaced to clear sites that often remained vacant for decades waiting for development to take place.<sup>30</sup> When projects were

built, they had little impact, reflecting the painful reality that the fundamental premise of urban renewal—that federally-funded assembly and clearance of large development sites was the key to urban revitalization—was fatally flawed; as one author summed it up, “It taught America what *not* to do in the future.”<sup>31</sup>

Urban renewal’s allure had begun to wane by the mid-1960s. During those years, as a wave of urban riots prompted greater awareness of the intensity of the nation’s urban crisis, a host of new federal initiatives emerged. The years from 1965 to 1977 saw more separate urban initiatives—the War on Poverty, Revenue Sharing, Model Cities program, Urban Development Action Grant (UDAG), and Community Development Block Grant (CDBG), along with housing programs such as Section 235, Section 236, and Section 8— than in all of the other years from World War II to the present. In addition to initiatives that explicitly targeted urban conditions, these years saw a vast expansion of other programs, most notably increases in health and welfare benefits, but also rising federal spending for job training, transportation, community health centers, and education, all directly or indirectly affecting urban America. The mid-1970s were the high water mark in federal urban spending. It also may have been the low point in American urban history, a moment made famous by sportscaster Howard Cosell’s famous cry from Yankee Stadium during the 1977 Word Series, “Ladies and gentlemen, the Bronx is burning!”<sup>32</sup>

The 1980s and 1990s were leaner years for federal urban policy, although not without new initiatives. Although the Reagan administration cut many non-housing programs and sharply curtailed federal subsidies for new housing production, two major new housing programs, the Low Income Housing Tax Credit (LIHTC) and the HOME program, emerged in 1986 and 1990 respectively, largely through Congressional initiative. A federal enterprise zone program, proposed by HUD Secretary Kemp during the first Bush administration, was finally enacted under President Clinton in 1994. Other 1990s initiatives included the New Markets Tax Credit, the HOPE VI program for the redevelopment of troubled public housing projects, and the short-lived Homeownership Zone program. By this point, however, federal policymakers had sharply scaled back their expectations. In contrast to the ambitious goals of the 1960s, these programs were designed to facilitate specific projects, or at most rebuild a few distressed neighborhoods. Few claimed that they would lead to comprehensive urban revitalization.

All of these programs have success stories. While many valuable economic development projects would not have happened without a UDAG grant, and many neighborhoods have been improved with HOPE VI or Homeownership Zone grants, the overall impact of federal initiatives on the vitality of urban America appears modest at best. Just as many of the most important redevelopment initiatives of the 1950s and 1960s, including Pittsburgh’s Golden Triangle and Denver’s Mile High Center, took place outside the federal urban renewal program. And federal programs played little role in the market-driven

revival of urban downtowns, waterfronts, and neighborhoods that took place during the 1990s and early 2000s in Atlanta, Minneapolis, Portland and elsewhere.

Why did this stream of federal programs and initiatives have so little effect on the larger course of urban revival or continued decline? Clearly, the resources allocated to these programs were modest by comparison to gross trends in private market investment or disinvestment during the same years. Modest, perhaps, but not trivial. In 1962, the cost of urban renewal projects completed or under way was estimated at \$6.5 billion, or \$45 to \$50 billion in today's dollars, nearly all public funds.<sup>33</sup> An accounting of all of the federal funds that have been invested in the cities—in housing, transportation, and other areas—since the 1950s would yield impressive totals.

While recognizing the effect of limited resources, there are important structural reasons for the ineffectiveness of federal initiatives. At least three separate factors may be at work:

- Absence of a coherent strategy
- Lack of coordination
- Failure to sustain commitment

#### *Absence of a coherent strategy*

The urban renewal program was based on an explicit theory of change. In retrospect, however, it was a bad theory. As Jane Jacobs pointed out in her famous work *The Death and Life of Great American Cities*, cities would not regain their social and economic vitality by competing with the suburbs on suburban terms, but by building on the unique strengths of density and diversity that they offered—strengths that were actually undermined by urban renewal. Many other federal programs lacked even that level of strategic thinking, faulty though it might have been. They were reactions to problems, targeted at symptoms rather than at the root causes of urban decline or neighborhood deterioration.

A more fundamental problem, however, which has been pervasive in federal policy since the 1949 Housing Act, is the conflation of urban revitalization with subsidized low income housing production.<sup>34</sup> The argument that building sound housing for the poor was a strategy for urban revitalization goes back to the early years of the 20<sup>th</sup> century, at a time when one-third or more of American households lived in housing that lacked even the basic rudiments of decent living. It was driven by social theories that held that the physical characteristics of slum housing—a term often applied to any area that was old and not visibly well maintained—were to blame for the crime and social degradation that middle-class observers saw in the cities' poorer quarters, and that these social ills could be cured through construction of physically sound housing. Those theories formed much of the justification for the public housing program.

To be sure, all families should have a decent place to live, and where the market does not make it possible, it should be as much a responsibility of government as ensuring that children are schooled and their families fed. Providing affordable housing to low income households is a very different goal, however, from rebuilding the social and economic vitality of cities—a goal which is driven by the ability to create a healthy housing market for people at all income levels. While building lower income housing may be critically important in strong markets, in weak market areas it can undermine that goal by increasing poverty concentrations or by cannibalizing demand from an already highly affordable private housing stock.

Since the 1960's the federal funds most readily available for locally-driven, place-based investment in urban areas have been those dedicated to means-tested housing programs, such as Section 236, Section 8 or the Low Income Housing Tax Credit. Their relatively easy availability and the lack of alternatives have distorted thinking about urban and neighborhood revitalization. Instead of being part of larger strategies, building lower income housing has often become the *only* strategy in many cities, particularly where the development fees associated with successful projects become the only means by which many CDCs can support themselves.<sup>35</sup> This is counterproductive, and directs public policy away from where it should be, which, in housing policy expert Shlomo Angel's words, is "to understand, limit, and support the housing market in a manner that serves the fundamental interests of society—in other words to *enable* the housing market to work."<sup>36</sup>

In retrospect, it is equally clear that few of the activities pursued by older cities *themselves* over the past decades were based on a strategic framework designed to lead to a stronger future city. Cities have scattered billions in investments in new housing, new schools, and public facilities, without weaving them into larger strategies or targeting them to areas with strong assets for future revitalization. New subsidized housing is still being built in cities where thousands of inexpensive private units are going begging: Between 2000 and 2006, over 900 newly constructed LIHTC units were added in Buffalo and over 500 in Flint. Meanwhile, billions have been spent on arenas and convention centers that offered only limited returns in terms of sustainable economic growth, while small-scale, incremental efforts to sustain or revitalize neighborhoods have been starved for resources.

None of these efforts have acknowledged the meaning of sustained population loss—that the number of housing units, schools, storefronts, and indeed, land needed by these cities' shrinking populations was far smaller than what was needed in 1920 or 1950, and that policies that continue to scatter resources thinly across the entire city not only would not revive the city, but may undercut areas that could still be productive and vital.

### *Lack of coordination*

Perhaps less visible, but equally significant, is the lack of coordination between the many different federal agencies and federal programs whose activities affect the future of older distressed cities. This is not a new issue. In 1966, President Johnson signed an executive order calling for the coordination of federal urban programs, and instructing the Secretary of Housing & Urban Development to take steps to foster not only coordination between federal agencies, but intergovernmental coordination between the federal government and state and local governments.<sup>37</sup> There is no evidence that the executive order had any profound effect on bureaucratic behavior.<sup>38</sup>

The problems of coordination are conceptual, structural, and mechanical. Coordination of multiple programs across different agencies is difficult, even when they agree that they have a common goal and mission. However, many federal programs that have a direct and potentially powerful effect on the future of urban areas are not seen by their managers as “urban programs.” Neither the officials who distribute federal transportation funds, for example, nor the state or MPO officials responsible for disbursing them locally, are likely to see those funds as an urban program, yet where they go and how they are used, and how they are integrated with other federal, state, and local investments, has a major effect on the urban economy.

A further impediment to coordination is that there are almost as many distinct distribution mechanisms for federal programs as there are programs. Funds may go to states, to localities, or to non-profit entities, either on the basis of a funding formula or through a competitive process. Where funds go to states, they may spend them directly or allocate them to sub-recipients under any of a variety of different mechanisms; the sub-recipient can be a county, a municipality, a school district or a special purpose agency or authority. As a result, even if the federal agencies make a serious attempt to coordinate their programs, those efforts could easily be rendered meaningless by lack of coordination at the state and local levels.

### *Failure to sustain commitment*

Administrations and legislatures come and go, and short attention spans are typical of many governmental systems. What is notable about urban policy, however, is the extent to which some programs appear to be frozen in time, going on year after year with little or no change, while others are short-lived and die before they have a chance to be effective. Model Cities, UDAG, and Homeownership Zones all had brief life spans, while the Community Development Block Grant program is celebrating its 36<sup>th</sup> year all but unchanged. HOME and the Low Income Housing Tax Credit are also long-term survivors.

Comparing programs that survive for decades with those that come and go raises a troubling issue. The programs that survive year in and year out tend to be the broadest and least targeted programs. CDBG, for example, is distributed

by formula to 1,177 separate towns, cities and counties, and can be used for almost any purpose plausibly related to benefiting low income households or reducing slums and blight.<sup>39</sup> It can be used, therefore, for any activity meeting that modest standard that reflects local political preferences. As a result, it has built a broad national constituency, rather than one concentrated in a single region or type of community.

Tightly focused or narrowly targeted programs have smaller constituencies, and are far more susceptible to being cut in times of financial constraint. When the party in power changes, they are often identified with the previous administration, and are particularly vulnerable. Such programs, however, are often more effective within their particular compass than loosely-defined, thinly-spread programs like CDBG, which has gradually devolved into a form of benign patronage largely devoid of strategic or policy purpose.

If targeted programs are to be truly effective, however, they need to be sustained. The process of restoring distressed older cities to vitality will be a slow, protracted, one, which is likely to require long-term support rather than 'one-shot' infusions of federal money. Not only are sustained resource commitments needed if the initiatives themselves are to be effective, but communities are unlikely to carry out the kind of strategic planning needed to ground successful transformative efforts unless they have confidence that there will be a long-term commitment to those efforts. The ability to maintain a federal commitment to such programs, once enacted, however, may be a more difficult political challenge than the ability to initiate such programs.

### The federal government and distressed older cities today

If the picture of federal urban policy up until the turn of the millennium is mixed, the picture since 2000 has been, at least until very recently, bleak. The administration of George W. Bush showed little or no interest in urban policy or in the plight of the distressed older cities; in the field of housing, it had no policy other than a single-minded desire to increase homeownership, and little sensitivity to the complexities of the subject or the consequences of their activities.<sup>40</sup> HUD, lacking leadership and riddled by personnel cuts, became little more than a passive manager of those programs, such as HOME and CDBG, which remained intact.

As long as the economy appeared to be doing well, and housing prices in most cities rising steadily, there was little pressure for more aggressive federal action. That changed dramatically after the housing bubble burst. While initial pressure focused on the plight of families caught up in foreclosures and on stabilizing Fannie Mae and Freddie Mac, the extent to which foreclosures were undermining the nation's communities began to receive widespread attention by the end of 2007. That led to enactment of Sec. 2301 of the Housing and Economic Recovery Act (HERA) in the summer of 2008, subsequently named the Neighborhood Stabilization Program (NSP) by HUD. That program provided

\$3.92 billion for the acquisition, rehab, and demolition of foreclosed and abandoned properties. Funds could also be used to redevelop sites on which such properties had been demolished and to bank land for the future.

The tone of the federal stance to the nation's cities changed markedly with the election of Barack Obama, the nation's first president since Teddy Roosevelt to come from a major, older American city. The administration has tapped individuals with solid and often outstanding backgrounds as urban practitioners, researchers, and policy analysts to fill key positions in HUD and other federal agencies. Less than a month after taking office, the president issued an executive order creating a White House Office of Urban Affairs to coordinate urban policy. The White House website defines the administration's position as "grounded in the recognition that our nation's cities and metropolitan areas are vital engines for economic growth, innovation, and opportunity. To maximize economic productivity and opportunity in a 21st Century economy, federal policy must reflect the new metropolitan reality—that strong cities are the building blocks of strong regions, which in turn, are essential for a strong America."<sup>41</sup> Prompted by the restructuring of the automotive industry, the Obama administration has also created a White House Council on Automotive Communities and Workers to address issues arising from plant closings, particularly in distressed older cities.

The administration included a number of initiatives targeting urban areas and lower income communities in the American Recovery and Reinvestment Act (ARRA), including \$2 billion for a second round of neighborhood stabilization grants, to be awarded by HUD on a competitive basis. Despite this, ARRA is primarily a grab-bag of "shovel-ready" activities rather than a coordinated strategy, although efforts like the Green Impact Zone, in Kansas City, are trying to weave together ARRA and other programs into a targeted neighborhood change strategy.<sup>42</sup>

The administration has already put forth some promising ideas. In June 2009, HUD, DOT, and EPA announced a partnership around housing, transportation and environmental initiatives in urban areas, while HUD received \$150 million in FY 2010 to fund metropolitan and regional challenge grants in conjunction with this partnership. A second important HUD initiative proposed for FY 2010 was the Choice Neighborhoods program, designed to replace the HOPE VI program with a similar approach based on transforming distressed neighborhoods—rather than distressed public housing projects—in conjunction with school reform and early childhood development activities.<sup>43</sup>

In an era of severe economic uncertainty and fiscal constraint, urban policy is but one of many areas competing for attention and resources from the Obama administration. Just the same, for the first time in many years it is opportune to propose new ways for the federal government to address the challenges of America's distressed older cities and their metro areas. The following section will

offer specific elements and features for a new federal policy direction based on the smaller city paradigm, and a strategic approach to targeting federal resources.

#### **IV. Building a Federal Policy Agenda for America's Distressed Older Cities**

The economic and social transformations of the past two decades have rendered the concept of “the cities” as a single category no longer useful as a basis for policymaking. If federal policy is to help regenerate the distressed older cities, they need to be the focus of distinct strategies addressing their particular circumstances, rather than generic approaches grounded in a generalized notion of urban revitalization. This is not to suggest that federal resources should not be directed to the more successful cities. Cities like Boston, Minneapolis, and Atlanta still have many severely distressed neighborhoods in need of assistance, including areas heavily impacted by foreclosures such as Northside in Minneapolis or Austin in Chicago. However, the strategies needed in strong market cities, which can draw large amounts of private capital, are fundamentally different from those most appropriate for severely distressed communities—a fact that needs to be reflected in federal policies and programs.

The idea of an explicit federal policy focus on distressed older cities is both important and problematic, for substantive and political reasons. In some cases, differences between cities may not be meaningful. The needs of an unemployed single mother in Flint are not that different from those of a similar woman in Atlanta, although her opportunities may be. In other cases, meaningful distinctions may exist, but may lie in the details rather than the broad outlines of a program. The elements of a neighborhood revitalization initiative may be similar in strong and weak market environments, but how they are carried out to reflect their respective market conditions will vary subtly but significantly. In still other areas, including both housing and land management policies, however, the differences are fundamental.

Targeting distressed older cities also raises political issues. However much policies aimed at a distinct body of communities may try to emphasize their opportunities rather than their problems, politicians and others in those cities may still be concerned with being stigmatized and placed in a policy “ghetto” defined by their distress. At the same time, it may not be possible to build enough political support to mount the long-term, focused effort on behalf of these cities that will be needed to bring about meaningful change. The history of targeted federal urban programs, addressed earlier in this paper, offers little comfort in that respect.

A hybrid approach may therefore be most appropriate, one in which some resources are explicitly targeted to distressed older cities—perhaps within the framework of HUD’s proposed metropolitan and regional challenge grants—but

as much or more attention should be devoted to revising existing programs and creating new programs which, although designed to be accessible to a wider range of communities, can be shaped so that a part of their resources can be effectively directed toward the particular needs and concerns of older cities. Government cannot provide houses or jobs for everyone in need. What government *can* do is to *enable* those markets to work in ways that will make the cities stronger, and improve the conditions of their residents.

That, in turn, dictates that a careful balance be found between affordable housing policy, anti-poverty policy, and policies that build on local assets to enable distressed older cities to become healthier physical, economic, and social environments. While all three policy areas are important, they are not the same, and strategies in all three must be designed so that they support, rather than conflict with one another. Just as it is important to ensure that affordable housing programs do not undermine efforts to foster stronger housing markets, it is critical to ensure that economic revitalization efforts also help move disadvantaged citizens out of poverty.

Federal policies toward the distressed older cities should be organized around the smaller city paradigm introduced at the beginning of this paper. This paradigm recognizes that the future appearance and texture of these cities may be very different from what it was in the past—less a continuous, dense, urban fabric than a punctuated mixture of areas of higher and lower density. Reflecting that reality, local regeneration efforts need to focus on three complementary goals:

- Strengthening core areas and activities by building on key physical, economic, and institutional assets,
- Preserving viable residential neighborhoods and housing stock; and
- Identifying long-term non-traditional and green uses for surplus lands and buildings.

Cities will need new tools, such as land bank entities, and new capacities, such as the ability to frame and execute market-sensitive neighborhood revitalization strategies, to pursue these goals.

Framing a new federal policy toward America's distressed older cities based on the smaller city paradigm requires looking at federal policies and programs from both a programmatic standpoint and a systemic perspective. The federal government should play a major role in five key functional areas of particular importance to the future of these cities:

- Strategic planning
- Reutilizing urban land
- Investing in transformative change
- Revitalizing neighborhoods

- Addressing affordable housing

Specific action recommendations are offered in each of these areas. The nature of the action needed to implement each recommendation—whether an administrative change, an amendment to existing legislation, or new legislation—and whether additional federal funding would be required are outlined in tabular form in Appendix 2.

This paper focuses primarily on the physical reconfiguration and regeneration of distressed older cities. As such, the programs and policies of HUD are addressed in more detail than those of other federal agencies. This reflects both HUD's historical role, and the leadership role that it has played so far in the Obama Administration's emerging urban agenda. This does not mean, however, that HUD is the only federal agency whose mission is relevant to the future of the nation's distressed older cities; indeed, there are few federal agencies whose mission is completely *irrelevant* to their future.<sup>44</sup>

### Supporting strategic planning

Many different elements must be addressed in the course of pursuing the revitalization of distressed older cities. They share a single feature, however: If they are to be effective at reaching that goal, they must be grounded in a coherent plan or strategy. Such plans, whether for cities or regions, are rare. While a general land use master plan may work in

### **STRATEGIC PLANNING RECOMMENDATIONS**

- 1. The IRS should adopt regulations in consultation with HUD to add substance to the “concerted community revitalization plan” language of Sec. 42 of the Internal Revenue Code to encourage thoughtful and market-sensitive planning for use of Low Income Housing Tax Credit funds, particularly in distressed older cities.**
- 2. HUD should evaluate and revise its Consolidated Plan requirements in the framework of a re-assessment of the Community Development Block Grant program.**
- 3. A targeted planning initiative for distressed older cities and their metro areas should be created as an element in the Metropolitan Challenge Grant program in the HUD FY 2010 Sustainable Cities Initiative.**
- 4. A larger comprehensive planning program targeted at distressed older cities and their metro areas should be created through a legislative initiative, preferably through a bill combining key features of S 1619 and HR 932/S 453.**

a fast-growing community, where the central issue is how best to put undeveloped land to use, a different planning process is needed in older cities that are losing population and jobs. Such a plan can help these cities make difficult choices about allocating resources, managing the city's land inventory, building on assets for economic regeneration, and linking local planning in central cities with the planning of their metro areas.

Planning is required by a number of federal programs. The Economic Development Administration (EDA) requires that jurisdictions prepare Comprehensive Economic Development Strategies in order to receive EDA funds.<sup>45</sup> HUD requires jurisdictions eligible for CDBG funds to prepare a "Consolidated Plan" in order to receive those and other funds, while the Internal Revenue Code requires that states give preference to LIHTC projects "the development of which contributes to a concerted community revitalization plan."<sup>46</sup> No federal guidance has ever clarified this statutory language, however, and every state can choose whether to take it seriously or treat it as meaningless rhetoric. Most choose the latter course.

The Consolidated Plan is flawed by the conflation of community revitalization and affordable housing goals discussed earlier, as reflected in the statement of purpose in the federal regulations:

The overall goal of the community planning and development programs covered by this part is to develop viable urban communities by providing decent housing and a suitable living environment and expanding economic opportunities principally for low- and moderate-income persons. ***The primary means towards this end is to extend and strengthen partnerships among all levels of government and the private sector, including for-profit and non-profit organizations, in the production and operation of affordable housing*** (emphasis added) (Part 91.1).<sup>47</sup>

To define production of affordable housing as the primary means of creating viable communities is patently inappropriate in a distressed older city with a large housing surplus. The Consolidated Plan is largely useless as a guide for community revitalization, and by requiring local jurisdictions to devote large amounts of time and money to its preparation, they are discouraged from pursuing more useful planning activities. Moreover, given the extent to which CDBG spending in most cities is locked into ongoing, often political, commitments, a massive disconnect exists between the Consolidated Plan process and reality. Even a thoughtful local planning process may have little bearing on how CDBG funds are actually spent.<sup>48</sup>

Neither of these requirements, as currently conceived and applied, provides any real direction or support for community revitalization. The language governing the LIHTC program is interpreted so broadly as to be meaningless, while the Consolidated Plan is treated by many local jurisdictions as an unpleasant

bureaucratic requirement, with plans reviewed cursorily if at all by HUD staff. **Both the planning requirement under the LIHTC program and the Consolidated Plan requirements should be revised to require that local housing and neighborhood revitalization activities supported by these programs incorporate a meaningful, substantive, planning process.**

The Sustainable Communities Initiative in the HUD FY2010 budget may offer a valuable new opportunity. As adopted by the House appropriations committee, \$40 million of the total \$150 million for the initiative is to be used for “Metropolitan Challenge Grants to foster reform and reduce barriers to achieve affordable, economically vital, and sustainable communities.” Assuming that this appropriation is actually made and similar language retained in the final legislation, **HUD should use a portion of Challenge Grant funds to support a strategic planning effort based on the smaller city paradigm in selected distressed older cities and their metropolitan areas; that is, designing targeted strategies for reconfiguration of land uses and economic activity around the reality of population loss.** Funds should be provided on a competitive basis to support planning activities, legal and administrative reform, and other steps that would set the stage for effective implementation of regeneration strategies.

Two bills pending in Congress would support comprehensive revitalization planning, one of which is directed toward distressed older cities. The Community Regeneration, Sustainability and Innovation Act of 2009 (HR 932/S 453) would, among other matters, fund the preparation of regeneration plans by cities that meet distress or population loss criteria. The Livable Communities Act of 2009 (S 1619) creates a comprehensive planning grant program building on the HUD/DOT/EPA Sustainable Communities Initiative. It does not, however, include distress as a criterion for funding decisions; moreover, the eligibility criteria in S 1619 favor those areas with sophisticated metropolitan planning and governance systems already in place. It appears to aim more at helping strong market regions become more sustainable by building more environmentally-sound land use and transportation patterns—a worthy objective—than helping weaker regions become more economically as well as environmentally sustainable. The two bills cover similar ground, although with markedly different policy priorities. **These two initiatives should be reworked into a single bill which would make targeted programs such as those in the Regeneration Act a subset of a larger comprehensive metropolitan planning initiative.**

Finally, planning cannot be separated from implementation. Federal planning mandates will not be effective unless it is clear that not only the act of planning, but the quality of the plan and the inter-governmental and public-private partnerships created through the planning process, will lead to federal funding to implement the plan. If the FY 2010 planning initiatives do not lead to significant implementation resources for participating cities and regions in subsequent years, they are likely to go down as yet another stillborn federal initiative.

### **Reutilizing urban land**

Large areas of vacant and underutilized land and buildings are a distinctive feature of all distressed older cities. Little development-related demand exists for much of this land, while as cities continue to lose population and jobs, their inventory of vacant properties will continue to grow. Any strategy for rebuilding distressed older cities needs to include a vacant land reconfiguration approach that both reflects market realities and the need to improve the community's quality of life, while addressing those issues creatively to further the city's revitalization goals. Any such approach needs to integrate three distinct areas of public sector responsibility:

*Land management:* Public action to establish control over vacant and underutilized properties and maintain a public vacant property inventory, including disposing of property in the public inventory for appropriate reuse purposes. This activity is often referred to as *land banking*.

*Land treatment:* Public action to treat vacant land and buildings so that they will be maintained while vacant and appropriately configured for future reuse, including stabilization or demolition of vacant structures and remediation of environmental conditions on brownfields sites.

*Land reconfiguration:* Public action to design and implement non-traditional reuse strategies for vacant land and buildings, in particular green reuses such as stormwater management and urban agriculture that can improve regional ecosystems and foster healthier communities. Any effective regeneration strategy for a distressed older city is likely to need a land management and reutilization strategy. Federal policy should (1) require that local jurisdictions address this issue as an integral part of any federally-funded strategic revitalization plan and, (2) provide support and resources to enable them to implement their strategies successfully. Moreover, planning requirements imposed under existing federal statutes should be revised so that they can become genuine tools for strategic thinking, rather than pro forma obligations.

## **RECOMMENDATIONS: LAND MANAGEMENT AND RECONFIGURATION**

- 1. Support enactment of the Community Regeneration, Sustainability and Innovation Act of 2009, OR combine that bill with the Livable Communities Act of 2009 into a single bill that integrates the provisions of the former bill into a larger comprehensive planning initiative complementing the HUD Sustainable Communities Initiative.**
- 2. Require a land management and reconfiguration strategy as a condition for distressed older cities to receive support under the HUD Sustainable Communities Initiative or the Livable Communities Act.**
- 3. Provide HUD matching funds to municipalities for demolition of vacant properties consistent with strategic revitalization plans incorporating land management and reconfiguration strategies.**
- 4. Create a joint HUD/EPA task force, with industry and state and local government participation to explore how demolition could be rendered more efficient and cost-effective through regulatory changes and/or new technologies or process improvements and make specific recommendations for implementing changes.**
- 5. Re-enact the Brownfields Tax Incentive, continue and expand the federal brownfields funding program, and establish practices for better coordination of EPA brownfields programs with other federal agencies and with state brownfields programs.**
- 6. Initiate a joint HUD/EPA research effort to identify and disseminate effective practices in urban land reconfiguration.**
- 7. Modify EPA regulations to encourage use of green infrastructure as a means of managing stormwater, including use as a means of reducing the need for storm and sanitary sewer separation.**
- 8. Create an Office of Urban Agriculture in USDA to further urban agriculture both as a food security and economic development strategy in distressed older cities, and to support greater state extension program engagement with urban agriculture.**

The Community Regeneration, Sustainability and Innovation Act of 2009 (HR 932/S 453) addresses these issues. It would select a total of 15 small and 15

large cities for a demonstration program for innovative vacant property and urban infrastructure renewal strategies, as well as offer planning grants and small sustainability innovation grants. The demonstration program would include such areas as building local capacity to address vacant property issues; stabilization of vacant properties; design and development of reuse strategies; and planning and policy innovations. While modest in scope, the Regeneration Act could have a powerful effect on local practices, by offering a specific framework for land management and reconfiguration strategies, and rewarding creative strategic planning by local government. **The Regeneration Act would represent a major step forward in the federal commitment to America's distressed older cities, at only modest cost.** If it cannot be enacted in its present form, its key features should be incorporated into broader legislation, such as the Livable Communities Act.

Over and above that demonstration program, **federal policy should include specific land management criteria that any community with significant vacant land and building inventories must meet as part of their planning process, if they have not met them already, in order to be eligible for future initiatives such as the HUD Sustainable Communities Initiative or the Livable Communities Act.** Such a step should recognize that local adoption of good practices in these areas may require changes to state laws or regulations. These criteria might include (1) establishing an entity capable of managing the vacant land inventory; i.e., a land bank entity;<sup>49</sup> (2) adopting tax foreclosure policies compatible with revitalization and reconfiguration strategies;<sup>50</sup> and (3) adopting sound property management practices, including creating dedicated funding streams and other means of ensuring that properties are maintained.

**The federal government should also support land management and reutilization activities by allowing Neighborhood Stabilization Program (NSP) and CDBG funds to be used to support land bank operations and maintenance activities, and removing the current 10 year holding limitation imposed with respect to use of NSP funds.**

Demolition is a major issue in distressed older cities, which contain thousands of vacant dilapidated structures with no plausible future reuse potential, and whose presence devalues nearby homes and exacerbates crime, public health, and fire risks. Many cities currently spend significant amounts of both locally-raised and federal funds to demolish surplus properties, but continue to fall behind the seemingly inexorable wave of abandonment. Although a massive federal grant program for demolition would be welcomed by urban mayors, it is not a realistic prospect. Given the willingness of local governments to spend their own funds for this purpose, however, **a program to provide federal matching funds for demolition could leverage local resources, again at only modest cost to the federal government.**

It is in the public interest to further the most cost-effective and efficient ways to carry out demolition consistent with sound environmental and health standards.

Local officials have charged that EPA regulations limit their ability to carry out demolitions, while in some locations lack of competition and inefficient bidding procedures may raise costs unnecessarily. In addition to financial support, **the federal government could play a valuable role by exploring how demolition could be rendered more efficient and cost-effective, either through regulatory changes or through developing either new technologies or organizational strategies for demolition**, and under what conditions deconstruction should be pursued as an alternative to conventional demolition practices.<sup>51</sup> A task force led by HUD and EPA, with representatives from industry and from state and local government, could make a valuable contribution to improving matters in this area.

Another recurrent issue in the management and reconfiguration of underutilized land in older industrial cities is that of brownfields, or former industrial and other sites showing the presence of environmental contamination, yet potentially able to be cleaned up and reused productively. Significant strides have been made with respect to remediation and reuse of brownfields sites since the early 1990's. EPA has played a major role in this effort from the beginning, supporting local initiatives and disseminating good practices and technical information. Most states have enacted laws authorizing voluntary clean-up programs for brownfields, and many have offered either or both financial assistance and tax incentives to entities cleaning up brownfields sites. Hundreds of sites in older cities have been restored to productive use for housing, offices, and other uses.

Despite these successes, brownfields restoration is still difficult, particularly in distressed older cities where market 'upsides' for brownfields reuse are not enough to draw large-scale private investment. The brownfield tax incentive enacted as part of the Tax Relief Act of 1997 expired at the end of 2009. **The brownfields tax incentive should be re-enacted.** The EPA brownfields program initially enacted in 2002 should be reauthorized at least at the funding levels provided by H.R.4188, the Brownfields Clean-up Enhancement Act, with some part of the increased funding targeted for distressed older industrial cities with weak market demand.<sup>52</sup> Similarly, greater efforts are needed to ensure that EPA brownfields programs are coordinated not only with other federal programs, particularly at HUD, but also with state brownfields programs to ensure that federal, state, and private resources are leveraged most effectively.

Land reconfiguration offers valuable opportunities for green reuse of surplus urban land, including ecosystem restoration, stormwater management, and urban agriculture. Use of vacant land as green infrastructure for stormwater management can be particularly valuable if it can substitute for costly expenditures to separate storm and sanitary sewer systems. **EPA policy changes to not only permit but actively encourage green stormwater management systems could further creative reuse of vacant land as well as provide significant fiscal benefits to hard-pressed local governments.**

While opportunities exist in many older cities to bring urban agriculture to a scale where it can become an economic development as well as food security resource, those opportunities are unlikely to be achieved without a support infrastructure, similar to the infrastructure that extension services have been providing in rural areas across the country since the 19<sup>th</sup> century. Commercial agriculture needs to be linked to processing and distribution networks, while present and prospective farmers need information on soil conditions, crop alternatives, and market opportunities, as well as creative ways to address both the challenges and opportunities unique to agriculture in an urban setting. While the United States Department of Agriculture (USDA) has in recent years provided some limited information on urban agriculture to interested parties, and a few state extension programs have initiated urban activities, the support system needed to bring urban agriculture to meaningful scale does not yet exist.

**Establishing an Office of Urban Agriculture in USDA to further urban agriculture in distressed older cities would be a key step toward a recognition of the importance of this issue for the future of these cities.** A further step would be to provide additional federal support to agricultural extension services in key states to assist them in establishing new programs directly focusing on commercially-oriented urban agriculture.

### **Investing in transformative change**

Distressed older cities and their regions need to stabilize their economic base if they are to become stronger, healthier places. For that to take place, cities need to focus on transformative change—identifying those catalytic projects and strategies that can lead to the integration of these cities into the post-industrial economy. Federal support for economic revitalization in distressed older cities should focus on three key areas where transformative opportunities are most likely to be offered:

- Building on core physical assets, such as pedestrian scale, historic downtowns or scenic waterfronts
- Reinforcing or retooling economic clusters and skill bases, such as redirecting manufacturing capabilities toward green industries
- Building on institutional assets, in particular universities and medical centers.

Identifying and pursuing opportunities for investment in transformative projects should be part of any comprehensive strategic planning program for distressed older cities.

## **RECOMMENDATIONS: INVESTING IN TRANSFORMATIVE CHANGE**

- 1. Prioritize USEDA investments to complement strategies for transformative change in key opportunity areas, and enact HR 2222, the Green Communities Act.**
- 2. Create a program to provide gap financing or equity investment in catalytic private sector projects in distressed older cities, similar to the UDAG program of the 1970's.**
- 3. Establish a program—perhaps through the IMPACT Act or similar legislation—to maximize the value of older cities' existing manufacturing base, by retooling that base for new, particularly green, industries.**
- 4. Initiate a multi-dimensional federal initiative to catalyze the potential of anchor institutions in distressed older cities to build the local and regional economy.**
- 5. Revise the criteria for allocation of federal transportation funds, both direct federal funding and federal aid transportation funds allocated by state transportation departments and MPOs, to more fully weigh the catalytic effect of transportation investments on economic growth and neighborhood revitalization in distressed older cities.**

The federal government has played only a limited role in furthering local economic revitalization strategies in recent years.<sup>53</sup> The principal federal agency engaged in this work is the Economic Development Administration (EDA) in the Department of Commerce, the successor to the 1961 Area Redevelopment Authority. The majority of EDA funds are devoted to “creat[ing] jobs by supporting local efforts to develop public works infrastructure or other facilities that would attract industry or allow it to expand,” such as water and sewer systems, roads, or spec-built warehouses.<sup>54</sup> This program, as is also true of EPA programs that facilitate brownfields redevelopment, is limited to a narrow slice of a city’s economic development, i.e. addressing specific physical obstacles to construction of new buildings or reuse of existing buildings for productive new uses.<sup>55</sup> While often useful, these programs, by offering tools to address a single highly specific activity, push local strategies toward that activity, whether or not it is necessarily the best course of action.

These activities will leverage more private investment and create more job and small business opportunities if they take place within the framework of one of the three key opportunity areas identified above. **The Economic Development Administration should give priority to applications that will use funds to further transformative strategies and that leverage significant private**

**capital.** In addition, enactment of HR 2222, the Green Communities Act, would give the EDA an important tool that would enable them to go beyond their current narrow program parameters, by authorizing grants to communities for greening initiatives that will further local economic development, and connect economic development and environmental sustainability initiatives.

Other forms of assistance, however, may be more capable of catalyzing transformative change in local economic conditions. One such approach was the 1970's Urban Development Action Grant (UDAG) program, which provided gap financing for private-sector driven projects providing significant economic benefits in distressed urban areas.<sup>56</sup> This approach is preferable in many ways to the "build it and they will come" approach exemplified by EDA and similar efforts by focusing on specific transactions, which can be evaluated in terms of their effectiveness in furthering the city's economic development strategy, and underwritten—with reasonable accuracy—to determine the level of public sector investment needed to make them economically sound. Moreover, since the funds were put into projects as equity investments or subordinated debt rather than grants, they ultimately led to cities' recapturing large amounts of funds, which they then reused for further economic or community development activities.

**A new program based on the UDAG model would be a good federal investment, particularly if it includes market-rate housing within the scope of economic development investment.** Such housing is a powerful economic engine, particularly in the context of downtown and waterfront redevelopment, and is often constrained by developers' inability to command market rents or sales prices that are high enough to cover project costs with conventional financing or by the reluctance of lenders to venture into untested markets. **The Catalytic Investment Competition Grant program proposed by HUD for the FY 2011 federal budget could be an important step in this direction.**

A targeted variation on that model designed to capitalize on communities' automobile-oriented manufacturing base is embodied in the Investments for Manufacturing Progress and Clean Technology (IMPACT) Act of 2009 (HR 3083/S 1617). The IMPACT Act would authorize \$30 billion over two years in grants to enable state governments to create revolving loan funds to enable manufacturers to reequip, expand, or establish manufacturing facilities to produce clean energy technology products, energy efficient products, or components of either product. The bill would also significantly expand and enhance the existing Hollings Manufacturing Extension Partnership program (MEP). **The IMPACT Act is a well-grounded effort to catalyze change around cities' existing manufacturing base, and should receive Administration support.**

The UDAG model and the revolving loan fund model of the IMPACT Act are both potentially effective strategies for federal engagement in the economic regeneration of distressed older cities, but with an important qualification.

Underwriting development projects or evaluating investments in industrial retooling demand a level of public sector technical and financial knowledge that is rarely found in government at any level. The success of the UDAG program was made possible by the fact that HUD assembled a sophisticated team to administer the program, and allowed them to work with minimal political or bureaucratic interference. The revolving funds that would be created by the IMPACT Act will require staff and consultants possessing equally sophisticated understanding of both the manufacturing and financial sectors. Without that capacity, the IMPACT Act could be at risk of becoming an expensive failure.

Building on institutional assets may require other approaches. Major educational and health care institutions are simultaneously major economic engines for many older cities, major sources of employment for the cities' residents, and major recipients of federal funding. Federal funding in FY 2006 for academic research and development activities alone totaled \$30 billion, or roughly two-thirds of all R&D spending. Of the federal total, one-third was for work in the medical sciences.<sup>57</sup> Much of this money goes to urban universities. In FY 2002, for example, the University of Cincinnati received \$110 million in federal R&D funds, Case Western Reserve in Cleveland received \$195 million, the University of Alabama-Birmingham \$261 million, and the University of Pittsburgh \$337 million. Johns Hopkins University received the most of any university in the United States, \$968 million.<sup>58</sup>

**Economic development strategies around anchor institutions should aim at maximizing the economic impact of these institutions on the communities where they are located.** That can be pursued in many different ways, including strategies to improve surrounding neighborhoods, to encourage faculty members and other professional staff to buy homes in the community, to increase the resident (as distinct from commuter) share of university student bodies, and to increase the local share of institutional purchase of goods and services. All of these activities are likely to generate significant multipliers in terms of their effect on the local economy.

A federal program to maximize the economic impact of universities and medical centers could have a significant effect at a relatively modest cost. While the structure of such an initiative would need to be carefully thought through, some of the elements that could be considered might include:

- A set aside of federal R&D funds for universities in distressed older cities, or competitive preference for programs at universities that were significantly engaged with the revitalization of their host communities
- Federal financing or loan guarantees for construction of student housing or mixed-use projects, including student housing, where such projects were not economically feasible on conventional terms
- Federal incentives such as tax credits for university personnel buying homes in targeted revitalization areas<sup>59</sup>

- Incentives for universities to undertake community revitalization efforts, such as adopting schools in nearby neighborhoods or investing in major redevelopment or revitalization efforts in the city<sup>60</sup>
- Incentives for universities and medical centers to purchase goods and services from local firms, and to train and employ community resident

The Office of University Partnerships in HUD could be reorganized and upgraded to become the focal point for these strategies.

Federal programs that have a strong effect on the economic future of older distressed cities are not limited to those seen as “economic development” programs. Transportation, education, and workforce development will all play critical roles in determining not only what economic opportunities are created in the cities and their metropolitan areas, but the extent to which the residents of these cities will benefit from those opportunities.

Transportation is a linchpin of economic development. An efficient and convenient system by which people and goods can move around the metropolitan area—and from each metro area to other parts of the United States and the world—is critical to each area’s ability to take advantage of its assets for economic growth. Efficient public transportation linkages will be increasingly important in defining the economic competitiveness of urban neighborhoods, downtowns, and major institutions. Transportation improvements are also needed to increase access for urban residents to suburban job centers, a key step to increasing employment and workforce attachment in many metro areas.

Transportation investments, federal as well as state, have historically focused on often futile efforts to reduce congestion, and on creating transit systems in strong economic areas with the highest potential ridership levels. These priorities have worked against distressed older cities. Congestion is less of an issue in these cities, many of which have ample highway capacity to accommodate existing journey to work activity. The point of making transportation investments in these cities is not to respond to existing economic activity, but to serve as a catalyst for potential economic development and neighborhood revitalization opportunities. **The catalytic role of federal transportation investments should be a major criterion for allocating discretionary transportation resources at the federal level, as well as for allocating federal aid transportation funds by state transportation departments and Metropolitan Planning Organizations (MPOs).**

Revitalizing the local economy will create employment and small business opportunities, but large numbers of men and women in distressed older cities will not be able to take advantage of those opportunities unless they get the skills they will need; at the same time, better educational opportunities need to be provided so that young people grow into adults who can compete effectively in

the marketplace.<sup>61</sup> While beyond the scope of this paper, this issue must be part of any effort to transform the economies of America's distressed older cities.

### **Revitalizing neighborhoods**

The long-term vitality of distressed older cities depends on maintaining and strengthening their viable residential neighborhoods, yet many cities lack effective strategies to stabilize and revitalize neighborhoods, and use both local and federal resources in ways that rarely lead to long-term sustainable outcomes. While growing numbers of local governments and community development corporations are coming to understand the connections between neighborhood vitality, consumer choice and housing market strength, their ability to develop effective strategies that build on those connections, and their access to tools to stimulate market demand in at risk neighborhoods, are often limited. With enactment of the Neighborhood Stabilization Program in 2008, the federal government asserted a new, although limited, role in helping cities address these issues. That role should be expanded, and given a new strategic focus, in the coming years.

Federal programs have only rarely focused on neighborhood revitalization as distinct from funding discrete housing or other projects. While the short-lived Homeownership Zone program transformed a handful of neighborhoods around the country in the late 1990s, it was a rare exception. CDBG funds tend to be scattered across lower-income neighborhoods in ways that have little or nothing to do with strategic revitalization, while the Neighborhood Stabilization Program enacted in the 2008 Housing & Economic Recovery Act (NSP1), by virtue of its narrow property-specific focus and short time frame, appears unlikely to lead to sustainable neighborhood stabilization in more than a handful of the jurisdictions that received NSP1 funds.

## **RECOMMENDATIONS: NEIGHBORHOOD STABILIZATION AND REVITALIZATION**

- 1. Gradually move the CDBG program to become a more targeted, and in part more competitive, program focused on neighborhood improvement outcomes.**
- 2. Explore uncoupling housing and community revitalization by removing affordable housing as an eligible CDBG activity, while shifting an appropriate share of the CDBG appropriation to the HOME program.**
- 3. Move immediately to review and change NSP1 regulations to the extent feasible in order to maximize flexibility for program grantees and minimize recapture of NSP1 funds, while providing grantees with technical assistance as soon as possible.**
- 4. Restructure FHA property maintenance and disposition policies so that they actively further the stabilization and revitalization of the neighborhoods in which FHA controlled properties are located.**
- 5. Create an NSP-linked mortgage program in FHA to leverage NSP resources for homeownership in neighborhood stabilization areas.**
- 6. Leverage HUD NSP and other funds with energy-efficiency and weatherization funds from the Department of Energy.**
- 7. Develop a new competitive Neighborhood Revitalization Initiative (uncoupled from CDBG and NSP) to stabilize and revitalize at risk urban neighborhoods, grounded in principles of consumer choice and market recovery.**
- 8. Enact a Neighborhood Investment Tax Credit—a targeted, federal income tax credit for individuals purchasing and rehabilitating homes for owner-occupancy in neighborhoods destabilized by foreclosures and vacant properties, and targeted for revitalization strategies.**

The current HUD leadership has recognized this issue. The NSP funds in the economic stimulus bill (NSP2) were allocated on a competitive rather than a formula basis, with the NSP2 Notice of Funding Availability stressing targeting, leveraging, and development of local strategies grounded in housing market conditions. Similarly, the FY 2010 Choice Neighborhoods Initiative is designed to build on the experience of the HOPE VI program to address comprehensive neighborhood transformation and integrate physical changes—particularly mixed-

income housing—with efforts supported by the Promise Neighborhoods program (which was modeled after the Harlem Children’s Zone).<sup>62</sup> It appears, however, that this initiative will target highly distressed inner-city areas containing large inventories of assisted— particularly public—housing rather than a wider range of neighborhoods in need of revitalization.

CDBG remains by far the largest HUD program not tied to specific affordable housing outcomes. **The time is clearly overdue for an appraisal of the role of the CDBG program and its relevance to the issues facing the nation’s distressed communities today.**<sup>63</sup> Such an appraisal should begin by asking whether a block grant of such protean flexibility is necessarily the best way of spending federal resources, whether the current funding formula accurately reflects national priorities, and whether to allocate all of a program’s money by formula, with no incentives for sustainable achievement and no sanctions for anything but the most egregious misuse of funds, is good policy. How best a program of this nature should balance the goal of low- and moderate-income benefit with that of community revitalization should also be explored, as well as what planning requirements would best further the most effective use of these funds.

A strong case can be made for replacing CDBG with something entirely new. Over the course of thirty-five years, however, the program has accumulated a hefty constituency which can be expected to strongly oppose any changes, while the flexibility of the program, and its broad geographic reach, offer some benefit as a way of enabling local governments to address a diversity of local needs. Smaller steps, perhaps, might be more appropriate and more readily achievable, including revising program rules to encourage more strategic neighborhood revitalization activities and requiring local jurisdictions to designate target areas for CDBG funding; requiring that local jurisdictions identify and track indicators of neighborhood change in targeted areas; and adjusting the funding formula to provide that highly effective jurisdictions will receive more CDBG funds in subsequent years, and those who use funds poorly and ineffectively will receive less.<sup>64</sup> A more ambitious alternative might be to make CDBG a “pure” neighborhood revitalization block grant program, spinning off the share of the program currently used for affordable housing activities to an expanded HOME program.<sup>65</sup>

While little can be done at this point to modify the statutory requirements governing the use of NSP1 funds, technical corrections could still be made to regulations that would improve the likely outcomes of NSP activities. **HUD should move as quickly as possible to review existing regulations, and wherever possible adjust them to increase the flexibility available to local jurisdictions spending NSP1 funds. It should also expedite the provision of technical assistance to NSP1 grantees. In particular, if at all possible, HUD should change its regulations to reduce or avoid entirely any recapture of NSP1 funds from state and local jurisdictions, except in cases where the**

**jurisdiction has demonstrated a clear inability to direct its funds toward responsible and appropriate activities.** One particular area where regulatory change could have a major effect on the ability of local jurisdictions to carry out effective programs is by redefining which properties are eligible for acquisition under the rubric of “foreclosed” properties to include properties in the foreclosure process rather than only those that have gone through a foreclosure sale.

In order to make sure that the process is most effective, HUD should convene on short notice a working group that will include actual “on-the-ground” practitioners (not only HUD staff and national organization representatives) to review the rules and recommend changes to the program.

Many issues and problems have emerged in the course of implementing the NSP program. Three are particularly worth citing here, because they reflect directly on the extent to which the commitment to the success of that program has not yet become broad administration policy, and because they can be addressed administratively with little or no cost to the federal government:

- The Federal Housing Administration (FHA), a entity within HUD, takes control of many thousands of properties each year as a result of mortgage default and foreclosure.<sup>66</sup> At the same time as cities around the United States are trying to grapple with destabilization of the neighborhoods where many of these properties are located, the FHA has failed to adopt either property disposition or maintenance policies that would support, rather than undermine, local government and CDC efforts.<sup>67</sup> Rather than be an embarrassment to the federal government, **FHA policies, particularly in distressed older cities, should become a model for community-sensitive property disposition and maintenance procedures, one designed to contribute to and support local neighborhood revitalization efforts.**
- A major impediment to the successful implementation of NSP programs is the difficulty that homebuyers have gaining access to mortgage financing in order to buy properties acquired and rehabilitated with NSP funds. **The FHA should institute an “NSP mortgage” program linked to NSP acquisition and rehabilitation activities.** The mortgage program should provide for flexible use of credit scoring and modest down payment requirements—provided, however, that the local NSP jurisdictions can demonstrate that (1) substantial, face to face homebuyer education and counseling will be provided to all buyers, and (2) a system to provide ongoing support to new homeowners under the program is in place. There is compelling evidence that community-based affordable homeownership programs which have incorporated those features have lower foreclosure rates not only than subprime loans, but than FHA loans generally.<sup>68</sup> A carefully targeted FHA NSP mortgage program will dramatically increase the impact of federal NSP money with no cost to the federal government.

- For a variety of reasons, the \$5 billion appropriated for the weatherization program has been exceptionally difficult to spend: A March 2010 news report noted that at the end of the program's first year, only 30,000 homes, or 5 percent of the program's goal, had been reached.<sup>69</sup> At the same time, NSP programs seeking to rehabilitate foreclosed homes are experiencing severe difficulties leveraging limited NSP funds to cover the cost of rehabilitation. **The federal government should create a streamlined, user-friendly system by which the energy-efficiency and weatherization funds appropriated in the economic stimulus legislation can be combined with NSP and other HUD funds to leverage those resources for housing rehabilitation.** This could be particularly valuable in cold-climate industrial cities, where the cost of heating represents a disproportionate share of lower income households' housing costs.

**In the future HUD should move away from the short-term, one-shot, NSP model, and develop a new initiative to stabilize and revitalize urban neighborhoods, with the goal of unveiling a new program for the 2011 fiscal year.** In contrast to the CDBG program, which will inevitably remain a largely non-targeted effort, the new initiative would be designed to support strategic, targeted multi-year initiatives:

- The initiative should be uncoupled from CDBG and NSP, and designed *de novo* as a strategic approach to neighborhood revitalization; rather than a one-shot program, it should provide for multi-year support, contingent on continued successful performance.
- The initiative should not be limited to distressed older cities, but should set aside a share of its funds for neighborhoods in those cities.
- The initiative should be grounded in the principles of consumer choice, market building, and market recovery; at the same time, it must address issues of equitable revitalization, such as displacement, preservation of a long-term affordable housing stock, and income/wealth building. Part of the federal resources provided should be available for use as homebuyer incentives without means testing.<sup>70</sup>
- The initiative should permit grantees to carry out a wide range of stabilization and revitalization activities, based on a clear theory of change and a strategy that addresses neighborhood destabilizing forces—such as continued foreclosures—and fosters market-sensitive property improvements such as housing rehabilitation or redevelopment. It should also allow other activities such as marketing, crime reduction, concentrated code enforcement, and quality of life improvements.
- The initiative should be a competitive one, with criteria, similar in concept to those included in the NSP2 NOFA, that reward clear strategic thinking, a data-driven and market-sensitive focus, leveraging of local public and

private resources, and formation of diversified partnerships between local governments, and between local governments and non-profit entities such as CDCs.

The argument against competitive programs, aside from the time and energy spent in vain by unsuccessful competitors, is that it directs funds to the most capable jurisdictions, which may not be those in greatest need.<sup>71</sup> Conversely, a formula can, at least in theory, direct resources more effectively to areas of greatest need.<sup>72</sup> Competitive programs may also have a harder time establishing the political constituency they may need for long-term survival.

The drawbacks associated with competitive programs, however, are outweighed by the benefits. Federal resources for community development are and will continue to be modest relative to the demand. Formula programs vitiate the effect of those resources by spreading them thinly across large numbers of jurisdictions, and by directing large amounts of money to jurisdictions that lack the capacity to spend funds effectively. While this may satisfy abstract notions of “fairness,” it is ultimately wasteful of limited resources. It is vastly preferable, as discussed below, to use federal resources to build the capacity of state and local jurisdictions, not only increasing their ability to compete for federal funds but enhancing their ability to use their own resources more strategically.

HUD should set a high bar for participation in the neighborhood revitalization initiative. The local jurisdiction should be able to present a data-driven, market-sensitive strategy for one or more clearly defined target areas, and should show that it has put in place the necessary legal, organizational, and financial tools to carry out an effective strategy.

**A Neighborhood Investment Tax Credit should complement the neighborhood revitalization initiative.** The need for this tax credit stems from the economic realities of neighborhoods in need of stabilization or revitalization, particularly in distressed older cities and metros. House prices in these areas have often fallen below replacement cost levels; as a result, the cost to acquire a property in need of significant work and restore it for owner-occupancy often exceeds the post-improvement market value of the property. In other words, a prospective buyer’s economic calculus works against buying a house in the area, and doubly against buying a house in need of rehabilitation.

Arguably the most effective way to address this issue is through a targeted federal income tax credit for individuals purchasing and rehabilitating homes for owner-occupancy in areas that have been destabilized by foreclosures and vacant properties and are targeted for revitalization.<sup>73</sup> This would be similar in structure, although different in its particular focus, to previous initiatives such as the District of Columbia Homebuyer Tax Credit, or a number of state tax credits enacted to incentivize restoration of historic properties by their owners.

A tax credit is preferable to a direct capital subsidy. It leverages buyers' own cash and credit resources rather than requiring commitment of public funds in advance, and it can be phased over time to reward continued owner-occupancy.<sup>74</sup> It can be administered locally at minimal cost, using simple forms attesting to acquisition and rehabilitation costs—the latter certified by the municipal building inspector—attached to the homeowner's income tax return. Experience with state historic rehabilitation tax credits in recent years strongly suggests that they are effective at motivating buyer investment in areas where current market reality falls short of future market potential. To maximize leveraging both the homebuyers' own resources and neighborhood change overall, the tax credit should not be means-tested.

While the details of the Neighborhood Investment Tax Credit (NITC) program would have to be developed carefully, some key parameters would be the following:

- The tax credit should be available only in neighborhoods meeting specific criteria in terms of both destabilization and market potential; it may or may not be appropriate to further limit it to areas that have been designated as target areas for the Neighborhood Revitalization Initiative.<sup>75</sup>
- The NITC should be a two-tier credit; i.e., it would offer both an acquisition tax credit (perhaps at 10 percent of acquisition cost net of any subsidies such as soft second mortgages) and a more substantial rehabilitation tax credit (perhaps at 25 percent).
- The tax credit should be available only to individuals acquiring properties for owner-occupancy.
- The tax credit should be taken over 3 to 5 years, beginning with the tax year in which the household completes rehabilitation and occupies the house, as long as the household continues to occupy the house as their principal residence.
- A neighborhood would no longer be eligible for the tax credit at such time as it was determined that market values had reached self-sustaining levels.

The tax credit should not be seen as a permanent neighborhood entitlement, but as a temporary means of stimulating market demand until the neighborhood housing market became self-sustaining, after which point it would no longer be eligible for the tax credit.

Finally, as another means of stimulating market demand in neighborhoods in need of revitalization, it is worth exploring whether a federal role exists in fostering home equity insurance programs, through which homebuyers can purchase insurance against a decline in the value of their homes as a result of declining property values at the neighborhood level.<sup>76</sup> While home equity insurance has the potential to contribute to a market recovery strategy, further study is needed both to determine how such an approach can be pursued on a

larger scale than has hitherto been attempted, and what the federal role might be in bringing it to scale.

### **Addressing affordable housing**

Federal affordable housing programs and policies must be thoroughly reconsidered if they are to support the regeneration of distressed older cities around the smaller city paradigm. While the need to reconsider federal housing policies goes well beyond the issues specific to shrinking cities, the condition of those cities makes policy change in this area particularly urgent.

#### **AFFORDABLE HOUSING RECOMMENDATIONS**

- 1. Restructure the LIHTC program to move the program away from funding projects entirely devoted to low income rental housing toward alternatives that utilize the existing housing stock, foster mixed-income communities, and use tax credit investments to create funding pools to upgrade private market rental housing.**
- 2. Expand the HUD homeownership counseling program to support comprehensive homeownership support centers designed to maximize stability of tenure for low- and moderate-income homeowners.**
- 3. Create a new HUD private market rental support program, providing funds for local governments and CDCs to maximize quality and affordability in the small-scale private rental housing sector.**
- 4. Ensure use of HUD programs and resources, including CDBG allocations, to jurisdictions outside central cities and use housing choice vouchers to foster greater regional opportunity and reduce racial and poverty concentrations in distressed older cities.**

Many low-income households in those cities spend more than 30 percent of their income for shelter, a condition known as cost burden. In contrast to cities with stronger housing markets, however, cost burdened households in distressed older cities are predominately those earning 30 percent of the area median income or less. While residential overcrowding is rare in most of the nation's distressed older cities, many of the units occupied by very low-income households are in need of repair or poorly maintained. While some of these properties may be beyond fixing, many could be improved to adequate quality levels at a cost far below that of creating a new housing unit.

The affordability of most of the private housing stock and the high rental vacancy rates in distressed older cities raise serious doubts about the value of building new housing under federal programs such as the Low Income Housing Tax Credit (LIHTC) program. These cities do not need more housing units, *as such*, nor do they need to replace the excess units being demolished. While some

LIHTC projects may be desirable if they eliminate a highly visible eyesore, make possible restoration of a historically significant building, or provide some other clearly-definable community benefit, the housing units they add may well undermine the private rental stock. Since most LIHTC rents are actually higher than the rents in much of that stock, the projects are likely to siphon off demand not from the poorest quality housing in the private rental market, but from units of average or better quality. LIHTC projects may further reduce the value of an already low-value housing stock, and increase the extent to which it is disinvested and ultimately abandoned.

Racial and poverty concentration can be seen as either a housing or a land use issue, but is significant from either perspective. While 45 percent of Cincinnati's population is African-American, only 6 percent of the balance of the metro's population is African-American; while only 8 percent of the metro's white population lives in the city, 54 percent of the metro's African-American population lives in Cincinnati. Poverty concentrations tend to be less extreme than racial concentrations, but still significant. Although only 14 percent of its metro's population lives in the city of Cincinnati, 31 percent of the metro's poor live in the city.<sup>77</sup> Other older cities and their metro areas show similar disparities.

Reducing racial and poverty concentration by expanding affordable housing opportunities in the suburbs of distressed older cities, and by fostering affirmative marketing efforts to encourage minority families to benefit from suburban opportunities, is a matter of direct federal policy concern. HUD took the lead in framing the recent settlement of fair housing litigation involving Westchester County, New York, and senior HUD officials have suggested that that settlement may become a potential template for regional fair housing efforts elsewhere.<sup>78</sup>

All this suggests four key points with respect to affordable housing policy in distressed older cities, with strong implications for federal programs:

- Affordable housing programs should target households with very low incomes, particularly those earning 30 percent of AMI or less
- Affordable housing programs should be designed to maximize the ability of the existing housing stock to provide affordable, adequate housing for the cities' residents.
- New construction of affordable housing should be discouraged except where it provides a clear community benefit beyond adding incremental units to the local housing stock.
- Measures should be taken to foster greater dispersal of poor and minority households across the metropolitan areas of distressed older cities.

Continued production of affordable housing is likely to be important in areas with strong housing markets, where demand pushes prices in the marketplace well beyond the reach of low-income households. **In distressed older cities housing policy should give priority to maximizing the health of the city's**

**private housing market and its ability to provide affordable and adequate housing for the city's low income residents. This can be achieved by promoting greater financial stability and improved quality in the private rental housing market, and supporting greater stability of tenure for lower income homeowners.**

Private rental housing, including single family and small multifamily properties, will continue to house the great majority of low income renters, who are often the majority of all low income households. Ensuring that responsible private landlords can get stable, affordable financing for their properties, and gain access to affordable funds to make necessary repairs to ensure that their buildings are code compliant and provide adequate accommodations is a critical public sector role.<sup>79</sup> Local government should become actively engaged in maintaining a healthy rental sector, using code enforcement as a constructive rather than a punitive strategy, providing incentives and technical assistance to responsible landlords, and helping to match tenants with units to reduce the supply/ demand mismatch and attendant cost burdens.

Stable, sustainable home ownership can benefit both the homeowner and the community. Efforts to foster increased lower income homeownership during the past decade, however, have not resulted in those outcomes; instead, unprepared lower income families have been encouraged to take out unsustainable mortgages to buy often-overpriced houses. The devastation that has been inflicted on many of those families and their neighborhoods during the past few years as their homes have been lost exceeds any transitory benefit that might have been gained.

Fostering a stable body of homeowners in the neighborhoods of distressed older cities does not call for pushing people into homeownership, or providing financial assistance in ways that minimize the buyer's investment and do not further long-term stability. **Public policy should focus on maximizing tenure stability for those families who become homeowners, rather than increasing their number.** Specific strategies include making long-term fixed-rate mortgages available for qualified buyers; putting effective counseling and support programs for new homebuyers and existing homeowners in place; offering strong foreclosure prevention programs; ensuring that homes are in reasonable repair when families move in, or that those families have adequate resources to make necessary repairs; and ensuring that low income families have access to financial assistance to address critical repairs affecting the continued habitability of their homes.<sup>80</sup>

Federal housing policy should be restructured to fully support these priorities. At present, they do not do so. The LIHTC program, which is by far the largest supply-side federal affordable housing program, is designed in such a way that nearly all available resources go to build new projects consisting entirely of means-tested affordable housing units at unit costs far higher than the cost of

upgrading existing housing. Although mixed-income development is permitted under the program, structural and technical obstacles make it rare in practice; of all units in LIHTC projects, over 95 percent are qualifying low-income units. Because of the high transaction costs associated with the program, LIHTC projects tend to be large in scale, although smaller than old-style public housing projects. The median size of LIHTC projects built between 1995 and 2006 is 77 units, while only 16 percent of LIHTC projects contain 20 or fewer units.<sup>81</sup>

The LIHTC program is long overdue for a thorough reappraisal and redesign. Changing the LIHTC program in such a way that its resources can be used in ways that enhance the vitality of the housing market in distressed older cities rather than undermine it is only part of the larger reform that is needed, including program changes that would encourage use of tax credits for mixed-income development, and for acquisition of individual dwelling units in privately-developed condominium buildings.

**A specific feature of a redesigned LIHTC program that would directly benefit older cities would be to allow states to use all or part of their allocation to create funding pools that would be used to make small-scale rental investments, including low-interest and soft loans made to landlords to upgrade their property in return for their commitment to maintain the long-term affordability of their units.** With the cost of new LIHTC units exceeding \$250,000 in many markets, a funding pool of this sort could benefit 10 or more low income renters for every newly constructed unit that would not be built as a result. In the course of amending the LIHTC statute, HUD should be given an explicit statutory role in framing guidelines and standards for the program; the experience of the past decades, whether with respect to planning or fair housing issues, has demonstrated that IRS oversight of the program lacks a critical dimension needed for the program to achieve sound policy objectives.

New federal resources should not be limited to bricks and mortar funding. **Funds should be made available to help local governments, CDCs, and other qualified entities to build the support system for homeowners, and enhance the stability of the small rental housing sector.** This includes the housing choice voucher program, which should be funded to encourage local housing authorities to provide greater support, in the form of education, technical assistance, and counseling, to both participating landlords and tenants. Modest outlays for these activities, which can help overcome impediments to the effective functioning of the market as a means of housing low income families, are likely to result in significant benefits to such families.

There are many obstacles to a thoroughgoing redirection of federal affordable housing resources. Moving from a production strategy to a market-enabling strategy will require skills that are in short supply in many jurisdictions; along with program resources, capacity-building activities such as training and technical assistance will be needed. People who have thrived by mastering the arcane

techniques involved in putting tax credit deals together under today's rules will have to learn new skills. Other obstacles are more political than technical. While local jurisdictions are permitted to provide funds to help small landlords improve their properties under both HOME and CDBG, little of that money is ever used for that purpose, at least partially because there is little political support in many communities for activities that are perceived as benefiting landlords, without appreciating the way in which tenants benefit.<sup>82</sup> For that reason alone, it is important to create a dedicated rental housing support program rather than simply permit block grant funds to be used for that purpose.

## **V. Building a Better Policy Structure for Distressed Older Cities**

Beyond the five functional areas discussed above, three tasks, which cut across subject matter areas, are critically important to the revitalization of the distressed older cities:

- Better coordinating federal resources directed to the distressed older cities;
- Using federal resources to leverage state policy change
- Building the capacity of local government and others to carry out effective strategies for change

### **Better coordinating federal resources directed to the distressed older cities**

Coordination has long been something of an Achilles' heel of federal urban policy, a concern at least since the 1960s. Having evaded the best efforts of policymakers up to now, it is not clear how much difference recent Obama administration initiatives will make. At this point, it appears unlikely that the White House Office of Urban Affairs will play much of a role in tackling the many structural and mechanical problems standing in the way of effective coordination of programs, policies, and resources. HUD, however, has initiated a major effort to build stronger working relationships and programmatic partnerships with other federal agencies. The HUD/DOT/EPA sustainable communities partnership offers much potential, but it remains unclear whether that partnership will be largely limited to the Sustainable Communities Initiative—an admirable but modest pilot effort—or whether it will extend to the three departments' core programs.

In pursuing coordination of federal resources directed toward the nation's distressed older cities, one's aspirations must be modest and realistic. A comprehensive national urban policy, the Great White Whale of policy thinkers for decades, is arguably even less achievable today than it was when it first became a topic of discussion in the late 1960's. At the same time, if there is to be a strong federal policy commitment to the distressed older cities, creating a framework through which different federal programs from many different agencies can be coordinated is clearly desirable, and arguably necessary. Silos

and bureaucratic territories will always exist, but a focus on manageable, achievable steps can bring about significant improvements.

The following elements would further such a federal policy commitment:

- Create a distressed older cities working group, convened by the Office of Management and Budget (OMB) and including representatives of federal agencies which administer programs relevant to the future of those cities, to recommend changes to program regulations and procedures along the lines noted below. Individuals outside the federal government—state and local officials, CDC staff and the like—knowledgeable about federal programs should be engaged in this process.
- Incorporate specific goals relevant to the revitalization of distressed older cities into program regulations to help guide federal funding decisions as well as—where federal funds are provided as block grants to states—state sub-allocation decisions. Examples might include adding the economic revival of older cities as a criterion for use of federal transportation funds, or an urban university’s commitment to revitalizing its community, as a factor in awarding federal higher education or research funds.
- Review federal program funding timetables and eligibility requirements to maximize the ability of state or local entities to coordinate multiple federal funding applications.
- Create an interdepartmental review process for proposals for projects involving multifaceted revitalization efforts at the neighborhood, city, or metropolitan level. The review process should focus not only on offering various perspectives on the merit of the proposal, but should also address the question “how can my department help further the goals of this effort?”

For even this modest strategy to be effective, someone must lead the effort. Given the inevitable interdepartmental rivalry, the most credible entity to do so would be the Office of Management and Budget.<sup>83</sup>

### **Using federal resources to leverage state policy change**

The proper relationship between the federal government and the states remains one of the most important but least explored of the many issues that need to be addressed in framing federal strategies for the regeneration of distressed older cities. State governments play a powerful role in creating the framework to encourage or frustrate regeneration, through a complex web of state laws, policies, and resource allocation choices. Without supportive state policies and regulations, federal/local initiatives will be at best less productive than they could

be, and at worst abject failures. States are an *essential* partner in revitalizing their older distressed cities.<sup>84</sup>

While federal programs of the 1960s, such as the War on Poverty, were often criticized for bypassing state government, that criticism has rarely arisen in recent decades. Major federal programs affecting the cities such as the LIHTC, Temporary Assistance to Needy Families (TANF), and federal transportation funds, are distributed to the states, which decide—either on their own or in tandem with regional bodies—how they are to be spent. States have broad latitude to determine the extent to which these funds will contribute to the revitalization of their cities.

For the most part, while expecting that states administer these programs in keeping with statutory and regulatory requirements, successive administrations and Congresses have rarely intervened further in state policymaking. There have been exceptions, however; when so inclined, Congress has used federal funds to mandate state policy change, as in 2000, when Congress tied federal highway funds to a requirement that states lower the blood alcohol content threshold for drunken driving to 0.08 (8/100 of 1 percent).<sup>85</sup>

The idea of tying federal funds to state policy reform appears to have gained momentum recently. Funds awarded to the states in the economic stimulus legislation for additional unemployment compensation were tied—not without controversy—to state reforms expanding eligibility. More recently, the administration announced that discretionary education funds would be linked to state reform through a process described as “a fine-grained evaluation process under which states get points for reforms they have made and points for changes they promise to make—and conditional funding that can be revoked if they don’t make them. *The process finally allows the federal government to reward states that have made progress and to bypass slackers* (emphasis added).”<sup>86</sup>

Although these examples come from different policy realms, they are directly relevant to the future of distressed older cities. State government largely sets the legal and fiscal rules that govern its municipalities. Those rules may or may not be conducive to revitalization. Ohio maintains an inequitable taxation system, a vestige of the 19<sup>th</sup> century, under which well-to-do families and successful business firms can reduce their tax burden by moving from cities to exurban townships. By contrast, the state of New Jersey has significantly reduced the property tax disparities between older cities and more affluent suburbs by taking over nearly all of the costs of urban school districts.<sup>87</sup> States create—or thwart—opportunities for urban regeneration through a number of distinct policy regimes, of which three are paramount:

*Fostering fiscal fairness:* A fundamental reality of distressed older cities is that they are inherently fiscally disadvantaged. Their property tax and income tax bases are both less, measured on either a per capita or per housing unit basis,

than those of the rest of their regions, while the municipal service demands placed on them by their large lower-income populations, older building stock, and aging infrastructure substantially exceed those of most non-urban jurisdictions. State fiscal policies can exacerbate these inherent disparities or minimize them, as reflected in the above examples. In a fair state fiscal regime, state fiscal laws and policies should work to minimize these disparities rather than exacerbate them or adopt a pose of neutrality which perpetuates the disparities.

*Enabling municipal and regional action.* Municipalities have no inherent powers under the United States Constitution, and derive whatever powers they may have from their state. While some states have given their major cities the authority to exercise powers not explicitly granted by their states, a practice known as “home rule,” state government adopts the laws that govern local taxation, treatment of real property, planning, land use and building regulation, regional cooperation, and more. In other words, almost every action that a city might take to further its regeneration is governed by state law.<sup>88</sup>

States vary widely in the extent to which they allow their constituent cities to take action to further their regeneration efforts. Tax foreclosure laws in some states enable cities to gain clear title to abandoned properties in timely fashion, while elsewhere, antiquated statutes make obtaining title through tax foreclosure difficult and time-consuming. Some states authorize municipalities to use “spot blight” taking to gain control of nuisance properties, while most do not. Michigan is one of the few states that has a flexible and widely used land bank statute that allows counties to create land bank authorities, and gives them substantial powers.

A state policy regime that enables municipal and regional action is one that provides a wide range of tools for local government to use to carry out its revitalization plans, as well as offers vehicles through which municipalities and counties can cooperate on a regional or metropolitan level. This does not call for a laissez-faire attitude on the part of the state. States should retain oversight over local government, and be prepared to step in where local governments are unable to meet their obligations, as Massachusetts did by taking over Chelsea city government in 1991.<sup>89</sup>

*Allocating resources productively.* While states face many fiscal constraints, particularly at present, they still deploy extensive financial resources, much of which they pass through to local bodies. The ways in which states allocate resources affect the prospects for revitalization of older cities in two different ways. First, the extent to which the allocation of state resources helps redress fiscal disparities, such as through a school aid program that provides additional resources to urban school districts; and second, the manner in which resources are used to further revitalization strategies, as when a state transportation agency partners with local officials to target transit funding to complement a local economic development strategy. Since many state higher education facilities are

located in older cities, state higher education funding can further the growth of those cities—or the revitalization of areas adjacent to college campuses. While states must address multiple needs and priorities in their resource allocation decisions, a state policy regime that nonetheless recognizes the needs of distressed older cities in the allocation of funds, and that links those funds to local revitalization goals, is the most productive.

While state policies do not *determine* the success of efforts to rebuild distressed older cities, cities in states with productive or enabling regimes will be more likely to mount effective revitalization strategies than those in states whose policy framework is inimical to those efforts.<sup>90</sup> The progress of cities like Newark, Philadelphia, or Pittsburgh owes much to the urban-friendly policies of New Jersey and Pennsylvania.<sup>91</sup> Thus, the effectiveness of federal resources for urban revitalization is likely to be that much greater where state legal and fiscal systems complement those resources.

Given the close relationship between state policies and the effective use of federal resources, common sense dictates that the distribution of federal resources should take into account the extent to which the different states have—or commit to put in place— policy regimes that will enhance and complement the federal funds. This issue must be approached carefully. State policies—however important—are not the only salient condition for successful urban regeneration. Too much stress on state policy reform could prevent many cities with pressing needs from gaining critically-needed funds. Too much federal pressure, especially when focused on issues that may be politically untouchable in some state legislatures, could backfire. Federal pressure on states to enact laws that facilitate effective local and regional action is likely to be more successful than efforts to press states to change tax policies, or the manner in which they allocate state funds, since, in an era of fiscal constraints, the latter are likely to be zero-sum propositions. Even where reform may be politically feasible, enough time must be allowed to permit measures to move through the legislative process.

A number of steps or policy principles should be followed:

- Federal ground roles for spending of federal funds already allocated to the states, including transportation, workforce development, welfare and other areas, should be reviewed and revised to ensure that state uses of these funds adequately further the revitalization of the state's distressed older cities. Where federal regulations require that states (and MPOs, in the case of transportation funds) submit a spending plan, those plans should be required to explicitly address the manner and extent to which funds are used to further the revitalization of older cities within each state's jurisdiction.

- In framing new targeted federal programs or policies, or evaluating existing programs, the federal government should identify state policies which are likely to have a significant effect on the outcomes of the program or policy; specifically, two questions should be asked with respect to each federal program:
  - Which state laws and policies would actively impede the effectiveness of this program; and conversely, which would actively further its success?
  - How can the funding criteria for the program be designed to encourage the latter, and discourage the former?

It is important to distinguish between state laws that, while they may not actively further a particular goal, do no harm, and those that are overtly inimical to achievement of that goal. A law providing explicit authority to create land bank entities is desirable but might not be necessary if general law allows local jurisdictions to assemble and hold properties through other means; laws that allow local jurisdictions to acquire clean title through tax foreclosure in a timely and cost-effective manner, however, might be necessary for a vacant property strategy to be successful. The former might be encouraged, perhaps with a few points in a proposal scoring process, while the latter might be required.

- Program criteria should be designed to encourage inter-municipal and regional co-operation. While this can be done by mandating or prioritizing projects that involve such partnerships, it can also be done indirectly by setting eligibility criteria in ways that lead local players to think cooperatively, as was the case with the NSP2 program, where HUD set threshold eligibility criteria that actively encouraged local players to pool their resources in order to be able to submit a credible proposal.
- Finally, the central role of state government in creating the environment for urban revitalization dictates that the federal government not only push the states to take more constructive steps in that direction, but that it recognize the states as partners in a shared effort. The new generation of targeted federal urban initiatives cannot afford to bypass the states, but must engage the states along with the targeted cities and metro areas in planning and implementing those initiatives.

Exactly how best to make such partnerships work will vary from program to program. In the case of the Sustainable Communities Initiative, it might be appropriate to create joint federal-state-metro/city task forces, bringing together housing, economic development, environment, and transportation people from all levels of government in each city or metro participating in the initiative. In other cases, the federal relationship might be with a single state agency, which would act as the 'point' for engaging the state-federal partnership.

### **Building the capacity of local government and others to carry out effective strategies for change**

One of the most challenging issues facing any major initiative for the revitalization of the nation's distressed older cities, which receives far less attention than it deserves, is that of local government capacity. Even if one assumes that the leaders of these cities all actively want change, it is far from clear that they have the professional, technical or managerial capacity, whether inside government or among critical partners such as CDCs or locally-based businesses, to mount effective change strategies.<sup>92</sup>

In many cities, steadily shrinking revenues have led to sharp cutbacks in personnel, leaving many government departments and agencies increasingly understaffed. Many of the areas first to be cut are those critical to the city's future, such as planning, economic development, parks and recreation, public transportation, or code enforcement. The problem, however, is not simply one of quantity. Even where a city may still have the personnel, how well a function is performed is often constrained by inadequate skills and training, or weaknesses in the management and technological framework in which they operate.

These problems affect both "high-tech" areas such as planning or information technology as well as seemingly less demanding areas such as code enforcement. The latter, a critical element in maintaining neighborhood stability, is often a weak link, hampered not only by inadequate qualifications and training of field personnel, but by poor supervision and management systems, lack of a clear organizational mission, and failure to use available technology to increase productivity and information flow.<sup>93</sup>

While most cities and regions have an economic development staff—housed either in local government or in a quasi-governmental or non-profit partner—few small cities have staff with the training to evaluate complex transactions or balance sheets, and make sound recommendations for the responsible use of public subsidies or other forms of assistance to private companies. While most cities today computerize vast amounts of data, many lack integrated systems that link disparate data sources to permit targeted neighborhood or problem property strategies.<sup>94</sup> Many cities maintain multiple and incompatible computer systems that make it impossible to link data sources without major new investment.

The inadequacies of individual programs or departments often reflect a larger failure of leadership and management. Individuals hired to head important city agencies often lack the managerial or technical skills to run their agencies effectively. Cities lack the administrative systems to ensure that their staff resources are effectively used, or the protocols to ensure that recurrent decisions—such as when to demolish a property, or how to dispose of vacant lots—are made consistently and responsibly. In the absence of such systems, sustained and effective inter-departmental coordination—critically important for

urban revitalization—becomes all but impossible.

*Building the capacity of local government and its partners to plan and carry out effective revitalization strategies should be a priority of any federal strategy to rebuild distressed older cities.* As the above discussion points out, this is not one problem, but many. Addressing them will demand a broad strategy of both short-term and long-term efforts, which cannot be embodied in any single technical assistance (TA) program or provider. In the short term, cities, counties, CDCs and others, need help building their skills to implement urgently-needed programs and use available resources wisely. In the long term, these entities need assistance to enable them to transform themselves into stronger, more resilient and responsive organizations. The areas where assistance will be needed include:

- Skill building, including both professionally-oriented areas such as planning and economic development, as well as other areas, particularly those related to real property, such as code enforcement, nuisance abatement, demolition, and property management
- Implementation of complex activities and strategy development, including development of neighborhood plans, and framing of economic development strategies
- Information technology, including integrating computer systems, using information for planning and decision-making, and integrating technology into field operations such as code enforcement and property maintenance
- Operational management, including establishing management and decision-making systems, and setting up protocols
- Human resources, including identifying appropriate skill sets, and improving recruitment and hiring practices
- Organizational development and restructuring, including setting up systems for sharing of information and coordination of activities between programs and departments
- Effective overall management and leadership of municipal government

This is a tall order. No entity can be expected to be outstanding in all of these areas, so that expectations must be kept manageable and realistic. Moreover, the supply of individuals and organizations capable of providing truly high-quality, effective training and technical support to local governments in all of these areas is limited, as is the amount of time and energy one can realistically demand of potential recipients of training and support. At the same time, incremental and realizable improvements to capacity are likely to have a significant impact on the outcomes of revitalization strategies.

In tandem with developing new programs and resources for the regeneration of distressed older cities, the federal government should take the following steps to build local capacity:

- Develop a capacity-building plan, based on anticipated program funding levels and potential outcomes. This plan would include an overall assessment of the nature and extent of training and TA likely to be needed, the availability of qualified providers, the potential cost of providing this assistance, and the process by which it would be delivered. In looking at qualified providers, the federal government should assess what may be available within state governments and universities.
- Establish an office of capacity-building and technical support in HUD to manage and coordinate an inter-departmental training and TA effort.
- Create an organizational assessment process for local governments interested in participating in federal revitalization initiatives, and require that jurisdictions participating in major federal initiatives conduct the self-assessment process.<sup>95</sup> This should ideally be a guided self-assessment process, rather than either a pure self-assessment (which may miss key issues) or an outside assessment (which may not secure the engagement of key individuals).
- Actively recruit technical assistance providers around skill sets identified in the capacity-building plan and organizational assessment process, rather than 'generic' TA providers.
- Work with state government to increase their involvement, including not only state-level provision of training and TA, but stronger state government standards for local practitioners, including training requirements.
- Build and support networks of state, peer-to-peer, and university-based training and TA providers capable of supporting local governments and organizations within designated geographic areas. Highly capable practitioners in local governments, CDCs and other organizations are often highly effective providers of TA to their peers.
- Build funding for training and TA into major federal grant programs for distressed older cities, and where appropriate, require responses to NOFAs to specify the nature and level of technical assistance that applicants would seek if awarded the grant.<sup>96</sup>
- Begin a long-term effort to increase the number and quality of high-level professionals entering local government service, particularly in older cities, in partnership with professional organizations such as the APA, IAED, the National League of Cities, and ICMA, as well as centers of graduate education. Initiatives could include federally-funded scholarships and internships, and federal assistance to distressed cities to enable them to

hire additional professional staff, as the Economic Development Administration has done on a limited scale.

- Create a program to increase the pool of skilled professionals in distressed older cities by creating a specialized service corps of experienced professionals willing to serve for two to four years—either individually or as part of a small team—in a city. This could be a HUD initiative, under which HUD would match local funds, either from the city or from local foundations.

Implementing this capacity-building strategy calls for a fundamentally different approach to the way the federal government has operated in this area.<sup>97</sup> It is likely to require as well that the federal government rebuild its own capacity, which has been severely depleted in many areas, not least at HUD, in recent years. If successful, however, such an effort could be transformative, not only for the distressed older cities, but for American local government in general.

## **VI. Conclusion**

In little more than two years, the way America's politicians, policymakers, planners, and practitioners think about the nation's older industrial cities has changed dramatically. Not only have they become far more a matter of public attention, but they are being discussed in a fundamentally new way. Urban population loss or shrinkage, a subject which was rarely addressed outside academic circles—and actively resisted by many politicians and practitioners—has been acknowledged and begun to be a basis for planning in a growing number of cities. Under the rubric of Re-imagining a More Sustainable Cleveland, for example, local officials, foundations, professionals, CDCs, and others have come together to plan a different future for their city. Led by Neighborhood Progress, Inc. and Kent State University's Cleveland Urban Design Collaborative, 56 pilot projects for the green reuse of vacant land in the city have just been started. Detroit's new mayor, Dave Bing, has embraced the principles of a smaller city, noting in his 2010 State of the City address that "instead of looking at our land as a liability, we need to begin to think creatively about how it can be a resource as we rebuild our city."<sup>98</sup> Under his leadership, the city has embarked on a radically new planning process, designed to lead to a smaller, more sustainable future Detroit.

At the same time, it must be recognized that in many respects the situation of the nation's older industrial cities is dire, perhaps worse than it has ever been. After generations of population and job loss, the multiple blows of foreclosures, recession, and plant closings have dealt cities like Cleveland, Syracuse, Rochester, Dayton, Flint, and many others painful blows. For some, the next few years may be the last opportunity that they have to begin the process of rebuilding before the cumulative weight of abandonment, poverty, and

disinvestment engulfs even their strongest neighborhoods. As a nation, we cannot afford to allow a major part of our country to be left behind once again.

This is the moment for bold federal action—boldness, not profligacy. This paper does not call for a so-called Marshall Plan for the cities, or for massive new infusions of federal funds. Instead, it calls for a different way of using federal resources in order to foster transformative strategies based on the smaller, stronger city paradigm outlined above. This is a very different approach from that which has characterized federal policy toward the cities in general, and the nation's distressed older industrial cities in particular, for the past more than six decades. It is an approach, however, which has already been embraced by many figures in the Obama administration, and which has begun to be reflected in important administration policy initiatives and legislative proposals. It is hoped that this paper will make a contribution to the continued evolution of federal policy, and toward a better future for the nation's older industrial cities.

## Appendix 1. Population Trends in 21 Major Shrinking Cities 1950–2007

City	1950 population	1960 population	1970 population	1980 population	1990 population	2000 population	2007 population	Average annual change 1980-2000		Average annual change 2000-2007		2007 as % of peak population
								number	%*	number	%*	
Youngstown	168330	166689	139788	115511	95732	82026	65056	-1674	-1.4	-2424	-3.0	38.6%
St. Louis	856796	750026	622236	453085	396685	348189	350759	-5245	-1.2	+ 367	+0.1	41.0
Pittsburgh	676806	604332	520117	423938	369879	334563	290918	-4469	-1.1	-6235	-1.9	43.0
Cleveland	914808	876050	750903	573822	505616	478403	395310	-4771	-0.8	-11870	-2.5	43.2
Detroit	1849568	1670114	1511482	1203339	1027974	951270	808327	-12603	-1.0	-20420	-2.1	43.7
Gary	133911	178320	175415	144953	116646	102746	80661	-2110	-1.5	-3155	-3.1	45.2
Buffalo	580182	523759	462768	357870	328123	292648	264292	-3261	-0.9	-4051	-1.4	45.6
Flint	163143	196440	193317	159611	140761	124943	104867	-1733	-1.1	-2868	-2.3	53.2
Cincinnati	503998	502550	452524	385457	364040	331285	297304	-2709	-0.7	-4812	-1.5	59.0
Dayton	243872	262332	243601	203371	182044	166179	146360	-1860	-0.9	-2831	-1.7	60.0
Birmingham	326037	340887	300910	284413	265968	242820	206215	-2080	-0.7	-5229	-2.2	60.5
Rochester	332488	318611	296233	241741	231636	219773	204122	-1098	-0.5	-2236	-1.0	61.4
Newark	438776	405220	382417	329248	275221	273546	270007	-2785	-0.8	- 506	-0.2	61.5
Syracuse	220583	216038	197208	170015	163860	147306	139600	-1135	-0.7	-1109	-0.8	63.3
Milwaukee	871047	741324	717099	636212	628088	596974	582207	-1962	-0.3	-2110	-0.4	66.8
Baltimore	949706	939024	905759	786775	736014	651154	637455	-6781	-0.9	-1957	-0.3	67.1
Albany	134995	129726	115781	101727	101082	95058	91023	- 333	-0.3	- 576	-0.6	67.4
Akron	274605	290687	275425	237177	223019	217074	196073	-1005	-0.4	-3000	-1.4	67.5
Erie	130808	138440	142254	119123	108718	103717	98507	- 770	-0.6	- 744	-0.7	69.2
Philadelphia	2071605	2002512	1948609	1688210	1585577	1517550	1449634	-8533	-0.5	-9702	-0.6	70.0
South Bend	115911	132445	125850	109727	105511	107789	97945	- 97	-0.1	-1486	-1.5	74.0

Source: 1950 through 2000 from Census of Population; 2007 from American Community Survey. Peak year for each city is highlighted

**Appendix 2. Actions Needed to Implement Recommendations Supporting Strategic Planning**

	Administrative Action (agency)	Legislative Amendment	New Legislation	New or extended funding
Adopt regulations to add substance to planning language in Sec. 42 of the Internal Revenue Code	IRS, HUD			NO
Re-evaluate the consolidated plan requirements of the CDBG program	HUD			NO
Include a targeted initiative for distressed cities in the HUD Sustainable Cities Initiative	HUD			NO
Enact legislation creating a comprehensive planning program for distressed cities and metros			This could be included in a bill combining key features of S 1619 and HR 932/S 453.	YES

**Reutilizing Urban Land**

	Administrative Action (agency)	Legislative Amendment	New Legislation	New or extended funding
Combine the Livable Communities Act of 2009 and the Community Regeneration, Sustainability and Innovation Act of 2009 into a single bill			X	YES
Require distressed older cities to submit a land management and reconfiguration strategy to receive funds from the HUD sustainable communities initiative or the Livable Communities Act	HUD			NO
Create demolition matching grant program			Could be done through appropriations language	YES
Create HUD/EPA task force to address demolition issues	HUD/EPA			NO

Re-enact the Brownfields Tax Incentive		X		YES
Reauthorize and expand the EPA Brownfields Program		HR 4188		YES
Initiate a joint HUD/EPA research effort to identify and disseminate effective practices in urban land reconfiguration.	HUD/EPA			NO
Modify EPA regulations to encourage use of green infrastructure to manage stormwater	EPA			NO
Create an Office of Urban Agriculture in USDA	USDA			YES

### Investing in Transformative Change

	Administrative Action (agency)	Legislative Amendment	New Legislation	New or extended funding
Prioritize USEDA investments to complement strategies for transformative change in key opportunity areas	Commerce			NO
Enact the Green Communities Act			HR 2222	YES
Create a gap financing/equity investment program for catalytic private sector projects in distressed older cities			X	YES
Establish a program to retool older cities' manufacturing base for new/green industries	COMMERCE		The IMPACT Act (HR 3083/S 1617)	YES
Implement a federal initiative to catalyze the potential of anchor institutions			X	YES
Revise criteria for allocation of federal transportation funds	DOT	X		NO

## Revitalizing Neighborhoods

	Administrative Action (agency)	Legislative Amendment	New Legislation	New or extended funding
Make the CDBG program more targeted and competitive		X		NO
Explore uncoupling CDBG and housing and moving CDBG housing funding to HOME		X		NO
Review NSP1 regulations to maximize flexibility and minimize fund recapture	HUD			NO
Restructure FHA property maintenance and disposition policies	HUD			NO
Create an NSP mortgage program in FHA	HUD			NO
Leverage HUD NSP funds with DOE energy-efficiency and weatherization funds	HUD, DOE			NO
Develop a new competitive Neighborhood Revitalization Initiative			X	YES
Enact a Neighborhood Investment Tax Credit			X	YES

## Addressing Affordable Housing

	Administrative Action (Agency)	Legislative Amendment	New Legislation	New or extended funding
Restructure the Low Income Housing Tax Credit	IRS, HUD	X		NO
Expand the HUD homeownership Counseling program	HUD			YES
Create a new HUD private market rental housing support program			X	YES
Use HUD programs for opportunity and reduce racial/poverty concentrations	HUD			NO



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## End Notes

<sup>1</sup> Memorandum for the heads of executive departments and agencies, from Peter R. Orszag, Office of Management and Budget, Melody Barnes, Domestic Policy Council, Adolfo Carrion, Office of Urban Affairs, Lawrence Summers, National Economic Council, on the subject of Developing Effective Place-Based Policies for the FY 2011 Budget dated August 11, 2009.

[http://www.whitehouse.gov/omb/assets/memoranda\\_fy2009/m09-28.pdf](http://www.whitehouse.gov/omb/assets/memoranda_fy2009/m09-28.pdf)

<sup>2</sup> The notion, however, that anti-urban federal policies drove this transformation, imposing suburbanization on a reluctant nation, while popular on the left, is highly questionable; for a thoughtful analysis of those claims, see Robert Beauregard, "Federal Policy and Postwar Urban Decline: A Case of Government Complicity?" *Housing Policy Debate*, 12:1(2001), 129-151.

<sup>3</sup> Cited in Jennifer S. Vey, "Restoring Prosperity: The State Role in Revitalizing America's Older Industrial Cities" (Washington: Brookings Institution, 2007).

<sup>4</sup> [www.cityhall.lima.oh.us/dept/economic/liberty.asp](http://www.cityhall.lima.oh.us/dept/economic/liberty.asp)

<sup>5</sup> Not all older industrial cities, however, have experienced significant population loss, and many are experiencing severe distress despite relatively stable, or growing populations. With a handful of exceptions, older industrial cities in the Northeast such as Bridgeport, CT, Paterson, NJ, and Worcester and Springfield, MA have had significantly less population loss than similar communities in the Midwest. The difference appears to be attributable to two major factors. Many of these cities are located in relatively strong market regions, where suburban housing is far more expensive and in short supply, a factor which tends to keep lower or middle-market demand in older cities even as their industrial base disappears. The other factor is whether the city is an immigration destination. Most Northeastern older industrial cities have substantially larger immigrant, particularly Latino, populations than their Midwestern counterparts.

<sup>6</sup> The federal poverty level for a family of 4 in 2009 was \$22,050.

<sup>7</sup> Of these 21 cities, 18 are contained within the larger set of 65 older industrial cities identified in Vey, "Restoring Prosperity." Of the three that were not included in that set Gary was excluded because of its secondary role in the Chicago metropolitan area, while Akron and South Bend were excluded because, despite their substantial population loss, they did not qualify on the two indices used for that report. New Orleans has also not been included, because of the anomalous effect of Katrina on that city's population. Just the same, it is likely that had Katrina never happened, New Orleans' population in 2007 would have been 25 to 30 percent below its peak population, which it reached in 1960.

<sup>8</sup> Both East St. Louis, Illinois and Highland Park, Michigan, a small industrial city completely surrounded by Detroit, have lost over 2/3 of their peak population, more than any larger city.

<sup>9</sup> Vey, "Restoring Prosperity." Economic condition of MSAs was based on an index that included the change in MSA-level employment, wages, and gross metropolitan product between 1990 and 2000, and the gross metropolitan product per job in 2000.

<sup>10</sup> U.S. Bureau of the Census, Annual Estimates of the Population of Metropolitan and Micropolitan Statistical Areas: April 1, 2000 to July 1, 2008 (CBSA-EST2008-01). Newark and Gary were not included, since they are subsumed within the New York and Chicago metropolitan areas respectively.

<sup>11</sup> It is not clear precisely when or by whom this term was coined. The phenomenon as it affects Upstate New York is analyzed in detail in Rolf Pendall, "Sprawl Without Growth: The Upstate Paradox" (Washington: Brookings Institution, 2003).

<sup>12</sup> This statistic appears frequently in discussions of sprawl without growth. The earliest reputable citation that has been identified is Pietro Nivola. "Fat City: Understanding American Urban Form from a Transatlantic Perspective" *The Brookings Review*, 16:4, Fall 1998.

<sup>13</sup> Claudia Coulton, Kristen Mikelbank and Michael Schramm, "Foreclosure and Beyond: A report on ownership and housing values following sheriff's sales, Cleveland and Cuyahoga County, 2000-2007" (Cleveland: Case Western Reserve University Center on Urban Poverty and Community Development, 2008).

<sup>14</sup> Tim Jones, "Detroit's Outlook Falls along with Home Prices" *Chicago Tribune*, January 29, 2009.

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<sup>15</sup> BLS data is only available at the county level, and not for individual cities. In most cases, the older industrial city makes up only a small percentage of the county's population and job base, so that county statistics do not necessarily reflect trends in the city proper.

<sup>16</sup> Delphi Corporation filing in U.S. Bankruptcy Court, as reported by MSNBC (<http://www.msnbc.msn.com/id/12098079/>)

<sup>17</sup> 'Other vacant' as shown in the table is a residual census category that remains after all vacant units being offered for rent or sale, being held for future occupancy, or limited to seasonal or occasional use, have been subtracted from the total of vacant units. It serves as a rough surrogate for abandoned units.

<sup>18</sup> Estimates by zillow.com

<sup>19</sup> Data is presented for 2000, the most recent year for which reliable data on the distribution of rents is available. In light of economic trends in Dayton since 2000, it is far more likely that rental housing has become more, rather than less, affordable since then.

<sup>20</sup> Analysis by Dan Pitera, professor of architecture at University of Detroit Mercy. This datum shows up on numerous web sites and blogs; see, e.g., [www.cityfarmer.info/acres-of-barren-blocks-offer-chance-to-reinvent-detroit/](http://www.cityfarmer.info/acres-of-barren-blocks-offer-chance-to-reinvent-detroit/)

<sup>21</sup> Bill Vlasic and Nick Bunkley, "Scars of an Ailing Industry" *The New York Times*, July 31, 2009.

<sup>22</sup> Whether they will *ever* regain this population can only be a matter for speculation. Rome ultimately regained the population of one million that it had had as the capital of the Roman Empire at its heyday, but only after 1600 or more years.

<sup>23</sup> Cincinnati was America's fifth largest city in 1850, and remained in the top 10 until 1900. It was 18<sup>th</sup> in 1950, but had fallen to 53<sup>rd</sup> by 2000. Cleveland was America's fifth largest city in 1920, and was in the top 10 between 1890 and 1970. In 2000, it ranked 33<sup>rd</sup>.

<sup>24</sup> Cincinnati and Cleveland also have major league football and baseball teams, although it is hard to assess what value, if any, they offer for their cities' vitality or future rebirth.

<sup>25</sup> This issue is discussed in detail in Rhadika Fox and Miriam Axel-Lute, "To Be Strong Again: Renewing the Promise in Smaller Industrial Cities" (Oakland: Policylink, 2008).

<sup>26</sup> One non-market area is the south central core of Youngstown. The Erie, Warren and Oak Hill sections of the city contained over 3,600 one-to-four family residential buildings and 3,100 homeowners in 2000. During 2007, only four HMDA home purchase mortgages were made in that entire area, of which only two went to buyers who indicated that they planned to occupy the house. With so few buyers in the market, there is little chance that any given house, once put on the market, will find a buyer. With little replacement, the age of home owners in this area has steadily risen. In 2000, nearly half of the home owners were aged 65 or over, compared to a national average of 25 percent.

<sup>27</sup> These figures were calculated from HMDA data, which reports on home purchase mortgages rather than directly on transactions.

<sup>28</sup> This phraseology was initially adopted, although with a somewhat different construction of the meaning of the Political City, by Roger Starr in his seminal and controversial article "Making New York Smaller," *New York Times Magazine*, November 14, 1976.

<sup>29</sup> [http://money.cnn.com/magazines/fortune/fortune500/2008/full\\_list/](http://money.cnn.com/magazines/fortune/fortune500/2008/full_list/)

<sup>30</sup> Martin Anderson, *The Federal Bulldozer: A Critical Analysis of Urban Renewal 1949-1962* (Cambridge: MIT Press, 1964), p. 8.

<sup>31</sup> Jon C. Teaford, "Urban Renewal and Its Aftermath" *Housing Policy Debate* 11:2 (2000) 443-465.

<sup>32</sup> For a perspective on New York in the 1970's and the context for this quotation, see Jonathan Mahler *Ladies and Gentlemen, The Bronx Is Burning: 1977, Baseball, Politics, and the Battle for the Soul of a City* (New York: Farrar, Strauss & Giroux, 2005). There is some question whether Cosell actually said the words attributed to him; see <http://bestblog.mlblogs.com/archives/2007/08/did-howard-cosell-1.html>

<sup>33</sup> Anderson, *The Federal Bulldozer*

<sup>34</sup> This is a controversial subject, which has been the subject of little systematic research or analysis, although in recent years, as the importance of market strength for neighborhood vitality has become more widely understood and accepted, more people have recognized the complex and often conflicted relationship between affordable housing and neighborhood revitalization. See Paul Brophy and Kim Burnett, "Building a New Framework for Community Development in Weak Market Cities" (2003), and Alan Mallach, "Managing Neighborhood Change: A Framework for Sustainable and Equitable Revitalization" (Montclair, NJ: National Housing Institute, 2008). A recent strong discussion of this issue focusing on Massachusetts's smaller cities can be found in Benjamin Forman, "Going for Growth:

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Promoting Residential Reinvestment in Massachusetts Gateway Cities” (Boston: MassINC, 2009). See also Benjamin Foreman, “Housing Policies Leave Cities Behind” (op-ed), *The Boston Globe*, November 29, 2009.

<sup>35</sup> The Homeownership Zone and HOPE VI programs were limited exceptions to this rule.

<sup>36</sup> Angel Shlomo, *Housing Policy Matters: A Global Analysis* (Oxford: Oxford University Press, 2000), p.4.

<sup>37</sup> Executive Order 11297, Signed August 11, 1966.

<sup>38</sup> A more extensive attempt to foster coordination of programs both within the federal government and between the federal and state governments was made with Circular A-95 promulgated by the Office of Management and Budget in 1969.

<sup>39</sup> In addition, each state receives an allocation from which it can make grants to cities and counties that do not receive any funds directly.

<sup>40</sup> To be fair, they were not alone. The push to increase homeownership began with the Clinton Administration, and was actively promoted by Congressional leadership of both parties.

<sup>41</sup> See [www.whitehouse.gov/issues/urban\\_policy/](http://www.whitehouse.gov/issues/urban_policy/)

<sup>42</sup> See [www.marc.org/greenimpactzone/About/index.aspx](http://www.marc.org/greenimpactzone/About/index.aspx)

<sup>43</sup> U.S. Department of Housing & Urban Development, “FY 2010 Budget: Road Map for Transformation” (2009).

<sup>44</sup> NASA, perhaps.

<sup>45</sup> EDA also provides small grants, typically between \$30,000 and \$100,000, to jurisdictions to assist them in preparing their Comprehensive Economic Development Strategies.

<sup>46</sup> 24 CFR Part 91; Internal Revenue Code 42, Sec. 252(m)(1)(B)(ii)III

<sup>47</sup> This reflects the fact that the Consolidated Plan is an outgrowth of the former HUD requirement for a Comprehensive Housing Affordability Strategy (CHAS), which was replaced by the Consolidated Plan in 1995. At least the former title had the advantage of clearly characterizing the product.

<sup>48</sup> The planning process may have more impact on the use of HOME or Emergency Shelter Grant (ESG) funds, since those are typically spent project-by-project, and less likely to be locked in on a long-term basis. CDBG, however, represents the great majority of the funds subject to the Consolidated Plan requirement.

<sup>49</sup> There are strong arguments that the most effective land bank entity is a dedicated, special-purpose entity created within government at the county or regional level. Other forms of entity may be effective, however, under various circumstances. The federal government should not specify the form the entity should take, but may want to require the local jurisdiction to demonstrate that the form of land bank entity it proposes can realistically act as an effective land manager.

<sup>50</sup> This might include adopting policies limiting bulk tax lien or property sales to third party investors, which can lead to large numbers of vacant or underutilized properties falling into limbo from a title and control standpoint.

<sup>51</sup> Deconstruction, or the conduct of demolition in such a way that building materials are salvaged for future reuse, has received a great deal of attention recently, both as a “green” alternative to conventional demolition as well as a potential economic opportunity for inner-city residents and organizations. These opportunities may be overstated with respect to distressed older cities. Deconstruction is more expensive than conventional demolition, a major drawback in communities without enough funds to demolish all of their surplus buildings, while in these cities it is unlikely that the demand for recycled building materials is great enough to provide a reliable market for the products of deconstruction. Deconstruction is more likely to be relevant as a selective strategy for those (hopefully few) architecturally or historically distinctive buildings that must be demolished.

<sup>52</sup> As of this writing, the sponsors of HR 4188 have indicated that this bill is a ‘placeholder’ for a bill that will go beyond simply reauthorizing the EPA Brownfields Program and introduce substantive changes to that program.

<sup>53</sup> This is in contrast to many earlier periods, when the federal government supported targeted regional economic development strategies, as in the New Deal Tennessee Valley Authority, or the Area Redevelopment Authority program of the 1960’s.

<sup>54</sup> Peter K. Eisinger, *The Rise of the Entrepreneurial State: State and Local Economic Development Policy in the United States* (Madison: University of Wisconsin Press, 1988), p.102.

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<sup>55</sup> Appropriations for EDA programs have been modest. The FY 2008 appropriation for the infrastructure program was \$146 million, while the Economic Adjustment Assistance program, which among other things, offers more flexible resources to communities impacted by disasters, job losses or long-term distress, received only \$42 million.

<sup>56</sup> Eisinger, *The Rise of the Entrepreneurial State*.

<sup>57</sup> National Science Foundation, “Universities Report Stalled Growth in Federal R&D Funding in FY 2006” (2007).

<sup>58</sup> Donna Fossum et al, “Vital Assets: Federal Investment in Research and Development at the Nation’s Universities and Colleges” (Santa Monica: The RAND Corporation, 2004).

<sup>59</sup> A number of private universities provide home buying incentives for their workers; the most notable program is that of Yale University, which currently provides \$30,000 in phased incentives to workers who buy homes in designated target areas in New Haven. A total of 890 families have bought homes in New Haven through this program.

<sup>60</sup> The success of the Penn Alexander public school in West Philadelphia, adopted by the University of Pennsylvania, has led to measurable improvements not only in school performance, but in property values within the school’s sending district. Yale University was a major investor and lender to New Haven’s large-scale and generally successful Ninth Square downtown redevelopment project.

<sup>61</sup> Disturbingly large numbers of older distressed cities’ residents are poorly educated, and have low levels of labor force attachment, high unemployment levels, and inadequate skills to compete effectively in the labor market. Thirty-five percent of the young men aged 20 to 24, and 22 percent of those aged 25 to 44, in Detroit are unemployed. Only 48 percent of Detroit men in the peak earning years of 45 to 54 hold jobs, compared to 82 percent of men nationally (American Community Survey, 2005-2007 3-year estimates). This reflects not only the high unemployment rate, but even more the large number of men who are not even participating in the labor force.

<sup>62</sup> The Promise Neighborhoods program is a FY 2010 initiative of the Department of Education that will “provide competitive, 1-year planning grants to non-profit, community-based organizations to support the development of plans for comprehensive neighborhood programs, modeled after the Harlem Children’s Zone, designed to combat the effects of poverty and improve education and life outcomes for children, from birth through college.”

<sup>63</sup> In most cities, the CDBG allocation is carved up annually into large numbers of small projects or activities, with much of the funding locked into recurrent expenditures from one year to the next. Despite the 20 percent cap on administrative expenses, substantially more than 20 percent of many cities’ CDBG money is actually used to support local government operations, by defining governmental activities such as code enforcement, construction supervision, or property maintenance as program expenses. Unfortunately, it is impossible to track the extent to which this takes place from publicly available data, since HUD requires reporting only by category of expenditure (single family rehabilitation, assistance to small business, etc.) rather than by expenditure; a single category might involve one, two, or ten or more separate sub-grants.

<sup>64</sup> Under the current CDBG program, a jurisdiction can perform poorly—even to the extent of having funds recaptured by HUD—year after year, and continue to be eligible for the full formula amount in subsequent years.

<sup>65</sup> Although it would not be difficult to determine the average level of CDBG funds devoted to activities similar to those permitted under the HOME program, the actual amount of funds spent by each entitlement community for those activities varies widely. A change of this sort, therefore, would have to provide for some variation between municipalities, and perhaps be phased in over a number of years.

<sup>66</sup> It is not clear whether the FHA recognizes that this is in fact the case.

<sup>67</sup> FHA has made some modest efforts to create targeted disposition programs, including the Asset Control Area program (enacted by Congress independently of any FHA initiative). These are modest in the extreme; under all targeted disposition programs, FHA disposed of only 1,475 properties during FY 2009; see Federal Housing Administration, *Annual Management Report FY 2009*, p.16.

<sup>68</sup> See, e.g., David Abromowitz and Janneke Radcliffe, “Homeownership Done Right: What Experience and Research Teaches Us” (Washington: Center for American Progress, 2010).

<sup>69</sup> “Stimulus Watch: Weatherizing Program Falling Short” Associated Press, March 27, 2010.

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<sup>70</sup> This was the case with the Homeownership Zone program, where HUD allowed 50 percent of the units assisted with their funds to be sold or rented without income restrictions.

<sup>71</sup> Competitive programs, moreover, are always something of a lottery, with outcomes highly influenced by the capacity and preferences of those who design the NOFA and review the proposals. Other considerations are (1) the additional time and effort required to administer competitive programs at the federal level compared to formula programs; and (2) the risk of political interference in the selection process.

<sup>72</sup> The current CDBG funding formula, however, does not do a particularly good job of targeting resources to areas of greatest need; see Todd Richardson, “CDBG Formula Targeting to Community Development Need” (Washington: HUD PD&R, 2005).

<sup>73</sup> The idea of a homebuyer tax credit as a spur for housing demand is not new. Congress enacted a \$7500 tax credit for home purchases between April 8, 2008 and July 1, 2009 in HERA. The credit had to be repaid in the future, however, and it spurred little or no homebuyer interest, with Lawrence Yun, chief economist of the National Association of Realtors recently quoted as saying “to economists...it was a clear benefit, but nonetheless the average Joe Homebuyer does not see it that way.” Amy Hoak, “First Time Homebuyers Snub Tax Credit,” *Marketwatch*, Nov. 10, 2008. The \$8,000 tax credit enacted in the economic stimulus legislation early in 2009 appeared to be more effective in stimulating demand, and a report in September suggested that as many as 40 percent of all home buyers in 2009 will qualify for the credit. The jury is still out as to the extent to which such an across-the-board tax credit stimulated demand, or propped up prices, and the extent to which the transactions utilizing the tax credit are transactions in areas where the issue is less demand as such, as it is price stabilization and market correction. Dean Baker of the Center for Economic Policy and Research makes a strong case that it has contributed more to raising prices than to increasing demand; see

[http://tpmcafe.talkingpointsmemo.com/2009/10/17/the\\_silliest\\_form\\_of\\_stimulus\\_homebuyers\\_tax\\_credit/#more](http://tpmcafe.talkingpointsmemo.com/2009/10/17/the_silliest_form_of_stimulus_homebuyers_tax_credit/#more).

<sup>74</sup> In addition, it is often politically difficult to offer direct capital subsidies except on a means-tested basis, which in this context would clearly be counter-productive.

<sup>75</sup> To some extent, this would depend on the extent to which the tax credit might have to be limited for budgetary reasons.

<sup>76</sup> The most extensive experience with such programs has been in Chicago, where a 1988 state law authorized creation of neighborhood-level programs. Under the programs, which are funded by a small surcharge on residential property tax bills in the designated area, if an owner (after a minimum holding period of five years) cannot sell her home for the value at which it was appraised when she bought it, the program must reimburse her for the difference. Three home equity assurance programs have been established under the law, two in the city’s southwest and one in the city’s northwest. The programs do not insure homeowners against declines in the national, state, or citywide housing market, and benefits are suspended if there is a 5 percent decline in any of those markets. One study has suggested that “Given the limitations on use and the restrictions in the right of sale, it is no wonder that take up rates have remained small. In fact the complexity of the claims process may in part explain the apparent success of the program, at least as measured by the miniscule claims against the insurance funds.” Andrew Caplin, et al., “Home Equity Insurance: A Pilot Project” Working Paper No. 03-12 (Yale ICF, 2003). Just the same, the availability of the product—even if most people chose not to use it—may have had a stabilizing effect, and was thus a community benefit. Another program, with somewhat different parameters, was initiated in Syracuse, New York in 2002.

<sup>77</sup> Data from 2005-2007 American Community Survey Three Year Estimates

<sup>78</sup> Under this settlement, the county, as a recipient of federal Community Development Block Grant funds, agreed to take aggressive steps—including financial commitments and potential litigation against constituent municipalities—to foster fair housing in the county’s racially impacted towns and villages. *United States of America ex rel. Anti-Discrimination Center of Metro New York v. County of Westchester, New York* (No. 06 Civ. 2860), Stipulation and Order of Settlement and Dismissal entered August 10, 2009.

<sup>79</sup> This issue is discussed in some detail in the author’s 2006 paper “Landlords at the Margins: Exploring the Dynamics of the One to Four Unit Rental Industry” (Cambridge, MA: Joint Center for Housing Studies, 2006).

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<sup>80</sup> Some writers have suggested that shared-equity homeownership options may be a valuable strategy in creating sustainable homeownership; these approaches, however, are likely to be a lower priority in weak market environments than in higher-cost areas likely to see significant market appreciation in the coming years.

<sup>81</sup> Abt Associates, Inc., “Updating the Low-Income Housing Tax Credit (LIHTC) Database: Projects Placed in Service Through 2006” (Washington: U.S. Department of Housing and Urban Development, 2009).

<sup>82</sup> A review of CDBG expenditures for the eight largest cities in Ohio found that, although these eight cities spent 42 percent of their CDBG funds on housing-related activities, five of the eight spent no funds at all on activities related to rental housing, with one spending less than 1 percent of housing-related expenditures. Only two (Cleveland and Cincinnati) spent more than a nominal amount on rental housing, and even then, spent a far smaller share of their housing-related CDBG expenditures on rental housing than the share of rental housing in those cities.

<sup>83</sup> Under the OMB organizational structure, certain key areas including HUD, the Department of Transportation, and the Commerce Department (which includes EDA) fall within the General Government Programs office, which is headed by Xavier DeSouza Briggs, a highly-regarded urban policy thinker. That office is a logical location to house this effort, although it would clearly have to coordinate its work with other offices in OMB.

<sup>84</sup> Vey, “Restoring Prosperity.”

<sup>85</sup> Long before then, the Juvenile Justice and Delinquency Prevention Act of 1974 tied federal funds to state policies designed to ensure that juveniles were not incarcerated in adult facilities. The standards of the act are widely considered to be inadequate, and pending reauthorization legislation would significantly strengthen the federal requirements imposed on the states.

<sup>86</sup> “Washington Steps Up on Schools” (Editorial), *New York Times*, July 30, 2009.

<sup>87</sup> Reduction of the disparities in property tax burden was an inadvertent by-product of the New Jersey Supreme Court’s decision in *Abbott v. Burke* that required the state to not only equalize educational expenditures between urban and suburban areas, but to fund urban education systems at levels equivalent to the state’s highest-spending school districts.

<sup>88</sup> State courts have often upheld ordinances enacted by municipalities without an explicit state grant of authority where they find that the ordinance is grounded in a compelling public policy interest; see, for example, *Adjile, Inc. v. City of Wilmington*, in which the Delaware Supreme Court upheld a Wilmington ordinance assessing substantial fees and imposing other responsibilities on the owners of vacant properties.

<sup>89</sup> The Chelsea experience, in which the state appointed an outstanding individual as the city’s monitor, led to substantial improvement in the city’s fiscal and management capacity within a relatively short period. Other state interventions into severely distressed cities have been less successful. Michigan’s receivership of Flint was terminated prematurely for apparently political reasons, and had little effect on rebuilding that city’s shattered governance, while New Jersey’s takeover of Camden in 2002 has been marred by ineffective leadership, questionable policy choices, and the absence of a coherent revitalization strategy.

<sup>90</sup> In light of the policy recommendations in this paper, a more comprehensive analysis of how variations in state policy regimes affect their cities and their ability to foster effective revival strategies would be particularly valuable. Despite the existence of some scholarly literature on relevant subjects, this question has not been systematically investigated, including not only identifying *what* state laws and policies affect urban revitalization, but *how* they affect urban revitalization, for better or worse. Such a study could be extremely useful in guiding the framing of federal laws and regulations.

<sup>91</sup> While Pennsylvania, particularly under Governor Rendell, has initiated many notable urban-friendly policies, the picture is not entirely positive. Pittsburgh’s efforts to address its problem property issues have been significantly impeded by antiquated and counter-productive tax foreclosure laws.

<sup>92</sup> This is not a foregone conclusion. However debilitating and destructive the status quo may be to the overall vitality of these cities and their residents, many people nonetheless benefit from that status quo, including many local politicians and public officials. While giving lip service to the need for change, they may be in no hurry for it to come about.

<sup>93</sup> It is hardly a secret that in many cities hiring of housing inspectors is as much a political process as one based on individuals’ qualifications for the position. Even where hiring is not politically determined, many cities require only minimal qualifications for these jobs.

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<sup>94</sup> Many municipal police departments, following the lead of the New York Police Department in the 1990's, have fairly sophisticated computer systems capable of tracking crime activity at a wide range of geographic level, and adaptable to use for other purposes. In many cases, however, the police department does not share either computer capacity or information with other municipal departments (let alone the public), and in some, lacks the internal management capacity to make productive use of the data generated by its computer system.

<sup>95</sup> This would not have to be created from scratch. There are a variety of good organizational assessment tools used in public and private sectors, such as the Organizational Capacity Assessment (OCA) process, developed for CDCs and managed by the National Alliance of Community Economic Development Associations (NACEDA).

<sup>96</sup> This may be more difficult than it may sound. Typically, HUD NOFAs require applicants to demonstrate that they have the capacity to carry out everything that may be called for in the NOFA, a process that all but demands that applicants (1) exaggerate their actual capacity; and (2) glide over any capacity limitations that they may actually have. Applicants generally assume, not without reason, that any admission that their capacity to carry out the program might be limited in any fashion will reduce or eliminate their chances of getting the grant.

<sup>97</sup> The federal track record in this area, at least in recent years, is not encouraging. HUD TA in recent years has tended to focus on administrative issues such as compliance with reporting requirements. The experience with the NSP 1 program, under which many jurisdictions received awards substantially greater than their capacity to assimilate, was particularly problematic: Rather than attempting to assist these jurisdictions with technical assistance, HUD's response to their difficulties included threatening them with inspector general investigations, and imposition of additional bureaucratic requirements. Although HUD issued a NOFA for technical assistance under the NSP 2 program, the time frame by which it is being implemented strongly suggests that it will have little or no impact on NSP 1 projects.

<sup>98</sup> Quoted in Suzette Hackney, "Bing Lays Out Vision for a New Detroit", *Detroit Free Press*, March 24, 2010. An earlier article, "Detroit Mayor Bing Emphasizes Need to Shrink City" by Christine MacDonald in the *Detroit News* on March 1, noted that "In his strongest statements about shrinking the city since taking office, Bing told WJR-760 AM the city is using internal and external data to decide "winners and losers." The city plans to save some neighborhoods and encourage residents to move from others, he said. "If we don't do it, you know this whole city is going to go down. I'm hopeful people will understand that," Bing said. "If we can incentivize some of those folks that are in those desolate areas, they can get a better situation.""

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