



Building Communities of Promise and Possibility

State and Local Blueprints for
Comprehensive Neighborhood Stabilization



ABOUT MASSINC

The Massachusetts Institute for a New Commonwealth (MassINC) is a rigorously non-partisan think tank and civic organization. We focus on putting the American Dream within the reach of everyone in Massachusetts using three distinct tools— research, journalism, and civic engagement. Our work is characterized by accurate data, careful analysis, and unbiased conclusions.

ABOUT THE GATEWAY CITIES INNOVATION INSTITUTE

The Gateway Cities Innovation Institute works to unlock the economic potential of small to mid-size regional cities. Leveraging MassINC's research, polling, and policy team, the Institute strengthens connections across communities and helps Gateway City leaders develop and advance a shared policy agenda.

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MACDC was established in 1982 and serves as the capacity building and advocacy arm of the community development movement in Massachusetts. We are an association of 92 mission-driven community development organizations. As our mission states: "MACDC is a membership organization that seeks to build and sustain a high performing and adaptive community development sector that is supported by private and public investment and sound public policies. We advance racial and economic equity by creating healthy communities where everyone lives in housing they can afford, benefits from economic opportunities and can fully participate in the civic life of their community." To learn more about MACDC, visit us at www.macdc.org.

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Ben Forman
Alan Mallach

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Dear Friends:

As the 191st Massachusetts General Court convenes with renewed vigor, MassINC and MACDC are proud to present *Building Communities of Promise and Possibility*. The product of collaborative discussion among researchers, practitioners, and policymakers, this report offers fresh thinking about how to strengthen and safeguard neighborhoods across the state with strategies specifically formulated to meet their varying needs.

In recent years, much attention has been trained on Greater Boston's red-hot housing market and the increasingly severe difficulty the areas low- and moderate-income residents have had finding safe and affordable housing. There is much less awareness of the very different problems faced by residents of so-called weak market neighborhoods, where housing is much less expensive but conditions are physically, socially, and economically challenging. This report brings those troubles to light, and suggests ways of addressing them effectively. It stands on the conviction that all neighborhoods play a fundamental role in nurturing and shaping lifelong well-being and, as such, ground our Commonwealth's social and economic foundations.


While our lower-income neighborhoods have many strengths—their resilient residents foremost among them—they face strong destabilizing forces. These forces are particularly threatening to Gateway City neighborhoods, which have been so vital to upward mobility for generations of Massachusetts residents and remain essential to the state's future as prime locations for efficient, sustainable, and equitable growth. Municipal and nonprofit organizations have historically provided a bulwark against neighborhood decline, but a pronounced federal retreat from neighborhood investment leaves these agencies in extremely precarious positions.

We are grateful to all of the housing and community development leaders who helped us better understand this context. Over the past six months, they contributed countless hours of personal and professional time describing the weak-market landscape and thinking through potential strategies at the state and local levels to stabilize and strengthen these neighborhoods.

We would also like to express our gratitude to Alan Mallach and the Lincoln Institute of Land Policy. One of the nation's most knowledgeable neighborhood-revitalization scholars, Alan has long been a valued and committed thought partner to both MassINC and MACDC member organizations. Working with him to analyze neighborhood conditions and develop the strategies presented in this paper was a great privilege. Alan's research was conducted in partnership with the Lincoln Institute of Land Policy, as part of its Legacy Cities Initiative.

This report is the beginning of what we hope will be a long and fruitful partnership. MassINC and MACDC are eager to support efforts to continue the conversation, working with state and local leaders to refine and improve upon the ideas presented here, and to explore additional strategies for ensuring that all Massachusetts communities are imbued with promise and possibility.

Sincerely,



Benjamin Forman
Executive Director

MassINC Gateway Cities Innovation Institute



Joe Kriesberg
President

MACDC

Executive Summary

Many lower-income neighborhoods in Massachusetts—most notably, but not solely, in the state’s Gateway Cities—struggle with the challenges of weak real estate markets, where low rents and declining values make it difficult to maintain an aging housing stock. The legacy of the Great Recession is still hard felt in these communities. “Zombie properties” caught in foreclosure limbo, combined with the occasional vacant lot and abandoned industrial building, exert downward pressure on neighborhoods that are vital to the future of our Commonwealth.

Located in close proximity to historic downtowns, colleges, medical centers, and transit and other valuable public infrastructure, these neighborhoods hold a significant percentage of the state’s housing stock. Preserving their health is key to cultivating more efficient and environmentally sustainable building patterns. Their stability is also central to generating more equitable growth: these neighborhoods disproportionately draw hardworking residents striving for middle-class security, including an outsize share of new immigrants and first-time homebuyers of color, whose families have historically faced discrimination in the state’s housing markets.

Unfortunately, the status quo presents a formidable barrier to the flourishing of these neighborhoods and their residents. Federal and state policy choices have both reduced the resources available to communities to counter blight, and simultaneously limited the ability of municipal governments to

generate funds locally to provide needed public services and neighborhood improvements.

These policy choices are at odds with what we know. The widening income divide in the US is leading to more socioeconomically segregated communities. Blight that fuels this cycle is extremely harmful. The condition of a child’s neighborhood, block by block, can affect not only their opportunities early in life, but also their long-term health and adult earnings.

Rebuilding these neighborhoods to better realize their assets and to provide their hard-working residents with greater opportunity is not a simple undertaking. But experience shows that change is possible: neighborhoods can stabilize and redevelop equitably with the right mix of policy imagination, leadership, community engagement, and local initiatives.

Massachusetts has many deeply skilled housing and community development leaders with years of experience. To tap into this wealth of homegrown knowledge, MassINC and the Massachusetts Association of Community Development Corporations convened two dozen leaders for a series of conversations during the fall of 2018. Meeting as a whole and in smaller working groups, we explored a range of revitalization strategies that could address the multifaceted social, economic, and physical challenges blighted neighborhoods face. From the beginning, we were committed to the principle that Massachusetts

KEY TRENDS

- Since 2000, the number of Massachusetts residents living in neighborhoods where poverty rates surpass 40 percent has more than doubled to nearly 165,000. Two-thirds of neighborhoods with this level of concentrated poverty are located in just nine Gateway Cities (see Appendix p. 23).
- With rising interest rates and other signs indicating that the housing-market recovery is slowing, home values in most Gateway Cities remain below 2006 levels. In Fall River, Fitchburg, New Bedford, and Worcester, home values are still under their pre-foreclosure crisis peak by 10 percent or more.
- Vacancy rates are elevated and steadily rising in many Gateway Cities. More than one-in-ten housing units in Fall River, Fitchburg, Holyoke, and Pittsfield are vacant. Several other Gateway Cities are approaching this alarmingly high level of vacancy.
- Compared to 1980, Gateway Cities have lost more than \$100 million annually in federal CDBG grants for neighborhood improvement.

must work toward a truly comprehensive policy framework for neighborhood revitalization that responds to both the neighborhood as a *place*, and the neighborhood as its *people*.

An impressive array of work is under way across Massachusetts in both of these realms, but it is fragmented: no comprehensive neighborhood revitalization initiative exists at the state level to link these efforts, disseminate best practices, and foster continuous improvement. Precious resources are used inefficiently and regulatory obstacles that hinder neighborhood revitalization remain in place. Lack of discretionary funding for neighborhood revitalization is an even more pressing concern as federal resources for this activity are vanishing. Without state

funds to fill this gap, Massachusetts could lose the local capacity needed to carry out the complex task of neighborhood revival.

The pages that follow describe the challenge in more depth, assess the current neighborhood revitalization policy landscape in Massachusetts, and offer 10 recommendations for action. Summarized in the graphic below, the first four recommendations call for local action, and the final six require for state-level administrative or legislative change. Together they offer an initial strategic blueprint for stimulating collaborative state and local effort toward a robust neighborhood revitalization initiative.

Summary of Recommendations by Level of Government Action

	Local Action	Administrative Action	Legislation	Budget Line Item	Capital Funds
Responsibly license and inspect rental property.	✓				
Acquire, maintain, and dispose of municipally owned property effectively.	✓				
Push the envelope on public school improvement.	✓				
Leverage criminal justice reform.	✓				
Refine M.G.L. Chapter 121A to make the law a more effective tool for addressing individual and scattered problem properties.			✓		
Establish a commission on bringing older buildings up to code cost-effectively in weak real estate markets.			✓		
Capitalize a Neighborhood Stabilization Fund.					✓
Challenge communities with a demonstration program for the redevelopment of neighborhood-scale commercial properties.					✓
Design a school-centered neighborhood revitalization program.		✓			
Create a Neighborhood Stabilization TA Hub and Fellows Network.				✓	

I. Massachusetts' Other Housing Problem and Its Consequences

Massachusetts is notorious for its “strong market” housing problems. Skyrocketing housing costs and multiple barriers to development make it exceedingly difficult to provide affordable housing that accommodates all of those drawn to the state’s enviable quality of life, public services, and high-paying jobs. But these problems do not afflict the entire state. Many parts of the Commonwealth—particularly Gateway Cities—struggle with “weak markets,” a less visible but in many ways more pernicious housing challenge.

In communities where demand is soft, maintaining older, mostly wood-frame housing stock in a harsh climate is difficult, particularly as code requirements become increasingly stringent and costs for materials and skilled labor continue to rise. In cities like Worcester, nearly three-quarters of two-to-four-family homes, and over half of single-family homes were built 60 or more years ago. In these weak-demand areas, as the cost of maintenance rises, home values can steadily decline to the point where it can stop making economic sense to invest in these structures for the long term. Where this happens, one sees absentee owners buying cheap and collecting as much rent as they can before rot wins out and the building is no longer habitable. Often, the end result is a dilapidated problem property sitting idle, sapping value from surrounding homes and devaluing the equity that nearby homeowners were counting on to provide financial security and a nest egg for retirement.

Neighborhoods Vital to the State’s Future Face Difficult Challenges

This pattern of neighborhood decline is not new and it is not confined to Massachusetts, as even more severe conditions in hard-hit legacy cities in the Midwest can attest. However, the downward spirals have grown more intense—here and elsewhere—with rising income inequality. Compared with just a generation ago, Massachusetts is now home to markedly fewer mixed-income neighborhoods and significantly more high-poverty ones. While these neighborhoods contain valuable assets—both in terms of their physical environment and the resilient people who live there—they face daunting challenges, and often lack the political clout to obtain good public services or draw sufficient public resources for code enforcement and other critical needs.¹

Mounting evidence demonstrates the myriad ways that living in substandard housing conditions in high-poverty neighbor-

hoods can be harmful to both the body and the spirit. Deteriorated housing can breed lead poisoning and asthma, while the absence of grocery stores and fresh food sources can lead to increased rates of obesity and other ills. Exposure to crime creates trauma and toxic stress, which have serious implications for both physical and mental health. Schools in these neighborhoods, which serve large concentrations of increasingly high-need children, struggle to help their students develop the academic and social-emotional abilities they must have to succeed in higher education and the workplace. For many living in these circumstances, the neighborhood is a trap rather than a springboard to opportunity.²

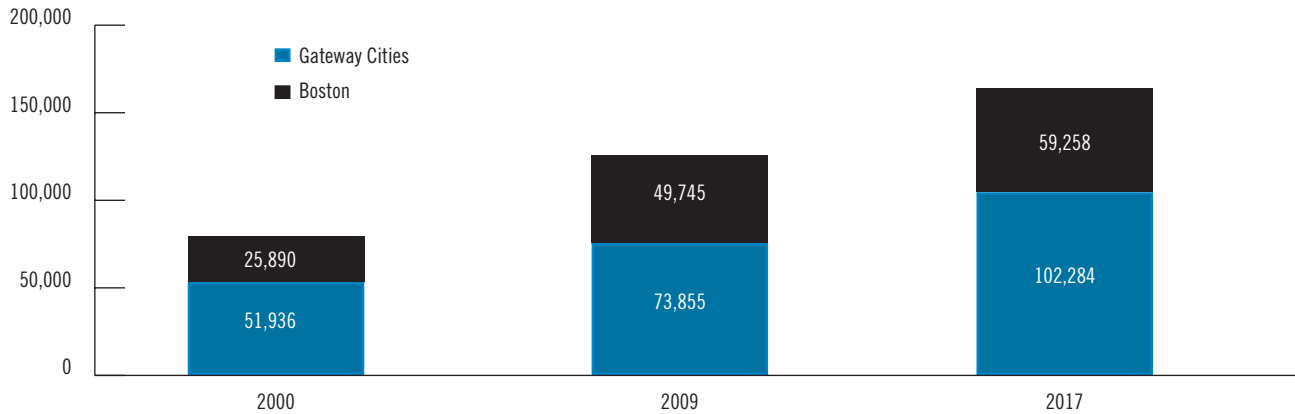
In a knowledge economy that produces large and rising salaries for skilled workers, and small and falling incomes for most others, environments that degrade human potential in this manner widen the income divide and reinforce the cycle of economic and racial segregation, leading to further disinvestment and decline.

Data illustrate the growing challenge Massachusetts faces in this regard: since 2000, the number of Massachusetts residents living in neighborhoods where poverty rates surpass 40 percent has more than doubled, from 77,826 to 161,542 (Figure 1). Two-thirds of neighborhoods with this level of concentrated poverty are located in nine Gateway Cities; the other third are in Boston. These neighborhoods were often disproportionately affected by the foreclosure crisis and the Great Recession. Many of them lost large numbers of homeowners to foreclosure, and in sharp contrast to Boston, home values in most Gateway Cities are still well below their pre-foreclosure crisis peak (Figure 2). Vacancy rates are steadily rising, foreshadowing the potential for more disinvestment and substandard housing conditions in the future (Figure 3).

Policy Choices Reinforce the Pattern of Decline, Leading to Mounting Costs for State Government

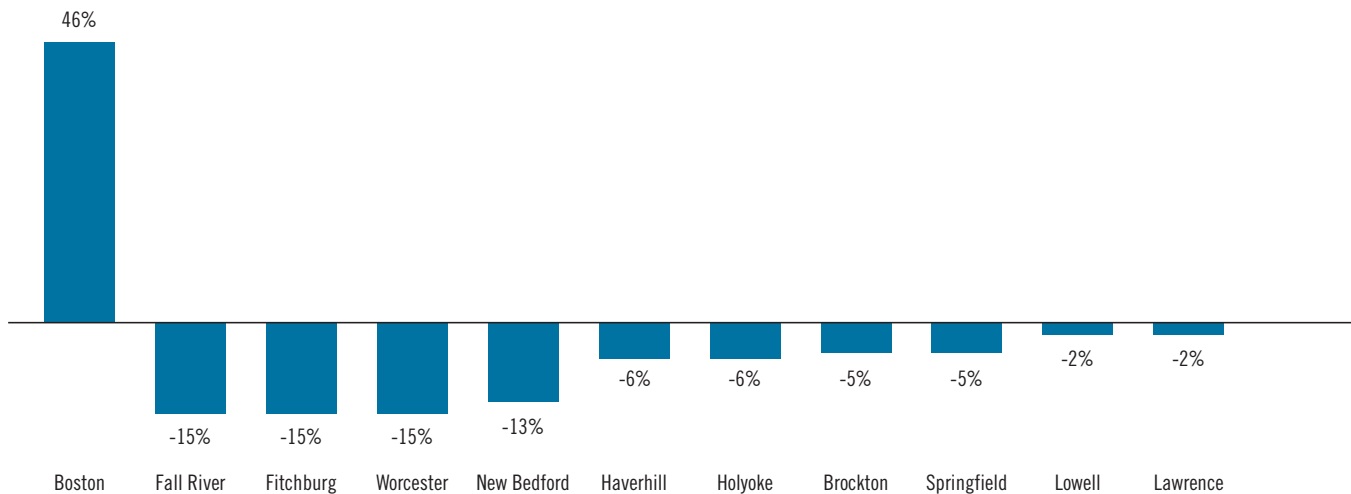
Economic forces may be the principal driver of these trends, but the importance of public policy should not be underestimated. Communities with old, deteriorating housing can keep neighborhoods from entering a downward spiral, but to do so they need not only will and experience, but resources. Unfortunately, federal funding to address neighborhood decline, mainly through the Community Development Block Grant (CDBG)

Figure 1: Number of Residents Living in Neighborhoods with Concentrated Poverty



Source: US Census Bureau

Figure 2: Percent Change in Real Home Value per Square Foot, Boston and Select Gateway Cities 2006-2018

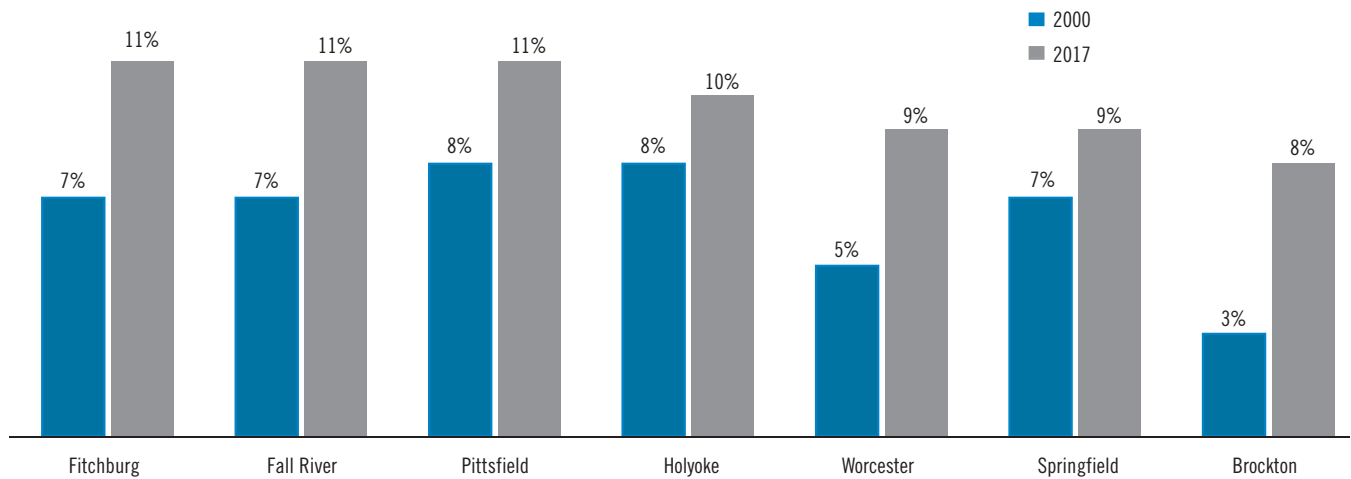


Source: Zillow

program, has been cut dramatically. Since 2000, Massachusetts’ CDBG allotment—the main tool communities use to stabilize neighborhoods—has fallen by 37 percent. The CDBG block grants that Gateway Cities receive directly as entitlement communities have declined by half (Figure 4). And these deep cuts have come on top of even more significant reductions in the 1980s and 1990s. In 2018, Gateway Cities had just \$34 million in CDBG funding for neighborhood stabilization efforts, \$102 million less than they had in 1980, adjusting for inflation. While the federal Neighborhood Stabilization Program, en-

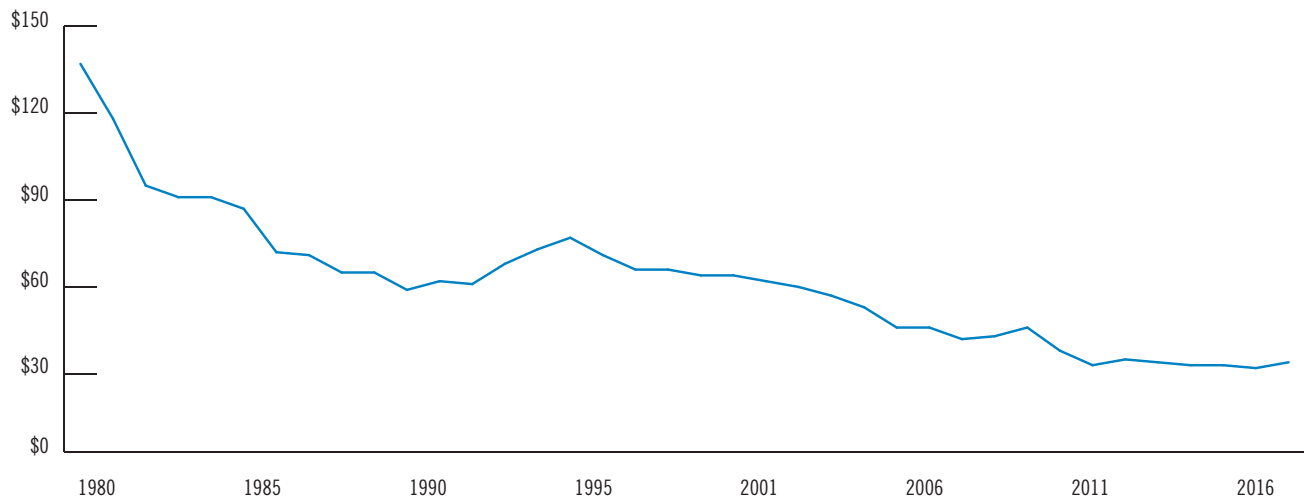
acted in response to the foreclosure crisis helped, it provided limited assistance and ran out of funds after only a few years. At the same time that federal funding has dropped precipitously, Massachusetts communities have been forced to absorb sharp reductions in non-school state aid. Combined with Proposition 2½ (which makes it particularly difficult for low-resource communities to raise property taxes) and Chapter 70 (which directs most local revenue growth to required municipal school funding), state fiscal trends have had serious consequences for cities’ ability to address critical issues

Figure 3: Change in Vacancy Rates, Select Gateway Cities



Source: US Census Bureau

Figure 4: CDBG Block Grants to Gateway Cities, 1980-2018 (millions of 2018 dollars)



Source: US Department of Housing and Urban Development

of neighborhood health. Local governments have been forced to cut back sharply on staffing for housing and community development, as well as for the municipal building and health departments responsible for code enforcement, and public works departments that play a vital role in maintaining neighborhood infrastructure (Figure 5).

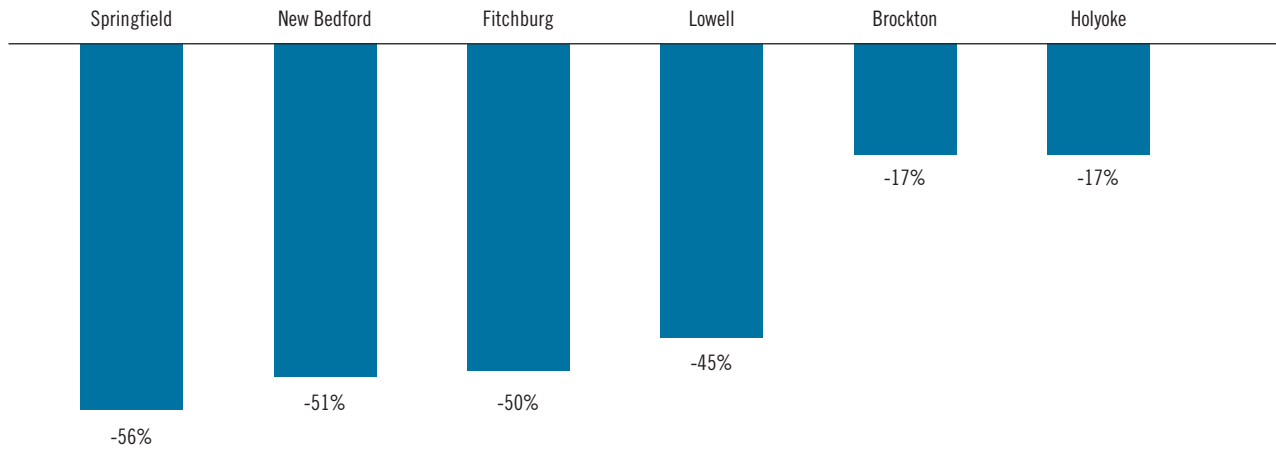
Over the same time frame, Massachusetts significantly expanded its commitment to helping low-income families access quality health care. As health care costs consume an ever-larger

share of the state budget, the growing concentration of poor households in environments that are injurious to their health not only adds to the cost of providing care, but undermines much of the effort involved.

Neighborhoods Matter

For all the talk about globalization and the diminished significance of place, neighborhoods matter as much as ever. Neighborhoods are far more than geographic spaces or housing markets. They represent the physical setting in which

Figure 5: Percent Change in Public Works Expenditure, Selected Gateway Cities, 2003-2017



Source: Massachusetts Department of Revenue

most people spend the greater part of their time and the social environment in which they have most of their informal interactions. For many, neighborhoods are the center of their personal support networks and the locus through which they engage in their community’s civic and political life.

Neighborhoods are particularly important for people limited by income, education, and language barriers. While everyone regards a warm, supportive neighborhood as a good thing, for lower-income residents, immigrants, and refugees, the neighborhood represents far more than that. It is a system that exerts a powerful influence on their present and future. In the present, it determines whether they can enjoy a decent quality of life, with a reasonable measure of health, safety, and opportunity. Over the long term, neighborhood conditions affect residents’ health status, life expectancy, and likelihood of improving their economic condition.

In Massachusetts, many of the neighborhoods facing the most severe blight and distress have outsize significance for the state’s future. These communities were densely developed, clustered in close proximity to many assets, including transit and other public infrastructure, historic downtowns, colleges and universities, and community hospitals and other regionally significant institutions. The health of these valuable assets and the health of these neighborhoods are inseparably intertwined. Given the state’s growth pressures, the future of these neighborhoods is also integral to efforts to cultivate more efficient and environmentally sustainable development. Moreover, these neighborhoods are vital to achieving more equitable

growth in Massachusetts, as these neighborhoods are increasingly home to first-time homebuyers of color, whose families have historically faced discrimination in the state’s housing markets, as well as to new immigrants, who have made heavy sacrifices to seek new opportunity in our Commonwealth.

With a comprehensive revitalization strategy, state and local leaders in Massachusetts can stabilize and improve these at-risk neighborhoods, enabling them to realize the full value of their substantial assets, and their potential to our Commonwealth as communities of promise and possibility.

Leave No Neighborhood Behind

Massachusetts should take a “leave no neighborhood behind” approach to building a neighborhood stabilization policy framework that can be effective wherever the need arises, be it in rural communities, older suburbs, parts of Boston, or Gateway Cities. The analysis in this report focuses largely on Gateway Cities because distressed weak-market neighborhoods (and neighborhoods at high-risk of falling into distress) are disproportionately located in Gateway Cities—steeply so. The consequences of weak housing markets in these cities are augmented by their vital function. As regional economic centers and communities that serve as launching pads for low-income residents, they play an outsize role in the social and economic future of our Commonwealth.

II. The Critical Task of Stabilizing Distressed Neighborhoods

Lengthy conversations with working group members revealed key insights about what a comprehensive strategy ought to look like in today's environment, the many pieces Massachusetts currently has in place, as well as the challenges and gaps that must be addressed to have broader and deeper impact in the future. This section succinctly summarizes what we learned from one another.

A. What a Comprehensive Strategy Should Include

No single strategy can address the challenges of struggling neighborhoods. As multifaceted social, economic, and physical entities, neighborhoods demand multifaceted approaches. Effective revitalization efforts tend to be multi-sectoral, working through many distinct pathways designed to affect both the neighborhood as *a place*, and the neighborhood as *its people*. More specifically, these comprehensive strategies target:

- **Quality of life.** Strategies to increase residents' quality of life by improving health and safety conditions. These include direct public health interventions as well as enhanced regulatory strategies to deal with substandard and vacant properties, improvements to the physical environment (including parks, open spaces, and sidewalks), and improvements to public safety.
- **Housing quality and value.** Strategies to strengthen market conditions, foster increased home ownership, and encourage upgrades to existing properties and construction of new infill housing, while ensuring preservation of affordable housing.
- **Commercial districts.** Strategies to stabilize and upgrade neighborhood commercial districts as places where residents can both obtain goods and services and maintain businesses or find employment.
- **Economic opportunity.** Strategies to build economic opportunities for youth and adults, including stronger schools, vocational and technical training opportunities, skill development and job placement programs for unemployed and underemployed adults, and transit enhancements to better link neighborhood residents with regional job opportunities.
- **Social capital.** Strategies to foster stronger social networks and engagement within neighborhoods, build social cap-

ital and collective efficacy, and strengthen the neighborhood as a social support system for its residents.

- **Cultural capital.** Strategies to leverage and enhance the existing cultural assets of these places and the people who live in them, through creative placemaking, visual and performing arts, food, festivals, and other activities.

The precise mix of strategies neighborhood stabilization leaders choose to deploy will undoubtedly vary from place to place. Some Gateway City neighborhoods, particularly in cities close to Boston, may need steps to preserve affordability in their already active housing markets, while also addressing pockets of blight. Such cities should also think about how to leverage and manage the inflow of new residents moving away from high housing prices in Boston and elsewhere. Other neighborhoods may have strong social capital, but must find ways to improve economic opportunity or housing-market strength.

While new public investment may be needed to execute some elements of a comprehensive strategy, others—such as critical quality-of-life improvements—may simply need more effective targeting and coordination of existing resources, coupled with the development of more-effective state regulatory tools.

B. Comprehensive Neighborhood Revitalization in Massachusetts: Many Pieces in Place

Massachusetts needs comprehensive neighborhood stabilization policies at the state level that position communities to target neighborhoods for revitalization with holistic approaches. Pieces of this policy framework are in place, and across the Commonwealth communities are working creatively to fashion their own local responses. Below we catalog this activity to identify strength and capacity, as well as gaps and limitations in the current toolset.

Quality of Life

On the regulatory side of efforts to improve quality of life in distressed neighborhoods, receivership is one of the more powerful tools currently available. Massachusetts has used court-appointed receivers since the mid-1990s as a strategy to improve vacant and distressed properties. Receivership is triggered by complaints from tenants, abutters, or other affected parties relating to sanitation code violations. If the

grievance is deemed valid, a court-appointed receiver—often a nonprofit housing developer (see OneHolyoke case study, p. 20)—can bring the violating property up to code and then place a lien on it to recoup expenses. If the owner does not pay the lien, the receiver can move to foreclose.

To help build local capacity to use receivership, the Massachusetts Department of Housing and Community Development (DHCD), Massachusetts Housing Partnership (MHP), and the Attorney General’s Office have worked to train communities in executing the receivership process. Through the Attorney General’s Abandoned Housing Initiative (AHI), funds have been available to help defray legal fees and property-improvement costs. In some areas of the state, receivership has been an effective tool, but other communities have found the process to be too slow and cumbersome. And as the large settlements the state received from suits related to subprime mortgage lending have been expended, AHI has had fewer grant dollars to cover expenses.

Building codes are also an important, but uncertain regulatory tool to improve properties. Efforts to make buildings safer and accessible to all are critical, particularly given the threat of climate change and the needs of an aging society. However, leaders consistently report that code as currently implemented is not advancing these goals in weak-market communities. Unlike most states, Massachusetts requires owners to bring buildings up to current code standards when they make improvements equal to or greater than 30 percent of the building’s existing value. In weak markets, where prices are extremely low, it does not take much to reach this trigger (a modest \$30,000 rehab could trigger the requirement whereas owners in some suburban communities could spend \$500,000 or more without such a requirement, simply because of the underlying property value). And with values low, it is impossible to justify the level of investment that would be required to make an entire wood-frame, hundred-or-more-year-old building code compliant. Other states follow the protocol of the International Building Code, under which owners must bring the portion of the building they are improving up to current standards. By taking an unusual approach, Massachusetts regulation perpetuates a vast inequity between lower-income and higher-income neighborhoods, discouraging or preventing improvements that would make older properties in struggling neighborhoods safer and more valuable.

In terms of funding for building improvements, lead-paint abatement has been a major housing and public health focus for decades. The Get the Lead Out Program, administered by

MassHousing (see case study p. 21), is a successful 0-to-3-percent-interest revolving loan fund that assists income-eligible owners and renters in their efforts to comply with state requirements to rid properties of lead hazards. Such interventions are especially valuable in low-income Gateway City neighborhoods, where a large number of these untreated properties are clustered. To sustain Get the Lead Out, MassHousing will require an infusion of additional resources for the program.

Over the past decade, Massachusetts has put considerable effort into improving parks and open space in Gateway Cities through the Gateway Cities Parks Program. More recently, the state launched the “Greening the Gateway Cities” initiative to generate energy savings, reduce storm water runoff, and improve air quality by significantly increasing tree canopy in targeted residential areas. By also making the urban streetscape more visually attractive, this program can provide a significant contribution to efforts to strengthen and stabilize neighborhoods.

Lastly, several Gateway Cities have coordinated efforts to improve public safety in blighted neighborhoods. Through the Working Cities Challenge, the Chelsea Police Department created “The Hub + COR” in 2015. Here, the department brings together more than 20 state and local organizations weekly to exchange information about people and families who are struggling and to share intervention ideas and resources before their troubles run deeper. Informed by the experience in Chelsea, the Springfield Police Department has adopted a similar model.

Residential quality and value. The absence of adequate resources to support physical investment in residential quality is the most significant gap in the state’s neighborhood stabilization toolset. Vacant and abandoned properties generally require significant improvement before they can be restored to productive use. Because markets in these neighborhoods are soft, the costs of acquiring and rehabilitating properties often exceed the amount these homes will fetch at resale.

In 2018, the Massachusetts Legislature passed, and the Governor signed, a housing bond bill that specifically allocates resources to be used for this purpose. The law includes a \$150 million recapitalization of the Housing Stabilization Fund (HSF), with provisions allowing up to \$10 million to be used to increase homeownership in weak markets, and up to \$50 million from the Affordable Housing Trust Fund (AHTF) to rehabilitate one-to-four-unit buildings in Gateway Cities and other similarly situated municipalities.

Resources from the AHTF program also support the Massachusetts Housing Partnership's ONE Mortgage Program, which allows income-eligible, first-time buyers to purchase one-to-three-family properties with as little as 3 percent down and no private mortgage insurance requirement. MassHousing offers a new product that provides low- and moderate-income buyers with "no down payment" loans. Working with rehab and targeted neighborhood rehabilitation efforts, these responsible lending products offer pathways to increase not only homeownership, but also stability to help ensure that families are able to build equity through their purchase.

Massachusetts also has a number of more specialized tools that targeted neighborhood stabilization can marshal. Energy-efficiency improvement grants are one important category. These funds can provide low-income owners and renters with air sealing and insulation, and they can fund the additional remediation that is necessary to make these improvements (e.g., replacement of old knob-tube wiring and removal of asbestos). The Home Modification Loan Program, administered by the Community Economic Development Assistance Corporation (CEDAC), can provide grants to landlords to make buildings accessible for prospective tenants with disabilities.

Commercial districts. Redevelopment of commercial space is particularly challenging in weaker real estate markets, where many neighborhood commercial areas are struggling. A working group convened by the Federal Reserve Bank of Boston in 2016 to explore this problem noted that there are more than 5,800 empty commercial spaces across the Gateway Cities, and few financial resources are directed at restoring them to activity.³ If neighborhoods are unable to address commercial vacancies, and support small business investment and growth, they lose important amenities that contribute to quality of life and provide jobs. Unlike housing, where at least some federal funds have been available to underwrite revitalization activities, resources for redevelopment of neighborhood-scale commercial spaces have long been absent from the toolbox. Addressing this policy gap will require considerable thought, attention, and observation of relevant practices in other states.

Economic opportunity. A variety of creative interventions to better connect Gateway City residents to economic opportunity hold promise to achieve scale, and deserve careful consideration in future comprehensive neighborhood stabilization strategies.

These models include efforts to intervene directly in public housing developments, including Talk/Read/Succeed, an early-learning program run by the Springfield Housing Authority, and the A Better Life program developed by the Worcester Housing Authority to support residents with education, employment, and financial literacy. More comprehensive efforts to connect children and families to a range of supportive services are also emerging, most notably, Salem's By All Means initiative, a "Children's Cabinet" composed of the school district superintendent and heads of the city's health, social services, and recreation departments, which works to bring resources and ideas together to design strategies to better meet the needs of economically disadvantaged children and families in the community. In Springfield and Worcester, hospitals are playing increasingly larger roles leading multi-sectoral public health initiatives to target neighborhoods and housing as social determinants of health.

Other notable strategies to provide economic opportunity at greater scale include the Baker administration's Early College Initiative, which allows high school students to earn post-secondary credits, significantly increasing the likelihood that they will complete a college degree. Lawrence High School has hundreds of students in early college, and they are also modelling a program to allow high school students to take afternoon courses at regional vocational schools so they can graduate with credentials that have more substantial value in the labor market.

Massachusetts is also exploring ideas to improve public transit service in ways that will benefit the residents of Gateway Cities. In its December 2018 report, the Governor's Commission on the Future of Transportation noted that investment in regional bus service and commuter rail should be targeted to better connect Gateway Cities as both residential and commercial hubs. MassDOT is currently studying how to make rail a stronger link to economic opportunity. The agency is exploring commuter rail fare discounts that would enable low-income Gateway City passengers to make use of the service, greater service frequency for second-shift workers, and last-mile reverse commute travel that moves workers from rail stations to job sites in suburban industrial parks. MassDOT is also examining the feasibility of East-West rail service, connecting the Berkshires and Pioneer Valley to Central and Eastern Massachusetts.

Social and cultural capital. Community Development Corporations (CDCs) have historically played a central role in build-

ing social capital through resident organizing and leadership development as a component of comprehensive neighborhood revitalization efforts. Massachusetts has begun to provide support to help CDCs carry out this work through the Community Investment Tax Credit, which the Legislature enacted in 2012. Over its first four years, the credit generated nearly \$35 million in private philanthropy, with three-quarters of the recipient CDCs directing some of these funds toward community engagement efforts.⁴ In Massachusetts, CDC capacity is also well-supported by Neighborworks, MACDC, LISC, and the Mel King Institute, which provide training, financing, capacity building, and other forms of assistance.

Schools can also help develop social capital in their communities. Legislation recently signed into law requires Massachusetts schools to provide civics education, along with hands-on learning to give students opportunities to engage directly in community change efforts. As described in previous MassINC reports, school-centered approaches to neigh-

borhood revitalization can extend even further, in terms both of coordinating physical investment in school facilities, and engaging community members in school improvement and governance.⁵ While school-centered neighborhood revitalization holds real promise, Massachusetts currently lacks policy or models to elevate this approach.

The state has focused on supporting the many cultural assets embedded in neighborhoods. These varied efforts range from grant funds provided by the Massachusetts Cultural Council to MassDevelopment's TDI Places grants. In many communities, these efforts have proven to be a particularly effective means for local governments, schools, and community-based organizations to engage new immigrants (and immigrant-owned businesses) in community improvement activities.

III. Toward a Strategic Blueprint for Local Action

As emphasized in the previous section, each community must be able to fashion a unique response to its neighborhood challenges commensurate with local conditions. At the same time, there are fundamental components to neighborhood stabilization that all communities must deploy in order to succeed. In this section, we highlight four high-impact strategies, two related directly to housing intervention and two that lie beyond the housing domain but are critically associated with neighborhood stability. These are far from the only actions local governments can and should pursue to build stronger neighborhoods. We single out these four because evolving state policies put cities in a better position to have impact in these areas. We also feel that these items merit special focus because they are often politically challenging and require considerable resolve to execute.

1. Raise the quality bar for rental housing.

The ability of municipalities to enforce local housing and property maintenance codes is a powerful tool to foster better housing quality. Rental licensing ordinances, under which non-owner occupied rental properties receive regular health and safety inspections, can significantly improve health conditions and quality of life for low-income renters, while paying for themselves through modest licensing and inspection fees.

2. Acquire, maintain, and dispose of municipally owned property, with long-term stabilization as the primary goal.

Local government has considerable power to take properties—including through tax taking and, under certain circumstances, through eminent domain—and move them into responsible hands using a variety of means, in order to get properties rehabilitated or provide long-term affordable housing. Too often, though, municipalities do not take advantage of their authority: they either fail to take properties when they could or, when they do, sell them at auction without safeguards ensuring appropriate rehabbing and reuse. While this is understandable, given limited local capacity and resources, it often means that communities lose potential long-term fiscal and other benefits in return for modest short-term gains.

Thirteen states have enacted legislation explicitly allowing cities, counties, or both to create dedicated land bank entities like the Greater Syracuse Land Bank (see sidebar). Although Massachusetts is not among them, the powers granted by the

Brooklyn Center, Minnesota Rental Licensing Program

Brooklyn Center, an inner-ring suburb of Minneapolis with a population of slightly over 30,000, enacted a performance-based rental licensing program. Under the program, the city tracks the performance of its rental housing stock and, based on code violations, nuisance complaints and criminal activity, places every rental property in one of four tiers. Those tiers determine the frequency of inspections, the fees that landlords must pay, and steps that landlords must take to meet code standards. While Tier 1 properties are inspected only once every three years, Tier 4 properties are inspected every six months. Tier 3 and 4 landlords, moreover, are required to participate in training programs to improve their ability to manage their properties. Since implementing the program, violations have dropped significantly.

For more information, see <http://www.cityofbrooklyncenter.org/index.aspx?NID=316>

The Greater Syracuse Land Bank

The Greater Syracuse Land Bank was established in 2012 under a then-newly enacted New York State law to carry out problem-property acquisition, maintenance, and disposition in Onondaga County, New York. Almost all of its activity, however, has taken place within the city of Syracuse, a struggling upstate New York midsize city that has lost more than a third of its population since 1950. Since its establishment, the land bank has acquired 1,663 properties, sold 649 of them, leveraged over \$21 million in private investment, and put properties back on the tax rolls to generate \$1 million in annual property tax revenues.

For more information see <http://syracuselandbank.org/>

Oakland International High School: A Community School in Action

At Oakland International High School, in California, nearly one-third of students—virtually all of whom are recent immigrants—arrived in the United States as unaccompanied minors. Some lost family members to violence; some come to school hungry; some face risks simply getting to and from school. All are English learners and most live in poverty. Across the country, most students like them experience limited learning opportunities and barriers to success at school. But Oakland International students thrive, with surprisingly high graduation and post-graduation success rates.

Why the difference? Oakland International is a community-centered school. As such, it has an integrated focus on academics, health and social services, youth development, and family-community engagement. It directly addresses the out-of-school barriers to learning faced by recently arrived immigrant students. Available supports include free legal representation to students facing deportation, after-school tutoring, English as a second language classes for parents, mental health and mentoring services at the school wellness center, medical services at a nearby high school health clinic, and an after-school and weekend sports program. Students also experience a rigorous academic program in which they create a portfolio of work, allowing them to develop advanced academic skills and demonstrate what they have learned in more meaningful ways than on a single test. Their work is graded with guiding rubrics, and students have multiple opportunities for revision.⁸

Commonwealth to local government allow municipalities to carry out similar activities as part of their general governing role.

3. Push the envelope on public school improvement.

School quality is one of the single most important drivers of residential property value. Over the past decade, the state's urban school districts have worked exceptionally hard to improve their performance. However, in recent years, chronic school underfunding coupled with an increasingly high-need student population has placed enormous strain on these systems, slowing their forward progress. It seems likely that the state will take steps to provide under-resourced school districts with a significant infusion of new funding in the next legislative session. The state's additional dollars will present urban communities with a unique opening to creatively program additional dollars and align school improvement efforts with neighborhood revitalization strategies.

Cities could work to make more schools comprehensive community and learning centers that combine facilities with similar missions, such as libraries, senior centers, and the like, and integrate health and family support activities. With these new resources, cities will also have more opportunity to better leverage their strengths (such as cultural diversity, local public colleges and vocational and technical schools, and large employer partnerships) to offer high-quality learning opportunities that are unavailable elsewhere, drawing in new residents and boosting residential property values.

4. Leverage criminal justice reform.

Previous MassINC research has noted the high rates of incarceration in Gateway Cities and the heavy cost this imposes, in terms of both public spending and the consequences for families, schools, and neighborhoods.⁷ The major reform law Massachusetts passed last year comprehensively repositions the state's criminal justice system and creates opportunity to deploy public resources more effectively. Communities can take advantage of this opening and build their capacity to approach criminal justice differently. Most local leaders continue to see the system as beyond their control; on the contrary, municipal government and community-based organizations have a crucial role to play.

First, communities control policing. They can build on recent efforts to prevent crime through coordinated service delivery,



A home rehabilitated through receivership in New Bedford.

making sure that their behavioral health systems have sufficient capacity to divert residents suffering from mental illness and addiction from committing crimes. Police-led diversion programs to keep youthful offenders out of the corrections system, while still holding these individuals appropriately accountable for their actions, are equally important.

Second, communities have a vital role to play at the back end. The majority of individuals released from correctional facilities return to Gateway Cities. In the past, most of these individuals, especially those at highest risk of becoming repeat offenders, have come back without adequate support for successful re-entry. Re-entry partnerships between education and workforce development agencies, health providers, and housing agencies can dramatically reduce recidivism, preventing additional crime and victimization in vulnerable

Gateway City neighborhoods. Local leaders can work cooperatively with state and county correctional agencies to ensure that these programs are adequately resourced and serving their communities as effectively as possible.

IV. Toward a Strategic Blueprint for State Policy

Massachusetts is rich with public agencies, nonprofit organizations, and community advocates working tirelessly to respond to neighborhood blight, but they lack the tools they need to perform their mission effectively. A comprehensive set of tools that combine stronger regulatory powers with flexible funding and targeted technical assistance is needed to better position these organizations to break the cycle of neighborhood decline.

What is most important is that the state begin to engage with its weak real estate markets as neighborhoods, as complex, multi-faceted environments that are critical to people's lives, rather than as by-products of narrower strategies to deal with affordable housing, public safety, or economic development. From Boston and the Gateway Cities, to Massachusetts' older suburbs and rural communities, the statewide neighborhood stabilization policy framework presented below represents an initial, but major, step toward rethinking state policy in ways that will equip communities to respond to and reverse their trajectories of decline.

A. Regulatory Powers

1. Refine M.G.L. Chapter 121A to make the law a more effective tool to address individual and scattered problem-properties. Designed decades ago to address large-scale urban decline, Chapter 121A authorized creation of local urban renewal authorities empowered to assemble and rehabilitate blighted property in order to carry out large-scale redevelopment projects. Recent efforts by NewVue Communities to deploy Chapter 121A as a tool for scattered-site neighborhood revitalization in North Central Massachusetts (see case study p. 22) suggest that it can also be used as a mechanism to make problem-property acquisition more efficient in communities across the Commonwealth.

A series of modest changes to Chapter 121A would significantly improve its ability to function in these settings. We propose reducing duplicative approval, hearing, and notification requirements more appropriate for large-scale projects. Chapter 121A should be explicitly authorized to foster scattered-site neighborhood stabilization efforts involving efficient acquisition of individual or scattered vacant and substandard one-to-four-unit dwellings, while preserving necessary protections for property owners and ensuring responsible use of the statute's power of eminent domain to assemble property for redevelopment.

2. Establish a commission to explore best practices and offer policy recommendations for bringing older buildings up to code cost-effectively in weak real estate markets. In neighborhoods where many buildings have low property values, even relatively modest improvements needed to meet health and safety standards or to prevent older buildings from deteriorating often trigger a threshold unique to Massachusetts: if the improvement cost is more than 30 percent of the pre-existing property value, the entire building must be brought up to full compliance with current codes.

This value-based threshold creates a catch-22 in weak real estate markets: owners cannot justify (or receive financing for) improvements if they will not add sufficient market value to the property to appraise and recoup the investment at sale. If property owners cannot improve their real estate, values in the neighborhood will not rise to levels that make code upgrades economically feasible. Moreover, if an owner is forced to invest large sums in a property over and above what is needed to address health and safety concerns, she may have to raise rents to levels beyond what her tenants can afford.

Housing leaders working to strengthen the Commonwealth's most vulnerable neighborhoods want to make all of the properties in their communities safe, healthy, and accessible, a goal that is undermined by the current rules. The commission we propose would bring together advocates, developers, local officials, and building experts to find models and recommend legislative, regulatory, and procedural changes to address the catch-22 situation in ways that will lead to steady, incremental improvement in the quality of the housing stock in struggling lower-income neighborhoods. This could include guidance documents for granting relief from common circumstances; provisions to reduce the time and cost associated with obtaining variances in circumstances that are consistent with this guidance; and dissemination of creative strategies to use new technologies in combination with Home Modifications Grants, elevator and sprinkler funds, and other resources to help projects in weak markets meet health and safety standards and gradually achieve full code compliance.

The challenge low property values present in Massachusetts communities with old and deteriorating housing stock has long been acknowledged. Efforts to strengthen building codes in response to climate change will only intensify this problem. A thoughtfully constructed commission would provide pub-

lic- and private-sector leaders a forum to come together and build consensus on how we might best position these communities to tackle their real estate challenges.

B. Flexible Financial Tools

3. Capitalize a Neighborhood Stabilization Fund. Using the \$50 million earmarked for one-to-four-unit homeownership projects included in the 2018 housing bond bill, we propose that the Baker administration direct \$10 million annually for the next five years through the capital plan to a new Neighborhood Stabilization Fund to be administered by MassHousing. The agency would competitively award these dollars to communities that develop targeted neighborhood stabilization strategies for neighborhoods meeting specific criteria, and that provide a local match for state funding.

The matching requirement would be broadly interpreted to include local, federal, private, and other state funds invested in the targeted area, and would be designed to further a comprehensive approach to meeting neighborhood stabilization goals. For example, communities that enact local ordinances requiring annual inspections of rental property, including licensing fees to cover the cost of inspection, could count these revenues toward the matching requirement. Donations of property, agreements to abate property taxes, and similar local actions could also count toward the match. Furthermore, we propose that, to the extent that proceeds are returned to the fund upon the sale of a rehabbed property, the community from which they came would recoup the dollars they spent first.

To position communities to deploy these resources strategically for maximum impact, funds should go to municipalities, nonprofit organizations, or public-private partnerships in the form of multi-year block grants. These funds would be leveraged with mortgage programs from MassHousing and MHP described earlier. Eligible uses should include property acquisition, rehab of one-to-four-unit homes and small rental properties, “healthy home” improvements of both rental and owner-occupied housing (following the Springfield model described on p. 19), as well as funds necessary to staff and administer the initiative. Applicants would be required to demonstrate that they would use these resources to further an overall neighborhood stabilization strategy and that they have the capacity to effectively implement such a program.

A critical step in this process is the development of a neighborhood stabilization strategy, drawn up by local stakehold-

ers. This product would be not so much a series of pictures, drawings, and land reuse plans, but a strategy document that analyzes the neighborhood’s challenges, identifies specific projects and activities (both physical improvements and other steps), and explains how the strategy is designed to bring about the desired change. Local governments would be required to designate a target neighborhood—based on criteria developed by MassHousing—and provide for meaningful engagement with neighborhood residents in both the design of the strategy and its implementation.

4. Challenge communities with a demonstration program for the redevelopment of neighborhood-scale commercial properties. Numerous reports and commissions have noted the lack of resources for redeveloping commercial space. While generally seen as a downtown problem, this is an equally important issue for many neighborhoods, where small commercial blocks often provide vital amenities, such as grocery stores, dry cleaners, and coffee shops, that benefit residents and add value to surrounding residential properties. Moreover, many Gateway Cities have mill buildings and other industrial-era legacy structures located in the heart of residential neighborhoods, which could be reused for job-generating activities, including small-scale manufacturing operations or retail and service clusters.

Because financial resources for bringing commercial properties back to life have been lacking, there are very few models of success. The new federal Opportunity Zone tax incentives provide one potential avenue for advancing some neighborhood-scale commercial projects, but on their own, these funds are unlikely to be sufficient. The Executive Office of Housing and Economic Development (EOHED) should encourage experimentation by setting aside an allotment of MassWorks grants in a future round for demonstration neighborhood-scale commercial projects. Working with successful applicants, EOHED should designate the areas where these projects are located as Chapter 43D growth districts, enabling the MassWorks grants to support improvements to their commercial real estate, rather than dedicating such funding solely to public infrastructure improvements.

5. Design a school-centered neighborhood revitalization program. Two previous MassINC reports have noted the connection between the quality of school facilities and neighborhood health.⁸ School building funds are the largest sources of state capital investment in Gateway Cities, yet these dollars are rarely coordinated with neighborhood stabilization activities. In fact,

Gateway Cities that have attempted to strengthen high-need communities by designing full-service multi-use schools that provide coordinated services to students and families have encountered difficulty with the Massachusetts School Building Authority (MSBA).

MSBA has been charged with making school buildings more efficient and equitable by standardizing projects to the greatest extent possible. However, with housing, health, and education advocates calling for the adoption of more holistic service-delivery models in low-income communities, MSBA needs to play a leading, creative role in coordinating state, federal, and local investment with resources from private partners in philanthropy, health care, and human services. Policies should be revised to provide MSBA with greater flexibility to deploy its resources in this manner.

C. Technical Assistance and Capacity Building

6. Create a Neighborhood Stabilization Technical Assistance Hub and Fellows Network. Comprehensive neighborhood stabilization is grueling work. Communities must use a variety of municipal databases to surface problems and target investment, flawlessly navigate complex legal frameworks, and coordinate with multiple agencies and branches of government. Even large cities with considerable capacity struggle to do all of these tasks well. And when state policy is evolving and uncertain, the work is even more difficult. To accelerate the process of developing new approaches and disseminating new practices, the state should establish a Technical Assistance (TA) Hub and Fellows Network.

Based at MassHousing with funding from a budget appropriation, the TA Hub and Fellows Network should support full-time staff located both at the agency and in targeted cities for a three-year period. Fellows should provide specialized “start-up” support to communities in rental licensing, inspection, and code enforcement, as well as in receivership and urban renewal strategies, property disposition and land banking, healthy home improvements, and other rehab mechanisms.

In addition to assisting local efforts, these staff should support a cross-agency network to monitor the implementation of comprehensive neighborhood revitalization policies and programs, supporting ongoing exchange between state and local leaders, identifying on-the-ground gaps, and proposing solutions.

Fellows should be specifically tasked with collecting data to better understand the functioning of both building codes and receivership, complicated regulatory areas in which local housing leaders are particularly eager to see improvement. Through working with cities to acquire and dispose of property, they will also be well-positioned to better understand the applicability of various land banking models and whether state enabling legislation would provide value in these settings.

Lastly, borrowing lessons from the MassDevelopment TDI Fellows program, these staff should be deployed where needed to augment local capacity, providing able practitioners who can roll up their sleeves and accomplish difficult parcel-by-parcel predevelopment work while sharing their knowledge with local staff. Providing such hands-on capacity, these fellows could also assist in efforts to organize local and regional leaders around collaborative, multi-sectoral initiatives. As initial project managers, they could get these complicated efforts off the ground and help establish sustainable momentum.

Conclusion:

Building on Demonstrable Success

The 10 policy and program ideas presented in this report are a solid beginning. They focus effort on necessary regulatory changes, funding streams, and strategies to augment local capacity. Our hope is that advancing policy in these directions will provide more tools to communities, enabling efforts that blossom into truly comprehensive, multi-sectoral neighborhood stabilization initiatives.

Policy development in areas we have not touched upon here will also be vital to the long-term success of neighborhood stabilization across the Commonwealth. Cultivating homeownership is one major component of the work. To that end, MassHousing and DHCD have recently established a Homeownership Advisory Council that will further thinking about strategies to increase homeownership. Innovation in public health is another major area requiring attention. Hospitals (with requirements to conduct community health needs assessments every three years) and Accountable Care Organizations (providing coordinated care under new cost-reimbursement models) are working hard to address social determinants of health, including housing and neighborhood environments. All of these efforts and more, combined with the proposals outlined in this report, belong together in robust strategies for neighborhood stabilization primed for suc-

cess. All of these efforts and more, combined with the proposals outlined in this report, belong together in robust strategies for neighborhood stabilization primed for success.

MassINC and MACDC are committed to working with researchers, practitioners, and policymakers to help draw attention to these critical community development issues, find effective means of addressing them, and build on demonstrable success.

Case Studies

Springfield Healthy Homes Program: Turning Disaster into Neighborhood Opportunity

In the aftermath of multiple natural disasters, Springfield was invited to apply for the HUD National Disaster Resilience Competition (NDRC), and was provided extensive technical assistance through the two-year application process to identify the risks the city faces as a result of climate change, and strategies for responding to those risks. Analysis led the city to prioritize upgrading housing conditions as a way to improve the health of residents, increase neighborhood safety, boost property values, and prevent housing abandonment. Springfield was awarded \$17 million in NDRC funds in 2016, and directed \$5 million of the grant to launch its Office of Housing's innovative Healthy Homes Program.

Healthy Homes provides 0 percent loans for rehabilitation work to income-qualified owners of residential properties

with up to four units. These loans are forgiven after five years, as long as the owners remain in their homes. Occupied rental housing can also qualify for the program. Landlords must put up 10 percent of the cost, with a ten-year forgiveness window.

Each Healthy Homes rehab begins with an assessment for code violations and unhealthy conditions, such as mold and other asthma-triggering allergens, lead and asbestos dangers, and trip hazards. Addressing these conditions often involves roof and window replacements, along with other weatherization measures. Bringing buildings up to code may also require new heating systems and substantial bathroom and kitchen renovations.⁹

The city housing office inspects the home and reviews lead inspection reports and weatherization intervention recommendations in order to draw up specifications. The city conducts contractor walk-throughs, selects bids, and goes into contract with the owner; the owner has a separate contract with the contractor. To ensure quality control, the city maintains a list of pre-qualified local contractors and employs two full-time supervisors—one in construction, the other in program administration—who support owners and help cushion them from problems.

To date, Healthy Homes has accepted 25 applications and approved 15 projects. On average, these projects cost approximately \$65,000 per property, with a range that tops out over \$100,000. So far, nearly all of the applicants have been owner-occupants, but staff anticipated initial difficulty attracting landlords and intentionally structured multiple funding



A home in Springfield rehabbed with funds from the federal Neighborhood Stabilization Program.

rounds, giving them the chance to participate later once they can see results.

Healthy Homes still faces challenges. Finding local lead-abatement contractors has been difficult, as has “braiding” other resources through the program, such as MassSave funding. But Springfield’s housing leaders are convinced that they have developed a model that can be scaled with additional funding. They believe smaller cities and towns, with less capacity to employ supervisory staff, could collaborate regionally to achieve similar results.

OneHolyoke: From Garbage Pit to Asset-building, Owner-occupied Housing

“We could do these projects quickly and affordably because we had a longstanding relationship with the city,” says Michael Moriarity, executive director of CDC OneHolyoke, in a recent interview. He’s referring to two new owner-occupied homes—one a recently constructed duplex, the other a rehab of an 1870s single-family Victorian—both located in a distressed Holyoke neighborhood known locally as The Flats.

OneHolyoke and its predecessor, Olde Holyoke Development Corporation, have been providing affordable housing in the community for nearly 50 years. The CDC embodies what it means to have an organization with capacity to be attentive to neighborhood problems, and what we stand to lose without the resources to sustain these nonprofits and the vital work that they do.

In the 40 years before Olde Holyoke was reconstituted as OneHolyoke in 2013, the CDC built or renovated some 160 units of housing. With sharp curtailment of HOME funding, which supported much of this work, OneHolyoke has produced only three duplexes over the past five years while expanding its mission to include community development work with other funding sources.

Creating new homes by bringing blighted and abandoned property back to life makes a major difference in a community like Holyoke, but it is complex and time-consuming, and most developers can’t make the numbers work. Over the years, OneHolyoke gained the knowledge and skillset to take on complex scattered-site development efficiently.

The duplex project is a typical example of what the work entails and the benefits that it produces. A home that once stood on the site burned decades ago. For years, the highly visible property sat blighting the neighborhood, serving as a dumping ground for construction debris, tires, mattresses, and similar garbage. A previous owner attempted to build on the site some 10 years prior, but they had only managed to pour a foundation, which sat intact, save for a large tree that had taken root, climbing up from the refuse filling the hole.

OneHolyoke acquired the property and cleared it with help from workers in a summer jobs program. Next, the CDC quickly contracted with a modular construction company to place a two-family home on top of the existing foundation. From start to move-in finish, the entire project took just 13 months, including three months to work out the acquisition of the property.



OneHolyoke sold the two units to a low-income buyer with income below 80 percent of the area median. The deed restriction requires that both the owner's unit and the rental unit remain affordable to households at this level for 15 years. The total development cost was \$350,000 for the two units, which sold below market for \$125,000. The \$225,000 gap between the total development cost and the sale price was filled by HOME funds, a subsidy of less than \$113,000 per unit.

Today, in place of that mounting garbage eyesore stands an owner-occupied duplex whose residents are building personal wealth with every mortgage payment they make and rent check they receive. But with HOME funding down by approximately 50 percent since 2010, these projects are getting harder to do. OneHolyoke is adapting to this reality by acting as a receiver of abandoned property.

While it's rare to find abandoned properties that are "saveable," there are always a handful of these opportunities in Gateway City neighborhoods, and receivership, coupled with the capacities of an experienced nonprofit developer like OneHolyoke, can offer a powerful strategic combo in these instances.

OneHolyoke's acquisition and rehab work on the abandoned 1870s single-family offers a case in point. The house was caught in foreclosure limbo, with the owner failing to make mortgage payments and the bank unwilling to foreclose and thus accept ownership of a property with more liability than value. The city and state attorney general proactively intervened by petitioning the court to appoint a subsidiary of OneHolyoke as receiver. This allowed OneHolyoke to negotiate a purchase with the bank, which was more than willing to dispose of the property.

Using long established relationships with local contractors, OneHolyoke modernized the house, adding one bathroom and refitting another, and updating the kitchen. They also replaced the roof and the heating system, and the CDC's maintenance staff pitched in with detailed restoration of plaster and stained glass throughout the home. All in all, the CDC spent \$205,000 on the project. The home sold for \$125,000 to another eligible low-income buyer, with deed restrictions similar to those attached to the duplex. The city filled the \$80,000 gap with CDBG funds, another limited and declining resource.

Get the Lead Out: An Effective Program in Search of Stability

The MassHousing lead-abatement program Get the Lead Out (GTLO), established in 1992, is one of several state programs dedicated to reducing lead-based dangers in low-income homes, mostly in distressed neighborhoods. Administered in conjunction with the Department of Housing and Community Development, GTLO works hand-in-glove with another initiative, the Childhood Lead Poisoning Prevention Program (CLPPP), which provides medical screening and treatment for children, and training in lead abatement to handy homeowners and contractors alike.

GTLO offers a revolving loan fund that replaced an earlier agency bond-financed lead-abatement program that found few takers who could afford the additional conventional debt. Early on, GTLO was supported by merging what was left in the bond fund with two other funding streams: \$5 million in earmarked settlement funds from the Mass Savings Bank Life Insurance (SBLI) industry and a 1995 legislative line item.

With income-eligibility requirements of no more than 100 percent of area median income, owner occupants receive 0 percent financing, with repayment deferred until sale, transfer, or refinancing; private investors renting to income-eligible tenants receive 3 percent loans for up to 15 years, with nonprofits enjoying similar terms for a 0 percent amortized rate. Although GTLO is administratively complex—approving lenders to originate and underwrite the loans and approving local rehab agencies to administer fund distribution and monitor abatements—the program went smoothly and effectively, removing chips and loose dust-emitting paint from 4,390 units using \$85,550,257 in funds.

By 2002, however, the pot of settlement funding dried up. MassHousing and DHCD scrambled to keep GTLO afloat, moving funding around from other programs, struggling to keep loan originators and rehab agencies on their lists, and even shutting down. Conditions improved when the hot housing market and low mortgage rates led program participants to sell or refinance, allowing GTLO to recycle loan repayments back into the program. But then the Great Recession hit, and things came more or less to a standstill—made worse by tightened financial regulations that put off local lenders.

In 2016, GTLO took advantage of revised HUD regulations that allowed states to offer less-strict guidelines for lead-abate-

ment programs, and the Mass Department of Public Health permitted “moderate” remediation if paint was intact and needed only sealing to prevent exposure. With these and other changes, GTLO unit repairs jumped from 80 to 100 units between 2017 and 2018, with the same level of dedicated and recycled funding: \$2.4 million. MassHousing has also enlisted four CDFIs to participate in the GTLO program; one of them, Mill Cities, has recently agreed to act as a statewide lender for GTLO projects.

Meanwhile, the new regulations support workforce development, particularly in Western Mass Gateway Cities where lead-abatement contractors have been hard to find (see case study on Springfield Healthy Homes p. 19). With CLPPP now offering one-day courses in moderate-risk lead abatement for just \$200, and small licensed contractors paying a slightly higher fee of \$300 for two days’ high-risk training, programs like Springfield Healthy Homes can expand the services they offer while employing more local residents. GTLO’s resources are dwindling, however, with \$2.1 million left in the funding pool at the end of the calendar year and repayments expected to fall in 2019.

NewVue Communities’ Liabilities to Assets: A Pilot to Watch

NewVue Communities CDC’s Liabilities to Assets (LTA) program is a new neighborhood stabilization pilot created in partnership with DHCD to redevelop deteriorated properties that threaten neighborhood well-being in Fitchburg, Leominster, Athol, Clinton, and Gardner. The program supports the purchase and rehabilitation of one- and two-family houses that have been vacant for at least three years and have a negative impact on nearby properties within a half-mile radius.

Since LTA is an independent corporation established through Massachusetts General Law 12A, developers can take properties through eminent domain, furnishing clean title, and are provided relief from property taxes, betterments, and special assessments. This approach provides an especially valuable tool for responding to properties caught in limbo, where an error during foreclosure or other proceedings has made it so difficult to get a clean title that banks or other owners have essentially given up on the property.

Once NewVue Communities acquires and renovates the property, income-eligible purchasers (earning no more than 110 percent of AMI) assume responsibility for property taxes and other public assessments at the assessed value, and must agree to live in the newly renovated housing for at least seven years. DHCD is working with MassHousing to provide \$2.5 million to support the program for each of the next three years.

NewVue LTA’s active governance structure is one of its more intriguing innovations. Participating communities are required to identify targeted areas where candidate vacant properties are located. Each participating community has a representative on the Board of Directors, appointed by their city or town, and the board only approves a property for re-development if the participating municipal representative, where the property is located, has recommended it. Step by step, NewVue LTA expects to facilitate the redevelopment of approximately 30 properties over the next three-to-five years.

Appendix

Selected Neighborhood and Housing Indicators for Massachusetts' 26 Gateway Cities (2000-2017)

City	Vacancy Rate			# of Owner-Occupied Units			Median Price per Square Foot ¹			Concentrated Poverty ²			
	2000	2017	PP Change	2000	2017	Change	2006	2018	Change	2000		2017	
										# of tracts	pop.	# of tracts	pop.
Attleboro	3%	7%	4%	10,215	10,928	7%	\$239	\$213	-11%	0	0	0	0
Barnstable	2%	29%	7%	14,943	14,132	-5%	\$291	\$260	-11%	0	0	0	0
Brockton	3%	8%	4%	18,365	17,311	-6%	\$218	\$206	-5%	1	2,073	1	2,174
Chelsea	4%	4%	1%	3,448	3,232	-6%	\$270	\$313	16%	0	0	0	0
Chicopee	5%	7%	2%	13,711	13,373	-2%	\$157	\$148	-6%	0	0	0	0
Everett	3%	7%	4%	6,398	6,023	-6%	\$272	\$317	16%	0	0	0	0
Fall River	7%	11%	4%	13,539	13,452	-1%	\$190	\$161	-15%	0	0	1	2,348
Fitchburg	7%	11%	5%	7,698	7,716	0%	\$169	\$144	-15%	0	0	1	1,602
Haverhill	3%	6%	3%	13,838	14,172	2%	\$203	\$190	-6%	0	0	0	0
Holyoke	8%	10%	2%	6,206	6,243	1%	\$133	\$125	-6%	4	10,432	4	10,597
Lawrence	4%	6%	2%	7,869	7,335	-7%	\$195	\$191	-2%	1	1,702	2	6,287
Leominster	3%	6%	3%	9,531	9,222	-3%	\$199	\$176	-11%	0	0	0	0
Lowell	4%	6%	2%	16,330	16,285	0%	\$198	\$193	-2%	1	2,522	2	6,828
Lynn	3%	5%	1%	15,315	14,226	-7%	\$246	\$260	6%	0	0	0	0
Malden	3%	5%	3%	9,970	9,533	-4%	\$276	\$332	20%	0	0	0	0
Methuen	2%	4%	2%	11,892	12,549	6%	\$212	\$202	-5%	0	0	0	0
New Bedford	8%	9%	1%	16,724	16,351	-2%	\$199	\$173	-13%	1	4,409	3	6,779
Peabody	2%	5%	3%	13,231	13,949	5%	\$260	\$266	2%	0	0	0	0
Pittsfield	8%	11%	3%	11,971	11,684	-2%	\$137	\$124	-10%	0	0	1	3,423
Quincy	3%	6%	3%	19,081	18,523	-3%	\$302	\$353	17%	0	0	0	0
Revere	4%	7%	3%	9,721	9,734	0%	\$247	\$280	14%	0	0	0	0
Salem	4%	6%	2%	8,594	8,616	0%	\$244	\$257	5%	0	0	0	0
Springfield	7%	9%	2%	28,497	26,419	-7%	\$133	\$126	-5%	7	23,679	11	39,476
Taunton	4%	6%	2%	13,494	13,877	3%	\$225	\$194	-14%	0	0	0	0
Westfield	4%	6%	2%	10,027	10,296	3%	\$173	\$159	-8%	0	0	0	0
Worcester	5%	9%	4%	29,042	29,320	1%	\$194	\$166	-15%	3	7,119	7	22,770
Total (Average)	5%	8%	3%		334,501	-1%	\$215	\$213	-2%	18	51,936	53	102,284

Source: US Census Bureau and Zillow

¹ Constant 2018 dollars

² Census tracts with poverty rates over 40 percent

Endnotes

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- 3 *Capital and Collaboration: An In-Depth Look at the Community Investment System in Massachusetts Working Cities*. (Boston, MA: Federal Reserve Bank of Boston, 2016).
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- 5 Benjamin Forman and Caroline Koch. “Going for Growth: New Education-Housing Partnerships to Stabilize Families and Boost Student Achievement.” (Boston, MA: MassINC, 2011).
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- 7 Benjamin Forman and Lindiwe Rennert. “The Geography of Incarceration in a Gateway City.” (Boston, MA: MassINC, 2017).
- 8 Forman and Koch (2011). Dan Hodge and others. *Rebuilding Renewal: An Analysis of State Investment in Gateway Cities and a Work Plan for Delivering Transformative Development* (Boston, MA: MassINC, 2016).
- 9 For a detailed program description, including a list of eligible contractor services, see https://www.springfield-ma.gov/housing/fileadmin/housing/Healthy_Homes/Healthy_Homes_Program_Manual_5_11_2017.pdf

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