Rethinking Neighbourhood Renewal: Review of the US Experience and Possible Lessons for Canada

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Introduction

This paper was developed in support of a national initiative called Action for Neighbourhood Change (ANC). ANC is a pan-Canadian project that involves four national and five local partners in an effort to revitalize and improve the quality of life in five selected neighbourhoods across the country.

The four national partners are United Way of Canada/Centraide Canada, Tamarack – An Institute for Community Engagement, the National Film Board of Canada and the Caledon Institute of Social Policy. The five local partners are United Ways in Halifax, Thunder Bay, Toronto, Regina and Surrey. These local partners are expected to convene a process that brings together individuals who reflect the views of diverse sectors, including voluntary organizations, business and governments as well as people living in poverty, in an effort to revitalize their respective neighbourhoods.

Action for Neighbourhood Change also involves as partners its five key government sponsors: the National Secretariat on Homelessness (Human Resources and Skills Development), Office for Learning Technologies (Human Resources and Skills Development), National Literacy Secretariat (Human Resources and Skills Development), Canada's Drug Strategy (Health Canada) and National Crime Prevention Strategy (Public Safety and Emergency Preparedness Canada).

The paper is one of two companion papers undertaken to examine two countries that have perhaps a more extensive history and experience in developing and implementing neighbourhood revitalization and community development. This paper examines the experience in the US. A separate companion paper by Duncan Maclennan reviews how regeneration policy has concurrently evolved in the UK.

More so perhaps than in the UK and Canada, urban decline has been more widespread and deeper seated in the US. It has stimulated extensive research and action, and provides a very large laboratory on approaches and practice to revitalize and regenerate distressed urban cores.

The paper begins with a clarification of terms. It then provides a brief overview of the historic influences, early attempts and current program framework for regeneration in the US. How these programs work – the mechanics of renewal strategies – is illustrated through three case studies. The subsequent sections summarize the main resources and approaches being used, highlight findings from assessments and evaluations, and explore the possible lessons from the US for Canada.

Clarifying Terminology Used in This Paper

The term 'regeneration,' while occasionally used in the US, tends to be more peculiar to the UK. More contemporary US terminology favours *revitalization* (returning the lost social and economic vitality) and *comprehensive community development* (a broader perspective that focuses on opportunity and people, but with spatial or place-based emphasis). In the US context, neighbourhood and community are used interchangeably. Both refer to subsets of larger urban areas.

Although central to the historic discussion of neighbourhood change, in the US the phrase 'renewal' has been largely discredited and discarded – because of the negative connotations that it carries from the early efforts of slum clearance and wide scale renewal of large tracts of inner-city America from 1950 through the early 1970s [Jacobs 1961; Grogan and Proscio 2000].

The concept of neighbourhood revitalization covers a range of approaches and outcomes. Generally, the focus is on removing or replacing negative images – deteriorated and abandoned properties. Inevitably, it also encompasses a process of significant socioeconomic change, ideally reducing poverty and welfare dependency, and increasing employment. However, there is ongoing debate on how to measure effective revitalization. It is typically associated with decline in crime and insecurity, rising property values, growth in business investment and active local business enterprise, and increased opportunity for local residents. But at what point do renewal and revitalization cross the boundary and become gentrification – where market forces accelerate the process and shift values and access beyond the original residents or other intended moderate-income beneficiaries? Most social justice advocates would argue that wide-scale gentrification and exclusion of lower status socio-economic groups is not desirable and an excessively gentrified neighbourhood is not a success story. But is it better than the alternative of severely distressed derelict landscapes? [1]

While initially palliative, with a focus on slum clearance, more recently regeneration or community development in the US has seen a significant evolution, indeed a 180-degree turn. It has evolved from a primary concern with the removal of blight to a more comprehensive cross-sectoral process that emphasizes both place and people based regeneration – what Katz [2005] labels transformational strategies. These strategies seek to find a balance between revitalization and gentrification.

Renewal Approaches: Broad Features and Governance

National level (federal) policies and programs have had an important and varied influence over the past half century. The central feature of the revitalization and community (re)development process has been an increasingly active and sophisticated network of community-based agencies and organizations. The community sector in the US is arguably far more organized and entrepreneurial than is the case in Canada. In large part, this is because in the US this sector evolved in a period of restraint and withdrawal of government support – characterized in the title of the 1989 report *Against All Odds: The Achievements of Community-Based Development Organizations* [NCCED 1989]. It is also a consequence of fairly sustained investment in community capacity building, via both publicly funded programs and very significant support from foundations and intermediaries (discussed below).

The historical roots of renewal and regeneration are briefly reviewed before considering more recent programming and potential lessons.

The Early US Experience

The post-WWII economic boom was associated with a fundamental transformation of US cities, not the least of which was the suburbanization and exurban shift of middle and working class (usually white) Americans. This exodus was both stimulated and facilitated by large-scale investment in freeway systems and increasing access to mortgage credit, combined with limited constraints on growth at the urban fringe (sprawl) which provided cheap land and relatively affordable ownership opportunities. This array of policies, most with no intentional spatial impact but significant inadvertent effects, favoured suburban and exurban development at the expense of the inner city.

The reasons for urban decline are well documented (and are briefly reviewed in a separate paper for ANC) [Pomeroy 2005]. Race issues were often associated with declining central urban communities, especially in the northern industrial cities as African-American black families flooded into cities at unprecedented rates – e.g., in the 1960s in Chicago, it was reported that five city blocks per week were transitioning from predominantly white to black populations [Bradbury et al. 1982]. In many areas, the black migrants were augmented by foreign immigrant groups. Typically, these new immigrant city populations had larger families and were undereducated, underemployed and poor. Public services were limited and, in most areas, a spiral of decline and decay exacerbated the inherent poverty. Crime and victimization became endemic.

In an attempt to address aging housing, slum conditions and growing concentrations of inner-city poverty in many cities, the federal government enacted two significant pieces of legislation, established new institutions and put in place a national policy framework.

Legislation to support urban renewal (slum clearance) originally was enacted as part of the Housing Act 1949 and evolved through a list of national programs introduced in the 1960s. This evolution included the 1961 Area Redevelopment Act, which led to the creation of the Economic Development Administration, an agency established to coordinate regional economic development (alongside renewal). This development was soon followed by the Johnson Administration's bold announcement of a War on Poverty [Economic Opportunity Act 1964], which embraced community organizations as a prime focus together with a range of programs – investing in public schools, creating Medicare, employment initiatives and housing investment. In short, the War on Poverty involved a comprehensive set of programming, often targeted to specific low-income and, by association, usually black neighbourhoods.

In 1965, responsibility for the implementation of related renewal and housing programs was formalized with the creation of a federal department of Housing and Urban Development (HUD).

HUD has subsequently been involved in the creation and implementation of a variety of revitalization and regeneration programs, discussed below. Separate from the HUD mandate on housing and urban development, the 1964 Employment Opportunities Act also contributed to the early creation of community development corporations (CDCs) in many cities.

In efforts to address poverty and, more specifically, its spatial manifestation – distress and decaying neighbourhoods – these legislative initiatives led to the creation of anti-poverty programs, such as Model Cities. These measures resulted as well in the dramatic expansion of federal funding for local social services and community development activities – in particular, through the Community Action Program (within the Office of Economic Opportunity).

With a few exceptions, high expectations of the early urban renewal programs were never met. The program contributed to demolition and rebuilding – often including removal of older housing for construction of freeways (that later fuelled the suburban exodus), new commercial districts and, in a number of cases, large-scale public housing (which, in retrospect, have worsened living conditions, rather than improving them and, in fact, recreated slum conditions at even higher densities). Its greater failure, however, was its lack of action. While there was a plethora of planning and paperwork, in reality many of these initiatives never got off the ground – they promised much more than they produced [Teaford 1999].

The primary critique of urban renewal, most prominently articulated by Jane Jacobs (1961) but echoed by many others, was the lack of effort in engaging and involving residents of the renewal areas, or at least the plans for these areas. Although the physical reality was more limited than the widespread critique might suggest, the enduring public image of urban renewal was one of bulldozers and displacement of the poor [Nenno 1996].

The critical lesson from the 30-year postwar experiment was in terms of what not to do, rather than how to successfully revitalize distressed inner-city areas. Indeed, the four decades from 1950 to 1990 have been characterized as times of trial and error in developing new approaches to address the combined impacts of economic change, physical obsolescence of entire former industrial areas and increasing social disarray [Nenno 1996].

Some of the initiatives of the 1960s met with modest success – most notably the Head Start program, Youth Jobs Core and the Volunteers in Service to America (VISTA – a domestic form of the Peace Corps), which survive and remain active today. However, these are not specifically revitalization initiatives. Most of the bold place-based national programs of the 1960s War on Poverty foundered due to lack of real community engagement and more particularly in a number of cities, political bickering between federal and local elected officials.

Ironically, one of the factors that undermined the Model Cities initiative was the attempt to circumvent local elected officials (who traditionally had been the conduit for federal funding under urban renewal) and to provide funding directly to community-based groups. The 1964 Economic Opportunities Act created the concept of Community Action Councils (CAC) as a mechanism to foster greater involvement and autonomy of residents in distressed areas. Although results varied widely across cities, there was general skepticism of whether such councils had any real power. In some cities, appointment of local leaders sympathetic to local elected officials also undermined the attempts at democratization. In other cities, these councils became breeding grounds for protest groups and the civil unrest that characterized the late 1960s. However, while not fertile in the short term, a longer view suggests that this effort may have contributed to emergent community leadership.

Distinct from Community Association Councils (CACs), which were a legislated approach to community organizing, more informal grassroots structures did begin to spring up in distressed areas. Small catalytic groups of frustrated residents spearheaded efforts to initiate modest community economic development and social development – evolving into Community Development Corporations (CDCs). Although initially underfunded and weak, Community Development Corporations continued to evolve through the 1970s and subsequently were supported by other initiatives – especially investment from major philanthropic foundations like the Ford Foundation and the intermediaries that subsequently emerged in the late 1970s.

The Roots of a More Community-based Approach

Again stimulated by a change in political winds (a Nixon Administration) and blatant evidence of discrimination, the 1970s brought two critical elements that have continued to influence the approach to community development and neighbourhood renewal. The first was the Housing and Community Development Act of 1974 followed shortly after by the Community Reinvestment Act 1977. These legislative actions reflected a policy perspective that emphasized minimal federal involvement in preference to local responsibility.

The Housing and Community Development Act of 1974 was instrumental in nurturing and facilitating the desired local responsibility. The central feature of this legislation was the Community Development Block Grant (CDBG), which consolidated a range of existing federal programs (including urban renewal, model cities, neighbourhood facilities and water, sewer and open space programs) in a single funding vehicle.

Created as an omnibus funding vehicle, Community Development Block Grant (CDBG) is now one of the longest running and, arguably, most successful initiatives in US regeneration history. It is also the single largest funding source with annual budgets in excess of $4 billion through the 1990s and through to 2005 – although it is currently under threat of a 40 percent budget cut in the Bush Administration Budget proposals for 2006 (2005 budget is $4.1 billion).

Using a needs-based formula to allocate funding geographically but to ensure that it flowed to communities in greatest need of reinvestment, the Housing and Community Development Act sought to create “viable urban communities as social, economic, and political entities” (Sect.101(b)(1)) by systematic and sustained action by federal, state and local governments to eliminate blight and to conserve and renew older urban areas “to provide decent housing and a suitable living environment, principally for persons of low- and moderate-income” (Sect.101(c)) [Galster et al. 2004].[2]

The funds are allocated to local government, which then determines their use of funds based on comprehensive local assessment and spending plans [Nenno 1996]. Grantees receive funds that they can spend to support specific community development activities, such as rehabilitating housing, improving public facilities and providing public services. Most grantees are prohibited by statute from spending more than 15 percent of their CDBG funding on public service activities, such as child care, health care and crime prevention [GAO 1998].

In both intent and its budget allocation mechanism, CBDG was the first major funding initiative in the US to take an explicitly place-based perspective. While seeking to address low-income need, its focus was on improving neighbourhood physical and social conditions, as distinct from earlier anti-poverty initiatives that typically focused more on individual needs [Galster et al. 2004].

A second major influence on future directions was the enactment of the Community Reinvestment Act 1977. In the face of urban decline, financial institutions and more particularly mortgage lenders seeking to avoid risk, adopted a widespread discriminatory practice of ‘red-lining’ low-income declining communities. This practice precluded any local initiatives from securing financing and thwarted revitalization efforts. The Canada Revenue Agency (CRA) sought to make such practice illegal and, in addition, required lenders to reinvest in communities. Subsequent amendments in 1989 and 1995 increasingly strengthened the enforceability of this requirement.

Over the past 30 years, the CRA legislation has resulted in a substantial increase in the awareness and involvement of financial institutions in distressed communities. Many major banks have created community development and community investment subsidiaries – with products developed specifically to support community economic development.

Emergence of Intermediaries at National, Regional and Local Scale

Concurrently, emergence of a network of intermediary organizations at the local and national levels has complemented the legislative and program initiatives. Often created or supported by foundations, these intermediary organizations are nonprofit corporations with strong financial and community organizing expertise. They provide technical assistance, training and support for local capacity building but are also highly professional and sophisticated. They play an important role as intermediary between community groups and financial services corporations and, in some cases, government programs.

One of the first, the Neighbourhood Reinvestment Corporation, was chartered by Congress in 1978 – with the specific mandate to mobilize reinvestment in declining communities. Its mandate was directly linked to the aforementioned discriminatory lending practice of red-lining.

Building on its experience with Neighbourhood Housing Services, in the early 1960s, the Ford Foundation created the Local Initiatives Support Corporation (LISC) in 1979. Initially, LISC had a geographic focus on the 'rustbelt' – the Northeast and Midwest regions most drastically affected by deindustrialization. It subsequently has expanded to have a national scope. LISC has been a critical player, investing in and building local capacity via comprehensive neighbourhood revitalization.

One year later in 1980, a major philanthropist and successful real estate developer, James Rouse, created and endowed the Enterprise Foundation with a mission to help revitalize distressed neighbourhoods through building leadership and capacity within the community and connecting neighbourhood groups to resources, assistance programs and financing. Through the 1980s, these three entities emerged as a force in the community development and neighbourhood renewal arena (and were augmented by a fourth with the creation of a separate foundation by the Fannie Mae Corporation in 1993).

A much larger subset of smaller intermediaries also emerged at the local and regional level through the 1980s and 1990s. Together, this network of local, regional and national intermediaries has played a significant role in building and strengthening capacity in communities, especially those deemed 'distressed.'[3]

Illustrative Example of the Important Role of Foundations

The Rebuilding Communities Initiative (RCI) is a seven-year venture by the Annie E. Casey Foundation (AECF) to assist low-income communities in five cities through a resident-led process of neighbourhood transformation. RCI is one of a growing number of similar foundation-funded comprehensive community initiatives (CCIs) developed in the US. Evolved from various community development models, CCIs work to strengthen the capacity of participating organizations and neighbourhood residents to address a wide range of issues and bring about change.

These initiatives focus on building leadership among local residents and organizations, and require collaboration among a wide spectrum of neighbourhood residents and institutions. Learning to collaborate with a diverse range of community members has also been challenging for many participants, as has establishing governance structures to lead these initiatives. In struggling with these issues, foundations and neighbourhoods have learned valuable lessons that can help inform and strengthen both CCIs and other revitalization efforts.

Ancillary tax expenditure mechanisms to stimulate private capital investment

A final feature of the US revitalization landscape is the extensive use of tax expenditure programs and, in particular, the use of tax exempt bond and the Low Income Housing Tax Credit (LIHTC). These are not specifically revitalization initiatives, nor are they targeted to particular neighbourhoods. However, they are both significant mechanisms in facilitating large-scale capital investment and financing of community infrastructure and particularly affordable housing – often key elements of revitalization strategies.

First, tax exempt bonds, are issued by State Housing Finance Agencies, on behalf of cities or incorporated localities to provide private investors with tax exempt interest earnings. This helps the local municipalities raise capital and provide financing at below market interest rates.

The second main measure is a series of tax credits, the largest and best known of which is the Low Income Housing Tax Credit (LIHTC). It was created in 1986 as part of a major package of federal tax reforms which eliminated numerous lucrative tax breaks for developers, replacing these with a targeted tax break with specific objectives to direct investment to affordable housing production and rehabilitation. The LIHTC is of interest because it plays a dual role in generating significant revenues for the intermediaries and in attracting large sums of direct capital investment in qualifying low-income housing developments, including rehabilitation.

The essential feature of the LIHTC is that it provides investors (usually large financial corporations – because investing in LIHTC projects allows a qualifying investment under the Community Reinvestment Act requirements) with 10 years of credits to apply annually against taxable income. Because these investors are saving money (paying less tax) in future years, they are prepared to purchase tax credits up front. This generates an immediate equity investment in new and rehabilitated affordable housing. The intermediaries act as sales agents for the tax credits – matching private investors with affordable housing projects and managing ongoing compliance over the term of the investment agreement. This results in transaction fee revenues for the intermediaries, which helps them to sustain their ongoing operations – and provides a source of funds for loans and grants for technical assistance and capacity building activities.

More recent initiatives seek to consolidate and coordinate programs

As noted, the Community Development Block Grant (CDBG) program was introduced in 1974 as a way to consolidate and coordinate a pre-existing panoply of federal programs and initiatives across a number of departments and agencies, and to provide a strong community investment focus. After 30 years, CDBG continues to be active and remains as the single largest federal funding envelope for community and neighbourhood regeneration.

Over the intervening years, new initiatives continued to sprout up, outside of CDBG. This trend has been the subject of subsequent efforts to consolidate once again programs that shared a common objective of improving living conditions in distressed communities. Key measures include the enactment of the HOME Investment Partnership Program in 1990, creation of Empowerment Zones and Enterprise Communities (rural) under the Omnibus Budget Reconciliation Act of 1993 and, more recently, a proposal by the Bush Administration (May 2005) to consolidate some 18 programs into a new initiative Strengthening America's Communities. The following sections review these consolidated initiatives as well as other recent mainstream revitalization programs – the Community Development Financial Institutions Fund and the HOPE VI Program.

Home Investment Partnership

The HOME program is a separate but companion program to CDBG created in the 1990 National Affordable Housing Act. However, its focus (eligible use of funding) is more specific to housing initiatives than the broader community development objectives of CDBG.

Like CDBG, it is allocated on a formula basis, which uses several objective measures of community need including poverty, population, housing overcrowding, age of housing and growth lag. Forty percent of HOME funds are allocated to states and 60 percent to units of local government.

Home funding is used to support implementation of local housing strategies designed to increase homeownership and affordable housing opportunities for low- and very low-income Americans. Funds can be expended only on housing for persons below specified income thresholds and often tend to be used in the context of neighbourhood regeneration/revitalization strategies.

Place-based economic stimulus initiatives

Congress established the Empowerment Zone and Enterprise Community (EZ/EC) program in 1993 and the Renewal Community (RC) program in 2000 to provide assistance to distressed communities. The initiatives target poverty, unemployment and economic growth.

Designated urban neighbourhoods and rural communities are eligible for specific block-funded grants and a range of tax exemptions, which remain in place for 10 years. While both the EZ/EC and later RC programs were designed to improve conditions in distressed American communities, the features of the programs have changed over time. Round I (1994) and II (1998) EZs and ECs received different combinations of grant funding and tax benefits, while Round III (2001) EZs, and RCs received mainly tax benefits. In 2002, the program was refined and relabelled as the Community Renewal Initiative, but retained many of the original elements, including both a rural and urban application.

The zones/communities in urban areas are administered by HUD while those in rural areas are administered by the US Department of Agriculture (USDA). Communities compete for designations and only a limited number are designated in each round. In total for the 1994 and 1998 rounds, the Department of Housing and Urban Development (HUD) and the Department of Agriculture (USDA) have designated a total of 41 EZs and 115 ECs, and HUD has designated 40 RCs. The revised program, which now uses Renewal Communities and Empowerment Zones as its two forms of designation, named 40 urban and rural RCs and 8 new urban EZs in December 2001.

The program promotes comprehensive revitalization of distressed communities by funding broad community-based comprehensive revitalization plans. Essentially, the EZ/EC program provides a set of block grants and tax incentives to businesses locating in and creating employment in designated neighbourhoods and rural areas. Its purpose is to restore commercial vitality to these areas with tax-incentive package to open new businesses, provide new jobs, rehabilitate and build new housing, and support revitalization.[4]

In addition to the allocation of administrative responsibility to the two federal departments, the 1993 Act also created the Community Enterprises Board – a cabinet level entity to oversee the implementation of the EZ/EC initiative [GAO 1995]. The Board is chaired by the Vice President and includes White House assistants for economic and social policy as well as the secretaries of 10 Cabinet Departments agencies. In addition to overseeing the program, it advises the President on how federal programs can be better coordinated across agencies seeking to respond to the needs of distressed communities.

This board was an important part of the Clinton/Gore EZ program and a source of coordination among federal agencies that were charged with cooperating and providing preferences to communities with EZ programs in their discretionary and competitive grant programs (e.g., extra points in competitions for EZ communities). Because the EZ program was principally the Vice-President's initiative, having him head up a White House coordinating unit was helpful. It was staffed by political and career bureaucrats from various federal executive agencies. However, with the election of the new (Bush) administration, this board was disbanded and is no longer active.

From a governance perspective, a very high level coordinating body can have a significant role – although it is debatable how effective this Board was, since its tenure was limited. In a 1995 report, the Government Accounting Office (GAO) highlighted the ongoing fragmentation and lack of interagency coordination of the more than 12 implicated departments and agencies. Protection of individual departmental/agency resources appears to permeate reluctance to fully cooperate and share resources [GAO 1995].

In addition to this attempt at high-level coordination, a key element and principle of the program is meaningful community engagement and resident participation, and the creation of a local coordinating committee. The emphasis on community-developed strategies, tailored to local needs – as distinct from a prescriptive national program – is a hallmark of the initiative [Pitcoff 2000].

Community Development Financial Institutions (CDFI) Fund

While not a comprehensive renewal program, the Community Development Financial Institutions (CDFI) Fund is an important element in strengthening and expanding community capacity with a focus on access to critical investment financing.

The (CDFI) Fund was established in 1994 as a way to expand the network of community-based financial institutions. Congress recognized the important role of community-based financial institutions in improving the economic well-being of economically distressed neighbourhoods, through lending and investments tailored to these communities. The community development sector had lobbied for support because such institutions were relatively few in number and small in size and often had difficulty meeting the demand for their services.

The Fund has sought to expand access to credit and other financial services in vulnerable communities through two programs, the CDFI and the Bank Enterprise Award programs. The CDFI program provides a range of for-profit and nonprofit financial institutions with financial and technical help to support their efforts in distressed communities and monitors their performance during a period of at least five years. The Bank Enterprise Award program rewards banks for increased lending and investments in CDFIs or in marginalized neighbourhoods.

HOPE VI Public Housing Revitalization [5]

HOPE VI is not a general urban renewal program, but due to the widespread number of large public housing projects in the US, it has effectively become a neighbourhood revitalization program – especially following program revisions in 1995, discussed below. The HOPE VI program has become the primary vehicle for the renewal of public housing developments – which, in the US, have tended to be quite large and have a direct influence on neighbourhood decline.

Initially known as the Urban Revitalization Demonstration program but retitled HOPE VI, this initiative was introduced in 1992 following the recommendations of a National Commission on Severely Distressed Public Housing. The initiative is targeted to public housing authorities (PHAs) in the 40 largest cities and on HUD’s Troubled Housing Authority List.

The program provides funding on a competitive basis to eligible PHAs to support planning and implementation of comprehensive redevelopment. In addition to physical redevelopment, it emphasizes community development to address issues of concentrated poverty. PHAs were invited to prepare bids for the comprehensive revitalization of up to 500 units with grants capped at $50 million. Up to 20 percent of grant funding can be used for nonphysical improvement (i.e., community development activities) [Pomeroy and Lampert 1998].

The initial program was revised in 1995 with two key changes. First, a mixed financing approach was adopted that encouraged the creation of public-private partnerships to promote mixed income communities by layering HUD funding with private investment and ownership/management. Second, a program requirement for replacing of the public housing unit prior to demolition was lifted (this had constrained physical redevelopment initiatives). Effectively, this change transformed the initiative from simple redevelopment of public housing to a much broader neighbourhood comprehensive revitalization [Turbov and Piper 2005].

Turbov and Piper argue that, when implemented optimally, the mixed finance HOPE VI program can have a far more significant impact in facilitating revitalization than a narrower redevelopment of bricks and mortar approach. They note that while HUD has carefully monitored and evaluated the array of HOPE VI redevelopments undertaken across the country, there has not been a comprehensive evaluation of the program's effectiveness in jumpstarting wholesale neighbourhood improvements. Their recent research sought to examine this question, using four case studies and concluded that:

> When used strategically, HOPE VI's partnership with the private sector and holistic approach – integrating housing with schools, jobs, amenities, and social services – has great potential to remake distressed public housing and jumpstart wholesale neighbourhood improvements [including adjoining non-public housing developments]. HOPE VI funds can attract new investment into places where the market was previously absent. Most importantly, HOPE VI ensures a permanent and quality home for low-income households in the midst of a neighbourhood renaissance.

Case studies undertaken by Turbov and Piper [2005] found empirical evidence of improvements in neighbourhood conditions – compared to city averages, incomes rose, employment and labour market participation increased, crime levels dropped significantly (as much as 93 percent in Atlanta's Centennial Place) and, in cases where the program invested in school quality, student test scores showed significant improvement. At the same time, the revitalization achieved a balance in attracting new middle-income households while preserving opportunities for very low-income public housing residents.

New Markets Tax Credit (NMTC)

Following the success and broad support of the LIHTC (described above and used specifically for affordable housing development), a new tax credit variant was created in 2000 and has recently been implemented – the New Markets Tax Credit (NMTC).

Providing a stream of tax credits over 10 years similar to the LIHTC, the NMTC creates a new vehicle for stimulating (tax-induced) investment capital to support community development. It is a flexible tool that can be applied to a wide range of qualified business activities, from small business lending, financial counselling and real estate development.

NMTCs are administered by the Community Development Financial Institutions (CDFI) Fund (see above), which is part of the US Department of the Treasury. Initially, $15 billion in NMTC credits were budgeted to be available for investments over a six-year period, allocated annually between 2002 and 2007 through a competitive process. In November 2005, the Senate passed legislation to extend the program to 2008 and added a further $3.5 billion to the budget.

NMTCs are intended to spur the investment of new capital into Community Development Entities (CDEs) which, in turn, must use this capital to provide debt and/or equity financing to support qualified investments in low-income communities. The NMTC Program enables Community Development Corporations to access private capital to complete more deals, assist more businesses and expand their scope of services. The purposes of the program are broadly defined so that it can be used as part of a comprehensive revitalization strategy to create more jobs, increase assets and achieve a more stable community. At the same time, such development activities can generate revenue (transaction fees) to sustain the operation of the CDC.

President Bush's current proposal – Strengthening America's Communities

In 2005, President Bush outlined a new initiative to again consolidate a fragmented assortment of 18 programs and federal funding mechanisms spread across five departments. The primary objective was to take a more comprehensive approach to economic and community development:

> Building on existing economic and community development efforts, the President will propose a new initiative to help strengthen America's transitioning and most needy communities, while making better use of taxpayer dollars by reforming and restructuring many of the existing Federal economic and community development programs. The President's initiative, to be proposed in his Fiscal Year (FY) 2006 budget, will consolidate 18 existing programs, simplify access to the Federal system, set new eligibility criteria, and establish strong accountability standards all in exchange for the flexible use of the funds so that communities most in need will be assisted. The new $3.71 billion unified grant-making program will better target assistance and achieve greater results for low-income persons and economically distressed areas [Report of Strengthening America's Communities Advisory Committee July 2005].

An advisory committee was chartered to examine and refine the President's proposal and submitted its report in the summer of 2005. It remains under consideration; the initial part of the President's budget proposals was for fiscal 2006 and will be subject to extensive negotiation through the US budget process.

This proposed consolidation of programs embraces a broad set of programs and agencies, and is premised on the notion that a strong competitive national economy depends on strong local economies. It includes both person- and place-based strategies. Reflecting this economic focus, it was undertaken under the auspices of the Secretary of Commerce, not by the Secretary of Housing and Urban Development (HUD). As such, it is not so much about community or neighbourhood renewal as the goal, but community and neighbourhood renewal as a means to a larger goal – i.e., economic growth and prosperity.

The proposal asserts that there is widespread duplication and overlap across these many programs and inconsistent criteria for eligibility. Many programs lack clear goals or performance measures to sufficiently demonstrate any impact [SACAC 2005]. Critics of the President's initiative note however, that while there is room for some consolidation and improved interagency coordination, the proposal results in a significant budgetary reduction for implicated programs. Programs with combined budgets totalling nearly $5.7 billion would be shoehorned into a $3.7 billion package [Washington Post 2005: A07]. Under the proposal, Community Development Block Grant (CDBG), the single largest program of the 18 being proposed for amalgamation, and the one most specific to neighbourhood regeneration, would experience a 40 percent reduction (the 2005 budget for CDBG alone was $4.1 billion).

Summary of current program framework for regeneration in the US

This brief historical overview provides the backdrop for the current context in the US. Effectively, there has been a conscious shift away from formal national comprehensive regeneration programs to a more informal set of arrangements – with program resources reassembled at the local level.

Arguably, the current 'system' is not the outcome of an explicit government agenda, but rather a consequence of 30 years of incremental creep, with an increasingly sophisticated network of community development corporations (CDCs), other local organizations and intermediaries. Putting aside the President's proposed budget cut, the finding that there remains an uncoordinated overlap and duplication of effort in current programming is likely a valid criticism, and one shared by community development advocates in the US [(SACAC 2005)].

That said, an array of funding sources, as distinct from a single comprehensive regeneration program, has served community groups quite well, enabling them to tap into a variety of sources to respond to differing needs and funding shortfalls. The result is a very flexible system with good opportunity for local control (although some tensions remain between local officials and more grass-roots community groups), rather than prescriptive requirements imposed across the nation but inappropriate in specific communities and circumstances.

There is nonetheless a separate question about the relative (in)efficiency in this ongoing progress of proposal writing and grant chasing versus a single application for large scale funding, as is more the case in the UK (see companion paper by Maclennan).[6]

While there is no single regeneration budget or specific regeneration policy at a national level, beyond the somewhat comprehensive CDBG program, many cities have created policies at the local level. Most major US cities have housing and redevelopment departments that coordinate the implementation of local policies and have become adept at using and lobbying for state and federal programs.

At the same time, a solid network of foundations and research institutes have created a diverse set of research, augmented by a large volume of foundation awards focused on documenting and rewarding best practice – which in turn contributes to broader understanding and revision of policies at the national levels – e.g., improvements to HOPE VI, Low Income Housing Tax Credit (LIHTC) and creation of the New Market Tax Credit (NMTC). The foundations and intermediaries are also vocal in the criticism of programs and policies and frequently make recommendations for ongoing program refinement (and for increased resourcing).

Although the focus in this paper is on federal policy and program initiatives, it is important to note that states and cities have also been very active and instrumental in managing and directing revitalization efforts – typically utilizing resources of a range of federal, state, local and foundation programs. All major US cities have departments responsible for housing and redevelopment (originally as conduits for HUD funding) and have developed considerable expertise, which is applied in the creation of many locally driven strategies and revitalization programs.

The Mechanics of Renewal Strategies

As suggested above, in most cases, more recent renewal or regeneration strategies in the US have been largely developed and driven at the local level – either through community-based leadership or elected administrations. In all cases, this approach has relied on taking advantage of an array of funding mechanisms and opportunities that are provided by federal, state and foundation programming.

Consequently, the most useful way to present the mechanics of recent renewal strategies in through a few illustrative case studies.[7] The following overviews are among the most frequently cited in US research, with the first two notable for their longevity:

- Sandtown-Winchester (Baltimore)
- Dudley Street Neighbourhood Initiative
- Manchester HOPE VI (Pittsburg).

Sandtown-Winchester (Baltimore) [8]

Sandtown Winchester (S-W) is one of a number of older inner-city neighbourhoods in Baltimore that has experienced substantial depopulation, abandoned properties and a subsequent infestation of crime, arson and loss of commerce. As a city, Baltimore lost almost one-third of its population between 1950 and 2000, with 11.5 percent of this loss occurring between 1990 and 2000.

A neighbourhood comprising some 72 blocks, S-W has experienced the brunt of this decline – falling from a population of 30,000 in 1950 to only 10,000 in 1990. Of its 4600 dwellings in 1990, more than 65 percent (3,000) needed major rehabilitation or demolition and 600 of these were abandoned and boarded up. The median income in the area is only 40 percent of the Baltimore median. Even though properties were relatively affordable, assessed at 37 percent of the city median, there was no interest in buying in this distressed area, nor any attraction for business investment.

Efforts to stabilize and revitalize this and a similarly distressed adjoining neighbourhood have been ongoing since the late 1980s. The initial efforts were stimulated by a group of concerned residents – Baltimorians United in Leadership Development – BUILD. This community-based organization formalized a partnership with the Enterprise Foundation (whose founder James Rouse was from Baltimore) to create a community development corporation – the Enterprise Nehemiah Development Corporation (ENDC).

Rouse had a very strong commitment and wanted to demonstrate that no matter how distressed a community, it could be transformed. Sandtown-Winchester was selected in part because it was so severely distressed (in some respects it has been a flagship, which may have helped in attracting resources, a process that may be more challenging in other communities). The ENDP established four goals for S-W:

- increase residential stability through homeownership opportunities
- expand commercial redevelopment
- eliminate vacant properties and land
- deepen community involvement.

A notable aspect of community involvement has been to reform two local schools. Enterprise's Baltimore Education Initiative aims to address the needs of the whole child with a comprehensive approach, spanning from preschool through elementary and, most recently, middle school. While the main focus of the Enterprise Foundation is in housing development, it has broadened its reach to include education with the objective of increasing each child's chances of graduating from high school, attending college and securing a good job. The program also sees better education as a plank in the strategy of attracting and retaining middle-income households and thereby attracting business. Since 1987, when the neighbourhood schools ranked in the bottom tier of the city's public education system, there has been a dramatic improvement. Since 1999, for six consecutive years, students have met the math and reading targets set by the state of Maryland.

In addition to a partnership with the Enterprise Foundation, the neighbourhood was successful in winning a $750,000 grant in 2000 from the Anne E. Casey Foundation (a foundation with a mission to help build better futures for millions of disadvantaged children who are at risk of poor educational, economic, social and health outcomes). The grant was invested over three years to support Enterprise Baltimore's (the Enterprise office in that city) four points of impact in Sandtown-Winchester:

- Safe Neighbourhoods/Safe Families – Enterprise Baltimore works with the AmeriCorps program to help individuals, families and community development corporations (CDCs) improve their community safety programs.

- Community Capacity Building – Community residents are taught how to design, implement and manage a neighbourhood transformation program.

- Workforce and Economic Opportunity – Enterprise Baltimore works to connect families with employment training that will help residents gain stable employment. Residents are also provided with training and financial resources to become entrepreneurs or expand existing businesses. Additionally, local and small minority contractors are afforded opportunities to participate in the redevelopment of the community.

- Physical Development – Residents work with Enterprise Baltimore and other neighbourhood organizations to improve the community's physical environment.

Housing rehabilitation was a central part of the initiative – providing employment as well as physically changing the image of the area. The Enterprise Nehemiah Development Corporation (ENDC) identified a range of potential funding sources and worked collaboratively with city, state and federal programs.

Reflecting the array of programs overviewed in the previous section, funding for the revitalization of Sandtown Winchester was secured through CDBG, a HUD homeownership program, State issued tax-exempt bonds and a State property tax abatement program. The city provided 17 abandoned properties and a vacant land site that could accommodate 283 homes. Subsequently, S-W was designated as an Empowerment Zone and, in later housing development phases, was eligible for grants and tax incentives under that federal initiative, discussed above.

After this initial effort, the approach was revised with greater emphasis placed on rehabilitation of existing homes (where economically feasible) rather than demolition and rebuilding. There was a focus on 'gateway' streets, which were targeted for restoration. While housing rehabilitation was a large component, the program also involved a comprehensive strategy to improve residents' economic, social and physical well-being – which included job training and placement, school-based health and mental health, services food programs and public safety initiatives.

These neighbourhood-led initiatives were augmented in 2000 through a city-wide process of planning reform focused on addressing the depopulation trend. One chapter of *Plan Baltimore 2000* was titled *Strengthening Our Housing and Neighbourhoods*. This plan articulated specific goals for strategic demolition and preservation for vacant homes, reduction of drug abuse and related crime, improvement of schools, deconcentration of poverty and retention of middle-income residents. As one element of this strategy, in 2001, the city obtained State funding ($25 million) to implement a drug addition treatment program.

While the concentrated investment in the transformation of the S-W neighbourhood is producing positive outcomes (based on a series of neighbourhood indicators), there is concern that this concentrated investment is not replicable. It may also have diverted needed resources from other neighbourhoods – causing some resentment across the city.

Reflecting these concerns, the City Administration announced in 2000 a Healthy Neighbourhood Initiative as a counterpoint to the neighbourhood transformation that was necessary in the devastated S-W neighbourhood. The intent is to arrest decline and stabilize neighbourhoods before they fall too far – effectively a preventative strategy. The initiative includes low interest loans to new and existing residents to undertake rehabilitation, as well as training and technical assistance in neighbourhood organizing and leadership development.

To date, gentrification has not been an issue in Sandtown-Winchester. There is a policy focus on attracting middle-income households and deconcentrating what was formerly an area of concentrated poverty. However, because of the high level of abandonment and vacant properties, infusion of new middle-income households does not require any displacement.

Boston's Dudley Street Neighbourhood Initiative (DSNI) [9]

The Dudley Street Neighbourhood Initiative (DSNI) is an interesting example of a community-based planning and coordinating process. The organization itself is not a CDC, but provides a comprehensive planning framework within which a number of CDCs take on specific activities. It is also a useful case study because it is occurring in a city that has strong growth and has already reversed the depopulating process that tends to characterize urban decline – a critical challenge is how to manage the risk of gentrification. Further, it is also notable as an initiative that benefited from concentrated investment. While originating as a grassroots community-based initiative, the local efforts were supported by a community foundation (Riley Foundation) and with assistance from the Community Training and Assistance Corporation. Rather than spreading its grant-making across the city, the Riley Foundation focused its investment on an area that includes the Dudley Street neighbourhood and committed to long-term core funding support to enable the emerging organization to be sustainable.

The DSNI was initiated in 1984 as a resident-led, nonprofit planning and organizing group in the Roxbury/North Dorchester area of Boston. This neighbourhood encompasses a 1.5 square mile area southeast of downtown Boston and, at its initiation, was the poorest area of Boston. With a diverse community of African American (37 percent), Latino (29 percent), Cape Verdean (25 percent) and white (7 percent) residents, it has a per capita income of $7,600 compared to nearly $16,000 for the City of Boston as a whole. Located less than two miles from downtown Boston in Roxbury/North Dorchester, the neighbourhood has large tracts of vacant land (21 percent of the neighbourhood) – a consequence of insurance motivated arson fires in the 1960s and 1970s. The (2000) median family income for the area is $20,848. The unemployment rate is an estimated 16 percent. Approximately 32 percent of the area's population falls below the poverty line. At the same time, it is noted for strong community leadership and determination.

The DSNI was formed in 1984 when residents of the Dudley Street area came together out of fear and anger to revive their neighbourhood that was nearly devastated by arson, disinvestment, neglect and redlining practices. The community also had a concern that, given proximity to the business core, there was a risk of gentrification and therefore sought to protect the area from outside speculators.

The strong organizing base of the DSNI has created a unique, resident-driven model of planning. This is in stark contrast to the conventional path through which city government develops a master plan before seeking community input. The DSNI is recognized as an example of bottom-up mobilizing that succeeded in getting attention from local and state government, local and national foundations, and a federal government that has grown enamored with local self-help 'best practices' [Fannie Mae 2000].

This neighbourhood and its renewal process are somewhat unique in the proximity to the vibrant core area, the large areas of vacant property and, most significantly, the success of the community to secure control over this vacant land very early in the revitalization process.

DSNI's major accomplishment has been, and continues to be, organizing and empowering the residents of the Dudley Street neighbourhood to create a shared vision of the neighbourhood and bring it to reality by creating strategic partnerships with individuals and organizations in the private, government and nonprofit sectors. This shared vision emerged from a community-wide process conducted in 1987 that resulted in a resident-developed, comprehensive revitalization plan. The action includes plans around developing community pride (e.g., via cleanup of garbage on abandoned sites), improving job skills of residents, housing counselling and new housing construction.

The residents group was able to develop and implement a plan because they managed to gain control over a significant portion of the 1,300 parcels of abandoned land that had come to characterize the neighbourhood. They gained control by convincing the authorities in Boston's city government to take the unprecedented step of granting the community the power of eminent domain (i.e., the right to expropriate). Residents of Dudley thus acquired valuable assets and a 'place at the table' during any discussions around the development of their community.

The initial 1987 comprehensive plan was updated in an urban village visioning process in 1996, involving more than 180 residents and organization representatives. This update reaffirmed many elements of the 1987 plan, added important refinements and renewed the commitment to creating an 'urban village.' From this process, a major commitment was made in 1996 to enhance economic power in the Dudley neighbourhood. The broad community support resulted in DSNI's plan being adopted by the City as the official plan for the area.

DSNI works to implement resident-driven plans with partners including Community Development Corporations (CDCs), other nonprofit organizations and religious institutions serving the neighbourhood, banks, government agencies, businesses and foundations. The initiative has grown into a collaborative effort of more than 2,700 resident members, businesses, nonprofits and religious institutions concerned with revitalizing this culturally diverse neighbourhood of 24,000 people and maintaining its character and affordability.

In establishing a vision of an urban village, the DSNI was cognizant of the need to balance a goal of attracting middle-income residents but without promoting large-scale gentrification. To address this concern, they created a community land trust to hold properties acquired under their right of eminent domain. The Trust provides land on a 99-year lease and includes restrictions on resale prices. By late 2000, 170 of the 500 homes built belong to the trust, the rest are privately owned, but with restrictions on resale. The result is felt by community organizers to be the 'right balance' – attractive to commercial investment, revitalized but still affordable.

Both the DSNI and partner community organizations have accessed a variety of funding sources. Initial startup and core support came from the Riley Foundation. The Ford Foundation provided a low interest loan to purchase property under the eminent domain authority; CDBG funding has supported a variety of housing rehabilitation and new construction activities, funded youth training and employment programs, and assisted in the purchase and rehabilitation of a furniture factory to employ local residents.

Pittsburg-Manchester Neighbourhood Hope VI Revitalization [10]

This case study illustrates how the Mixed Finance HOPE VI program, which is targeted to distressed public housing projects, was effectively utilized to transform a very low-income distressed inner-city area of Pittsburg, with broad impacts across the area including nonpublic housing development. Distinct from Boston, but similar to Baltimore, Pittsburg has faced a persisting trend in depopulation since 1950, which continued throughout the 1990s. Attracting people and business investment back to the core is a key challenge.

With a predominantly black population, the Manchester neighbourhood is located just northwest of the downtown core. It is physically cut off from other more vibrant downtown areas by a freeway, which has retarded new private investment. In 1990, the median income was 70 percent that of the city and only 55 percent that of the metropolitan area. The unemployment rate was 16 percent compared to a metro average of 7.0 and more than one-fifth of residents lived below the poverty line.

This particular public housing project is somewhat different from many in that it is a scattered development with nine buildings distributed around the neighbourhood. It is not a monolithic large-scale development like most distressed public housing developments that are being transformed under HOPE VI.

Because the housing project is scattered, it had a permeating impact across the neighbourhood. The public housing properties are of very poor urban design and stand out in the neighbourhood (bunker-like three-story walk-up apartments compared to predominantly two-storey homes). The nine buildings total 107 units of public housing with deep setbacks removing them from the streetscape and the buildings break up the neighbourhood grid pattern. Their physical design, combined with age and poor levels of maintenance, isolated the properties and the residents from the larger community. Despite this concentrated poverty, there was a lack of social services and supports to help mediate these problems.

The revitalization through HUD focused on correcting the critical physical and social impact of the existing public housing presence in the area using a four-part strategy: redesigning and rebuilding public housing with good design; improved integration into and compatibility with other housing in the community; partnering with private organizations and giving them a stake in the redevelopment; attracting middle-income households to live in the area; and framing the initiative in a comprehensive revitalization plan that included important public services.

Distinct from DSNI where leadership came from the community and earned the support of the public officials in Pittsburg, a newly elected mayor in 1994, with a strong background in community organizing, was instrumental in jumpstarting the revitalization. Running on a platform that included public housing renewal, the mayor ensured coordination and commitment across city departments and agencies. A pre-existing residents council (mainly the nonpublic housing homeowners) was also a key actor.

Initially identifying the public housing as a major impediment to neighbourhood renewal (i.e., public housing was seen as a primary cause of the problem), the Manchester Citizens Corporation (MCC) ultimately accepted the integration of new public housing as part of their strategic plan for revitalization. Their acceptance was influenced by the significant level of funding that could be secured through HOPE VI to redevelop the existing blighted public housing and, at the same time, stimulate broader investment in more comprehensive revitalization beyond just the public housing.

The redevelopment process has demolished the old public housing walk-up blocks and replaced these with 120 row townhomes – 86 for rent and 34 for homeownership – dispersed across the neighbourhood in small clusters. The new construction complements the neighbourhood's existing housing stock while reestablishing its historic street frontages. A private firm owns and manages the rental property with the Manchester Citizens Corporation also taking part in the ownership governance structure. Supportive services are now available to both public housing and general Manchester residents, including life skills training and credit counselling courses, a youth development center with after-school programming, a computer center, and job training and scholarship programs.

While not successful in securing a grant in the 1994 national competition for an Empowerment Zone, the process of preparing a grant application was important in crystallizing broad community and resident participation around a collective vision for a mixed income redevelopment. Subsequently, the community submitted an application to the separate HOPE VI competition and, this time, was successful in securing a grant of $7.5 million.

Still under way, the revitalization has drawn on a number of funding sources to cover the $34 million redevelopment budget. In addition to the $7.5 million HOPE VI funding, additional Public Housing Funds from HUD provided $4.2 million. The city used part of its formula-based allocation of Community Development Block Grants (CDBG) and HOME funding to allocate to this neighbourhood. The majority of the funds were, however, via private equity investment – leveraged by the Low Income Housing Tax Credit program, privately funded mortgages for the rental developments and homebuyer down payments and financing.

The early results suggest that the redevelopment is having success in stemming blight and physically renewing the area while retaining opportunities for low-income residents – 95 percent of former public housing residents have been re-housed within the neighbourhood. Economic indicators reveal measurable employment in incomes, employment rent levels and house values – but not to the point where the area is being gentrified.

Summary Comments on Mechanics Illustrated in Case Studies

The recent revitalization experience in the US revolves around community-based and often community-led initiatives responding to long-term manifestations of distress and decline. Most are comprehensive in scope and draw on a range of funding programs operated at local, state and national level.

In most cases, the real extent of renewal is contained – the Sandtown-Winchester case (encompassing an area of 72 blocks) is at the larger end of the scale. Most initiatives are concentrated in smaller areas with physical, usually manmade boundaries, such as freeways.

Most of the major national funding sources – including Renewal Communities Initiative (formerly EZ/EC), HOPE VI and LIHTC tend to operate on a competitive basis, requiring detailed community strategies and broad support. Effectively, most cities or neighbourhood planning units have tended to undertake the development of an overall strategy of neighbourhood renewal within the framework of a broader long-term planning.

Compared to the UK, while comprehensive planning is widely used in the US, the explicit practice of capturing planning gain to achieve public policy objectives is not as evident in the US (i.e., ensuring that some portion of the development rights created by public decisions, such as increased zoning and development approval, are directed to dwellings meeting affordable criteria). An interesting case where this does occur, and a case that again displays the US penchant for creative financing and adopting private market mechanisms, is the use of tax increment financing (TIFs). This approach is most prominent in California and is premised on the notion that regeneration of an area will revitalize the tax base and generate new tax revenues. Cities are permitted to secure new debt (usually to invest in the areas renewal) against the newfound increased tax revenues anticipated into the future.

Distinct from the competitive bid programs, CDBG and HOME are entitlement programs, allocated on a formula basis to states and usually directly to incorporated cities and then further allocated based on locally developed plans and priorities for revitalization – with decisions made by local officials. While the allocation is premised on an objective set of needs-based criteria, once received the cities reallocating the funding are not restricted to only the lowest income neighbourhoods. Consequently, there has been some debate on the relative merits of allocating funds across all low-income areas versus concentrating investment in just a few.

Recent research [Galster et al. 2004; Galster 2005,] has undertaken empirical analysis to determine whether broad distribution versus concentrated investment is a better strategy in terms of stimulating and supporting meaningful revitalization.[11] The tentative conclusion of the research, which reviewed spending patterns and neighbourhood outcomes across 17 cities in a variety of contexts, is that more concentrated spending appears to generate greater outcomes in neighbourhood conditions, although these findings are mediated by other variables. The cases illustrate a range of partnerships – local coordinating and planning entities, working with resident organizations, CDCs, city redevelopment agencies, planning departments and, quite frequently in the US, private sector partners.

The major funding programs explicitly permit part of the funding to be allocated to organizational community development. Increasingly, the scope of regeneration goes well beyond just bricks and mortar redevelopment to include a range of community development, and social service and economic development activities. These relationships tend to evolve based on need and dynamics of local situations – in most cases, the partnerships that have been formed have followed or evolved from the renewal initiative, rather than being created in advance.

In many cases, the program funds (e.g., within HOPE VI or CDBG) are augmented with other sources of public funding or with time-limited funding from foundations (usually related to specific programming – such as a youth program employment skills). Because many neighbourhood revitalization initiatives in the US are driven by community development, they are frequently integrated with local economic development strategies – including job training and placement for local residents as well as initiatives to draw new business and employment (e.g., via EZ/EC Renewal Communities Initiative). Tax credit mechanisms are a further layer that helps attract financing and private equity investment.

Although not illustrated in the three case studies, a separate set of programming has sought to provide opportunities for residents of lower-income areas to relocate to neighbourhoods with better connections to the labour market and other services, especially schools (see, for example, the Housing Choice Voucher Program, formerly Sec. 8, which essentially gives public housing tenants the option to accept a shelter allowance voucher and relocate to a new neighbourhood rather than moving back into redeveloped public housing).[12]

Resources for Renewal

The overviews of renewal programs and illustrative cases have identified the primary sources of public funding and support for renewal initiatives. In part because this support is incorporated into programming, but also as a result of the extensive network of community development corporations (CDCs) and intermediaries (local regional state and national), there is a significant focus and investment on capacity building, development and nurturing of local community leaders, and building human capital resources.

Concurrently, there is active participation (and, in some cases, leadership) from the private financial services sector, induced in part by requirements of the Community Reinvestment Act. Many financial institutions have established community development subsidiaries that have developed expertise and sensitivity to nonprofit and community lending. This includes the development of specialized lending products and an extensive array of education and counselling in financial literacy and capacity. In addition, business leaders are often active board members on foundations and CDCs. Their increased awareness and understanding of housing and community renewal issues often spills over into the philanthropic activities of their corporations – rather than simply giving to charity, these leaders carefully invest their contributions.

The direct and active engagement of the private financial service sector has resulted in a good supply of financing and credit to support both housing development and other community development investment. In particular, the facility to raise financing through bond issues (via city or more often State Housing Finance Agencies) enables community organizations to access capital at relatively low cost.[13]

Both the Low Income Housing Tax Credit (LIHTC) and the more recent New Markets Tax Credit (NMTC) provide additional mechanisms to stimulate private investment at relatively low cost to the community organization (the cost is borne by government in the form of a tax expenditure – tax revenues not collected). There is some debate (especially in the UK and Canada, which do not have these vehicles) over the relative efficiency of this private tax-based system (and associated transaction fees and costs) versus direct public subsidy. While this approach has become mainstream in the US, it is a distinctly different approach from that in the UK or Canada, which both tend to favour direct public investment. A tax expenditure is still a public subsidy – it simply reflects a different way of accounting.[14] The result, however, is a significantly higher level of private equity investment and private financing than is the case in the UK or Canada.

In part, it is the promotion of tax exempt financial vehicles that has engaged the financial services sector in the US – the resulting deals generate transaction fees for the intermediaries (some of which are private but many of which are nonprofit). The major national intermediaries have all developed expertise as equity fund managers and manage large volumes of tax credit investment. In these cases, fee revenues are reinvested in the social purpose of the intermediaries.

As illustrated in Pittsburg, the public-private leverage is significant. Public funding accounted for roughly 20 percent of the total investment cost of the estimated $34 million – a leverage of 5:1. Currently, however, various public funding programs are vulnerable to constraints and reduced budgets. The President's new Strengthening America's Communities may reduce CDBG funding by up to 40 percent. The HOPE VI budget is also under scrutiny and may face a cut.

Conversely, the LIHTC has received increased funding (tax exemption authority) while the NMTC establishes a new tax expenditure envelope. But because these measures leverage private equity investment, they tend to generate strong support from both corporate America and from community and affordable housing advocates. As a result, the measures have proven to be more resilient, surviving across and being expanded by three separate Administrations – Reagan, Clinton and Bush.

Monitoring progress, judging success

The central characteristic of the US revitalization system is one of a diverse and arguably fragmented set of programs. Although there have been periodic attempts to consolidate programs (e.g., Community Development Block Grant, HOME and, more recently, the Strengthening America's Communities), additional programs have continued to spring up outside of the consolidated blocks. In part, this growth reflects the multidimensional nature of place-based issues.

The central characteristic of the US revitalization system is one of a diverse (and arguably fragmented) set of programs, there is no single mainstream revitalization or renewal program. While the public housing focused HOPE VI is relatively comprehensive in scope, even here the local regeneration initiatives tend to tap into additional funding sources.

Accordingly, comprehensive evaluation and ongoing performance agreements at the comprehensive scale are elusive. That said, there are detailed and often onerous reporting requirements within specific programs that are usually part of comprehensive initiatives at the local level.

Formal evaluation and assessment by oversight agencies – notably the Government Accounting Office (GAO), the Congressional Budget Office and the Office of Budget Management have been undertaken to examine individual program impacts and outcomes. The weakness is that while individual programs may be evaluated and objectives of public accountability addressed, the synergistic impact of linked delivery within the more comprehensive framework are either overlooked or double counted (as different individual initiatives are ascribed credit for the broader outcomes).

A 1995 GAO report is one of the few that undertook a detailed review of comprehensive community development. In commenting on the complexity and lack of coordination across federal departments and agencies, the report also concluded that comprehensive approaches are more viable now (1995) than they were in the past because community organizations have gained experience and an infrastructure has evolved to provide funding and technical assistance. They also commented that revitalization efforts involve long-term continuous investment and it is often difficult in the short term to evaluate results.

The GAO has also evaluated the option of increased concentrated investment of CDBG funding, concluding that current targeting practices could be enhanced [GAO 2005]. A number of task forces and commissions have also undertaken extensive review into both housing and community development initiatives – the most recent being the Strengthening America's Communities Advisory Committee (SACAC), already noted above.

Internally, HUD undertakes ongoing evaluation of a full array of programs and provides oversight over the Public Housing and Redevelopment Authorities that administer HUD funded programs (as departments or agencies of local government). HUD has commissioned an interim evaluation of the Impact of HOPE VI although the long-term effects remain to be realized. In an independent evaluation, a recent study of eight HOPE VI neighbourhoods [Zielenbach 2002] found increases in income, employment and education levels of residents of HOPE VI neighbourhoods between 1990 and 2000, as well as a reduction in crime. However, the researcher was unable to unambiguously attribute these outcomes to HOPE VI alone. Other factors that have influenced the eight HOPE VI case studies include strong regional economies, development efforts of local community groups, welfare reform and targeted infusions of city, state and other federal resources.

HUD also sponsored an evaluation in 2001 of the 71 Enterprise Zone/Enterprise Community sites funded in 1994, including intensive study of six EZs and 12 ECs [Hebert 2001]. The evaluation found mixed outcomes in key program area. Although job growth was reported in five of six zones studied, in only three of the six EZs were increases in employment correlated with specific EZ programmatic activities. Business and workforce development activities were widespread across the 18 EZ/EC intensive study sites. Business owners in the EZ sites reported that the climate for doing business in their zones had improved – although a number of businesses also reported that tax breaks made no difference to their hiring practices. In many of the intensive study sites, the level of resident understanding of the zone mission and ongoing participation in the process declined over time, reinforcing the need for active community organizations with meaningful ongoing roles, beyond the planning stage [Abt 2004].

In addition, serious academic analysis has scrutinized a number of the programs and approaches toward neighbourhood revitalization. Such research includes that of Turbov and Piper [2005] Galster et al. [2004] and Galster [2005], already referenced.

One area that is not extensively discussed in the literature is the extent to which planning and social programming interact with and utilize transportation and infrastructure investment as an integral part of the comprehensive renewal plans. There is, however, some evidence that this is beginning to attract some policy attention – driven largely by the smart growth movement. Federal and state legislation and funding mechanisms have become more flexible in allowing local government to allocate funding from road transportation to transit – reversing the historic funding bias that propelled suburban growth (and contributed to inner city depopulation) through investment in freeways. Some states have even begun to target direct spending and new investment to communities where infrastructure is already in place [Katz 2005].

Conclusions on the US Experience

From this review of the US experience and practice a number of features can be highlighted. While there is no single large-scale comprehensive regeneration/revitalization program, there is an array of funding vehicles that, in combination, provide support to locally designed comprehensive renewal. This includes some omnibus funding vehicles that provide block grants and flexibility to local cities/communities (CDBG and HOPE).

The US experience has included direct grants to community groups as well as conditional block grant funding to states and municipalities (cities where incorporated and organized; states where ultimate recipient areas are not as capable – an interesting model of asymmetrical funding that could be relevant to Canada).

While seemingly under continuous threat of budget reductions, there has been a remarkable resiliency in a few of the key federal programs – CDBG has been in place for more than 30 years, LIHTC almost 20 years and HOPE VI for 11 years. Within all three there have been program refinements, usually based on lessons learned and intended to enhance outcomes (or remove impediments). Augmented by other shorter-term programming, this continuous source of both funding and programs support has been a critical factor in sustaining growth of community leadership, capacity and expertise.

In addition, the approach of allocating funding in conditional programs or block grants to states and, more often, directly to cities has helped create and strengthen local delivery and administration capacity. Most mid-large US cities have housing and redevelopment departments or agencies either integrated with or alongside planning departments. The functions of these departments are much broader than land use planning – it includes programming and funding (resourced with federal and in most cases also State transfers). Thus, there is a strong capacity to design and deliver comprehensive neighbourhood renewal strategies in collaboration with well organized and reasonably resourced community partners.

The voluntary sector and its formal structures, foundations and intermediaries have reinforced public funding and support. In particular, this sector has played a significant role with ongoing investment in building, supporting and mobilizing local capacity and community leadership.

The challenges of community regeneration in the US span both weak markets (still declining central cities) along with those well on the way to recovery with renewed interest in living in core areas. Different strategies are necessary to operate in weak versus strong markets – which also exist in Canada.

Possible Lessons for Canada

The US experience suggests that there are two critical elements for effective regeneration/ revitalization – strong community leadership and capacity, and sufficient resourcing (funding) to achieve measurable progress.

First, strong leadership and sustained capacity within resident and community organizations is a prerequisite to both planning and implementation. In some communities, leadership emerges in the face of a crisis and frustration with lack of action (i.e., a reactive stimulus). In other cases, a crisis or other trigger event may not have occurred, but indicators suggest that a neighbourhood is in decline. In these latter cases, a preventive approach is required to identify and correct the path of decline before the neighbourhood falls off the edge (arguably, this is more typical of the Canadian situation). Preventive and proactive (versus reactive) approaches require leadership, making it necessary to identify community members that can recognize and raise concerns about the direction of decline and build a consensus on how to reverse this trend.

While strong community participation and capacity are prerequisites, participants are often frustrated by lack of access to resources. In many cases, an array of programs may already exist and the effectiveness of delivery and, more importantly, their impact can be enhanced by careful integration and coordination. Some formal consolidation of stand-alone programming may be useful (e.g., the CDBG and HOME approach).

Dedicated funding can be effective in kickstarting local revitalization, but there must be a critical mass of funding support and a long-term commitment to ensure that the slow process of change can gradually evolve with continuous support. The US experience demonstrates that while decline can be precipitous, recovery is a long, slow process, requiring patient investment.

In the US, community development corporations (CDCs) have been an important and effective vehicle through which focus revitalization funding and efforts. Canada has not created a parallel form of community infrastructure. In many cities, nonprofit housing agencies are not well connected to nor working do they work in collaboration with the array of community support, service and advocacy agencies. Entities with comprehensive roles like the CDCs exist in only a few communities in Canada. Better integration can help to build stronger community entities and engines for proactive change.

The US experience and some recent research on the importance of a critical threshold of investment generate a difficult policy dilemma. It has been suggested that there will always be a shortage of funding and thus some mechanisms are required to allocate resources. Many policy analysts and officials may be tempted by the apparent fairness of a worst first approach. But evidence suggests that, in some cases, this is simply a matter of throwing good money after bad – a bottomless pit of spending. There is a need for more strategic and selective investment. This investment would focus on areas with a greater chance of success, with the intent of gradually edging into areas of greater challenge and countenancing some degree of triage, at least in the short term.

As governments move increasingly to embrace performance goals and outcome measurements as mainstream practices, there is a risk that comprehensive long-term processes will be undermined by short-term sectoral or departmental goals. If intersectoral and even intergovernmental funding and programs are to be linked, new mechanisms to measure outcomes in a more comprehensive manner also need to be designed.

The US and other countries, like the UK and Australia, enjoy the reflective insight and constructive analysis of an array of independent and academic research bodies. Canada lacks this capacity in the area of urban and neighbourhood analysis. Most policy development and evaluation in Canada are internal to government and not transparent. Canada needs to rebuild its analytical capacity and a network of applied research entities, especially within the academic community. Such activity builds improved knowledge and understanding, and helps to inform the policy and program design process.

The Action for Neighbourhood Change approach – with a partnership of government and community activists working in an active research approach – is an excellent step toward improving this analytic capacity. Related to the issue of research and analytic capacity, Canada needs to review its existing statistical capacity to ensure that data are collected on an appropriate frequency and scale to enable analysis of neighbourhood issues. The availability of geographic information systems (GIS) and expertise is an important technology and approach, and can be harnessed to sharpen our collective insight into which neighbourhoods are at risk, the spatial impact of existing programming, and how targeting and strategic threshold investment can be consolidated and monitored.

While this paper focuses primarily on federal programs and initiatives, it has noted the active and increasing roles of local and state level initiatives. In part, this is a result of the form of investment that the federal programs have used – conditional block grant funding to localities (sometimes community groups, other times municipal corporations). Recent communities then had a responsibility to design and manage delivery of programming at the local level. This approach helped to build expertise at the state and local level to the point where these empowered entities are taking greater responsibility and adding their own resources and programming. Federal investment can be a critically important lever in nurturing increased capacity at both the state (provincial) and local level – provided that the funding and program rules are permissive rather than prescriptive.

Endnotes

1. A recent report by NeighborWorks America examines this issue and best practices in managing the process of gentrification for more balanced inclusive outcomes: *Managing Neighborhood Change: Best Practices for Communities Undergoing Gentrification*, April 20, 2005.

2. Another feature of the 1974 legislation was the creation of Urban Development Assistance Grants (UDAGs), which also provided funding to local corporations for developing revitalization strategies.

3. For a more detailed discussion on the creation and evolution of the intermediary network in the US, see Y. Thomas Liou and Robert Stroh in *Housing Policy Debate* 9(3): 575-594, 1998 (available online at *http://www.fanniemaefoundation.org/programs/hpd.shtml*).

4. Renewal Communities, Empowerment Zones and Enterprise Communities use HUD's Internet-based performance measurement system (PERMS) to document their development activities and use of funding. RC/EZ/ECs create implementation plans to document individual development activities. They report their progress yearly in comprehensive annual reports. Annual reports contain all implementation plans and narratives on different aspects of development. Details on plans and results across designated communities are available on the HUD website: *http://www5.hud.gov/urban/perms/perms.asp*

5. HOPE VI is so named as it the sixth in a series of housing programs implemented by HUD, beginning in the 1990s. While the first version of HOPE was titled based on the acronym for Home Ownership for People Everywhere, subsequent versions have expanded beyond affordable homeownership. HOPE 1-3 are now inactive.

6. Part of this inefficiency is a system of complicated financing that has evolved in the US. CDCs and other affordable housing developers must often bundle a dozen or more separate sources of financing. Failure to finalize one source can cause deals to unravel and sometimes leads to delays and a frustrating process.

7. There are several good books filled with other case studies to which the interested reader might wish to refer: Keating, Krumholz and Star eds. *Revitalizing Urban Neighborhoods*, University Press of Kansas 1996; Keating and Krumholz eds. *Rebuilding Urban Neighborhoods*. Sage, 1999; Bright, *Reviving America's Forgotten Neighborhoods*, Garland Publishers, 2000.

8. Information for this case study is drawn in part from an earlier case study in Lampert and Pomeroy, 1998; Cohen and James 2001; and the Enterprise Foundation Website.

9. Information for this case study is drawn from the more detailed case study prepared for the Brookings Institution Metropolitan Policy Program by Turbov and Piper (2005).

10. Information from GOA 1995; Fannie Mae Building Blocks Winter 2000 Vol. 1:2; DSNI Website: *http://www.dsni.org*

11. There is, however, some debate on what type and scale of housing assistance enables revitalization versus exacerbates decline. Zielenbach and Minoff (2005) has noted that programs that were intended to deconcentrate poverty by providing housing choice vouchers can, in fact, increase concentration as program rent maximum tend to drive beneficiaries to neighbourhoods where a stock of lower rent housing exists – areas which already have a disproportionate concentration of disadvantaged households.

12. For a discussion of this approach see Turner, M. (2003). *Strengths and Weaknesses of the Housing Voucher Program.*

13. State Housing Finance Agencies exist in all states and provide a centralized bond issuing service on behalf of cities and localities as a way to raise capital for various programs. They are authorized to issue both tax-exempt bonds (interest earnings not taxable, so investors will accept a lower coupon yield) and general obligation bonds (interest is taxable).

14. Critics of tax credit/expenditure programs argue that this is a less transparent and thus a less accountable form of public subsidy. It is off budget and not subject to the same scrutiny as a direct spending program. Such a criticism is less valid in the US budgetary context where there are extensive requirements for disclosure, detailed public reporting of tax expenditures and an explicit tax credit allocation formula, which is actively managed.

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