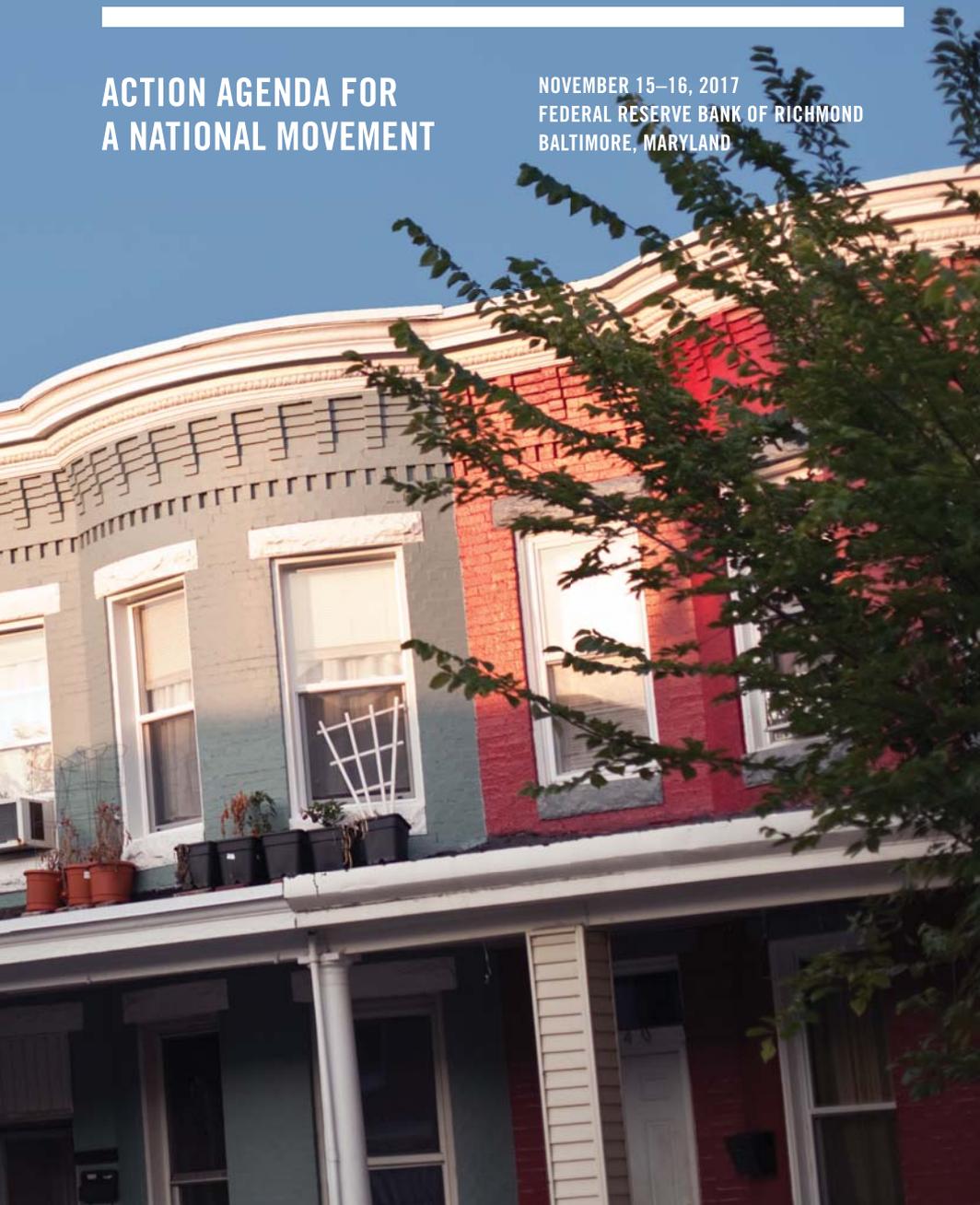


MIDDLE NEIGHBORHOODS

**ACTION AGENDA FOR
A NATIONAL MOVEMENT**

NOVEMBER 15–16, 2017
FEDERAL RESERVE BANK OF RICHMOND
BALTIMORE, MARYLAND



MIDDLE NEIGHBORHOODS

ACTION AGENDA FOR A NATIONAL MOVEMENT

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THE AMERICAN ASSEMBLY
COLUMBIA UNIVERSITY

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PREFACE

David H. Mortimer
President
The American Assembly

In 2016, as part of its ongoing work to strengthen U.S. cities, The American Assembly of Columbia University initiated an investigation into middle neighborhoods—communities “on the edge” between success and decline—which was directed by Paul C. Brophy, a leading expert on affordable housing and community development. This included the publication of *On the Edge: America’s Middle Neighborhoods* with the Federal Reserve Bank of San Francisco. In a series of case studies and essays by leading policymakers, community development professionals, and scholars, *On the Edge* identifies and explores the complex web of communities transitioning—for better or worse—across America. Following the book’s publication, The American Assembly organized convenings in cities across the United States to facilitate author presentations aimed at informing new audiences about these neighborhoods. These convenings were paired with strategic meetings among elected officials, urban policy experts, community development practitioners, and researchers. The response across cities and at the national level was promising, as diverse stakeholders began to recognize the importance of this often-overlooked category of neighborhoods. Local and national media also started reporting on middle neighborhoods. Finally, at a congressional briefing in May 2017, the issues under discussion included how federal action might encourage more local investment to boost the economic vitality of neighborhoods. With this base of interest and support, local and national advocates were brought together for a working meeting in Baltimore. This report is the summary of that meeting.

On November 15–16, 2017, the fifty-four participants from government, law, and academia met with leaders of civic, philanthropic, and public policy organizations in structured discussions examining policies, approaches, and strategies concerning middle neighborhoods poised between stability and distress. The Assembly was

joined by the Lincoln Institute for Land Policy and Healthy Neighborhoods, Inc. in organizing “Middle Neighborhoods: Action Agenda for a National Movement” with the Federal Reserve Bank of Richmond at its Baltimore offices. Paul Brophy served as chair, and Pamela Puchalski, senior adviser to The Assembly, organized and helped structure the event with the invaluable assistance from local groups and The Assembly’s staff, Stephanie Sung and Mark Leneker.

The participants were split into three working groups that focused broadly on research, practice, and policy. They also met in plenary sessions for presentations, discussion, and a moderated panel. Baltimore Mayor Catherine E. Pugh welcomed the participants, and David Erickson, Director of Community Development of the Federal Reserve Bank of San Francisco moderated a panel with Councilwoman Cherelle Parker of Philadelphia; Johnette Richardson, Executive Director of Baltimore’s Belair-Edison Neighborhoods; and Laura Gamble, President of Maryland Regional, PNC Financial Services. The participants also heard presentations about middle neighborhoods initiatives in their cities from Mark Sissman, President, Healthy Neighborhoods, Inc., Baltimore; Nedra Sims Fears, Executive Director, Greater Chatham Initiative, Chicago; Joel Ratner, President and CEO, Cleveland Neighborhood Progress; and Jeffrey Verespej, Executive Director, Old Brooklyn Community Development Corporation in Cleveland.

The strength of this report is due in large part to the co-chairs and rapporteurs of each of the discussion groups: Alan Mallach, Todd Swanstrom, and Jesse Grogan—Research; Nedra Sims Fears, Marcia Nedland, and Stephanie Sung—Practice; and Joe McNeely, Cherelle Parker, and Peter Dolkart—Policy. Without their remarkable facilitation, the caliber of the discussions that informed this report simply could not have occurred.

We are particularly grateful to the Muriel F. Siebert Foundation, PNC Financial Services, and Lincoln Institute of Land Policy whose generous support permitted the meeting to take place.

DISCLAIMER

This report is a summary of the issues and priorities discussed among the working groups in individual and plenary sessions, at the “Middle Neighborhoods: Action Agenda for a National Movement” meeting on November 15–16, 2017 in Baltimore, MD. While the working group co-chairs and rapporteurs edited this report, the individual participants did not. The participation of those who presently serve in a policymaking position should not be taken as an endorsement of the views or recommendations herein.

INTRODUCTION: WHY MIDDLE NEIGHBORHOODS MATTER



Belair-Edison neighborhood, Baltimore. Photo credit: Belair-Edison, Inc.

Middle neighborhoods are among the most racially and socioeconomically diverse neighborhoods in the nation.

Forty-eight percent of urban residents in the United States live in middle neighborhoods. Middle neighborhoods are among the most racially and socioeconomically diverse neighborhoods in the nation, and many are threatened with decline or gentrification, depending on the market conditions in their surrounding cities and suburbs. This key fact was the reason fifty-four experts met in Baltimore in mid-November 2017 as part of a three-part agenda to protect the vitality of these important, yet barely understood assets.

The working definition of middle neighborhoods is that they are places that are neither hot market areas with rapidly rising prices nor distressed areas with falling prices and rising vacancies. Rather, these are the affordable neighborhoods in their jurisdictions. On the edge between growth and decline, middle neighborhoods are generally affordable, stable, and safe, and they historically have played an important role building opportunity and prosperity.

When neighborhoods decline, large numbers of modest-income households, many of whom are people of color, lose wealth due to declining home price, widening the wealth gap in the nation.

Just as rising prices from gentrification can force out long-term residents, a failing middle neighborhood can have devastating trigger effects on its residents and its municipality. Whether property values skyrocket or plummet, residents are at risk of being forced out. Too often the heaviest toll falls on the modest-income families and households. When neighborhoods decline, large numbers of modest-income households, many of whom are people of color, lose wealth due to declining home price, widening the wealth gap in the nation. Failing middle neighborhoods can jeopardize municipal and school budgets as well as increase appeals for federal and state support because declining home values mean a loss of property tax revenues. Despite their importance, middle neighborhoods are the subject of very few strategic interventions and policies. Nor is there consensus among scholars about what factors tip them in one direction or another.

By way of background, in August 2016, the Federal Reserve Bank of San Francisco dedicated its *Community Investment Review* to the topic of middle neighborhoods. The American Assembly then published an updated version of this content in *On the Edge: America's Middle Neighborhoods*. Edited by Paul C. Brophy, the book consists of twelve chapters by sixteen authors on the challenges and promising practices to stabilize middle neighborhoods. The book has been widely read and discussed by neighborhood experts following a national rollout with events in Detroit, New Orleans, Chicago, San Francisco, St. Louis, and Philadelphia, culminating in a Congressional briefing in Washington, D.C.

“We have to understand who lives in middle neighborhoods. These are neighborhoods of teachers, firefighters, and hospital workers. These residents provide our city’s tax base and their neighborhoods must provide a decent quality of life for them—if not, those who can leave, will leave.”
—Barbara Aylesworth, Senior Program Officer, Healthy Neighborhoods, Baltimore



Milwaukee neighborhood association Capitol Heights hosts community event at the local school to provide residents with discounted flowers and plants. Photo credit: Antoinette Vaughn.

The book and outreach activities were organized to:

- Help practitioners, policymakers, and advocates understand that improving middle neighborhoods is a distinct area of practice, research, and investment.
- Build public awareness and understanding, including bipartisan support, around the important role middle neighborhoods play in stabilizing communities and the urban economy.
- Create long-term initiatives and partnerships to advance the field of middle neighborhood improvement.

The goal of the Baltimore convening on November 15–16, 2017 was to strengthen the nascent interest in stabilizing middle neighborhoods. Framed as an action agenda for a national movement, the convening sought to advance thinking and action on middle neighborhoods. Among the participants were the Mayor of Baltimore, Catherine E. Pugh; Philadelphia City Council representative, Cherelle Parker; and two members of Congress, Rep. Dan Kildee (D-MI) and Rep. Dwight Evans (D-PA). Experts from varying disciplines and backgrounds were divided into three working groups: policy, practice, and research. All had an interest in advancing cross-sectoral solutions given the prominent role nonprofit organizations, philanthropy, and financial institutions play in determining outcomes.

This summary provides highlights of the meeting. More information is available at www.middleneighborhoods.org.

“Today you can invest in a company that makes a pill that lowers blood pressure, but you can’t invest in a neighborhood that does the same thing.”

—David Erickson, Director, Community Development Department, Federal Reserve Bank of San Francisco

MAJOR CONCLUSIONS: GROUNDING ACTION THROUGH PRACTICE

A decisive determinant of the appropriate policies and practices for middle neighborhoods is their market context.

Future actions to improve middle neighborhoods must be based on and advance practice. This approach grounded the meeting. It also ensured that each of the three issue areas (policy, practice, and research) took into account the key fact that targeted actions by practitioners are necessary to stabilize middle neighborhoods. While each of the working groups identified a discreet set of recommendations and topics for further work (summarized below and detailed in appendices) that link up with practice in varying ways, there are contextual issues critical to understanding the major conclusions of the middle neighborhoods framework on which these recommendations are based. These include:

- **MARKET CONTEXT:** A decisive determinant of the appropriate policies and practices for middle neighborhoods is their market context. In many cities and suburbs with weak housing markets (e.g. Detroit, Baltimore,

Cleveland) middle neighborhood interventions need to have the goal of preventing these neighborhoods from falling into decline. In hot housing markets (e.g. San Francisco, Seattle, Washington D.C.) policies are needed to preserve these neighborhoods for households with modest incomes in the face of rapidly escalating housing prices. The meeting focus was primarily on neighborhood stabilization and avoidance of decline.

- **ACCESS TO CAPITAL:** Capital for mortgages, home improvements, housing rehabilitation, and business expansion are crucial in middle neighborhoods. However, the private financial market is not providing as much capital as is needed for middle neighborhoods. This is largely because as lending institutions have consolidated over the past thirty years, fewer banks are actively seeking customers in these neighborhoods due to their modest housing values—most banks find it less profitable to make modest-sized loans. Investments are also necessary for soft-asset improvements such as common areas, and the transformation or remediation of abandoned areas into vibrant, open, green spaces. Yet financing for small- and large-scale upgrading is scarce, especially in cash-strapped, weak market cities. This dearth of capital is debilitating to many middle neighborhoods, and remedies to this condition are essential to their stabilization over the short- and long-term.
- **BUILD FROM STRENGTH:** Middle neighborhoods are generally diverse by race, class, and age. They are by nature mixed, with some having a mix of housing types for rent as well as home ownership. Most importantly, given the large portion of middle class Americans living in them, they are crucial to the livelihood for those that are neither poor, nor affluent. Although it may seem counterintuitive to some, rather than limiting recovery work to the weakest parts of a city, a key revitalization approach is to build upon the assets—physical, social, and economic—found in middle neighborhoods. This “build from strength” approach typically has the effect of “spreading the bright” as a strategy to “prevent the blight.” Stabilizing middle neighborhoods and more distressed neighborhoods at the same time—especially when they are adjacent and share schools, parks, playgrounds, and other amenities—creates an opportunity to extend the strength of middle neighborhoods into more distressed communities. In order to carry out this approach, participants spoke of the need to align advocates

“Many foundations have done tremendous things through heavy investment in downtowns, especially in highly distressed cities. But in order to stabilize housing markets, funders are going to have to diversify their approach and address the barriers to middle neighborhood investment.”

—Alicia Kitsuse, Program Director,
The Funders Network for Smart
Growth and Livable Communities



Parklet outside of a local bakery in Chatham, a project supported by the Greater Chatham Initiative in Chicago. Photo credit: Aly Andrews.



for middle neighborhoods with advocates for the lowest income populations. Linking up and partnering also helps to avoid the trap of “false choices” that can mislead policymakers to weigh the needs of middle-income residents against low-income constituents, or the interests of homeowners against renters.

POLICY WORKING GROUP: WHAT POLICIES CAN SUPPORT MIDDLE NEIGHBORHOODS?

The policy focus can be captured by one question: why do local, state, and national policymakers ignore middle neighborhoods, despite the fact that they house almost half of urban residents and provide a substantial amount of revenue to local governments, often the primary source of funds for public services to residents and businesses throughout their jurisdictions? Or, to use a health analogy: why do we wait for neighborhoods to decline and then give them remedial medicine—which is often expensive and/or ineffective—rather than giving neighborhoods vitamins and nutrition to keep them healthy?

A related question is also pertinent: why are these neighborhoods important to their cities and suburbs? Participants focused on two main reasons why middle neighborhoods are essential to the people living in them and to their surrounding jurisdictions.

- First, these neighborhoods typically contain a substantial number of homeowners, and a decline in home values means that these homeowners will lose their home equity, reducing family wealth. Home equity is the most important wealth-builder among modest-income Americans. Increase of home equity can lead to inter-generational upward mobility while loss of home equity often threatens the financial stability of homeowners and their families.
- Second, these neighborhoods are a vital component of the property tax base of cities, suburbs, and school districts. Reductions in property values create a loss of property tax revenue to a municipality, making it difficult or impossible to provide high quality municipal services

...Despite the acute need for middle neighborhood investment and stabilization in a weak market setting... there is no federal support available to strengthen middle neighborhoods.

and good schools. Modest and steady growth of property values can provide local governments and schools with the necessary resources to improve services for businesses and residents throughout their city or suburbs. Ensuring property value growth will solidify a local jurisdiction's budget, preventing state take-over resulting from default or a precipitous revenue decline.

At the federal level, participants recommended the implementation of a limited federal pilot program in which the Federal Housing Administration, Fannie Mae, and Freddie Mac could assist millennials to restructure their student loan debt to facilitate the purchase of previously foreclosed real estate owned (REO) homes. Discussion also focused on amending the Community Reinvestment Act and Internal Revenue Service regulations to encourage further investment by financial institutions and foundations into middle neighborhoods.

Three significant issues and recommendations relevant to federal policy emerged:

- Most federal programs aimed at improving neighborhoods are focused on places where there are high concentrations of lower-income people. This targeting is typically done through means-tested program assistance for housing rehabilitation and other programs. Adhering to strict qualifications and definitions rightly ensures that the most vulnerable populations receive access to much needed funding. However, despite the acute need for middle neighborhood

investment and stabilization in a weak market setting, as is the case in the Healthy Neighborhoods program in Baltimore, there is no federal support available to strengthen middle neighborhoods. Federal policies that balance financial help to people in need with places in need are necessary in cities and suburbs seeking to stabilize their middle neighborhoods.

- The lingering legacy of mortgage redlining, racial disparity in real estate appraisals and valuation, absence of laws preventing discrimination against a person's source of income, and the disinvestment in transportation infrastructure and school construction also impair middle neighborhoods. Current policies are typically focused on the needs of the most blighted or economically challenged communities, Government budgeting and appropriation processes are more responsive to advocates representing specific demographic and special interest constituencies, than on diverse, mixed-income neighborhoods.
- A federal demonstration program to improve middle neighborhoods—one based on the principles and activities of existing successful pilot programs—would go a long way to testing the value and viability of middle neighborhood intervention strategies in different market settings.

However, given the current national political climate, the group noted the low prospect of the federal government addressing the needs of middle neighborhoods through policy tools and initiatives such as tax credits and block grants. Instead, future policy solutions are likely to be narrow in scope and locally based. In discussing what could be done at the local and state levels in lieu of federal support, the group cited the need for neighborhood revitalization and philanthropy programs that forego income restrictions and employ mixed income strategies. Other group recommendations include capacity building and technical assistance resources to support community-based organizations, homeownership incentives, and schools—especially charter schools—that draw enrollment from their surrounding neighborhoods. Adopting collaborative models for new school construction that allow neighborhood organizations and PTAs from nearby middle and more distressed neighborhoods to weigh in on the school's development and future operations helps create good schools, and builds community cohesion.

Among the guiding principles that framed the group's deliberations and conclusions was the broad definition of "policy" to encompass the initiatives of nonprofit and private entities, including financial institutions. The group also recommended engaging anchor institutions, such as educational or medical institutions, located in, or near, middle neighborhoods. In recognition of the close interaction between policy and practice, the group recommended that policies for middle neighborhoods should be based on a thorough understanding of how successful interventions work at the grassroots level. Helping stakeholders from across the political spectrum better understand the immediate and future needs of middle neighborhoods is also critically important to building support for middle neighborhood policies.

Among the guiding principles that framed the (Policy) group's deliberations and conclusions was the broad definition of "policy" to encompass the initiatives of nonprofit and private entities, including financial institutions.

The morass of red tape that hobbles improving middle neighborhoods was cited among structural policy obstacles. Unfunded mandates for sewer upgrades, cumbersome tax abatement, code enforcement, and foreclosure disposition procedures likewise hinder efforts to adequately address the challenges of property vacancies. These municipal hurdles were cited in other groups as well.

A more complete list of policies benefiting middle neighborhoods is included in Appendix 1. While some of the suggestions are limited in scope and relatively simple to implement, the Policy Working Group agreed that more research, deliberation, and framing is required to translate the ideas into actual policy or legislative actions.

PRACTICE WORKING GROUP: WHAT ARE PRACTICE STRATEGIES TO STRENGTHEN MIDDLE NEIGHBORHOODS?

A variety of neighborhood-based practitioners and local governments are working successfully to stabilize middle neighborhoods. The meeting succeeded at connecting some of these individuals for the first time, creating a community of practitioners who can now exchange best practices and become a collective force for improving middle neighborhoods. Some of the practitioners are staff at community development corporations (CDC), while others work with a variety of organizations locally, regionally, or nationally. A complete list of the organizations that participated in the Practice Working Group is available at www.middleneighborhoods.org.

The work of middle neighborhood practitioners can be far reaching, and the group identified their fifteen primary challenges. (These are described in Appendix 2, along with approaches for how each of the topics can be addressed.) The topics range from outdated housing stock and public safety to measurement and performance indicators and job training for residents. There was significant convergence within the group around communications, including how to strengthen the case for why it's important to support middle neighborhoods. Participants described the need to have clear and compelling narratives and language to address multiple audiences: investors who need to understand the market potential of investing in these neighborhoods; local policymakers (and sometimes local philanthropies) who do not perceive these neighborhoods as being at risk or may be entirely focused on distressed neighborhoods; and community members who are more concerned about gentrification than decline, despite facts that indicate decline as the more important threat. Low internal capacity was also identified as an important issue among the organizations represented at the meeting. Many described the challenge of executing strategic programs while

providing basic neighborhood and community development services by already understaffed organizations.

In identifying barriers, the practitioners discussed the same unfair and outdated lending practices identified by the policy group. The practitioners also focused on potential new approaches to the sale of real estate. Of primary concern is the failure of the commission-based system to provide incentives that address the needs of middle neighborhood homes given their generally low to modest prices.

Practitioners utilize a combination of approaches to improve middle neighborhoods: mutual neighborhood self-help; collaboration with lenders making market-rate loans to improve properties; marketing these often-overlooked areas; and various forms of local government support. The majority of approaches outlined were characterized as work that could be advanced by practitioners, such as developing effective community engagement strategies aimed at organizing residents into informal and formal associations.



NEIGHBORHOOD STABILIZATION ACROSS THE COUNTRY

Robust work is underway across the nation by organizations that recognize the unique position of middle neighborhoods as places on the edge. These organizations have broadened the typical range of community development services, offering services and resources that help to stabilize neighborhoods for current and future residents. A summary of the services and resources these organizations provide appears in the middle neighborhood organization grid on the following pages.

The neighborhoods these organizations serve are identified below.

- Greater Milwaukee Foundation: Capitol Heights and 12 others
- Capitol Heights: Capitol Heights
- Greater Chatham Initiative: Chatham, Greater Grand Crossing, Avalon Park, Auburn Gresham
- Old Brooklyn Community Development Corporation: Old Brooklyn
- Slavic Village Development: Slavic Village
- The City of Geneva: Hildreth Hill and 10 others
- NeighborWorks Rochester: Triangle, Swillburg, Brooks Landing, Pocket
- Healthy Neighborhoods Inc.: Belair-Edison, Waverly and 40 others
- Strong City Baltimore: Waverly and 9 others
- Jubilee Baltimore: Midtown, Central City, Southeast Baltimore
- Belair-Edison Neighborhoods, Inc.: Belair-Edison
- Mt. Airy USA: Mount Airy
- The City of Philadelphia: (Applications pending)

ORGANIZATION		GREATER MILWAUKEE FOUNDATION	CAPITOL HEIGHTS	GREATER CHATHAM INITIATIVE	OLD BROOKLYN CDC	SLAVIC VILLAGE DEVELOPMENT
CITY		MILWAUKEE, WI	MILWAUKEE, WI	CHICAGO, IL	CLEVELAND, OH	CLEVELAND, OH
NEIGHBORHOODS SERVED		13	1	4	1	1
SOURCES OF FUNDING	EARNED REVENUE			✓	✓	✓
	PRIVATE LENDERS					
	FOUNDATIONS	✓	✓	✓	✓	✓
	CITY		✓	✓	✓	
	STATE		✓			
	FEDERAL		✓		✓	✓
DIRECT SERVICES	BUY, REHAB, & SELL HOMES			✓	✓	✓
	COMMUNITY ORGANIZING	✓	✓	✓	✓	✓
	BUSINESS DEVELOPMENT			✓	✓	✓
	CODE ENFORCEMENT				✓	
	HOMEOWNERSHIP COUNSELING	✓		✓		
	RESIDENT TRAINING	✓				
	FORECLOSURE PREVENTION	✓		✓		
	VACANT PROPERTY MANAGEMENT					
	FACILITATE HISTORIC TAX CREDITS					
ACCESS TO CAPITAL	HOME EQUITY/IMPROVEMENT LOANS		✓	✓	✓	✓
	FHA REHAB LOANS			✓		
	MATCHING GRANTS	✓		✓		
	DEVELOP & MANAGE LOAN PROGRAM					
MARKETING	MARKETING STRATEGY	✓		✓	✓	✓
	WEB & SOCIAL MEDIA OUTREACH	✓	✓	✓	✓	✓
	VISUAL IDENTITY & SIGNAGE	✓		✓	✓	✓
OTHER INITIATIVES	EXTERIOR IMPROVEMENTS	✓		✓	✓	
	PUBLIC ART & CULTURAL PROGRAMMING	✓			✓	✓
	YOUTH, FAMILY, & EDUCATION	✓	✓	✓	✓	✓
	SAFETY	✓	✓	✓	✓	✓
	WORKFORCE & TRANSPORTATION	✓	✓	✓		
	HEALTH & FOOD	✓			✓	✓

CITY OF GENEVA	NEIGHBORWORKS ROCHESTER	HEALTHY NEIGHBORHOODS	STRONG CITY BALTIMORE	JUBILEE BALTIMORE	BELAIR-EDISON NEIGHBORHOODS	MT. AIRY USA	CITY OF PHILADELPHIA
GENEVA, NY	ROCHESTER, NY	BALTIMORE, MD	BALTIMORE, MD	BALTIMORE, MD	BALTIMORE, MD	PHILA., PA	PHILA., PA
11	4	42	10	3	1	1	43
		✓	✓	✓		✓	
							✓
✓	✓	✓	✓	✓	✓	✓	✓
✓		✓				✓	✓
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✓	✓	✓	✓	✓	✓	✓	✓
	✓			✓	✓	✓	✓
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	✓	✓			✓	✓	✓
			✓				✓
				✓			
	✓	✓	✓	✓	✓		✓
✓		✓	✓	✓	✓		
✓	✓	✓	✓	✓	✓	✓	
✓	✓	✓	✓	✓	✓	✓	✓
✓		✓	✓		✓	✓	✓
	✓				✓		✓

In an effort to illustrate the impact of these organizations, below are profiles of middle neighborhood stabilization efforts in five cities. Three (Baltimore, Cleveland, and Rochester) operate in cities where overall weak market conditions influence the availability of resources and political will to implement neighborhood revitalization strategies. More competitive real estate markets in Chicago and Philadelphia present a different set of challenges and opportunities for middle neighborhood practitioners.



Before: 2200 block of Callow Avenue in Reservoir Hill, Baltimore. Photo credit: Healthy Neighborhoods, Inc.

BALTIMORE

For over fifteen years, the Healthy Neighborhoods, Inc. (HNI) program in Baltimore has been successfully working with neighborhood residents, city government, lending institutions, and others to stabilize and improve forty-two neighborhoods. In most of the middle neighborhoods involved in the program, housing prices are trending upward, and vacant houses, when they occur, are being rehabilitated and sold. A majority of the funding is made possible by a pooled private loan fund that has attracted thirteen lenders active in the city. One of the advantages of private financing is that it does not place restrictions on applicants' incomes. Middle neighborhoods working with HNI have provided \$70 million for existing and new homeowners to buy, refinance, and renovate homes. This included \$26 million in federal Neighborhood Stabilization Program funds, made available through the American Recovery and Reinvestment Act, that limited eligibility to borrowers earning up to 120% area median income (AMI). Another \$30 million private fund scheduled for launch in 2018 will forego income restrictions. A matching grant program made possible through allocations of city revenues places modest income restrictions on eligibility. These grants provide up to \$10,000 for home rehabilitation. In addition, HNI provides funds to community-based organizations for marketing efforts and resident-driven neighborhood improvement projects such as commissioning public art or supporting other "curb appeal" or exterior improvements. For example, the Belair-Edison CDC, located in a northeast African-American Baltimore neighborhood with a median household income of \$46,700, has been working for over a decade



After: Restorations by Healthy Neighborhoods Inc. in Reservoir Hill, Baltimore. Photo credit: Healthy Neighborhoods, Inc.

to strengthen housing prices and build community fabric. It has directly helped eighty-six homeowners buy and/or improve their homes through loans worth \$4.23 million, facilitated eighty-six additional resident-led block projects, and cultivated 200 large and small commercial building improvement projects worth more than \$5.5 million. Housing prices have risen in Belair-Edison building home equity, yet the median home price in 2017 was a modest \$60,000.

CLEVELAND

Cleveland Neighborhood Progress, a citywide community development funding intermediary, is working to stabilize a number of city and suburban middle neighborhoods. Like many other legacy cities, Cleveland has suffered over fifty years of population decline following the loss of the manufacturing and other industries, in turn creating a number of socioeconomic problems. Over the past thirty years, much attention has been paid to neighborhoods with concentrated poverty in these cities. Now, focus is also building around middle neighborhoods. For example, the Old Brooklyn CDC is improving Old Brooklyn, a middle neighborhood located on an edge of the city. Old Brooklyn is Cleveland's largest neighborhood, with 35,000 residents. After identifying the trend of declining income levels, the CDC's first step was to correct the misperception that its middle-class base is stable. In 2015, it then adopted a middle neighborhood strategy focused on community health and marketing programs, in addition to buying, rehabilitating, and selling single-family



Residents of Old Brooklyn at the annual Pedal for Prizes event, which encourages participants to explore the Cleveland neighborhood by bicycle. Photo credit: Old Brooklyn Community Development Corporation.

homes. Its programs include organizing block clubs, crime watch, family and youth events, and utilizing social media to brand the neighborhood. Like many other middle neighborhoods, Old Brooklyn’s challenges are becoming more severe as household wealth declines and funding resources are increasingly scarce.

ROCHESTER

Rochester’s city government is evaluating the possibility of expanding on the success of NeighborWorks Rochester’s Healthy Blocks initiative. Since 2005, the program has stabilized three middle neighborhoods, and is now working with its fourth, the Triangle neighborhood. Selection criteria for Healthy Blocks include the prevalence of increasing poverty concentrations. Positive outcomes have been greatest in neighborhoods that are wedged between a stronger neighborhood on one side and a more distressed one on the other. Critical to the initiative’s success has been a core group of active residents’ and merchants’ associations that have worked together to plan and implement social events, public space improvement projects, property improvement promotion efforts, and neighborhood marketing strategies. Practitioners from Rochester described the positive impact within the communities of clarifying the goals of its work—stabilization, not gentrification. Healthy Blocks has made substantial progress in helping officials in city government understand the importance of stabilizing middle neighborhoods.

“In Rochester, our mayor and city council members have been conceptually supportive of a middle neighborhoods focus but are concerned about trade-offs with more distressed areas, so we have reframed the conversation to one about comprehensive planning to look at intervention alternatives for all neighborhood types, including our middle neighborhoods.”
—Dorraine Kirkmire, Manager of Planning, City of Rochester



Completed mural in the Triangle neighborhood, Rochester. Photo credit: Mikey Vargas-Rodriguez.

Part of the way Greater Chatham measures success is by unemployment and economic development indicators that measure targeted support and outcomes for firms—both those that are located in the neighborhood and firms in other areas of the city where neighborhood residents work.



Street banners and signs are part of the branding efforts by the Greater Chatham Initiative in Chicago. Photo credit: Greater Chatham Initiative.

CHICAGO

The Greater Chatham Initiative in Chicago is a comprehensive effort to improve a long-standing middle income African-American Southside neighborhood. It includes strategies to improve housing as well as fostering economic development, job growth, and employment recruitment. In 2016, the Greater Chatham neighborhood began implementing a strategic plan that aligns four distinct neighborhoods as a single community, allowing them to compete more aggressively among the seventy-seven neighborhoods that make up the city of Chicago. The Greater Chatham marketing strategy includes creating a single point of engagement website that showcases a specific neighborhood brand identity that targets younger audiences. Over 150 retail and business-to-business firms for local stakeholders are identified on the site's neighborhood map. Part of the way Greater Chatham measures success is by unemployment and economic development indicators that measure targeted support and outcomes for firms—both those that are located in the neighborhood and firms in other areas of the city where neighborhood residents work. Outcomes include increased revenues for firms in metal fabrication, transportation, distribution and logistics, and food processing and packaging. Over 150 residents are engaged in six working committees and many more through volunteer activities.

PHILADELPHIA

In Philadelphia, local policy measures to stabilize the middle neighborhoods have been underway since 2008 when the City launched an extensive foreclosure prevention program at the height of the subprime mortgage crisis. Later, when development pressure intensified, they adopted a tax relief program to prevent the displacement of long-time homeowners. Still, middle neighborhoods lack the tools they need to attract sufficient interest from the private sector. Philadelphia is now in the process of launching a program that offers low-interest loans to homeowners who need assistance but are above the income threshold for free home repair. Less restrictive income eligibility can allow for more targeted support to households and neighborhoods at risk of decline. Leading public discourse in Philadelphia on the importance of stabilizing middle neighborhoods are advocates like City Council President Darrell Clarke and Councilwoman Cherelle Parker, who represent districts where strategies are needed to protect and maintain working class neighborhoods.

A number of inferences about successful practice can be made from middle neighborhood stabilization efforts in these five cities:

1. Organized, grassroots neighborhood residents are the key players in stabilizing middle neighborhoods. These groups are often supported by local foundations and/or a citywide organization tasked with the goal of improving these areas. Healthy Neighborhoods, Inc. in Baltimore is a leading illustration of this kind of organization. Government rarely plays more than a supportive role in the improvement of middle neighborhoods.
2. The goals of those working to prevent middle neighborhoods decline are to stabilize and increase property values, thereby making the neighborhood a good investment for homeowners and other property owners—in other words, to create a well-functioning housing market.
3. The approaches to improvement typically involve organizing neighbors to work together to build from neighborhood assets, make improvements, and fight off threats to neighborhood stability. Most programs combine modest physical improvements to common space, exterior renovations to homes, crime reduction efforts, enhancements to school quality, and neighborhood marketing. These efforts help signal market segments that the neighborhood may, in fact, be a housing bargain.
4. More capital is crucial to the well-being of middle neighborhoods. In some instances, banks have committed to increasing lending for home purchase and improvements, but this element is not widespread. In some cities, Community Development Financial Institutions (CDFIs) are playing a key role in providing capital.

RESEARCH WORKING GROUP: WHAT MORE DO WE NEED TO KNOW ABOUT AMERICA'S MIDDLE NEIGHBORHOODS?

Although chapters in *On the Edge* describe some of the characteristics and market conditions of middle neighborhoods, much more research is needed. In order to address this need, the researchers who attended the meeting developed a research agenda that will deepen the nation's collective understanding of the dynamics and trajectories of middle neighborhoods: where these neighborhoods are, who lives in them, and what factors drive their trajectories.

Given the focus on the practice of stabilizing middle neighborhoods, the group agreed future research should identify the forces that lead middle neighborhoods to hit tipping points into decline or gentrification, and what can be done to prevent these tipping points from being reached. The primary research questions include: which middle neighborhoods are threatened with decline? Which are likely to be affected by escalating prices, moving them from affordable to modest-income households to accessible only for households with higher-incomes? The group concluded that this examination must include suburban areas as well as central city neighborhoods as many older suburbs are also encountering the perils of decline or gentrification.

It was agreed that this research must be conducted both from a historic perspective and with a future lens. Future threats to middle neighborhoods include climate change, changes in national policies, economic dislocation, and social instability. In addition, the group called for research to track the effectiveness of middle neighborhoods improvement programs. (See Appendix 3 for the detailed report from the research group. The Lincoln Institute of Land Policy is leading part of this initial research in partnership with the Center for Community Progress.)

This examination must include suburban areas as well as central city neighborhoods as many older suburbs are also encountering the perils of decline or gentrification.

The Research Working Group agreed on a path of action in three areas:

DOCUMENTING THE POLICY PROBLEM

- Define middle neighborhoods and document their prevalence and location in a sample of American cities with different market contexts.
- Document trends in middle neighborhoods. Have they shrunk in recent decades? In which cities have middle neighborhoods fared the best and the worst?
- Develop a typology of middle neighborhoods.
 - Strong versus weak market metropolitan areas.
 - Middle neighborhoods threatened by decline versus those threatened by gentrification.
 - Downtown core and central city versus suburban.
- Develop an understanding about benefits of middle neighborhoods and what will be lost if they disappear.
- Examine future opportunities and threats to middle neighborhoods.
- Develop an understanding about benefits of middle neighborhoods and what might be lost, if they disappear.
 - To individuals: how do middle neighborhoods contribute to mobility and opportunity for residents?
 - To cities and regions: how are middle neighborhoods important to the fiscal health of cities, suburbs, and regions?



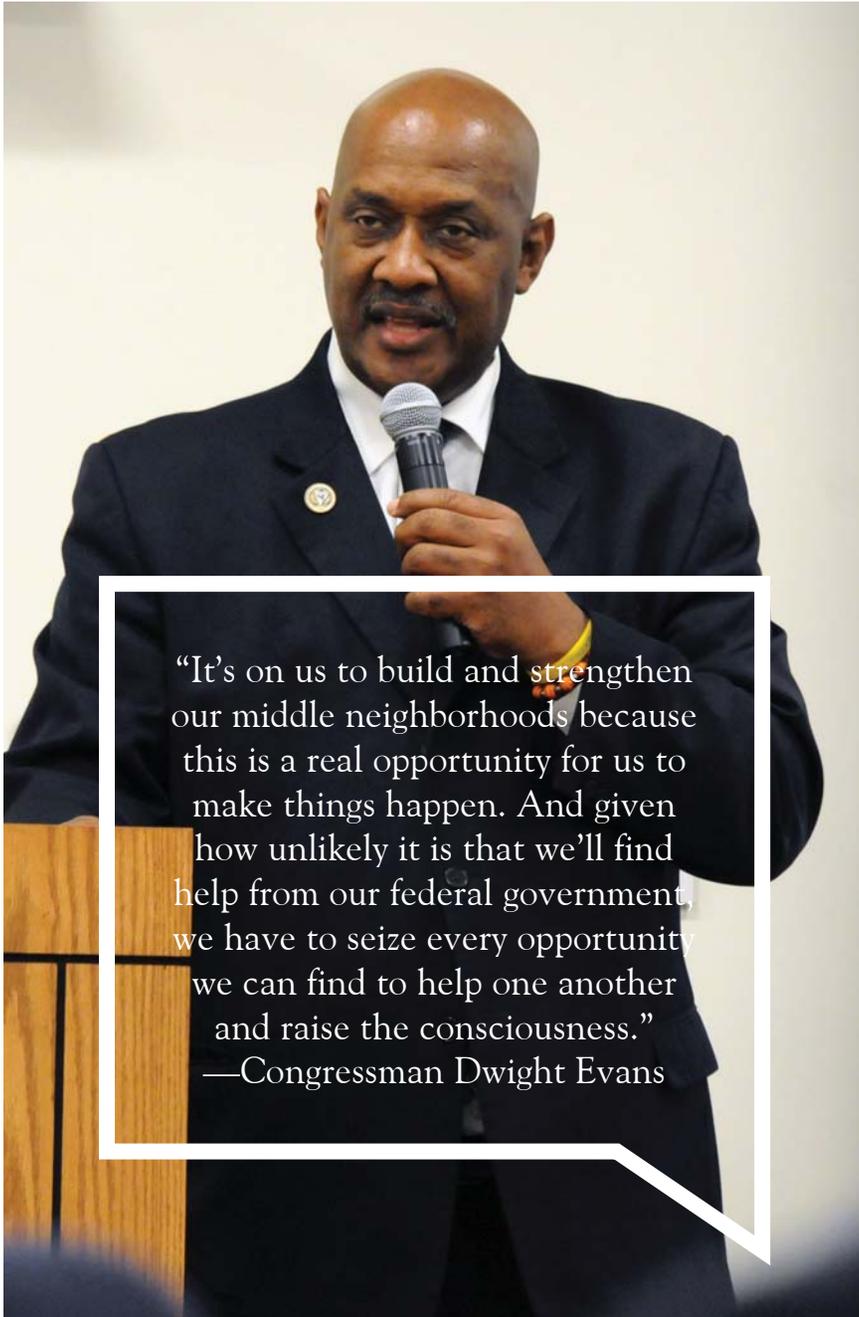
Neighborhood association Capitol Heights runs a summer youth work program in Milwaukee. Photo credit: Antoinette Vaughn.

UNDERSTANDING THE TRAJECTORIES OF MIDDLE NEIGHBORHOODS

- Quantitative research: what are the trends in middle neighborhoods and what factors and characteristics are associated with both stability and instability?
- Qualitative research: what can be learned from case studies of successful and unsuccessful middle neighborhoods? What are the threats to middle neighborhoods? What are the opportunities for successful interventions?

DISSEMINATING THE RESEARCH

- Distill the research findings into reports that can be helpful to practitioners and policymakers.



“It’s on us to build and strengthen our middle neighborhoods because this is a real opportunity for us to make things happen. And given how unlikely it is that we’ll find help from our federal government, we have to seize every opportunity we can find to help one another and raise the consciousness.”
—Congressman Dwight Evans

NEXT STEPS: BUILDING A COALITION OF MIDDLE NEIGHBORHOOD PRACTITIONERS AND POLICYMAKERS

In conclusion, the meeting succeeded in strengthening a core group of professionals, elected officials, and neighborhood leaders committed to stabilizing middle neighborhoods. Participants agreed that a national movement—based on the remarkable work of practitioners, residents, and local governments—is necessary and urgent. While many questions about the focus of the movement are still unresolved, the rationale for action is clear: the price of neglect is far too pernicious and costly.

As can be seen in many cities, middle neighborhoods provide a lifeline—for homeowners as well as renters—to the American middle class. They are the places where equitable economic mobility occurs, and where community organizing, effective public service, good schools, and private sector growth all coalesce. Ensuring their stability while preserving their diversity is crucially important. A first step is to create a bipartisan, national coalition for middle neighborhoods. This coalition must bring together elected and appointed officials, civic and philanthropic leaders, and neighborhood practitioners to advance policies and practices to improve middle neighborhoods at the local, state, and federal levels.

LEADERSHIP

Building from the work of participants at the Baltimore meeting, a number of middle neighborhood practitioners and institutional partners have been engaged to identify future middle neighborhood initiatives. The organizations involved include: The American Assembly, Lincoln Institute of Land Policy, The Local Initiatives Support Corporation (LISC), National Alliance of Community Economic Development Associations (NACEDA), the National Urban League, NeighborWorks America, and the Urban Institute, among other Regional Federal Reserve Banks.

An important issue to address with regards to leadership is determining how the policy, practice, and research strands will be integrated. While the meeting was divided into these tracts for detailed discussion, aligning action across the three areas will be necessary to improve middle neighborhoods and sustain the emerging national movement. As of February 2018, the Lincoln Institute of Land Policy has committed to conducting initial research focused on middle neighborhoods through collaboration with the Center for Community Progress. The American Assembly continues to administer an ongoing working group of practitioners (i.e. Community of Practice) on an interim basis. Additional organizations need to be identified to lead practice and policy, and to serve as the overall integrator and coordinator over the long-term.

NECESSARY ACTION COMPONENTS

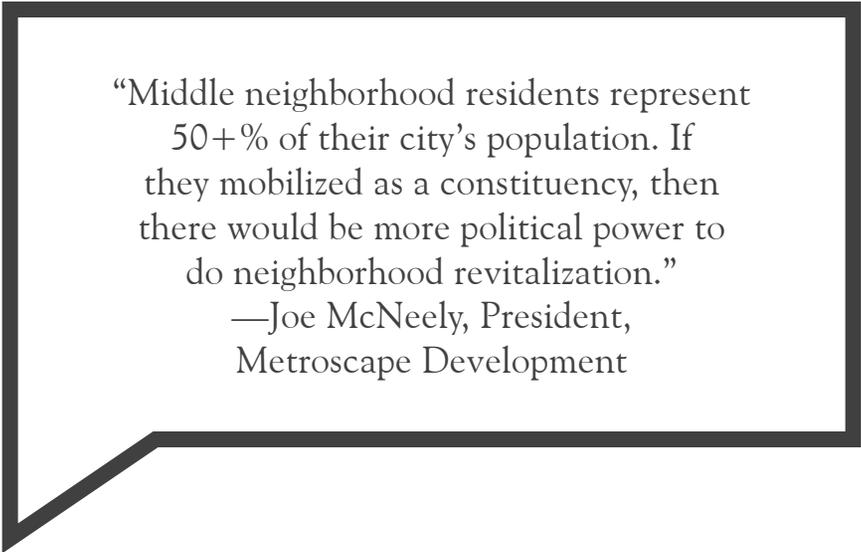
Each of the three working groups identified important issues, desired resources, and next steps specific to their group's needs. While the cumulative lists are extensive, there is substantive overlap among these needs—particularly with regard to data-rich evidence on middle neighborhood characteristics and trajectories to illuminate when and how to intervene. Most participants agreed that future work should aim to equip community development practitioners, lenders, and policymakers with practical resources for stabilizing middle neighborhoods.

The following resources would address these collective needs. While primarily tailored to those already engaged in middle neighborhood stabilization, these resources would also be instructive for those new to the field.

GUIDEBOOK. A guidebook including typologies and defining characteristics of middle neighborhoods in various market contexts, supported by illustrated examples in cities and suburbs, and potentially rural areas was recommended. Typologies should include various trajectories for middle neighborhoods in their regional market context, assessing risk factors of decline and gentrification, primary demographic and socio-economic trends, regulatory challenges, policy issues, and forward-looking threats such as climate change. This information would be presented through easy-to-follow text and images.

The Guidebook would also include:

- Detailed case studies and best practices of successful market stabilization strategies: how each strategy works; policies and programs these strategies utilize; sources of financing, roles and responsibilities of key



“Middle neighborhood residents represent 50+ % of their city’s population. If they mobilized as a constituency, then there would be more political power to do neighborhood revitalization.”
—Joe McNeely, President,
Metroscap Development

organizations; and indicators and outcomes in target neighborhoods as well as those in distressed adjacent areas. These assessments would include changes in home values, income levels, racial equity, occupancy, crime, local economic development, and school performance.

- A practical narrative detailing how organizations leading middle neighborhood improvement work have determined where and how to invest, as well as lessons learned, and course corrections adopted toward stabilization.

SURVEY. A state-by-state or city-by-city compilation of organizations driving middle neighborhoods work across the nation is needed. The survey would identify organizations conducting stabilization efforts, including how each organization defines its program's terms, constituency, approaches, available resources, and market reach. The survey would be administered by an organization with national reach. An important task at the outset will be defining the methods for collecting, aggregating, and publishing responses to ensure they are in easy-to-use and accessible, interactive formats. The survey would also include information about available middle neighborhood resources (e.g. available financing for upgrades, technical assistance, etc.) for each state or city. These resources would

“Since starting the Healthy Neighborhoods program in 2000, we’ve been able to strengthen ties between neighborhood residents, increase home values, and encourage millions of dollars of investment into communities here in Baltimore—and I’m excited about the possibility for communities across the country to do this as well.”
 —Johnette Richardson, Executive Director, Belair-Edison Neighborhoods Inc.



be compiled nationally and distributed alongside the national results; they can also be tailored for distribution to individual cities and states.

In addition to the Guidebook and Survey, the following resources and activities were identified by the Practice Working Group to both strengthen the work of practitioners and recruit others interested in adopting middle neighborhood strategies in their areas.

COMMUNITY OF PRACTICE. The newly-formed Community of Practice has subdivided into committees organized around specialized topics, such as identifying and categorizing the various middle neighborhood typologies, identifying best practices, recruiting and onboarding new members, and conducting outreach. With the requisite organizational and institutional support, this group has the potential to scale its efforts nationally.

TOOLKITS. Given the Practice Working Group’s emphasis on organizational capacity building, toolkits were identified as a priority resource. While not exhaustive, the following list would help equip community leaders and partners with important information about how to strengthen and stabilize middle neighborhoods:

- How to develop a loan program.
- How to create greater racial equity in middle neighborhoods.
- How to market the neighborhood to attract new and diverse residents.
- How to adopt new strategies for engaging existing residents in neighborhood stabilization efforts.



TRAINING. Given the emphasis on capacity building, training is a necessary follow-on activity. Training sessions would target practitioners to facilitate peer-to-peer knowledge exchange and mentorship around issues such as achieving racial equity, adopting asset-based approaches to revitalization, workforce development, resident engagement for public safety measures, and marketing tactics among others. Documenting and recording training sessions for online posting enables unlimited access these resources. These online resources would also equip practitioners and policymakers with the necessary communication and teaching tools for redistribution to their constituents and partners. Policymaker training would address issues such as:

- How to support practitioners.
- How to coordinate investment and community revitalization among middle neighborhoods and more distressed communities simultaneously.
- How to align and increase access to capital in middle neighborhoods.
- How to make tough decisions about which neighborhoods to target.
- What are mechanisms to spur investment in both hard and soft assets.

SITE VISITS. Seeing first hand evidence of the success of the Healthy Neighborhoods, Inc. program in Baltimore prompted practitioners to call for greater investment in peer-to-peer exchange through site visits to cities with established middle neighborhood programs.

CONVENING. A larger follow-up national meeting involving a more diverse group of practitioners, funders, and lenders was recommended. The meeting would be organized around the exchange of best practices and training.

APPENDIX 1: POLICY WORKING GROUP HIGHLIGHTS

Peter Dolkart
Regional Community Development Manager
Federal Reserve Bank of Richmond

The Policy Working Group was primarily charged with the assignment of identifying and evaluating the federal and local policies that affect Middle Neighborhoods. The participants recommended potential changes to existing federal and local laws and regulations and formulated new initiatives that could strengthen these communities. These discussions were facilitated by co-chairs Cherelle Parker, a member of the Philadelphia City Council, and Joe McNeely, a veteran community development consultant and founding director of the Central Baltimore Partnership. The Group's membership included federal and local elected officials and their staff; a City Housing Commissioner; a State Assistant Secretary for Neighborhood Revitalization; city planners, economic development practitioners, researchers, and advocates; and senior community development staff from the Federal Reserve Banks of Philadelphia, Richmond, and San Francisco.

From the opening deliberations, the contributors' diverse backgrounds in practice and policy distinctly influenced the direction of the discussions and conclusions over the course of the day. The group quickly adopted a broader definition of "policy" beyond government programs to incorporate the initiatives of private and nonprofit players as well as anchor and financial institutions. The participants agreed that the boundary between policy and practice is virtually indiscernible and therefore any formulation of policy affecting middle neighborhoods should be focused on solving practical problems. They resolved to avoid the fallacy of "false choices" that could mislead policymakers to weigh the interests of homeowners against renters and low-income constituents against middle-income residents. Finally, the group recognized that the current national political climate made previously reliable policy initiatives such as tax credits, block grants, transportation

infrastructure, and school construction unpredictable and therefore future policy solutions are likely to be narrow in scope, locally based, and initially focused on changing public perceptions of middle neighborhoods.

The Policy Working Group listed and evaluated both traditional and innovative financing, housing, and education policies and then determined if these programs were positively impacting “on-the-edge neighborhoods.” The participants identified several supportive neighborhood revitalization and philanthropy initiatives that strengthen middle neighborhoods, because they were not income restricted and employed mixed income and regional, place-based strategies. This list included examples of housing programs in Philadelphia, where 69% of households are eligible to benefit from home ownership counseling and foreclosure mitigation assistance. In Maryland, both the *Healthy Neighborhoods* and the *Baltimore Regional Neighborhoods Initiative* were highlighted as models of both nonprofit and government initiated programs that promote homeownership and provide technical assistance to community based organizations in mixed income neighborhoods. The group also identified charter school policies that purposely draw their enrollment from their immediate surrounding communities and school construction design projects that collaborate with the adjacent neighborhood associations and parent teacher associations.

Conversely, the Policy Working Group also identified examples of programs and historic practices that, due to racial bias and structural restrictions, were impairing middle neighborhood stabilization. The lingering legacy of mortgage redlining, racial disparity in real estate appraisals and valuation, the absence of laws preventing discrimination against a person’s source of income, and the disinvestment in transportation infrastructure and school construction were raised. Participants also listed current policies that were too narrowly focused only on the needs of the most blighted or economically challenged communities and government budgeting and appropriation processes that were more responsive to advocates representing specific demographic and special interest constituencies rather than diverse and mixed income neighborhoods. Additional structural policy obstacles the group cited included unfunded mandates for sewer upgrades and cumbersome tax abatement, code enforcement, and foreclosure disposition procedures that hindered middle neighborhoods from adequately addressing property vacancies. Finally, several participants raised the lack of broadband access in many communities as an obstacle to attracting younger residents and new businesses.

The Policy Working Group catalogued policies supportive and detrimental to middle neighborhoods on large post-it notes, and soon the meeting room’s walls were covered with a lively collage of ideas. Co-chairs Parker and McNeely then divided the participants into three- and four-person subgroups. Each subgroup selected among the listed items a policy issue that they viewed both as a priority and for which they could formulate a practical solution or initiative. Two of the four groups identified the need to provide capacity building and technical resources to community and neighborhood organizations. They proposed a foundation-led or government funded program that could provide professional staff and organize broader support coalitions to provide these organizations with strategic planning, advocacy training, and grant writing resources. This funding would be tied to performance metrics to gauge effectiveness. A third subgroup proposed expanded local property tax credits and federal income tax credits to incentivize the purchase of a home in a middle neighborhood, with local governments controlling and regularly readjusting eligibility.

The fourth subgroup recommended implementing a limited federal pilot program in which the Federal Housing Administration, Fannie Mae, and Freddie Mac could assist millennials with restructuring their student loan debt to facilitate the purchase of previously foreclosed homes. Further discussion focused on amending the Community Reinvestment Act and Internal Revenue Service regulations to encourage further grants from financial institutions, philanthropy and foundations into middle neighborhoods. However, as expressed at the onset of the discussions, expectations were low that the current national fiscal and political climate would support any program other than a “demonstration project” in a single or select few congressional districts.

The full Policy Working Group concluded their deliberations by agreeing that the immediate objective of future policy should be redefining how stakeholders from across the political spectrum perceive middle neighborhoods. This includes the creation of a national movement that seeks bipartisan support; possibly rebranding and adopting new vocabulary to describe these communities, and creating a narrative of successful, sustainable community life.

APPENDIX 2: PRACTICE WORKING GROUP HIGHLIGHTS

*Stephanie Sung
Deputy Director of Urban Policy
The American Assembly*



Top: Philadelphia CDC Mt. Airy USA sell “Go Mt. Airy” t-shirts at an event. Bottom: Mt. Airy hosts moonlight movies and other community events. Photo credit: Brad Maule.

The objectives of the Practice Working Group were to define the training and learning needs of practitioners working to support middle neighborhoods and build momentum for an ongoing community of practice. The meeting was co-chaired by Nedra Sims Fears, Executive Director of the Greater Chatham Initiative in Chicago, and Marcia Nedland, a community development consultant who specializes in marketing strategies for places in the process of revitalization. The meeting agenda was developed collaboratively by the co-chairs and meeting participants, a process facilitated by The American Assembly months prior to the meeting in Baltimore. Of the nineteen participants, ten are from community-based organizations, four are nonprofit consultants working at the national level, four represent foundations or private lenders, and one works in the public sector. The meeting presented the first opportunity for this group to meet and engage with peers who share the challenges of stabilizing middle neighborhoods. Based on prior conversations, there was shared understanding that if there continued to be sufficient interest and energy among the participants, the group will form an ongoing community of practice. To that end, the agenda and discussions were structured to define the most important issue areas for middle neighborhood practitioners, identify approaches to each issue area, and develop the necessary structure to support an ongoing community of practice.

Practitioners in middle neighborhoods come from varying types of community-based organizations that provide a wide range of services to support residents, including financial counseling, grant-making for small improvement projects, youth and public safety programs, and marketing training. In order to create some definition around the practice of middle neighborhoods, the co-chairs facilitated broad discussions with participants about their work, the challenges they face,

and possible solutions. Fifteen issue areas and approaches identified by the Practice Working Group are described below.

COMMUNICATIONS. Making the case for middle neighborhoods in market, political, and community contexts, is critical but complicated work. The lack of relevant messaging, graphics, case studies, and other communications tools has been a barrier to connecting with key partners, including potential funders and developers, government representatives, and peers from other neighborhood organizations. Participants cited that affordable housing advocates and leaders of neighborhoods experiencing severe decline are frequently left out of middle neighborhood strategies. Rather than competing with these neighborhoods, participants described the benefits of conducting middle neighborhood stabilization in alignment with anti-poverty work, especially in weak market cities.

DEFINITIONS AND MEASUREMENT. Given that “middle neighborhoods” is not a commonly used term, nor a widely understood concept, participants expressed the need to adopt common criteria for defining weak, middle, and stable housing markets. Practitioners agreed that collaborating with the research community on a definitional framing of the middle neighborhood term would benefit their work and help substantiate the needs of the middle neighborhood residents. Discussion centered on whether researchers or the practitioners themselves should lead this work. Additionally, tools to identify the costs and benefits of implementing middle neighborhood strategies and methods to evaluate the impact of these strategies would be valuable for practitioners.

DEMOGRAPHIC AND ECONOMIC CHANGES. The participants catalogued a number of national socioeconomic trends that have negatively impacted household wealth in middle neighborhoods, including increased income disparity, stagnant wages, and poor intergenerational mobility. Developing a neighborhood loan pool may help build and keep wealth in middle income households.

OBSOLETE HOUSING STOCK. Housing stock in middle neighborhoods tends to be older and outdated, creating a mismatch of available housing to the preferences of potential home buyers or renters, especially millennials. Participants identified financial tools that would enable community development groups to meet such demand, including higher loan to value ratio for developers and small grants for home improvements.

ORGANIZATIONAL CAPACITY. Nonprofits and local government agencies often lack the capacity to implement successful middle neighborhood strategies, which

can require the substantial effort of building and sustaining relationships across multiple city-wide partners. There is usually not enough staff to design and implement both the strategy and essential programmatic work. Participants identified the knowledge exchange of a national community of practice as a possible approach to building internal capacity of their organizations.

INVESTOR AND LANDLORD PRACTICES. A number of predatory real estate practices were discussed by participants. Recommendations included policy and regulatory changes to curb investor and landlord behavior. Some participants noted that code enforcement has in some cases become a reactive function of the police, contributing to poor housing standards in middle neighborhoods.

FINANCING. The lack of available financing for homeowners is a major barrier for middle neighborhood stabilization. Loan products for home repair or rehabilitation would help residents stay in their homes, as would increased public investment.

SCHOOLS. Local schools are a critical partner in planning for long term viability of middle neighborhoods. Participants recognized the need to focus on building supportive partnerships with neighborhood schools although many organizations lack the requisite funding and staff to initiate these programs, especially given other priorities.

SAFETY. Middle neighborhoods must deliver on quality of life issues like crime and public safety of streets and parks. Participants agreed that this quality of life issue is closely linked with community engagement; one successful approach mentioned is organizing events that bring residents together in a positive or celebratory way, and not merely as a response to crime-related activity in the neighborhood.

RACIST ATTITUDES. There is a clear need to address the general resistance of realtors and potential residents to predominantly black neighborhoods. Participants recommended adopting racial equity goals as a community of practice and providing racial equity training to neighborhood leaders.

COMMUNITY LEADERSHIP AND CAPACITY BUILDING. Participants identified the need to adopt new methods for community organizing in order to engage the younger generation of current residents. Connecting neighborhood-level issues to larger policy issues was identified as a way to empower new leadership. Offering workforce development opportunities is an important part of community leadership and capacity building.

MARKETING/IMAGE. Practitioners need access to up-to-date marketing tools and trends to help them rebrand their neighborhoods and rethink assets like historic buildings. Sharing marketing best practices, especially between similar neighborhood types in similar cities, was identified as an important function of the community of practice.

PHYSICAL CONDITIONS/CURB APPEAL. Clean and attractive yards, streets, and sidewalks (a.k.a. “curb appeal”) are an important part of making middle neighborhoods attractive to newcomers. Connecting residents to resources for curb appeal projects could help support a culture shift towards more physical maintenance of middle neighborhoods.

RETAIL. Participants identified proximity to vibrant retail districts as a valuable neighborhood amenity valued by potential middle neighborhood newcomers. Providing retail leasing subsidies could help incentivize commercial development.

WORKFORCE DEVELOPMENT AND JOB OPPORTUNITIES. Middle neighborhoods struggle to compete with downtown centers or other areas that have closer proximity to work centers and/or transit systems. More training opportunities in or near middle neighborhoods should be provided to residents (e.g. in home repair and construction) of middle neighborhoods. Another priority is workforce development strategies that connect youth (16-24 years old) to jobs.

GOING FORWARD

Participants generated a number of ideas for approaching each of the fifteen issue areas above. In an exercise to organize the list of possible approaches, participants voted to determine the following as priorities: 1) Develop a middle neighborhoods loan program, 2) Develop new engagement strategies for residents, 3) Adopt a racial equity framework for measuring success, 4) Create language and toolkits to engage with and avoid alienating distressed neighborhoods, and 5) Partner with schools. The majority of these approaches were identified as work that could be accomplished by practitioners themselves.

To that end, the group validated the working assumption that an ongoing Community of Practice would be highly valuable, and settled on a number of priority activities. They agreed on the importance of sharing best practices, both virtually and by holding in-person convenings of practitioners, foundations, and private sector lenders—similar to the Baltimore meeting. Peer-to-peer city visits and mentorship were among the other ideas for knowledge exchange. At

a minimum, this Community of Practice should include those working directly to improve middle neighborhoods. Realtors, investors, and affordable housing practitioners were also identified as potential members to enlist, to help enrich and expand the Community of Practice.

Learning from successful interventions already taking place was also seen as highly instructive for the Community of Practice. Participants expressed interest in developing a training curriculum and discussed the merits of providing certification. Collecting and packaging information for toolkits came up in several contexts. A toolkit for practitioners would include marketing practices, metrics for success, and a communications framework. Some participants also called for a toolkit for investors and real estate agents that highlights the value and opportunity of middle neighborhoods. The group agreed that generating case studies or profiles of different middle neighborhoods would be valuable fundraising and marketing tools.

Finally, the practitioners coalesced around the importance of advocating collectively for the necessary policy changes identified throughout the course of the day. This might be achieved through a national campaign to raise awareness around middle neighborhood issues. Over the course of the session, the need to establish a clear definition of middle neighborhoods became a recurring point. While all agreed that middle neighborhoods defy a uniform one-size-fits-all categorization, the group expressed the practical significance of understanding the various features and trajectories that characterize the range of middle neighborhoods.

APPENDIX 3: RESEARCH WORKING GROUP HIGHLIGHTS

Jessie Grogan
Urban Development Program Manager
Lincoln Institute of Land Policy

The goal of the discussion was to establish a prioritized list of research questions and approaches about middle neighborhoods for both policymakers and practitioners.

DEFINITIONAL ISSUES

The first order of business involved establishing a way of defining middle neighborhoods. The group saw value in two approaches: (1) demographics, which involves examining the movement of households in and out of neighborhoods that were once the home to working class/working income households to determine what has happened to these neighborhoods; and (2) neighborhood market dynamics, that focuses on the market position of neighborhoods in their jurisdictions and metro areas today and over time, using housing prices relative to other areas as a key measure.

Regardless of the definitional approach, the group generally agreed that the underlying importance of research on middle neighborhoods is protecting middle neighborhoods at risk of decline (which was seen as a larger concern than protecting middle neighborhoods from gentrification). The group also placed more importance on understanding and predicting future changes in middle neighborhoods—particularly given the interest of millennials in city life—rather than only examining historic trends. Historic analysis that identifies middle neighborhoods’ tipping points can have great relevance in understanding current and future trends. Understanding these current and future trends also means placing middle neighborhoods in their regional contexts, as the aggregate number of housing units relative to population changes has big potential effects on demand for middle neighborhoods.

These broad regional housing supply issues also need to be researched in the context of housing demand categories, such as the market for starter homes in stable neighborhoods, long-term resident communities, and neighborhoods that appear to be middle—but may be statistically transitioning from high to low incomes or from low to high incomes. These market categories need to be understood in terms of the broad economic trends that are shrinking the middle class.

The Research Working Group adopted a working definition of middle neighborhoods as places that are (a) at risk of decline; (b) have modest/median housing values and household incomes; (c) may be overlooked in definitions of cities as consisting of two classes (rich and poor), and (d) are places where assets are underleveraged.

The group turned its attention to the characteristics of middle neighborhoods, noting that these neighborhoods may be places where one group of people aspires to leave and another market segment aspires to move in. The future of middle neighborhoods is likely to be affected by the quality of public services, the presence or absence of local institutions, and the degree of social capital in the middle neighborhoods—all of which needs careful research.

More practically, the group discussed the need to use research to make the case for the value of middle neighborhoods, seeking to measure the costs associated with the decline of middle neighborhoods, including the decline in tax base; and the benefits to sustaining the well-being of this class of neighborhoods, including the efficient use of built infrastructure, the opportunity for upward mobility of children living in functional neighborhoods, and the value inherent in the diversity of these areas.

RESEARCH TO INFORM POLICY

Research is needed that looks at middle neighborhoods in strong and weak market metros in order to characterize the policy approaches needed in both of these market settings. While this research needs to be regional in scope, a careful look is needed at the neighborhood level to capture more localized issues, such as the effects of foreclosures on middle neighborhoods. Middle neighborhoods are not only a big city phenomenon, as they exist in suburbs also, especially older suburbs with modest housing styles. Policy approaches need to be aimed at both cities and suburbs. As middle neighborhoods are researched, an intermediate step may be needed, *vis-à-vis* understanding the dynamics of neighborhood change more

broadly nationally and regionally. Seeing to it that this research is an accurate portrayal of middle neighborhood conditions, may mean that new data sets must be created, which are not solely based on census tracts.

RESEARCH TO INFORM PRACTICE

Research is needed to help practitioners understand how to slow down or reverse downward trajectories for middle neighborhoods. This includes a more precise understanding of the tipping point factors in middle neighborhoods, and their drivers. This could involve providing practitioners with key indicators to map conditions in middle neighborhoods as a way of helping them trace the neighborhoods' trajectories. These indicators are not only housing market conditions, as they are an effect of perceptions and realities of quality of life in neighborhoods, including quality of schools and levels of public safety. This kind of research needs to be localized, as national data sets are not sufficiently nuanced to describe the conditions and trajectories in the many middle neighborhoods in the nation. This localized research needs to capture political, social and economic data, not only neighborhood market data. Once at this level, research can distinguish between causal factors in neighborhood change and more simple characterizations of neighborhoods. And, the analysis needs to go beyond customary measurements, to include future threats, such as climate change, the national political context, economic dislocation, the decline in African-American homeownership, and job instability.

A FORWARD-LOOKING RESEARCH AGENDA

Taking a case study approach may be the most practical and accurate path to understanding the diversity of middle neighborhoods and their future trajectories. Case studies should have a hypotheses and theory of change behind them. Research should look at specific middle neighborhoods and ask how did they get where they are and what strategies may or may not have worked to protect them. Perhaps these case studies could pair similar neighborhoods to further understand the nuances in approach that fit particular circumstances. Getting at a national view of how many middle neighborhoods are generally stable, how many are in danger of decline, and how many are threatened with gentrification would be of value.

This case study approach should be both quantitative and qualitative and should be used to make the case for strengthening middle neighborhoods and to provide guidance to practitioners on best practices, including successful approaches to fundraising, developing coalitions, and establishing political will.

GOING FORWARD

Advocating for and conducting research on middle neighborhoods must reckon with the fact that most foundations in the nation are concerned with the poorest neighborhoods, and the connection between middle neighborhoods and the distressed neighborhoods must be made. Perhaps framing middle neighborhoods as “opportunity neighborhoods” could help this connection and be understood by philanthropy. Particular attention should be paid to measuring gain and loss of household wealth in these neighborhoods. Helping to place these neighborhoods in inclusive economic growth discussions at the regional level may also help highlight their importance to cities, suburbs, and regions.

In summary, the researchers present focused on the need to move the understanding of middle neighborhoods to a dynamic one—much more needs to be understood about the trajectories of existing middle neighborhoods. What middle neighborhoods are threatened with decline? Which are likely to be affected by escalating prices, moving them from affordable to modest income households to priced only for households that have higher incomes? This examination should include suburban areas as well as central city neighborhoods as, it appears that many older suburbs are also encountering the perils of decline or gentrification, and this phenomenon needs to be understood more thoroughly.

In addition to the above, research is needed to understand the forces that lead middle neighborhoods to hit a tipping point into decline or gentrification and to further understand what can be done to prevent such these tipping points from being reached. The research should not only look at middle neighborhood from an historic perspective, but with a future lens as well. Future threats to middle neighborhoods that include climate change, national political choices, economic dislocation, and instability should also be examined.

AGENDA

November 15–16, 2017

WEDNESDAY, NOVEMBER 15, 2017 THE MOTOR HOUSE, BALTIMORE, MD

2:00–4:00 PM	Tour of Baltimore’s middle neighborhoods with Healthy Neighborhoods Inc. and community leaders <ul style="list-style-type: none">• Belair-Edison• Reservoir Hill
4:00–4:15 PM	Welcome by Paul Brophy
4:15–4:30 PM	The Vision for Baltimore: Neighborhood and Community Priorities Mayor Catherine E. Pugh
4:30–5:20 PM	Panel Discussion: Making the Case for a National Neighborhood Movement <ul style="list-style-type: none">• Johnette Richardson, Executive Director of Belair-Edison Neighborhoods• Councilwoman Chelle Parker, Philadelphia City Council• Laura Gamble, Laura Gamble, President of Maryland Regional, PNC Financial Services Moderator: David Erickson, Federal Reserve Bank of San Francisco
5:20–5:30 PM	Concluding Remarks Mark Sissman, President of Healthy Neighborhoods Inc.
5:30–7:00 PM	Cocktail Reception
7:30–9:30 PM	Dinner for working group participants

THURSDAY, NOVEMBER 16, 2017 THE FEDERAL RESERVE BANK OF RICHMOND

8:00–8:30 AM	Registration and Breakfast
8:30–8:50 AM	Opening Plenary: Agenda and Meeting Goals
8:50–9:10 AM	Grounding Action through Practice Presentations by practitioners on middle neighborhood interventions with research and policy implications <ul style="list-style-type: none">• Nedra Sims Fears, Greater Chatham Initiative• Jeffrey Verespej, Old Brooklyn CDCJoel Ratner, Cleveland Neighborhood Progress
9:10–10:00 AM	Open Discussion <ul style="list-style-type: none">• Identify the top policy, practice, and research issues
10:00–11:00 AM	Session I (3 separate discussion groups) <ul style="list-style-type: none">• Research Working Group Co-chairs: Todd Swanstrom and Alan Mallach• Practice Working Group Co-chairs: Marcia Nedland and Nedra Sims Fears• Policy Working Group Co-chairs: Joe McNeely and Cherelle Parker
11:00 AM–12:00 PM	Session II (3 separate discussion groups)
12:00–1:00 PM	Lunch: Communication Goals and Framing
1:00–2:00 PM	Session III (3 separate discussion groups)
2:00–2:30 PM	Coffee break / Co-chairs and Rapporteurs meet
2:30–4:30 PM	Concluding Plenary <ul style="list-style-type: none">• Meeting summary• Priorities for moving forward• Aligning action across policy, practice, and research• Next steps
4:30 PM	Adjourn

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* Co-chair ** Rapporteur

MEETING METHODOLOGY: ESTABLISHING THE FOUNDATION FOR A NATIONAL MIDDLE NEIGHBORHOODS MOVEMENT

Participants from varying disciplines attended the meeting in Baltimore, each with a familiarity with the context of middle neighborhoods. Efforts were made to ensure that each working session represented varied expertise among geographically diverse, small- and medium-sized American cities. Select funders also joined to offer feedback and guidance about how to align the middle neighborhood movement with other philanthropic efforts to grow and stabilize communities. Imagined initially as three small groups of 8–10 people discussing issues specific to the three priority areas, the meeting quickly became oversubscribed, particularly in the practice group.

The agenda for the meeting was developed with substantial contributions by leaders from each working group. Through a series of conference calls, each group decided how to structure the plenary sessions and working groups to achieve specific goals. Additional preparatory materials for each working group were developed and circulated in advance to ensure that the meeting in Baltimore began with a shared understanding about goals.

The overall two-day agenda was structured as follows:

WEDNESDAY, NOVEMBER 15, 2017

Out-of-town participants joined a tour organized by Healthy Neighborhoods, Inc. to gather insights and firsthand evidence of Baltimore's efforts to stabilize middle neighborhoods. Following the tour, approximately eighty guests comprised of working group participants and leaders driving the middle neighborhood movement in Baltimore gathered at a middle neighborhood community facility, the Motor House. Paul Brophy welcomed the group and provided an overview

of the middle neighborhood movement and the need for national neighborhood strategies. Baltimore City Mayor Catherine E. Pugh then welcomed the audience and described her administration's priorities for neighborhood stabilization. A panel discussion focused on incentives for private investment in middle neighborhoods as well as the steps taken in Baltimore and Philadelphia to address both hot and weak market conditions. A reception followed the panel. Afterwards, a dinner for the out-of-town participants and select leaders from Baltimore provided an opportunity for sharing experiences and motivations for continuing work in middle neighborhoods.

THURSDAY, NOVEMBER 16, 2017

Fifty-four participants gathered at the Federal Reserve Bank of Richmond's Baltimore offices for a full-day working session. Following an opening plenary over breakfast, practitioners from Chicago and Cleveland made brief presentations about efforts to stabilize their cities' middle neighborhoods. The co-chairs for the three sessions then led a plenary discussion about priority issues. Participants then broke into their working groups led by co-chairs and supported by a rapporteur who documented the discussions in detailed notes, with particular attention to new, innovative ideas and consensus about how to move forward. Over lunch, participants shared priorities for communication needs. During the concluding plenary session, each group reported out on recommendations and next steps with feedback from all participants. Congressman Dwight Evans (D-PA) offered closing remarks, emphasizing the need for coordinated action and leadership. Following the meeting's adjournment, a concluding dinner brought the leadership of the middle neighborhoods working groups together with Congressman Dwight Evans (D-PA), Congressman Dan Kildee (D-MI) and their staffs to discuss how to build on the momentum of the emerging middle neighborhood movement, including implementation of specific takeaways from the meeting.

MEETING PARTNERS

THE AMERICAN ASSEMBLY

Founded by Dwight D. Eisenhower in 1950 at Columbia University, The American Assembly is a national, nonpartisan, public affairs institute that illuminates issues of public policy by commissioning research, issuing publications, and sponsoring convenings. The American Assembly's projects bring together leading authorities representing a broad spectrum of views, backgrounds, and interests. Assembly reports and other publications are used by government, community, civic, and public officials, as well as academia. American Assembly topics address a wide variety of domestic and foreign policy issues in the public interest.

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THE BALTIMORE BRANCH OF THE FEDERAL RESERVE BANK OF RICHMOND

The Federal Reserve Bank of Richmond is one of twelve regional Reserve Banks working together with the Board of Governors to foster economic stability and strength. It serves in the Fifth Federal Reserve District, including the Carolinas, Maryland, Virginia, most of West Virginia and our nation's capital. The Richmond Fed works to help people be more confident in their financial decisions and in our nation's economic and financial systems. They do this by helping the economy—by promoting stable prices, employment and moderate long-term interest rates; working to ensure a safe and sound financial system; and connecting with their District's community and business leaders. The Community Development department at the Richmond Fed works with local stakeholders and partners to identify and address economic impediments and opportunities in low- and moderate-income communities in the Fifth District.

LINCOLN INSTITUTE OF LAND POLICY

The Lincoln Institute of Land Policy seeks to improve quality of life through the effective use, taxation, and stewardship of land. A nonprofit private operating foundation whose origins date to 1946, the Lincoln Institute researches and recommends creative approaches to land as a solution to economic, social, and environmental challenges. Through education, training, publications, and events, Lincoln Institute integrates theory and practice to inform public policy decisions worldwide.

HEALTHY NEIGHBORHOODS, INC.

Healthy Neighborhoods, Inc. (“HNI”) is a Baltimore CDFI non-profit supporting organization of the Baltimore Community Foundation. HNI helps strong but undervalued neighborhoods increase home values, market their communities, create high standards for property improvement and build strong connections among neighbors. HNI work in forty-two Baltimore neighborhoods is based on the following premises: 1) Baltimore competes with surrounding counties for homebuyers; 2) Neighborhood plans must build upon strengths and assets of the neighborhood; 3) “Over improving” homes builds value; 4) Increased appreciation and equity is a good thing; and 5) An improved property impacts neighbors’ property values.

REPORT DESIGN

Elizabeth Nebiolo

COVER IMAGE

Strong City Baltimore