(Re)vitalizing Inner-City Neighborhood Business Districts

An assessment and strategy framework for integrated microbusiness and real estate development by nonprofits

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Morgan's work as an architect has included market-rate and affordable multifamily housing design and infill mixed-use and retail design in multicultural neighborhoods. His urban design work includes redevelopment strategies for distressed neighborhood business and warehouse districts. His design projects have garnered awards in affordable housing, interior design, preservation, master planning and urban design.

As a real estate professional, Morgan has owned and managed market-rate residential properties and commercial office/artist adaptive reuse buildings. He has also participated as a developer on pioneering efforts to revitalize targeted distressed urban areas.

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If there are any errors in the information presented in this report they are borne solely by the author.

Abstract

Stabilization and regeneration of neighborhood business districts (NBDs) creates positive conditions for neighborhood life, including improved access to goods and services, greater social and political connectivity, and improved property values. In addition, it contributes to resident wealth-building by fostering local retail entrepreneurialism. Community development corporations (CDCs), though well positioned for the work of NBD revitalization, have achieved limited success. This reflects a need to pursue effective action and best practices in four core domains rarely found in a single organization: (1) commercial real estate development, (2) business funding, (3) business development and (4) business district organizing and improvement. This report considers an integrated approach to NBD revitalization using the CDC as a base of operation, drawing upon the CDCs' existing strengths and developing the additional core capacities needed either internally or through partnering to maximize the potential for effective revitalization, transformation and long-term success of neighborhood business districts. In addition, this report provides an assessment framework and initial decision-making process for CDCs to use in considering whether to pursue this area of economic development work, determining the capacity needed for effective action and assessing the potential and opportunity for success.

Contents

I. Executive Summary

Neighborhood business districts (NBD) can be interesting and vibrant community centers for neighborhoods. They provide social, recreational and entertainment opportunities for a community while providing the day-to-day shopping needs for the neighborhood. They are important and meaningful in creating a sense of place and in providing a shared identity for residents. Revitalizing them matters.

New policy directions from the U.S. Department of Housing and Urban Development (HUD) with the Choice Neighborhoods initiatives and the Small Business Jobs Act of 2010 make it an excellent time to look again at NBD economic development as an important component of a more holistic and integrated approach in creating sustainable neighborhood revitalization.

Key Nonprofit Actors

Community development corporations (CDCs) are nonprofit organizations incorporated to provide programs, offer services and engage in the activities of community development. They typically serve a geographic area such as a neighborhood or town. Activities include real estate development, technical assistance in personal and business finance, workforce development, education, youth employment and leadership development, community planning, and organizing.

Community development financial institutions (CDFIs) are financial institutions that provide credit and other financial services to underserved markets and populations. They may be a community bank, community development credit union, community development loan fund, or community development corporation. They are certified by the U.S. Department of the Treasury, which provides funds to them through a variety of programs.

Main Street is a program founded by the National Trust for Historic Preservation. It is an economic development tool focused on revitalizing downtown and neighborhood business districts using a comprehensive four-point strategy of organization, promotion, design, and economic restructuring that addresses a variety of issues and problems challenging commercial districts.

Business improvement districts (BIDs) are defined areas within cities whereby businesses elect to pay an additional tax or fee in order to fund improvements within the district boundaries. In addition, grant funds acquired by the city can be used for special programs.

The four primary nonprofit nongovernment organizations involved in the work of NBD economic development and revitalization are community development corporations (CDCs), community development financial institutions (CDFIs), Main Street programs, and business improvement districts (BIDs). CDCs are well positioned to lead the work of NBD revitalization but have historically achieved limited success. This reflects a need to pursue an integrated approach of best practices in four core competency domains that have been employed individually or in different combinations by the various organizations but are rarely collectively found in a single organization: (1) commercial real estate development, (2) business funding, (3) business development, and (4) business district organizing and improvement.

Four Domains of Action in Business District Development

1. **Commercial real estate development**
   Among the tasks and actions of commercial real estate development are assembling and acquiring property, whether raw land or an existing building; determining the program for improving the property; hiring architects, engineers and other professionals to design the improvements; securing financing for the improvements; hiring contractors to build the improvements; and either selling or maintaining the property in the long term.

2. **Business development**
   The work of business development ranges from providing technical assistance in enhancing credit, budgeting, marketing, and business plan development to finding, training, and mentoring upstart entrepreneurs.

3. **Business funding**
   Economic development finance is the primary work of business funding and includes locating grant and loan sources to capitalize business endeavors. For microbusiness development in inner-city neighborhoods, this often involves locating and working with targeted programs that address underserved markets, groups, and individuals. Sources of capital include federal programs, foundations and intermediaries.

4. **Business district organizing and improvement**
   Organizing the business owners of a district for collective action for mutual benefit is the primary purpose of this work. Efforts and actions may include promotion and marketing, beautification, safety, and business retention and recruitment.

The report therefore recommends combining all four domains of action by developing greater capacity within the CDC or through partnering to maximize the potential for better outcomes. Developing capacity within or working in partnership with the other nonprofit organizations and other key actors in the community, CDCs can deepen their capacity to take more effective action in the work of NBD revitalization. This report also provides an assessment framework and initial decision-making process or road map for a CDC to use in assessing the economic development and opportunity in a neighborhood market and whether to undertake this work.

Why is this work critical to the future of communities? As the health of the commercial center of a neighborhood goes, so goes the health and stability of a neighborhood. A healthy NBD creates positive conditions for neighborhood life including improved access to goods and services, greater social and political connectivity, and improved property values. It stabilizes neighborhoods, creates asset building opportunities, inspires residents to participate in community activities, and contributes to a socially and economically strong community.

CDC Decision Road Map

Preplanning
Assess the Need and Opportunity for NBD Redevelopment

- Determine if there is a problem with the neighborhood business district.
- If no problem exists, an opportunity for improvement remains.

Planning Step 1
Determine the Economic and Physical Assets and Potential for Success

- Prepare a market and economic potential study.
- Prepare a spatial and physical study of the business district.
- Prepare a real estate development plan for the targeted area for infill and renovation opportunities.

Planning Step 2
Determine the Capacity of the Community for Action

- Prepare a business plan to determine budget, goals, and economic and development potential.
- Review and update strategic plan, including organizational mission.
- Assess and catalogue community and social capital assets for competencies and commitment.
- Prepare a capital assessment availability study for business and real estate development.
- Assess the CDC in the four core domains of action.

Planning Step 3
Determine the Capacity of the CDC for Action

- Assess internal capacity.
- Assess others in the field for partnering opportunities.

Implementation
An Integrated Organizational Strategy for Action

- Develop internal capacity.
- Leverage partnering opportunities.

II. Introduction

Since the 1960s, community development corporations (CDCs) have been leaders in advocating for and developing affordable housing for low-income families in distressed urban neighborhoods. Though CDCs have also been involved throughout their history in economic development initiatives, they have primarily focused on housing. Communities have learned that housing development alone is not sufficient to fully revitalize neighborhoods and strengthen their local economies (Seidman 2004). More recently CDCs have been moving toward not only mixed-income housing but mixed-use development, combining housing and ground-floor retail in the commercial areas in neighborhoods thereby turning their attention more solidly back to the business districts of neighborhoods as an important aspect of the health and vitality of a neighborhood.

Yet the work of neighborhood business district (NBD) revitalization across the United States has had limited and often isolated success. CDCs have typically engaged in this work as either commercial real estate developers, often by virtue of renovating the upper floor housing portions of mixed-use buildings, or by providing business development technical assistance to local entrepreneurs. In the former, the leasing of the commercial space is left to market forces that are generally not attracted to the inner city, and in the latter, there remains higher risk of business failure with less long-term stability of the real estate at economically viable rent levels. CDCs seem to rarely couple the two activities with programs for business development and funding in conjunction with economically viable commercial real estate development to more effectively renovate and fill vacant storefronts and abandoned buildings in NBDs.

With a strategic approach to both commercial real estate and microbusiness development, CDCs and other community-based organizations[1] can bring to bear existing capabilities in real estate development and finance, accessing capital, and microbusiness support programs for a more complete and effective approach to sustainable neighborhood revitalization.

Historically, the NBD has been an essential component in the everyday lives of the residents in urban neighborhoods. Planned before the proliferation of automobiles, they were located along primary roads with streetcar rail line connections back to the employment center — the central business district (CBD). In some cases they were planned working class neighborhoods, in other cases they were the first vestiges of urban escape by the wealthy from the dirt and grime of the industrial CBD. In still other cases they were separate and independent towns eventually annexed by the adjacent growing city.

[1] In this report, community development corporation (CDC) refers to a nonprofit community-based organization that develops real estate as part of its mission. CDCs can be focused exclusively or primarily on developing low-income housing and/or commercial real estate or neither. In addition, other community-based organizations such as community development financial institutions (CDFIs), though specifically recognized as financial entities for the receipt and distribution of federal funds for targeted community programs, may also develop real estate.

These first-tier suburbs were planned with specific intent to relate the NBD, or town center, within convenient walking distance to adjacent surrounding neighborhood housing and to provide essential day-to-day goods and services. In addition to being the local shopping centers for neighborhoods, they have served a variety of essential functions and roles — physically, economically, socially, politically and symbolically. As the business, civic and social centers for communities they provide the context for important networking. As subcomponents of the larger city and often given names, they are the public face and the front door of the neighborhood, with an image often woven into the identity of the residents. The condition of the NBD is an important part of the image of the neighborhood and is evaluated for desirability when considering a neighborhood as a place to live, work, shop or play. Also, it is a key consideration of employers, real estate developers, and other businesses when determining whether to invest. In some cases the reputation and image of the neighborhood reaches far beyond its borders and takes on regional or even national prominence. Greenwich Village, SOHO, Lincoln Park, Watts, Chelsea, Harlem and the Castro are representative neighborhoods that conjure up images and experiences relating emotionally and symbolically back to their residents.

NBDs and the neighborhoods they inhabit have, however, faced difficult times over the last several decades. The onslaught of the automobile led to the disappearance of streetcars and, along with other pressures including regional supermarkets, big-box retailing, and suburban flight, caused neighborhoods and their business districts to erode over time (Seidman 2006; Murphy and Cunningham 2003). Though some NBDs were able to adjust and remain viable assets to varying degrees for their neighborhoods, many went through long periods of distress and decline and still have numerous abandoned storefronts and derelict vacant buildings.

Though revitalization of NBDs emerged as an important component of community and economic development in the 1980s and 1990s (Seidman 2004), examples of successfully revitalized NBDs across the country are limited. Past efforts to revitalize NBDs have therefore received criticism regarding their economic viability (Porter 1995). These past efforts typically involved either renovation of the building structures or business development technical assistance, but not both. In the first case this left unfilled retail space that was not attracting businesses and in the second, upstart entrepreneurs were left to fend for themselves in finding affordable storefront locations (Murphy and Cunningham 2003).

In addition, real estate developers, including CDCs, often find that commercial real estate development without an upfront strategy for leasing or developing microbusiness retail tenants is not easily financed, often requires the housing portions in mixed-use developments to financially support the development, and typically have a higher risk of failure. Microbusiness development support services alone may not result in effective and holistic neighborhood transformation. The combination of commercial real estate development and long-term microbusiness support programs may, however, increase the potential for successful neighborhood commercial district regeneration.

While CDCs and other community-based nonprofits have made great strides in inner-city affordable housing over the last 20 years, their work to revitalize NBDs has lagged. There has been little consideration of more effective and concerted efforts by nonprofits in the redevelopment and economic recovery of NBDs often leaving them to the forces of a commercial real estate leasing market that does not fully appreciate, understand or see the opportunities in inner-city locations.

Residents of inner-city neighborhoods therefore continue to not only be isolated from jobs but lacking in access to basic day-to-day retail services in their neighborhoods. Many inner-city neighborhood business districts remain economically distressed and are limited in the diversity of retail and employment opportunities they provide the community (Imbroscio 2004). Though many planning and urban development strategies have been used to stem the tide of economic inequity and to revitalize distressed neighborhoods, the problem remains systemic.

A primary strategy for improving economic equity has been population mobility, which has historically played an important role in enhancing economic opportunity in the United States (Fainstein 1983). An alternative strategy to combat the problems of concentrated urban poverty is to encourage greater movement into poor neighborhoods by the working and middle classes. The idea behind this strategy is to (re)create mixed-income communities in urban spaces where concentrated urban poverty now exists (Imbroscio 2004).

Though economists, such as Michael Porter, have explored the regeneration of the local economies of inner-city neighborhoods with approaches that include small business clustering models (Porter 1995), these businesses typically offer only low-paying jobs to residents. In addition, ownership of these small businesses is typically outside of the inner-city neighborhood. Real wealth-building for residents in low-income neighborhoods is often a mission of CDCs but has typically been pursued primarily through homeownership programs, while workforce development and training assistance programs have been the primary approach to improve the incomes of inner-city residents.

Yet part of truly building a neighborhood-based economy requires retaining more of the business profits in the neighborhood and developing higher paid managerial-level employment. Therefore, tapping into the local talent and spirit of existing and potential small and microbusiness entrepreneurs in conjunction with revitalizing NBDs can serve multiple purposes: repurposing vacant buildings, lots and storefronts; recreating a vital business district; creating microbusiness ownership opportunities for residents; and retaining more retail dollars in the community while potentially capturing additional retail dollars from adjacent areas.

Though the current economic recession has exacerbated efforts to revitalize NBDs and foster microbusiness development in inner-city neighborhoods, recent federal policy changes attempting to channel funding to small businesses through mission-based organizations may be an opportunity for renewed efforts by CDCs. However, before a CDC enters the economic development sectors of microbusiness development and commercial real estate development of

NBDs, they would benefit from assessing the existing conditions for viability of the NBD for redevelopment and the capacity of their own organization, the neighborhood and larger community, and the existing business owners in the district for their ability to take effective actions to maximize success.

This report therefore addresses the potential role of CDCs in this market sector of economic development by considering the current structure of core actions that have been taken by CDCs and other mission-oriented community based nonprofits in this work. It further considers an assessment process to determine the capacity needed and partnerships that may address capacity shortfalls to increase the potential for effective action needed to revitalize inner-city NBDs.

It is important to insert an overarching caveat to this report. An ancillary point to the thesis of this report is that microbusiness development can be an effective strategy for building wealth for residents. However, it is important to note that there appears to be little direct research on this topic. In addition, retail entrepreneurial and real-estate development activities are often high-risk businesses. Success rates vary greatly depending on a multiplicity of variables, many of which are out of the control of the individual businessperson and are driven by market dynamics that are not altogether predicable. Suffice to say some business people may do very well and others will fail. The purpose of this paper is less about substantiating the approach than about recognizing that entrepreneurialism is a fundamental aspect in the American economy, that there are opportunities of this type in the inner city, and these opportunities could be more equitably accessible to underserved individuals within those neighborhoods with support from CDCs and similar organizations.

III. Methodology

The research and study for this report was primarily conducted in the summer of 2011. It employs four methods for obtaining the information used in making the arguments presented: (1) review of existing literature in periodicals, academic journals and other publications on the various disciplines that intersect with this topic; (2) interviews with community development practitioners, lenders and policy makers;[2] (3) feedback obtained from a focus group of community development affiliates at a NeighborWorks® America Training Institute in Atlanta and a policy briefing in Washington, D.C.; and (4) development project examples that are representative of issues, conditions and concerns to support the arguments and recommendations of the report.[3] The techniques are primarily qualitative rather than quantitative methods or real estate financial analysis.

The consideration of business district revitalization coupled with business development at the neighborhood scale as practiced by CDCs requires engaging the disciplines of design and planning, community development, economics, and to some extent sociology and politics. It should be noted there is not one strategy for successfully addressing the economic and structural issues of the inner city; every neighborhood situation and circumstance is different and requires care in assessing the particular issues driving the local conditions; and there is not unanimity on the part of academics or practitioners as to any of the issues or potential solutions to the problem. However, as is pointed out in the report, while there is no one-size-fits-all strategy, there are a common set of competencies needed and a common set of questions to address in developing a strategy for neighborhood business district revitalization.

[2] A list of those interviewed is included at the end of this report.
[3] Examples of neighborhood business district (NBD) revitalization projects by CDCs in Des Moines, Iowa, and Dorchester, Mass., were used for reference purposes and as a context for considering the recommendations of this report. Each incorporated some degree of business development work in the redevelopment strategy. Other real estate and business development projects of CDCs and CDFIs that were not specifically related to NBDs were also considered in support of the recommendations.

IV. Typology and Characteristics of Shopping Districts and Microbusinesses

This research is focused on NBDs, which are a particular type of shopping district, and microbusiness development, which is a particular type of small business. The following typologies and characteristics of shopping districts and businesses are presented in an effort to more fully clarify these distinctions.

Shopping district typology and characteristics[4]

Because many CDCs are neighborhood focused, this research specifically considers NBDs as distinct from CBDs or secondary business districts (SBDs). Though there are some exceptions, economic development and urban redevelopment approaches for NBDs are generally different than for other types of shopping districts employing a multiplicity of culturally and economically motivated strategies.

CBDs are the downtown business core of a city with multiple department stores and mid- to high-rise office buildings that occasionally have ground-floor storefront retail. They are generally characterized as high density with mid- to high-rise office towers and a lower density of residential use. Commercial office use includes a high degree of large corporate financial and support services businesses. The department stores are generally grouped together with long blocks of window display areas. Their market area encompasses the entire city and often with a regional or, even in the case of large cities, a national draw.

SBDs are smaller than CBDs and typically center on one or possibly two anchor department or variety stores. They often serve multiple neighborhoods and may, depending on the nature of the stores, have a regional draw. They are often one story in height and do not have upper-story uses. They often have large parking lots.

NBDs, the focus of this report, are centered on satisfying the day-to-day convenience shopping needs of a neighborhood. They typically have buildings that are one to three stories in height though may extend higher with small-footprint storefronts for the retail and service businesses. The upper stories are either small commercial office or residential space. The buildings and associated storefronts are typically on the right-of-way at the sidewalk and offer a contiguous pedestrian shopping experience including a grocery or variety store anchor along with several small stores such as convenience stores, dry cleaners, food retailers including bakeries, bank(s), multiple restaurants and bars, post office, liquor store, clothing and novelty stores.

[4] Other shopping district types not included here are convenience shopping centers often referred to as strip-malls and regional and super-regional shopping centers that are fully enclosed, often referred to as shopping malls.

They were specifically built on primary transportation corridors extending out from the central city core of larger cities and often had streetcar lines that connected them back to the city center. They were generally located within a 10- to 15-minute walk from their resident market area. An increasing number of national chains and franchises have discovered the economic advantages to being on these primary transportation corridors within inner-city urban neighborhoods. Parking is primarily on the street, at the back of the buildings or occasionally on the sides of the buildings.

As older neighborhoods, they often have a rich narrative history that adds to their identity. Many experienced periods of white flight to the outer suburbs, have high levels of poverty, and have a multiplicity of ethnic residents. They are common entry points for the more recent wave of immigrants.

Microbusiness typology and characteristics

As previously mentioned, finance professionals are beginning to make distinctions between small business and microbusiness. Because the culture, funding and technical assistance needs of microbusiness are unique from small business, this distinction in terminology is necessary for clarity and understanding of how a CDC might engage in this type of business development work.

What many laypeople would still call small business is now more consistently termed microbusiness by economists and lending practitioners. Microbusiness is typically defined as five or fewer employees and less than $50,000 in capital funding needs. Small businesses on the other hand as defined by the Small Business Administration are independently owned and operated, organized for profit and not dominant in their field. Number of employees is determined by business sector: for example, 100 to 500 employees for wholesaling and 500 to 1,500 employees for manufacturing. Annual receipts for retailing may not exceed $5 million to $21 million. These businesses are often organized under corporate legal structures with professional accounting services.

Microbusiness owners refer to themselves as soloists, independents, consultants, craftsmen, artists, musicians, freelancers, free agents and self-employed people.[5] The majority of these companies are one-person and family oriented enterprises. Many of these businesses start out operating from their homes and many have part-time help and hire from family members and friends. As a legal structure they are typically sole proprietors though some set up their business as a limited liability corporation. Many handle their own bookkeeping but hire independent tax services that may or may not be certified accountants. This different, more informal, level of business acumen is what often makes working with microbusiness owners challenging for banks and other financial institutions. Since sole proprietors are not legally required to fully separate

[5] This definition was developed in part from Lloyd Lemons' article "What Is a MicroBusiness?: MicroBusiness Defined" [Internet]. Version 5. Knol. 2008 Jul 28. Available from: http://knol.google.com/k/lloyd-lemons/what-is-a-microbusiness/20h4ns8tiuhc5/2

out business from personal finances, many of these so called "mom-and-pop" businesses are an extension of the family's personal source of money. This practice of comingling personal and business funds is the source of the term "living out of the business."

It is also important for CDCs to understand that there are numerous cultural differences typical of microbusiness owners in inner-city neighborhoods that require unique skill sets for effective interaction and communication. Because many of these business owners are of various ethnic backgrounds and many are recent immigrants with a first language other than English, skills are needed to bridge the cultural differences. This need for cultural competence, a cultural sensitivity and understanding in engaging with business owners of other cultures, includes trust building, language skills, and understanding of a more intimate and familial way of doing business.

V. Framing the Opportunity to Pursue NBD Revitalization

Many forces seem to be driving the efforts to more effectively address inner-city urban issues. Past efforts to deconcentrate poverty with person-based living subsidies proved only modestly effective because social structures of, and ties back to, neighborhoods were too strong to break (Imbroscio 2004). Despite the physical deterioration, people were more comfortable living near friends and family and simply did not want to give up their communities, believing they should not have to leave their homes to have a better life. In addition, concern about the environment and energy usage as well as systemic inequity in job opportunities and access for inner-city residents has contributed to greater focus on improving the lives of people in cities through better planning to improve the living conditions of inner-city neighborhoods (Imbroscio 2004). Revitalizing the NBD is therefore an essential part of improving conditions for residents who either cannot leave or choose to stay in the inner city.

A community-oriented goal of NBD revitalization, therefore, would be to create a more socially and economically connected neighborhood with businesses that provide day-to-day services necessary to an increased quality of life in the community. Microbusiness owners, however, are typically made up of families working long hours. They need community support through technical assistance, access to capital and affordable financing options. CDCs with a mission to improve the quality of life for residents of inner-city low-income neighborhoods offer unique combinations of competencies for providing real estate development along with technical assistance programs, organization and access to funding streams.

Expanding role of community development corporations

Since the 1960s, CDCs have been leaders in advocating for and developing affordable housing for low-income families in distressed urban neighborhoods. More recently, CDCs have been moving toward not only mixed-income but mixed-use development throughout neighborhoods. Many have also developed unique models for microbusiness retail food incubators in larger facilities that were repurposed industrial buildings.[6] Yet NBD revitalization has been only modestly successful over the last 20 years. In addition, microbusiness retail development as a service sector for CDCs has typically been left to free market forces and only supported when a potential entrepreneur steps forward — an incidental opportunity instead of a focused program for tapping into and fostering an entrepreneurial culture.

[6] Examples include Fruitvale Public Market by The Unity Council CDC in Oakland, Calif., and Mercado Central, a cooperative in Minneapolis, Minn., developed by graduates of Neighborhood Development Center's Entrepreneur Training Program. Midtown Global Market in Minneapolis developed by Neighborhood Development Center is another example of a successful large-scale, food-oriented development created by a CDC in a repurposed historic Sears building.

Trends and benefits to NBD revitalization

What the United States now calls the Great Recession has led to even greater unemployment in these older neighborhoods. Periods of high unemployment also typically coincide with increased entrepreneurialism as people seek solutions to earning a living and use times of unemployment to pursue long-held dreams of owning their own business. This time has great potential for tapping the intellectual capital and entrepreneurial spirit of the un- or underemployed. In addition, recent studies have pointed to the importance of a vital community business center that intersects the social and business aspects of residents' lives for the purpose of networking to gain valuable knowledge of employment opportunities (Harrison and Weiss 1998).

It is common knowledge that the Great Recession has also led to significant housing foreclosures. Less talked about are the amount of small business and commercial building foreclosures occurring and anticipated.[7] These may be opportunities for CDCs in both business ownership, if the business can be made viable again, and/or commercial building ownership.

National retailers have discovered NBDs in inner-city locations as untapped markets for various franchise-type retail operations such as McDonalds, Subway, and Dollar Stores. Though there is ongoing debate about their benefits in NBD redevelopment, and not without challenges that need to be sorted out, they can provide youth employment, managerial employment, needed goods, and even resident ownership or CDC ownership opportunities.

Lastly, the 2010 Census revealed that there has been a population shift from more people living in rural areas to more people living in urban areas. The reasons for this are beyond the scope of this report but revitalization efforts in CBDs and other urban neighborhoods can continue to capitalize on this increase in urban dwellers. There is also new interest on the part of young professionals and empty-nesters to live in higher density urban areas to be closer to entertainment and other lifestyle amenities. Inner-city neighborhood revitalization can tap into this movement, which can have the benefit of drawing a mix of incomes and a younger generation with higher education to a location, thereby improving retail viability, property values, and employment- and wealth-building opportunities.

[7] From a discussion with Marcus Weiss.

VI. Key Actors and Partners

There are a number of nonprofit organizations working in the area of NBD revitalization. In addition, the important constituencies in a neighborhood include property owners, existing business owners and residents. The support of municipalities and politicians is also critical to the success of a revitalization effort. And banks and credit unions round out the complement of actors and partners needed for effective action. The following section outlines the nonprofits and other key actors that are important in the work of NBD revitalization and business development.

Nonprofits

There are numerous nonprofit organizations, in a variety of forms, that engage in services and other activities for the support and betterment of the community. These include real estate development, economic development, business development and funding, education, community organizing, and neighborhood and NBD revitalization.

Each type of organization is defined broadly. The purpose of this report is not to provide clarity regarding the nature of the specific work and structure of these organizations. The intent here is to consider these organizations' common strengths and capacities in terms of NBD revitalization and microbusiness development to reveal to CDCs entering this market sector some ways of tapping their respective skill sets for more effective action.

CDCs that have been involved in affordable housing real estate development have already built a substantial degree of capacity germane to the commercial real estate development field. Though additional competencies such as increased expertise in building systems and regulatory requirements may be needed to transition from residential to commercial real estate development, of the typical array of nonprofits in the field, CDCs are more closely positioned to enter this area of work. In addition, CDCs working in the affordable housing services arena often provide financial training and assistance programs in preparation for homeownership. This would allow them to transition well into business training assistance programs. Though some CDCs provide lending services, many are providing only referral assistance to other lending institutions.

Community development financial institutions (CDFIs) are financial institutions that provide credit, financial services and lending in underserved markets and to underserved groups — their key strength. They are certified by the U.S. Treasury to access federal dollars from the CDFI Fund. Many are also designated Small Business Administration (SBA) lenders. Some are CDCs and provide real estate development services though this is generally not a core competency or service area. Using various forms of programs available, many have successfully navigated the field of microbusiness lending as unique from small business lending. Along with lending, many CDFIs offer business technical assistance and entrepreneurial development programs that provide training, mentoring and coaching for business owners both pre- and postlending which are purported to lower the risk of business failures.[8]

CDFIs generally have a closer relationship with borrowers and have greater skills than banks in assessing the opportunities in lending to nontraditional borrowers that may not meet the criteria mandated by bank regulations or industry standards. This makes them particularly suitable to partnering with for-profit banks in the flow of capital to microbusiness enterprises.

Main Street is a community revitalization program established in the 1980s by the National Trust for Historic Preservation that focuses on a holistic approach to business district revitalization using a four-point strategy of design, promotion, economic restructuring and organization.[9] The National Trust Main Street Center leads a national network of more than 1,200 state, regional and local programs using a preservation-based strategy for rebuilding the places and businesses in commercial centers. It has been an effective program in the revitalization of traditional small downtowns, particularly rural towns, and is increasingly effective at working in neighborhood districts in larger urban centers where they are, however, not as effective in the area of economic restructuring (Seidman 2004). Anecdotally, their greatest strengths tend to be in developing programming events for the promotion of a district. Festivals, food and art fairs, and farmers markets are typical events implemented by Main Street programs. They also are strong at organizing business owners and working with municipalities to take action on beautification projects for individual buildings and the entire district. But façade improvement projects and streetscape design projects may be their sole strength. As a mostly volunteer organization, they lack capacity to plan and implement larger scale redevelopment efforts and, though they work well with existing business owners, lack the skills and capacity needed to fully nurture and assist emerging entrepreneurs and develop new businesses. Their access to funding is generally limited to operating expenses provided by the city, foundation grants and private individuals. Funding needed for projects generally comes through the city and business owners.

Business improvements districts (BIDs) are locally legislated and typically formed when a majority of the property owners in a district agree to an additional property tax assessment fee to provide supplemental municipal services to their business district. These services typically include additional security, trash removal, upgrading streets and sidewalks with furnishings and fixtures, and other beautification and landscaping projects. Though some BID boards of directors, made up of the property owners, engage in collective marketing and promotion efforts for the district, this is not the norm. Their primary strength is in leveraging their additional tax assessment dollars as another funding stream and in their business and political clout with cities and local politicians.

[8] Information obtained from discussions with Dana Brunett, Kevin Smith and Rosa Rios Valdez.
[9] Information obtained from the National Trust for Historic Preservation website: http://www.preservationnation.org/main-street/about-main-street/

The neighborhood: property owners, existing business owners and residents

The myriad players in the context of a neighborhood is in some ways less complex than the nonprofit finance world, yet these players can be less predictable and more challenging to organize for action.

Property owners arguably wield the greatest amount of control in revitalization efforts. If they are not on board to improve and invest or sell their properties to others at reasonable prices, they can derail or stall for years the best laid redevelopment plans. Developing trusting relationships is essential. Though eminent domain is a tool cities can use to obtain property for community development projects, it is an expensive and contentious legal process. It has spurred significant debate over its legality and caused cities to be highly reticent to employ it. On the other hand, a property owner that sees the financial benefits to participating in a revitalization process can be a vital asset that should not be underestimated. Property owners can support an NBD strategy in many ways. They might clean up their properties and work with nonprofits to find retail tenants, donate properties for a tax deduction, or partner on a real estate redevelopment deal as an equity investor.

Existing business owners are a key first constituency to develop in a revitalization effort. Some may even be the owners of the properties in question. In any event they are the eyes and ears of the street. They typically know the goings-on of the district better than anyone else, and many have already considered some of what the area needs, from greater security to trash pick-up to additional services and retail business. They are a wealth of information and a valuable resource. However, it is important to foster the relationships over time in order to enroll them in the development effort. They may be skeptical, having seen no change in difficult areas for years. They may also fear competition from others or increases in rental rates with gentrification. Organizing them as a group for common benefit may require patience and perseverance, but it is well worth the effort. Finding a leader who most of the other business owners trust can substantially improve the process. In addition, developing cultural competence to overcome cultural barriers that include language skills and understanding differing ways of doing business will more effectively improve and build relationships. Recent immigrants, for example, may tend to keep to themselves and may require developing trust over a long period of time. Because many of the existing business owners work long hours, they are also not readily available to meet in groups outside of their places of business. Going to them to talk in person and going often over a sustained period of time will engender more lasting and meaningful relationships.

Residents have a vested interest in the business district. Those who are willing to participate in planning efforts can, in addition to the business owners, bring a wealth of local knowledge to the process. There always seems to be at least one or two that are well versed in the history, culture and community flavor of an area. Typically these “old heads” or “wise ones” are knowledgeable activists, often highly vocal and influential with other residents. Often they are retired from full-time employment and therefore can invest the time needed to more fully participate. They are essential components of the stakeholder group.

Municipalities and politicians

The complexity of real estate and community and economic development can rarely be navigated effectively without the support of the city/municipality. Local mayors and council members along with city managers and planning and development staff may or may not be in alignment with each other, much less with the desires and needs of a neighborhood. It may be necessary to educate and facilitate strategic interactions over time to build a constituency for action. In the best case, planning staff has already considered redevelopment notions that can be a framework for beginning discussions. Once consensus is achieved on a need for action, city staff and politicians are essential advocates in moving plans forward, removing barriers, navigating stakeholder interests and fostering constituencies.

Banks and savings associations

Though the current economic recession has significantly tightened the access to capital needed for real estate and business development, for-profit lending institutions remain an important component in the area of economic development for cities and could play an even larger role in the work of inner-city revitalization. The Community Reinvestment Act (CRA) encourages and incentivizes banks and savings associations to meet the lending needs in low- and moderate-income neighborhoods. Partnering with CDFIs is one way for these financial institutions to obtain positive CRA performance ratings. In addition, bank and savings association branch office locations in NBDs can be part of a real estate redevelopment strategy that also provides residents access to a multitude of day-to-day retail banking services.

VII. Four Core Domains of Action

Building commercial and mixed-use real estate that includes retail is highly rewarding work, but it is risky, particularly without a strategy for filling the building spaces. Economic development work by a CDC that incorporates and combines real estate and business development, including access to funding and long-term organization and promotion, is becoming increasingly complex and sophisticated. It requires expertise in design and planning, finance, marketing, policy and politics, and community relations to navigate the complex worlds of the physical environment, business economics, real estate finance, local politics and the social forces of diverse cultures living in increasing proximity to each other.

The implementation of NBD redevelopment requires four core competency domains or areas of action. Each domain has its own needs in terms of coordination and skill sets. There is, however, some crossover between each domain of activity, because actions taken within each area relate to an aspect of another. For example, there is a business networking component in both the business development area and business organization areas. Likewise, players working in all four domains are considering market conditions and business opportunity, albeit through the lens of their particular interests and concerns. This dynamic alone is a strong argument for an integrated approach that combines and coordinates all the efforts to leverage the intellectual capital of each domain. Not only might the CDC evaluate and assess their current capacity in these areas but also it may want to look at adding competencies or partnering with other organizations to provide the full complement of skills and talents suggested.

1. Real estate development: commercial retail and mixed-use

Real estate development requires a broad spectrum of skills and activities, including purchasing and assembling parcels of land or buildings (the property); establishing and determining the market demand for the proposed program, such as housing, retail, or office; and coordinating the efforts of architects, designers, and engineers. It also involves obtaining the necessary public approvals; working with lenders and investors to obtain the financing and funding required to build the project; managing contractors to build the structures; leasing, managing, and potentially selling the property (Peiser, Frej, and Urban 2003).

Commercial real estate development, broadly defined, involves any property owned to produce income, including industrial and multifamily residential property. In terms of construction use types, it is more typically defined to include office, retail shops and shopping centers, parking structures, and various public assembly buildings. Essentially, in includes places where public commerce and service occur. For the purpose of this report it is more specifically distinguished from single-family and multifamily residential development and refers more specifically to retail and office/service uses for public access. It may also include a mix of uses, such as retail or professional service uses like banks on the ground floors of multistory buildings with offices and/or residential space on upper floors.

For a CDC the distinction between commercial and residential development is important in determining the skill sets and capacities a developer needs. Commercial construction is more complex than residential construction. Although residential buildings are primarily built of wood, commercial buildings are more commonly built of steel and/or concrete. Zoning and building codes are also more complex when the public has access and the complexity of construction requires a higher level of skill from the designers, engineers and building trades involved.

Financing and leasing commercial projects also requires greater skill sets. Commercial development is typically considered riskier than residential. Lenders generally require that the developer prelease large portions of a project before financing can be committed. Therefore, an understanding of the intended market and/or relationships with commercial leasing agents is often necessary.

Many commercial real estate projects can take advantage of various funding sources (which are discussed later in this report), such as the New Market Tax Credit (NMTC) program, if the project scale is large enough to warrant the legal and administrative costs. In addition, the Low Income Housing Tax Credit (LIHTC) program can be used if the project is mixed-use with housing comprising a portion of the project. These tax credits may even cover the cost of the commercial development if the housing is proportionally large enough in relation to the commercial component. These more complicated funding structures, however, require additional management and knowledge.

2. Business development: microbusiness

The field of economic development is broad and typically includes work that promotes the economic health and standard of living of an area. For a CDC it includes workforce development, personal and business finance and credit assistance programs, and youth employment programs. Business development for the purpose of this report is a more specific subset of economic development and refers to locating, cultivating, educating and fostering entrepreneurs in starting and maintaining very small and, specifically for this report, microbusiness enterprises. It also extends to actively developing a business climate and culture and finding businesses that can work within the structure of the district and local market.

Assessing the types of businesses needed and appropriate for an NBD in a specific setting requires an understanding of the existing economic conditions of the local business community. It also requires an understanding of the market demographics and conditions of the local economy with a specific eye toward assessing the viability of the market for the types of businesses envisioned. In other words, identify what is already in place that may need support as well as what could viably fill retailing gaps. This will entail hiring and/or partnering with those who can provide the information and data needed to assess the viability of the market including the specific types of businesses that work well in the context of the neighborhood.

Although it is valuable, the typical technical assistance model many CDCs provide — often oriented toward family financial planning, credit enhancement, budgeting, and sometimes business basics and the preparation of business plans — is not enough to improve the outcomes of microbusiness success. Programs with greater measurable success are often called microenterprise or entrepreneurial development programs and include not only focused training, but ongoing mentoring and coaching both pre- and postlending. These programs often employ or involve partnerships with industry experts and/or college and university faculty specializing in concerns and issues particular to microbusiness.[10] Business incubator programs can be an excellent business development program for CDCs providing ease of entry into a market for upstarts and providing for more direct interaction and learning for emerging business owners working in close proximity to other similar businesses.

These programs relate closely to the business district organization domain in that they include a social-business networking component that fosters peer-to-peer relationships between business owners, locates new entrepreneurs, and organizes and plans for common interests. An on-going coaching approach, typically more directed than mentoring, involves identifying aspirations, setting measurable goals, and providing resources and a structure for success. Professionals in the same field of business and/or experts in business coaching models are often employed.

3. Business funding: microbusiness

A multiplicity of skill sets is needed to find, access, and apply a variety of funding streams in the work of microbusiness lending including banking and finance, economics, market knowledge, law, and policy. The field is highly complex and information intensive, with policy and programs changing continuously. Arguably one of the greatest skill sets needed are in the social and cultural competencies required to relate to and earn trust from the various ethnicities and cultures represented in a neighborhood. CDCs and CDFIs that operate at a neighborhood scale or partner with those who have fostered trusting relationships at the local levels report greater success at finding opportunities, supporting microbusiness efforts and placing funds.

Access to business funding for microbusiness is difficult even in a strong economy. It is particularly challenging in low-income inner-city areas. However, there recent changes in small business lending policy through the Small Business Jobs Act of 2010 allow mission-focused lenders to make SBA 7(a) loans by allowing community development loan funds to access the U.S. Treasury's Small Business Lending Fund.

Many CDFIs have also created loan pools from foundations and repayment of SBA loans that can be used for microbusiness funding. The SBA also provides funding for pre- and postlending

[10] Many CDFIs interviewed who are also SBA lenders provide or partner with others to provide entrepreneurial development programs. They claim greater long-term business success and less loan defaults as a result of longer term relationships to assist entrepreneurs through the early startup years of a microbusiness.

microbusiness technical assistance programs. In addition, microlending in amounts from $25 to $25,000 has been developed into an almost social phenomenon with projects such as Kiva[11] that started in emerging countries and recently began working in Detroit, Michigan.

4. Business district organizing and improvement

Long-term success of a business district can be enhanced by organizing the business owners to work together for mutual benefit. Organizing not only benefits the business owners, but also it benefits the neighborhood. Events and festivals that can be effective in marketing and promotion of the district require coordinated efforts and volunteer assistance from the community and contribute to the development of the neighborhood identity and social structure. Business owners working collectively can also exercise greater leverage with city staff and politicians in obtaining many benefits for the community from special permits for the events and festivals, to additional security, to funding of neighborhood beautification projects. And as mentioned above, with an organized structure of business owners, BIDs can be established to leverage additional tax assessment dollars as another funding stream for improvements to the district.

The skill sets needed in this domain are primarily that of organizing communities and groups to take effective action and to develop important relationships with municipalities and politicians. In multiethnic and multicultural neighborhoods this may also include connecting with specific business alliance associations representing a larger geographic and specific ethnic constituency. Many cities have African American, Hispanic Latino, and Asian business alliance associations that can be an excellent resource for developing relationships and business opportunities.

Coordinating the four domains of action

These four core areas of action have been employed in various combinations in many city shopping districts throughout the county by each of the various nonprofits. The content of actions and skill sets needed in each area is not new. Putting them all together to maximize the potential for more effective and long-term sustainability may be the key, however, to better outcomes. Before venturing down the path of employing these areas of action in microbusiness development and NBD real estate development, a CDC would benefit from assessing the additional capacities needed not only in their own organization but in the neighborhood and the community at large.

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[11] Kiva is a nonprofit organization that connects borrowers and lenders through the Internet utilizing a network of individuals and microfinance institutions. Source: www.kiva.org.

VIII. Decision Road Map

To identify the potential for action in NBD revitalization and microbusiness development, a CDC can benefit from a focused process of assessing (1) the capacity of its own organization to take action; (2) the potential and viability of the existing NBD to be further developed; and (3) the capacity of the neighborhood and larger community to support the efforts.

As in any business venture it is important to determine if there is a market for the activity and services to be provided. A CDC seeking to enter the market of business district revitalization that includes microbusiness development would benefit greatly from surveying the existing neighborhood resources. This would include an inventory of the physical capital of occupied and vacant buildings along with available sites. It would also include an assessment of the human or social capital of existing neighborhood businesses and resident advocates, their level of experience and their skills and resources.

The following is a framework for deciding the potential and opportunity to take action. It is by no means complete or comprehensive. However, it provides a structure for much of what is important to consider in the planning and preparation process to get to a point where action can be determined. It is organized into a four-step process leading to an implementation strategy.

1. Pre-planning: Assess the need and opportunity for NBD redevelopment

This first question to ask is whether the existing NBD exhibits any deficiencies. In some districts the answer is obviously yes. There are no grocery stores, pharmacies, restaurants, banks, or other day-to-day retail and service businesses. There may also be the obvious signs of abandoned buildings and storefronts. In more extreme cases there are additional signs of blight and vandalism. In less obvious cases, there may be subtler indicators such as a gradual decline in the higher income population with people moving out in search of neighborhoods that provide better services and/or entertainment options. Talking with business owners, residents and leaders within the business and resident communities can shed light on the possibility of decline. Even if the district is in seemingly stable condition, it could be at the edge of distress and vulnerable to even slight dips in the market. The volatility of gasoline prices, for example, can quickly affect the spending habits of consumers and immediately affect businesses already operating with thin margins.

Even if there is not a problem per se, there may be an opportunity to support the business district in taking its next growth steps. A solid and stable business district that meets many of the service needs of local residents can, with greater organization and access to additional capital, grow into an exporting economy that attracts consumers from outside of the neighborhood. With increased interests in cultural heritage, ethnic neighborhoods that capitalize on their unique heritage can develop into destination locations attracting not only local tourism but regional, national and even international tourism.

There may be opportunities for projects related to for-profit developers seeking development opportunities. With the current challenge of tight capital markets that includes increased lending criteria and underwriting standards on the part of banks, for-profit real estate developers are increasingly looking to the nonprofit lending and development sector for both equity and debt financing. Even developers with strong credit, that would have been considered prime borrowers and therefore low risk, are finding it difficult to access debt financing. With lower regulation barriers to financing through nonprofit lenders, the funding gap can be filled and provide good investment risk and partnership opportunities for CDCs and CDFIs. Assisting for-profit developers in accessing capital may be a way of leveraging their interest to develop projects in the neighborhood.

Lastly, for CDCs with missions that include neighborhood revitalization and resident wealth building, and the NDB is a concern, this may be a natural evolutionary step in expanding the impact of their work and building on their existing capacity of affordable housing development. Those nonprofits looking to expand their economic development sector opportunities may find this to be an ideal time and opportunity to have a greater impact on and make a greater difference in the lives of those in their communities by taking advantage of these conditions to grow their operations. This may ultimately, however, require the CDC to engage in a facilitated strategic planning process to assess the vision and mission of the organization. The assessment process may include addressing questions of geographic focus, affordable housing versus commercial real estate focus, and whether to develop the capacities needed within for long-term operations or to partner with others in addressing shorter term issues and opportunities. Changes to the organization's mission may be needed in the end to expand into the work of economic development and, in particular, NBD development work.

If, after a preliminary anecdotal assessment, there is either a need or an opportunity for business district redevelopment, the next step is to construct the various parts of a business plan. This includes identifying various strengths, weaknesses, opportunities and threats to the business district. It also includes considering the situation from the perspectives of economic, social and spatial potential to substantiate whether or not there is a viable opportunity for economic development through NBD and microbusiness development. In addition, it includes an assessment of the capacity of the CDC and the community to take action. These considerations are generally covered in the following two planning phases.

2. Planning phase 1: Determine the economic and physical assets and potential

In this phase of the planning process the intent is to determine if there is a "there there." It is a key step for determining if there is truly a market for the regeneration or expansion of the business district. It addresses both the economic and physical assets of the business district and the potential for improvement.

The market and economic potential study

Market studies can be effective tools in determining the market demand for developing new and expanded retail and service businesses. They can demonstrate the capacity of local buying power and tabulate retail leakage from the neighborhood. But care should be taken in selecting competent consultants who will provide realistic and honest data collection and evaluations. One of the most difficult points to face is that there may not truly be a market — there may be only a desire to have one where it doesn't exist. Facing this fact allows communities to consider real solutions to the poor condition of the business district. It would be far better to find out there is not a market for retail business development than to pursue development where there is not a real market and suffer the consequences of reoccurring business failures and misplaced efforts.

That said, lenders often require market studies for commercial development, and if they are valid, they can show a market where others thought there was none. This can convince the city, residents and business community that the district has more potential than they originally anticipated. Market studies will also be necessary to attract potential regional or national retailers to the area that can act as catalysts for growth and that can support nearby businesses.

National franchises such as McDonalds, Subway and various discount pharmacies have access to market data or have strategies that assist them in determining the market viability of an area. Partnering with them can be an effective way to substantiate a market. Their very presence in a commercial area can be the catalyst for turning the business district around, creating the traffic needed for other existing businesses and attracting new businesses. These companies can become essential and effective players in the revitalization of an urban business district and can offer management and ownership opportunities for residents. In addition, national franchises can also be ownership opportunities for CDCs.

City planning staff may also be a valuable participant in the development of a market study and many municipalities will fund these efforts as part of larger economic development analysis work for the city and region.

The market demand for retailing is determined through the market study process. This includes identifying existing businesses that serve that demand. In addition, a supply assessment for available buildings and property is also needed to determine suitability for serving that additional demand through new development. Therefore, a spatial and physical study goes hand-in-hand with the market demand study to determine approaches for the redevelopment of the NBD.

The spatial and physical study

The spatial assessment of a business district and the physical assessment of buildings and land often involve working with design and building industry professionals. This is best done in concert with the market demand study as it informs the different approaches resulting from assessing the physical conditions. Urban planning and design brings into focus the larger regional context of the business district and can reveal important adjacent markets and demonstrate essential transportation and transit connections. Once again, the city planning staff can be a valuable resource. There may already be preliminary plans in place that have considered the macro-level opportunities and challenges of the business district within the region.

At the building scale, local builders and architects can be a valuable resource for assessing the viability of existing buildings for renovation and parcels of land for new development. Some buildings simply need minor cosmetic changes that may have dramatic positive impacts, such as opening boarded-up storefronts — a typical condition of neighborhood corner taverns and bars in derelict areas. Other buildings need significant structural improvements and need to be assessed for viable reconstruction and rehabilitation.

The market demand study coupled with an assessment of the physical attributes of the NBD can be grouped into four primary assessment conditions. There is no firm criteria for these categories but they are offered here as a framework for making value and viability judgments.

Condition 1: There is not enough of the business district left to save and a better strategy would be to abandon the NBD altogether.

This is determined in relation to the market demand study. If there is no market whatsoever, then the best choice is most likely to abandon the business district altogether and repurpose the land for other nonretail or civic uses. Whole districts that have outlived purpose, market demand or other uses may be better utilized as a community park area for the neighborhood. However, sometimes one vacant historic building well placed in the urban context and well suited for a specialty anchor business, such as a restaurant that can attract customers from outside the neighborhood, may be a viable redevelopment use. If there is market demand but not much in the way of existing buildings, there may be other locations that are better suited for a new business district or an alternative planning approach for pocket retail at select locations along an extended corridor.

Condition 2: There are enough buildings to reasonably save but there are too many vacant buildings to fill with the indicated market demand.

This assessment may lead to a combination of stabilization through rehabilitation and giving up portions of the business district. This involves consolidating buildings and businesses and moving viable businesses to better buildings or locations within the district or other parts of the neighborhood. Even whole buildings can be moved to better locations. Abandoned buildings can be repurposed for other civic uses or demolished for needed adjacent parking or small pocket parks providing access to parking in the backs of buildings.

Condition 3: There is a good retail market and there are enough buildings and viable businesses left to build upon although they may be in rough condition and in need of façade improvements. There are opportunities for selective demolition and additional infill.

This condition would typically result in saving the business district and strategically adding to it. This approach often requires a surgical approach to redevelopment so that existing businesses survive the redevelopment process. Building new structures in such close proximity to existing businesses can cause significant disruptions in business that can tip vulnerable businesses over the edge of failure. Great care is needed in supporting the existing businesses even to the extent of providing business interruption assistance grants.

Condition 4: There is a strong retail demand, although it is not yet fully recognized by typical commercial developers. The business district is reasonably stable and has a contiguous supply of buildings and spaces. There may be some vacancies and their condition is good but worn, with poor-quality earlier renovations. They are in need of beautification and updates. There is opportunity for additional microbusiness development and the potential to develop the district into a destination area that taps outside retail dollars.

This condition is where the CDC may determine that although there may not be a need to intervene for stabilization, the for-profit market may not yet be attracted to the area and there may be an opportunity for additional microenterprise development for underserved groups. The neighborhood may be on the verge of gentrification, having already been discovered by young professionals as being a more economical location within which to live. But it has not yet reached the tipping point and is still rough and distressed in areas. This type of condition may include older historic neighborhoods that have begun to capitalize on their ethnic heritage and tap into citywide tourism development. There are typically fewer long-term abandoned buildings but there may be a need to repurpose buildings in the industrial areas of the district and improve the retail and service selections, or densify the district through selective demolition developing larger and higher mixed-use buildings.

Planning phase 2: Determine the capacity of the community for action

After an assessment of the potential for development and of the economic and physical conditions that will inform and define the development process, the next phase is to assess the CDC's capacity to take needed action on the development plans. Identifying and understanding the capacity of the neighborhood and larger community as well as the CDC to take action is essential in preparing the plan of action to implement any development efforts.

Community development assessment process

During a process often referred to as asset-based community development (ABCD) [12], the CDC seeks to uncover and utilize strengths communities can use as a tool for long-term sustainable development. Part of the process is to assess existing community resources by collecting information on the social capital of a community by talking to residents and business owners, social organizations and networks, and associations and institutions to determine the skills, experience, and other resources available. Surveys could be employed, although interviews may be more informative and reveal additional valuable information.

It can save time and develop trust by contacting existing business owners in the neighborhood early in the process. Talking with them one-on-one and multiple times to build a relationship can reveal a wealth of information. Who are their bankers and are they being well served? What do they need in the way of capital, technical assistance, marketing or other business services? What are the political inclinations and connections that can be brought to bear on the issues? Answers to these questions can inform the potential for the CDC to intervene in a positive and constructive way and may introduce potential lending partners.

Another aspect of the process is to support communities in discovering what they care enough about to act upon. This may involve a number of visioning work sessions that may include design professionals engaged to flush out common values, ideas, needs, interests and concerns.

The final step in ABCD is to determine how the full community of citizens can act together with shared values and concerns across constituency groups to achieve the intended and collective goals. By identifying themes that people feel strongly about and connecting them with talents, skills and other community assets, motivation for action can be determined.

The business, political and municipal communities

There are multiple constituencies of a business community to consider in the development process. The domain of business includes not only the existing local business owners throughout the neighborhood, and existing business owners within the specific district, but citywide business alliances and regional business leadership groups and associations along with the local chamber of commerce. Beyond the business community and often overlapping it is the political community, including the mayor and council members. They are essential advocates and partners necessary to leverage community support, funding sources and easing barriers to the process and implementation of the development project.

Often closely related to the larger business and political community is the community and economic development staff of the municipality. They also are often intertwined with the larger business community in that many business leaders volunteer on boards and commissions that

[12] An excellent resource for ABCD is the Asset-Based Community Development Institute: School of Education and Social Policy Northwestern University, http://www.abcdinstitute.org.

review and approve development and building projects. These boards and commissions are staffed by the employees of the community and economic development departments of a city. The support of staff in the plans for a development, although not required, can significantly help in smoothing the way for a development project. They are also valuable resources for information on the neighborhood and can assist in making the connections and constituencies needed for partnering on important components of the development process such as assisting in preparing market studies and providing planning documents.

The neighborhood resident community

The residents of the neighborhood community should not be underestimated. The NBD is not only the business center of the community but often serves as the social center and identity for the neighborhood residents. Activists in the neighborhood are a wealth of information on what is needed and are essential in coordinating and building alliances as well as recruiting volunteers for community events centered around the business district. Their support and involvement is a key consideration in moving projects forward, easing barriers, obtaining approvals to build projects and supporting the local microbusinesses. Plans for NBD improvement that meet the needs and retail demands of the residents are far more likely to succeed.

Planning phase 3: Determine the capacity of the CDC for action

There are many flavors of CDCs throughout the country; they are as diverse as the communities they work within. Some are primarily community building and service oriented with no real estate development experience, while others have been highly effective in neighborhood organization and affordable housing development but have little or no experience in economic development. Assessing the capacity of the CDC to work in the area of business district and microbusiness development requires knowing first what strengths and capabilities are needed and second what is missing and therefore needed for more effective action. In some if not many areas of action it may be more effective and efficient to partner with other organizations that possess the skill sets, capabilities and capacity needed. Developing the capacity within an organization may be difficult to achieve, therefore care should be taken in understanding the skill sets staff may require to be competent in the areas of real estate development, microbusiness development and business finance and funding. It is also important to determine the likelihood of the need and use of this capacity in the long term.

Organizations with business development goals generally need the scale of a region to be successful economically, so neighborhood-focused CDCs should probably rely on partnering to deepen capacity in lieu of developing it within. But a CDC with regional focus may have the ability to make use of the new capacity in other areas. If, however, the capacity already exists and is readily available elsewhere it may be more prudent to partner for efficiency. If capacity does not exist or make sense within one organization, then again partnering to create capacity may be a better option.

The following options may be of assistance in assessing core competencies needed either through building capacity from within or by gaining it through partnering.

Increase core competencies within the organization

Some, if not all, of the skill sets needed for commercial real estate development and microbusiness development may already exist within the organization. If real estate development for example has been a part of the core work, then an assessment of existing employee skill sets will be needed in this area. Project managers for real estate development may already possess the knowledge and capabilities, or they may be able to efficiently obtain the knowledge needed through some additional training. Community organization skills may translate well to business organization, or employees working in workforce development areas may be capable of translating their skills to business organizing. Once again, an assessment of employee skills will reveal the depth of the employee base.

The areas of capacity more typically lacking in a common CDC are entrepreneurial enterprise education, training and coaching along with more sophisticated microbusiness funding expertise. This may lead to developing these capacities within, which takes time and operational funding sources for hiring of training employees for the skill sets needed. This will likely require certifications to qualify for access to funding sources such as SBA lending, CDFI funds and NMTCs. Locating certified CDFI partners already working in this area may be the most efficient avenue to gaining this capacity.

Partner with other CDCs and/or CDFIs to increase capacity and knowledge

In more highly concentrated urban areas there are multiple CDCs doing the work of community and economic development, and some may already be working in adjacent targeted areas. Partnering with other CDCs to leverage and increase capacity can be an effective entry point to the market. Adjacent neighborhoods are an obvious first consideration as there may be common interests such as transportation and transit that may be common to multiple areas in the region.

CDFIs may also offer natural opportunities for partnering. Many CDFIs are larger operations that would benefit from partners that have more direct connections to borrowers and can provide valuable local knowledge that CDFIs do not possess nor can access easily, while the CDFIs provide the structure and access to capital CDCs need to channel funding to microbusinesses.

Partner with Main Street programs

The Main Street program is a proven district management strategy[13] that can be employed to provide long-term support for improved results over time. The greatest challenge to Main Street working in urban neighborhood districts has been the economic restructuring component of their

[13] From “Inner City Commercial Revitalization: A Literature Review,” an unpublished report by Karl F. Seidman.

approach and the lack of access to real estate development. The strength of Main Street coupled with the real estate development and technical assistance programs of a CDC can provide the capacity to overcome challenges Main Street has had with economic restructuring when working in urban areas and that CDCs have had in the marketing and promotion of business districts.

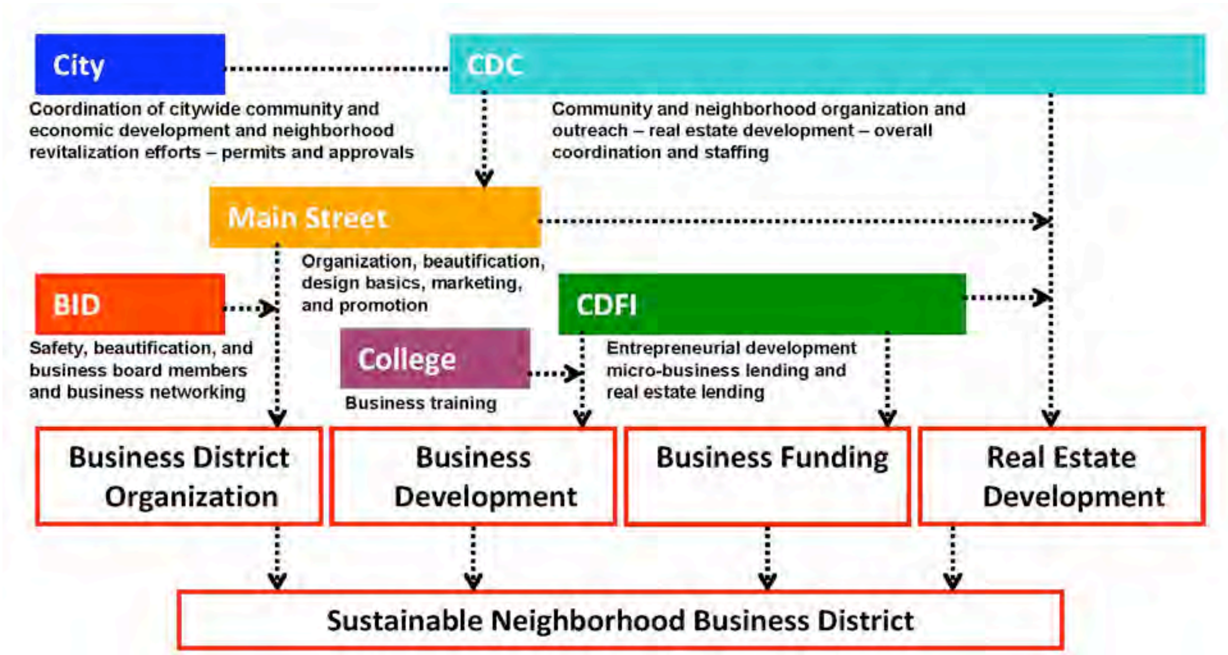
Though there is some overlapping of capabilities between the Main Street program and CDCs, some of the partnering initiatives in the past have been effective. There is however a need to clarify organizational responsibilities and coordinate efforts to minimize leadership conflicts and redundancy.

Implementation: An integrated and coordinated strategy for action

The implementation stage for taking action on an NBD redevelopment project and structuring a longer term program within the operations of a CDC or through partnering requires considering the overall organizational structure of competencies and actions that need to be brought to bear on business district redevelopment. If a partnering approach is determined to be the best approach then the relationships and responsibilities of the partners need to be clarified and coordinated for effective action.

The figure below shows a more integrated and coordinated organizational approach for bringing the four competencies to bear. This approach uses the CDC as a platform or base of operation with overall coordinating responsibility and operational authority. Each designated partner in the diagram can be considered a separate entity or can be considered a set of competencies reflecting the four core domains of action. For example, the CDC could be partnered with a Main Street program or could adopt the competencies that have been effectively employed by the Main Street program by developing them from within.

In the organizational model shown, the CDC is vested with the responsibility and authority for the integrated effort, yet it works in concert with neighborhoods (who may already be organized into an association), politicians, and the community and economic development staff of municipalities. The CDC is primarily responsible for organizing efforts and the real estate development work while partnering with a CDFI to provide the capital needed for both the real estate and microbusiness funding. The CDFI also provides the entrepreneurial microenterprise training programs and may partner with colleges and universities to provide faculty and curriculum for the training programs. The CDC may collaborate with a Main Street program or incorporate the best practices of that program, having developed the capacity within. The BID may be phased in later in the process after the business community has been organized.



Organizational model for an integrated microbusiness and NBD development program using partners for core actions

There are any number of alternate ways of developing the organizational mapping for capacities, actions, responsibility and authority. For example, CDFIs that already provide microbusiness funding and enterprise training and development may choose to expand capacity by creating a CDC for the real estate development program. There are a number of examples throughout the United States of this type of structure already in place where CDFIs have a CDCs component. These models may benefit from expanding their capacity by partnering with Main Street to target a specific NBD.

IX. Policy Considerations

There are several policy considerations that emerge from this focused study on the revitalization of inner-city NBDs and microbusiness development. Possibly the most important is for commercial business district revitalization to be an explicit policy goal of city and state agendas along with other urban revitalization and community and economic development concerns (Seidman 2006). Cities in particular could recognize that for a neighborhood to be healthy and vital and therefore a "neighborhood of choice," along with affordable housing, schools and social services, a business district is important in providing the day-to-day shopping needs of the residents. Inner-city business districts do not become revitalized only through market-based economic strategies or as a result of improved housing and higher income residents. They require targeted resources and programs oriented to infrastructure improvements and the fostering of the next generation of entrepreneurs as microbusiness owners within renovated and new infill development within the districts.

In addition, Main Street programs and BID legislation could be expanded to support inner-city urban neighborhoods. Entrepreneurial and microenterprise development programs oriented to inner-city urban business development need to be supported if they exist and created if not. Small business development centers, supported by the SBA, could include a focus on NBD entrepreneurial and existing business and employment growth opportunities. Funding could be provided to public colleges and universities for the development of business programs addressing needs for entrepreneurs, job creation and inner-city business district development.

Cities could implement urban planning and community development policies that emphasize mixed-use and mixed-income development. In addition, they could support and fund urban planning initiatives that incorporate the needs of neighborhoods and include market and economic studies to address the development of local economies including the day-to-day retail and service needs. Commercial real estate development focused on inner-city areas can get bogged down in complex city approval processes. Projects that are oriented to NBD revitalization that are done in conjunction with a microbusiness entrepreneurial program could be given higher priority.

Federal regulations on banks continue to make it difficult to obtain the capital needed for real estate development projects. Community-based, mission-oriented nonprofits such as CDCs and CDFIs could be reinforced as important conduits for channeling funds toward economic recovery projects. For this to happen, funds could be allocated for capacity building and/or to incent partnering to provide effective project delivery structures.

In addition, to keep commercial retail space affordable for microbusinesses, other funding sources could lower the overall cost of the real estate development projects and/or subsidize the businesses so rents can be maintained at affordable rates. For example, finance mechanisms that subsidize real estate development costs could be developed for startup microbusinesses within the first few years of operations with conditions that tie the business to commercial real estate owned by mission-based nonprofits in targeted neighborhood districts. These could include specific focus on incubator programs that incorporate shared facilities and functions, equipment and staff.

For microbusiness enterprises to be competitive in hiring employees they need to be able to hold down costs. For example, heath insurance costs are often too high for many microbusinesses to offer as benefits to employees. New tax laws could reduce this cost burden. There could be a systematic rethinking about the importance and role of small business and microbusiness in the engine of the national economy in order to level the playing field of competition with large business big-box retail interests.

And finally, the U.S. Department of Housing and Urban Development is perceived by many as mostly engaged in housing concerns. With their more comprehensive approach to urban development through the Choice Neighborhoods program, which ties together resources on education, health and human services, and transportation, they could expand this concept to include economic development that addresses revitalization of business districts within neighborhoods.

X. Conclusion

The purpose of this research was to consider the issues around NBD revitalization coupled with microbusiness development and the role that CDCs play in this work. The report presents a strategy framework for CDCs to use in making the decision to venture into this area of work and to hopefully provide additional information and insight for those CDCs that are already doing this important work.

Because past efforts to revitalize urban commercial districts have had mixed results, this report provided an organizational model for an integrated microbusiness and NBD development program using partners to bring greater capacity to bear in the implementation of development projects. The model incorporated the four core domains of action that could maximize the outcomes of this work. Utilizing the strengths and skill sets of the traditional actors in the field leverages their capacity for an integrated full-on approach for long-term sustainable business district development.

Neighborhood business development within inner-city neighborhood commercial districts is difficult to accomplish. There are limits to what can be done or, more importantly, what one can expect in terms of outcomes, but there is an argument for doing what can be done to provide improved living conditions for the residents of an inner-city neighborhood.

Though this report does not address the metrics for assessing success for the individual components of real estate, businesses, CDC and community, the measures will not be the same as in affordable housing where the number of units built can be counted and the direct income generated from the properties can be tabulated. But with a renewed interest in addressing the issues of the inner city, progress can be made with greater outcomes over the next couple of decades in providing decent affordable housing as well as addressing the larger urban environment — the socioeconomic concerns that include a vital and viable business district for a more complete, attractive and desirable living experience in inner-city neighborhoods.

As the country moves toward a new economy, local economic development that includes focused efforts in developing neighborhood-based economies and revitalized business districts for neighborhoods can be an innovative strategy on the road back to prosperity for our communities and for the country.

XI. Resources

The following references were used as general context and background for framing the topic of this report. They were not all cited within the body of the report but are included here for having provided valuable perspectives and as a resource for others.

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XII. Interviews and Meeting Attendees

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Rosa Rios Valdez
Business and Community Lenders of Texas
Austin, Texas

NeighborWorks America Luncheon Attendees
Atlanta Training Institute, August 2010

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Joseph Garlick
NeighborWorks Blackstone River Valley
Woonsocket, Rhode Island

Gary Pollio
Interfaith Community Housing of Delaware, Inc.
Wilmington, Delaware

Ross Ojeda
The Unity Council
Oakland, California

Marco Mariani
South Bend Heritage Foundation
South Bend, Indiana

Laura Vinton
Hope Enterprise Corporation

Gramlich Fellows Policy Briefing Attendees
Washington, D.C., August 2010

Peter Beard
United Way Worldwide

Marc Diaz
D.C. office of Planning and Economic Development

Conrad Egan
National Housing conference

William C. Kelly, Jr.
Stewards of Affordable Housing for the Future

Jill Khadduri
Abt Associates

Alan Mallach
National Housing Institute/Brookings Institution

Jonathan Miller
Federal Deposit Insurance Corporation

Danilo Pelletiere
National Low Income Housing Corporation

Luke Tate
U.S. Department of Housing and Urban Development

Chris Walker
Local Initiatives Support Corporation

Paul Weech
Housing Partnership Network

APPENDIX — Sources of Capital

Microbusiness and real estate development capital sources

Part of the assessment process for a CDC entering the market is to consider the available funding streams for debt and equity to fund capital improvements and microenterprises. There are various sources of capital available from each level of government and from foundations, intermediaries and private benefactors. A capital sources study to determine the appropriate funding and layering of funds available for a proposed project will bring additional clarity to the process and may inform the development strategies. The following is a selective listing of funding sources.[14]

Department of Housing and Urban Development (HUD)

Community Development Block Grants

This is an entitlement program of grants allocated annually to larger cities and urban counties in support of community and economic development activities primarily in low- and moderate-income areas.

www.hud.gov/offices/cpd/communitydevelopment/programs

Community Renewal Initiative

Originally called the Empowerment Zones (EZ) and Enterprise Communities program, this HUD initiative makes funds available to eligible businesses in EZs and Renewal Communities. After completing a strategic planning process, local communities may apply for funding. Selected communities have access to a pool of federal resources and are eligible for tax incentives. The incentives are intended to encourage businesses to open, expand and hire local residents. They include employment tax credits, a waiver of tax on capital gains, increased tax deductions on equipment and accelerated real property depreciation.

www.hud.gov/offices/cpd/economicdevelopment/programs/rc/index.cfm

Small Business Administration (SBA)

SBA 79(a) Loan Program

The SBA 79(a) Loan Program is the largest loan program of the SBA. It provides a guarantee of up to 90% of a loan issued by a private lending institution to qualified businesses with

[14] Information for this section of the report was obtained from NeighborWorks Training Institute course materials (Barringer 2010) and the website of the U.S. Department of Housing and Urban Development. Information was also obtained from the Small Business Administration website and other sources whose links are provided throughout the section.

special requirements. Funds are available for businesses that handle exports to foreign countries, for businesses that operate in rural areas and for other very specific purposes. Funds can be used for property acquisition, construction, inventory and working capital. The Small Loan Advantage and Community Advantage 7(a) Loan Initiatives is part of the SBA 7(a) Loan Program and is discussed in further detail below.

www.sba.gov/category/navigation-structure/loans-grants/small-business-loans/sba-loan-programs/7a-loan-program

Small Loan Advantage and Community Advantage 7(a) Loan Initiatives

SBA has expanded access to capital for small businesses and entrepreneurs in underserved communities through this program. It offers a streamlined application process for SBA 7(a) loans up to $250,000. The Small Loan Advantage is structured to encourage larger existing SBA lenders to make lower-dollar loans to benefit businesses in underserved markets. Community Advantage allows community-based, mission-focused lenders to make SBA 7(a) loans of up to $250,000 with the regular 7(a) government guarantee.

www.sba.gov/content/advantage-loan-initiatives

CDC/SBA 504 Loan Program

The CDC/SBA 504 loan program provides small businesses with long-term, fixed-rate financing to acquire fixed assets for expansion or modernization. These loans are obtained from a local lender called a certified development company. These are private, nonprofit corporations set up to contribute to economic development in the community. Certified development companies work with SBA and private sector lenders to provide financing to small businesses. A project using this program is typically structured with a senior loan from a local private lender for 50% of the project cost, a junior loan for 40% of the project cost from the certified development company (backed 100% by SBA), and 10% equity from the borrower.

www.sba.gov/content/cdc504-loan-program

SBA Microloan Program

The SBA Microloan Program is available in most states through nonprofit community-based intermediary lenders. The program provides small short-term (a maximum of six years) loans to small businesses for working capital, inventory and supplies, furniture and fixtures, and machinery and equipment. It cannot be used for existing debts or real estate. Intermediaries are required to provide business training and technical assistance to borrowers. The maximum loan amount is $50,000.

A CDC can participate in three ways: (1) as a microbusiness intermediary lender and technical assistance provider, (2) as only a technical assistance provider to borrowers, or (3) as only a technical assistance provider to lending intermediaries.

As a lender, CDCs can assess a direct loan of up to $750,000 in the first year of operation. These funds are then lent to microbusinesses at a fixed rate for up to six years in amounts up to $25,000. Technical assistance grants are provided with local matching contribution requirements for intermediary lenders and technical assistance providers.

www.sba.gov/content/microloan-program

Small Business Investment Company (SBIC) Program

SBICs are privately owned and managed equity investment companies that provide venture capital for startup and growth of small businesses. There is a minority enterprise SBIC program as well. The SBA does not invest directly but licenses these companies and the SBIC debentures are pooled and sold in public markets in the form of an SBA guaranteed certificate.

www.sba.gov/content/about-office-investment-0

Small Business Development Centers (SBDC)

SBDCs are located in all 50 states, the District of Columbia, Puerto Rico and the U.S. Territories. They can operate on a statewide or state regional level. They are typically partnerships between the SBA and colleges/universities to provide educational services for small business owners and aspiring entrepreneurs. Services include business planning and financial assistance; enhancing and obtaining credit; marketing plan development; assistance with production, organization, engineering, and technical issues; and feasibility study development. They often run free or low-cost business seminars.

www.sba.gov/content/small-business-development-centers-sbdcs

Department of the Treasury

Community Development Financial Institutions (CDFI)

The CDFI Fund is a component of the United States Department of the Treasury. It makes funds available for economic and community development through CDFIs around the country. CDFIs can be community development credit unions, community development banks, or other community-based loan funds. They must meet eligibility requirements and obtain designation. Funds are allocated by the U.S. Treasury on a competitive basis and require matching funds from other sources. Funds can be used for many purposes, including business equity and debt, *affordable housing projects, and commercial real estate development, financial services, and internal capacity building.*

www.cdfifund.gov/

New Markets Tax Credits (NMTC)

NMTCs are allocated by the U.S. Treasury through the CDFI Fund to community development entities (CDEs) who in turn offer these federal income tax credits to equity investors in the CDE who then makes investments in projects in low-income communities. The CDC can make loans or equity investments in any qualified active low-income community business. CDCs can invest in a variety of activities, including: debt or equity investments in businesses, debt or equity investments in real estate projects, and investments in other CDEs. The process for obtaining tax credits is competitive and complicated. Administrative and legal costs associated with NMTCs typically require the project size to be at least $2,000,000 but preferably as much as $5,000,000.

www.cdfifund.gov/what_we_do/programs_id.asp?programID=5
www.realestateandconstructionlaw.com/real-estate-finance/an-introduction-to-new-market-tax-credits/

Bank Enterprise Awards Program (BEA)

The BEA provides financial incentives to FDIC-insured depository institutions (i.e., banks and thrifts) that make investments in CDFIs and increase lending, investment and service activities within economically distressed communities. CDFI-related activities can include equity investments, equity-like loans, grants, loans and technical assistance. Community financing and service includes a variety of activities, including affordable home mortgage loans, affordable housing development loans, small business loans, home improvement loans, education loans, commercial real estate loans, and community and financial assistance services.

www.cdfifund.gov/what_we_do/programs_id.asp?programID=1

Internal Revenue Service (IRS) and other tax incentive programs

Low Income Housing Tax Credits (LIHTC)

The LIHTC program is run by the IRS and allows companies to invest in low-income housing while receiving 10 years of tax credits. It involves a competitive application process that works through state housing finance agencies who administer the program on a state level. It is a dollar-for-dollar federal income tax credit that can be used for raising equity capital in low-income housing real estate development. In mixed-use developments it can be used on the residential portions and, depending on the size and scale of the development, it can significantly support the commercial retail portions.

Historic Preservation Tax Credits

Federal law provides an investment income tax credit equal to 20 percent of approved costs for qualified rehabilitation of certain historic buildings for income-producing use. There is a companion 10-percent tax credit program with lower rehabilitation criteria for certain structures. The federal income tax credits are administered by each state historic preservation office. Many states also have a companion state historic income tax credit program. The rehabilitation projects must be approved by the National Park Service and follow the Secretary of the Interior's Standards for Rehabilitation.

National Trust for Historic Preservation

The National Trust for Historic Preservation offers various types of financial assistance to nonprofit organizations involved in preservation-related projects.

The National Trust Loan Fund (NTLF) supports preservation-based community development. As a CDFI, it has a mission of providing financial and technical resources to organizations that use historic preservation to support the revitalization of underserved and distressed communities. NTLF funds may be used for predevelopment, acquisition, mini-permanent, bridge and rehabilitation loans for residential, commercial and public use projects. Eligible borrowers include not-for-profit organizations, revitalization organizations or real estate developers working in certified Main Street communities; local, state or regional governments; and for-profit developers of older and/or historic buildings.

The National Trust Community Investment Corporation (NTCIC), a for-profit subsidiary of the National Trust for Historic Preservation, makes equity capital investments in the rehabilitation of historic properties eligible for the 20 percent federal historic rehabilitation tax credit. NTCIC invests in development projects of at least $6 million in total development costs and that generate at least $1.5 million in historic tax credit equity. The Small Deal Fund for equity investment is used for smaller development projects.

The National Trust Preservation Fund includes funds that provide matching grants for preservation planning and educational efforts and intervention funds for preservation emergencies. Matching grant funds may be used to obtain professional expertise in areas such as architecture, archeology, engineering, preservation planning, land-use planning, fundraising, and organizational development and law as well as to provide preservation education activities to educate the public.

http://www.preservationnation.org/resources/find-funding/

Foundations

There are many private philanthropic foundations throughout the country that support community and economic development actives, projects and programs. Many are sponsored by families or corporations. The most active ones include the Ford Foundation, the Surdna Foundation, the Annie E. Casey Foundation, the Charles Stewart Mott Foundation, the Northwest Area Foundation and the Knight Foundation.

Intermediaries

Enterprise Community Partners, Inc.

As well as being a national leader in providing development capital and expertise to create affordable homes, Enterprise is a community development entity (CDE) certified by the CDFI Fund for New Markets Tax Credits and administers some of the largest allocation of NMTCs in the nation. They use NMTCs to enhance financing for commercial and mixed-use projects in qualifying low-income census tracts that have a demonstrable community impact. The investments include all major real estate types: mixed-use, for-sale housing, office, retail, hospitality, community centers, shelters, theaters and schools.

http://www.enterprisecommunity.org/financial_products/new_market_tax_credits/

Local Initiatives Support Corporation (LISC)

LISC is a national organization that provides technical and financial assistance to local CDCs in select cities and rural areas. Originally funded by the Ford Foundation and six large corporate sponsors, it channels funds from the private and philanthropic sectors into local community revitalization activates.

www.lisc.org/

NeighborWorks America (NWA)

NeighborWorks America is a public nonprofit organization chartered by the U.S. Congress. NWA provides direct funding and resources for affordable housing and community and economic development through a national network of over 235 local community-based affiliates.

www.nw.org/network/aboutUs/history/default.asp

Local funding

Tax Increment Financing (TIF)

TIF is a public financing method that uses future gains in property tax as a subsidy to finance current redevelopment and community improvement projects. It has been used in many countries including the United States for more than 50 years. TIF is used by cities to provide funding for improvements in distressed or underdeveloped areas where development might not otherwise occur. Every state and the District of Columbia, except Arizona, have enabled legislation for TIF. Some states, such as California and Illinois, have used TIF for decades; others have only recently passed or amended state laws allowing them to use this tool.

Property Tax Abatement Programs

Property tax abatement allows a property owner to defer property taxes levied on improvements or phase in payment of property taxes over a designated period. This period may be any number of years between 1 and 10. The abatement may be in whole or part of the assessed value of the property or improvement for the given period. The designating body, whether county or municipality, determines the amount and period. It is often used to incent development in distressed areas.