

Middle Neighborhoods – a wealth building strategy for Baltimore

PRESENTATION TO NEIGHBORHOOD SUBCABINET

January 25, 2023



Overview of Middle Neighborhood Strategy

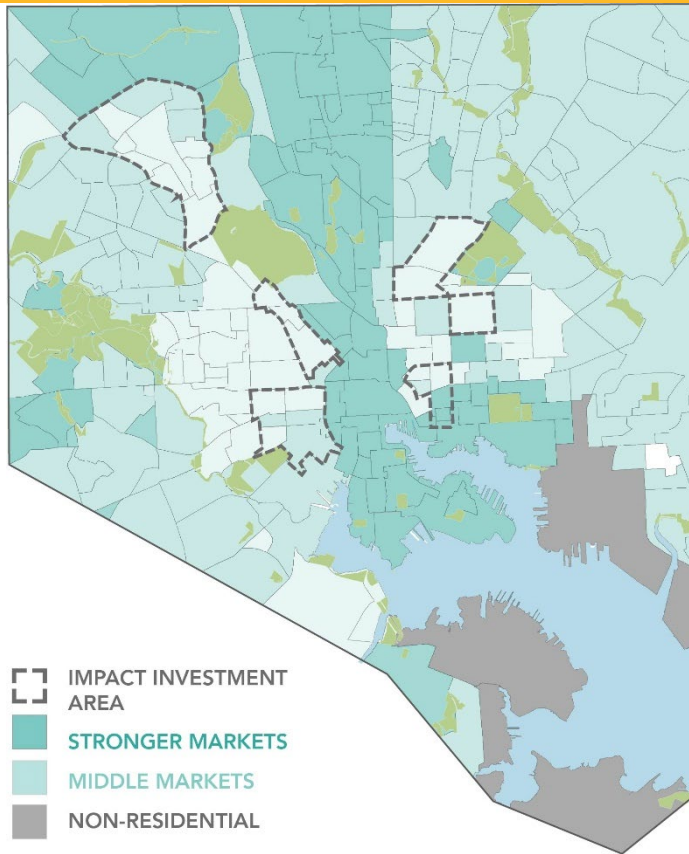
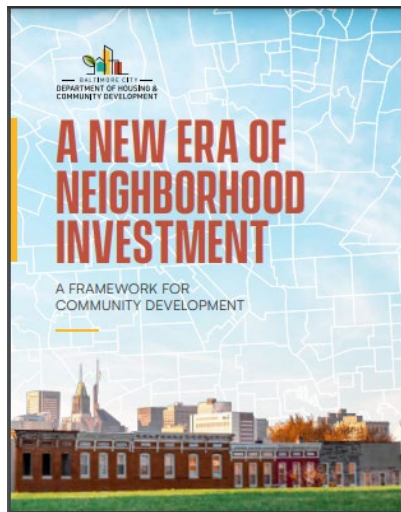
Middle Neighborhood Investments Approach

- ARPA
- HNI
- Leveraging Existing City Resources: CIP, DHCD home repair programs, HNI

Review of Middle Neighborhood Focus Areas (MNFAs)



Middle Neighborhoods: In the Community Development Framework



Stabilize Middle Neighborhoods

- 146 out of 278 neighborhoods (57% of population)
- Older, more racially diverse, homeowners
- Many assets but vulnerable to decline

Middle Neighborhoods: Where are we now?

2019 Middle Neighborhoods Workgroup

- Convened by Mayor's Office and chaired by Live Baltimore with support from HCD

2020-2021 Middle Neighborhoods Planning Group

- Convened by DOP to develop an implementation plan for Workgroup recommendations.
- Included representatives from: City Council, DOP, HCD, State DHCD, Live Baltimore, City Schools, community development organizations (HNI, NHS, St. Ambrose, MD Community Development Network), developers, private sector

July 2021 Presentation to City leadership on Baltimore's Middle Neighborhood Strategy

Fall 2021 Applications for \$641M in ARPA funds opened

Winter 2023 Coordinated Middle Neighborhood Strategy Implementation



Strengthening Middle Neighborhoods to Drive Population Growth

Mayor's Action Plan Pillar #4: Equitable Neighborhood Development

Goal 4: Increase population with a focus on supporting seniors and maintaining legacy Baltimore residents, while attracting more Black middle income and immigrant families.

\$9.7M ARPA Commitment

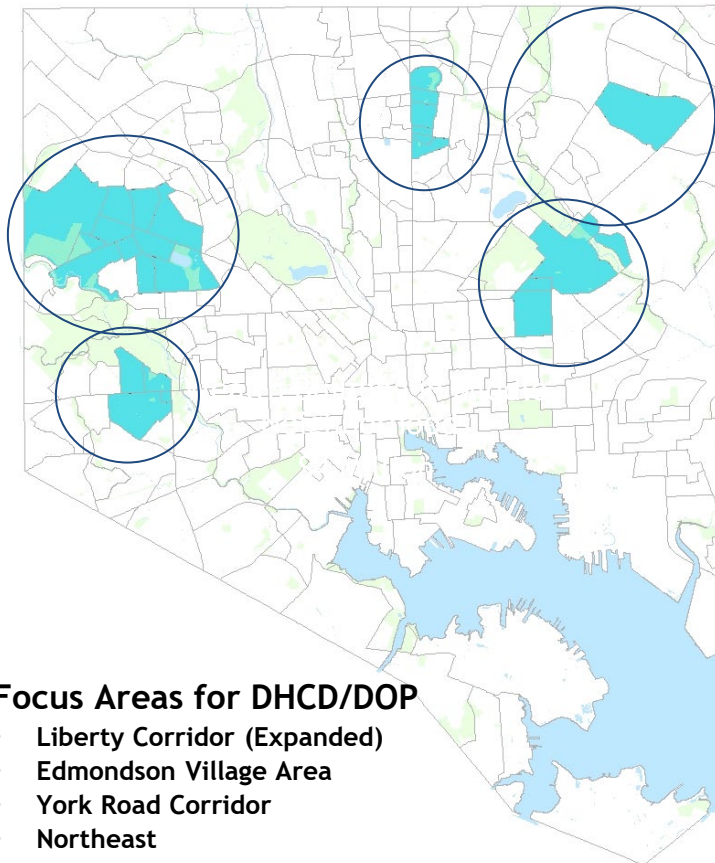
Wealth Building in Middle
Neighborhoods
DHCD
\$4 Million

Middle Neighborhood
Support for CDCs
DOP
\$1 Million

Buy Back the Block and
Market Analysis
Live Baltimore
\$3.4 Million

Inspire 21st Century
Schools/Homeownership
DOP
\$1.29 Million





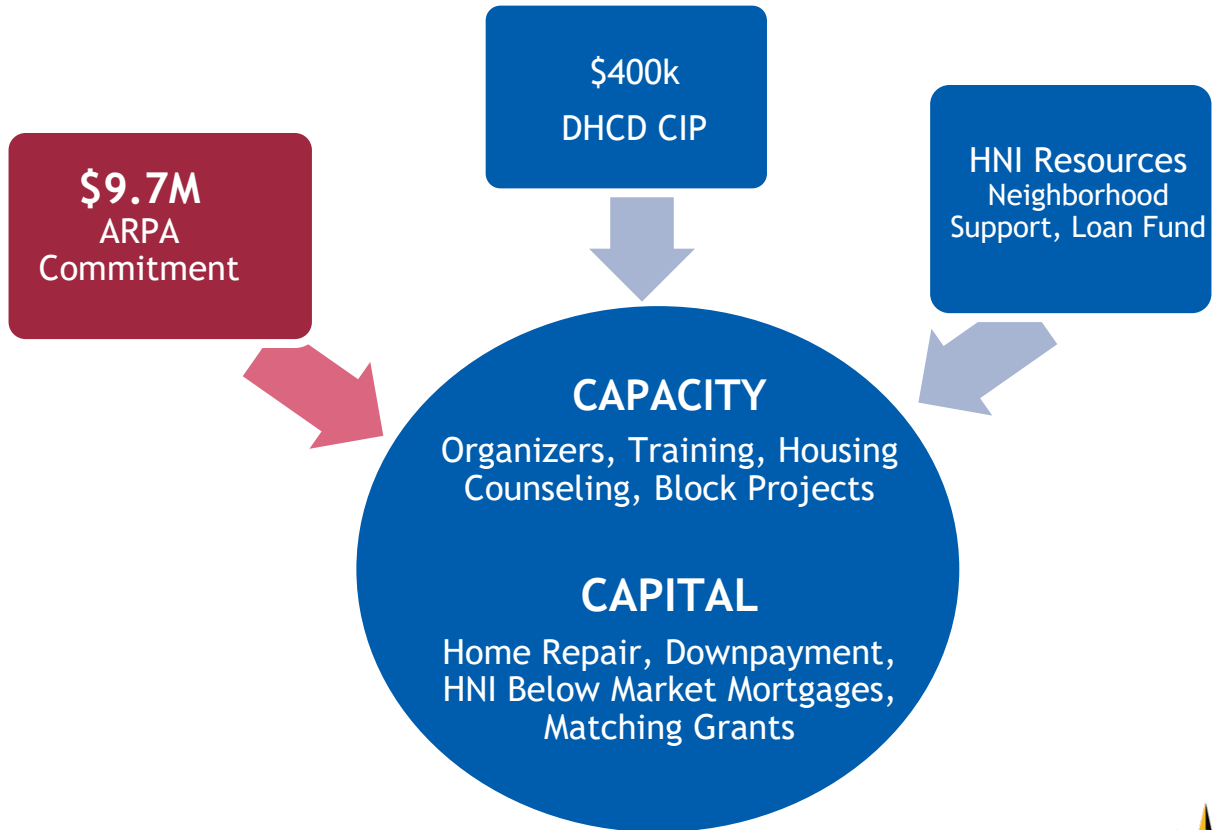
Focus Areas for DHCD/DOP

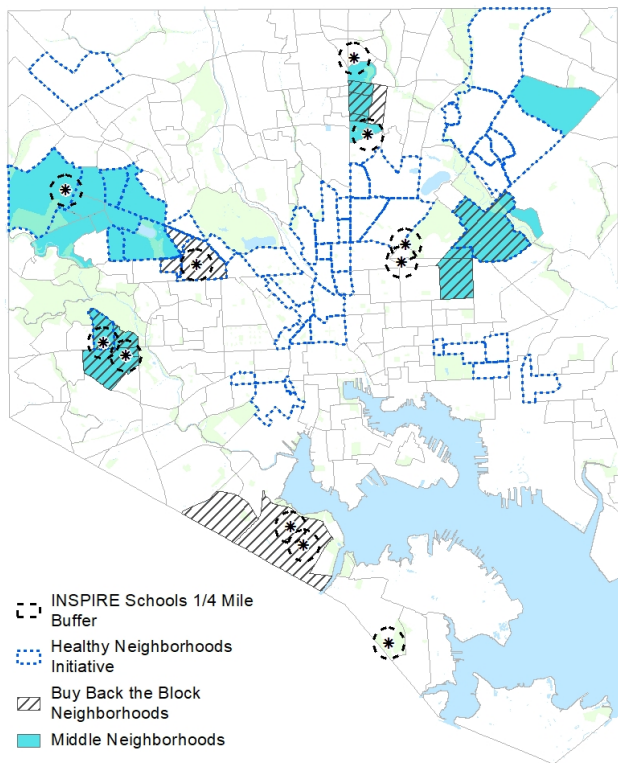
- Liberty Corridor (Expanded)
- Edmondson Village Area
- York Road Corridor
- Northeast
- BENI

Initial Selection Criteria

- Black population 80%+
- Over 14.5% residents 65+
- Median sales price trending **down** 10% and median sales price below city median
- Homeownership rate 50%+ and declined more than citywide
- Low Vacancy rate (5 - 10%)
- Qualitative factors (e.g., presence of amenities, active community orgs)
- School factors:
 - Can attract residents through programming and/or other factors
 - Staffing and leadership capacity
 - Alignment with City Schools' portfolio goals
 - Partnerships
 - Capacity to grow
- Proximity to current development initiatives







Wealth Building(DHCD)

1. Up to \$30,000 for home repairs to legacy homeowners, homeowners that have lived in their homes for 15 or more years.
2. Up to \$10,000 for any homeowner for exterior improvements.

INSPIRE (DOP)

Targeting grants to existing homeowners for home improvements and homeownership opportunities to families with school-aged children

CDC Organizing Support (DOP)

Training and technical assistance, placemaking grants, organizing support for four CDCs

Buy Back the Block (Live Baltimore)

- Up to 270 grants to eligible homebuyers
- \$10,000 to residents who buy where they currently rent
- \$20,000 to residents who buy where they currently rent and renovate

HNI

Operating support, block projects, access to loans

Of all 146 middle neighborhoods, ARPA dollars will target 26 neighborhoods in 5 focus areas and with the coordinated strategy up to 46 neighborhoods



Next Steps and Feedback

Next Steps:

- Finalize discussions with neighborhoods and stakeholders by March 1st
- DHCD and DOP will finalize ARPA applications

Feedback from Mayor's Office:

- Strategy for communicating with the public
- Launch to announce Coordinated Middle Neighborhood Strategy

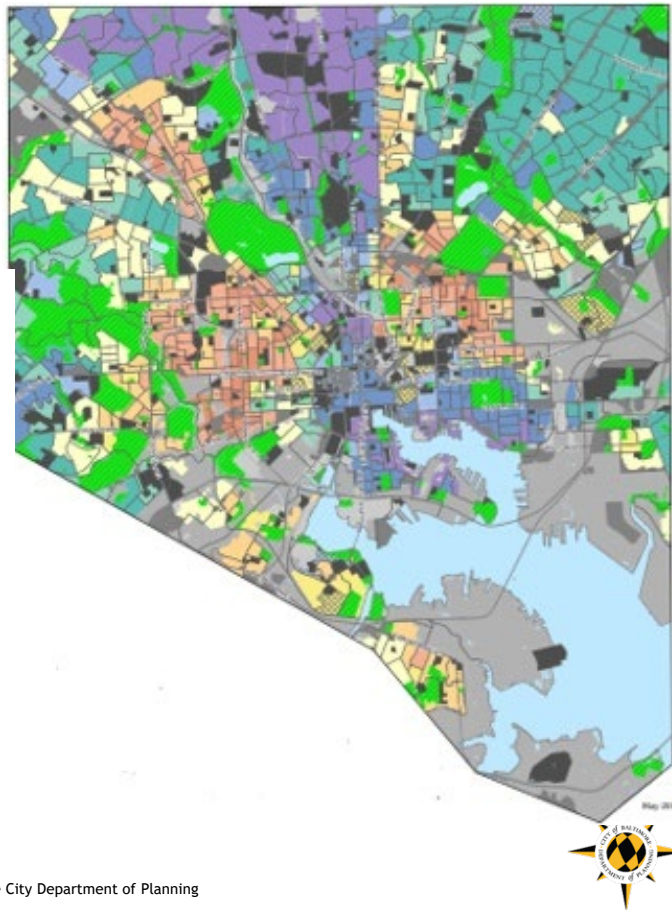
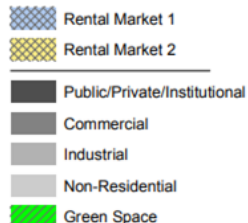


Appendix



Middle Neighborhoods: How Does Baltimore Define Them?

Baltimore uses a number of variables to characterize neighborhoods as “middle” in the Housing Market Typology



Middle Neighborhoods: National Context & Recent Research

- 1997 - Consultant David Boehlke brings Battle Creek, MI model to Baltimore
- 2000 - Middle neighborhoods concepts introduced to Baltimore through the development and launch of Healthy Neighborhoods
- 2016 - Paul Brophy (former Director of the Pittsburgh Redevelopment Authority) publishes his book, "On The Edge: America's Middle Neighborhoods," which chronicles the middle neighborhoods' movement since the 1970's and profiles several cities, including Baltimore.
- 2018 - Middle Neighborhoods Community of Practice, hosted by the National Community Stabilization Trust, launches as a facilitated network of practitioners, researchers, and policymakers working to strengthen middle neighborhoods; Baltimore represented on steering committee
- 2019 - A middle neighborhoods section is included in Baltimore's Community Development Framework
- 2021 - Alan Mallach (Center for Community Progress) publishes "Reversing the Downward Trajectory of African American Middle Neighborhoods," which examines middle neighborhood trends from 2000 to 2018 in six cities - Baltimore, Chicago, Cleveland, Detroit, Milwaukee and Philadelphia.



Middle Neighborhoods: 20-year history in Baltimore

- Healthy Neighborhoods (HNI) grew out of the pilot (6 original target neighborhoods), since launching in 2004, HNI has invested over \$38 million & now in 49 neighborhoods. HNI partners with lenders, foundations, community organizations and the City DHCD & provides support and tools to participating neighborhoods.
- DHCD Housing & Homeownership Preservation:
Since FY2016, division invested \$42.6M on homeownership and preservation, in FY22, approximately 76% of \$4.4M budget spent in middle markets



Photo: Garwyn Oaks neighborhood

Middle Neighborhoods: City government role historically

- Managed the public funds portion of the original HN loan pool and secured state and federal capital
- Has provided support for...
 - ✓ Operating funds for lead community organizations
 - ✓ Matching funds for rehab loans - up to \$10,000; 5-year forgivable
 - ✓ Architectural services
 - ✓ Block projects
 - ✓ Marketing for neighborhood groups
- Included a Middle Neighborhoods section in the Community Development Framework



Middle Neighborhoods: Where are we now?

2019 Middle Neighborhoods Workgroup

- Convened by Live Baltimore with support from HCD
- Workgroup goals:
 - ✓ Build on assets and avoid future market failure,
 - ✓ Increase home values to equitable levels (i.e., when homes with similar housing stock, in neighborhoods with similar amenities, have similar values regardless of neighborhood demographics),
 - ✓ Have increasing housing values in more middle neighborhoods than those with decreasing housing values,
 - ✓ Have middle neighborhoods' housing values increase at a rate equal to or greater than Baltimore City's overall rate,
 - ✓ Have undervalued middle neighborhoods increase in value at a rate greater than Baltimore City's overall rate, and
 - ✓ Retain middle neighborhoods residents while adding residents and/or households.



Middle Neighborhoods: Where are we now?

- Final report available with detailed recommendations
- Workgroup recommendation categories:
 - ✓ Racial Equity & Anti-Displacement
 - ✓ Housing Stock
 - ✓ Homeownership
 - ✓ Commercial & Retail
 - ✓ Services & Amenities
 - ✓ Other/miscellaneous - including prioritize middle neighborhoods focus areas.



Middle Neighborhoods: Where are we now?

- 2020-2021 Middle Neighborhoods Planning Group convened by DOP to develop an implementation plan for Workgroup recommendations.
- Included representatives from: City Council, DOP, HCD, State DHCD, Live Baltimore, City Schools, community development organizations (HNI, NHS, St. Ambrose, MD Community Development Network), developers, private sector
- Process focused on:
 - ✓ Developing a middle neighborhoods toolkit
 - ✓ Identifying financing tools to support implementation of toolkits
 - ✓ Utilizing data to support prioritization of neighborhoods for investment



Middle Neighborhoods: Examples of tools for key stakeholders

▪ Existing homeowners

- ✓ Exterior improvement grants for projects that boost curb appeal - visible improvements to home exteriors, including porches, fences garages and landscaping.
- ✓ Home improvement grants for low-income legacy homeowners and seniors

▪ Existing renters

- ✓ Housing counseling, coaching and credit repair support for long-term renters who want to become homeowners.
- ✓ Community Planner-led facilitation of inclusion efforts of renters in neighborhood associations

▪ Homebuyers

- ✓ **Appropriate** (size, term etc.) loan products for purchase and rehab
- ✓ Homebuyer Clubs, trainings and housing counseling for parents and staff in Community Schools



Middle Neighborhoods: Examples of tools for key stakeholders

▪ Communities

- ✓ *Community organizing* to build cohesion and social fabric among neighbors and to develop and maintain relationships with key stakeholders such as schools and realtors
- ✓ Attention to quality-of-life issues - sidewalks, curbs, roads, trees, crime
- ✓ Placemaking activities - e.g., block projects, events/community activities, gathering spaces, art, wayfinding, Main Street beautification
- ✓ Marketing - to attract new homeowners, renters

▪ Businesses

- ✓ Facade and signage improvement matching grants
- ✓ Storefront renovation program - comprehensive rehab support



Middle Neighborhoods: Existing Finance Tools

Financing Product	Description
Healthy Neighborhoods: Purchase & Renovation Loan, Refinance & Renovation Loan, and Home Improvement Loan	Loans for home purchase with renovation, refinance & renovation, and home improvement
Owner Occupied Home Improvement Deferred Loan	Loan for up to \$30,000 for home improvements; offered by DHCD and NHS
Small Dollar Mortgages	Loan for home purchase below \$75,000; offered by NHS for non-qualified mortgage borrowers and several banks for qualified mortgage borrowers
Developing Affordable Starter Homes (DASH) Loan Program - NCST/NIIF	Loan to small developers for acquisition / renovation of affordable for-sale homes
Numerous State Maryland Mortgage Program products	Products exist for purchase and purchase/renovation; also deferred loans for down payment and closing cost assistance.
Baltimore City Deferred Loan Program	Deferred loans to assist homeowners to correct major housing deficiencies and serious health, code and safety issues.
Baltimore City Emergency Roof Repair Program	Forgivable loans for roof repair or replacement to homeowners who are aged 62 and older or who have disabilities.
Office of Rehabilitation Services - Service Call Grants	Grant for homeowners for small repairs for HVAC, furnace, plumbing or electrical
Maryland Housing Rehabilitation Program	State program administered by City of Baltimore. Resources for typically larger rehabilitation needs.
Housing Upgrades to Benefit Seniors (HUBS)	Provides grants and loans, as well as wrap around services to low-income older adults

Middle Neighborhoods: PROPOSED Finance Tools

Financing Product	Description
Owner Occupied Home Improvement Amortizing Loan - Being developed by NHS	This is a loan to help qualified residents borrow up to \$25,000 for home improvements. Typically, with a 7-year term and competitive rate. The loans are designed for homeowners who intend to remain in their home for several years and desire to make improvements for their benefit.
Home Purchase Loan--Qualified Mortgage Loan - Being developed by NHS	Offered by most banks, it is a loan to purchase a home for a qualified applicant. Some neighborhoods experience limited access to products. NHS is currently developing a qualified mortgage program to be offered citywide with a focus on underserved markets.
Home Purchase Loan--Non-Qualified Mortgage Loan - Being developed by NHS	This is a loan to purchase a home for borrowers who are unable to meet the underwriting standards of qualified mortgages (e.g., self-employed, seasonal workers, Dreamers, undocumented borrowers, those with alternate credit and anyone who requires a manual underwriting).



Middle Neighborhoods: Wealth building strategy

- Dr. Andre Perry's (Brookings Institution) research findings include an appraisal gap for housing in majority Black neighborhoods; in the Baltimore region (Baltimore-Columbia-Towson) that undervaluation is -18.8%
- As an example:
 - ✓ Target 10 neighborhoods using proposed data methodology
 - ✓ Have a goal to close the appraisal gap of 20% of existing homeowner units in the target neighborhoods
 - ✓ 20% of homeowner units in these neighborhoods = 1,749
 - ✓ Wealth gained if close appraisal gap on these homes = \$54,664,401
 - ✓ Tax base gained at 1.72% average effective tax rate = \$939,884



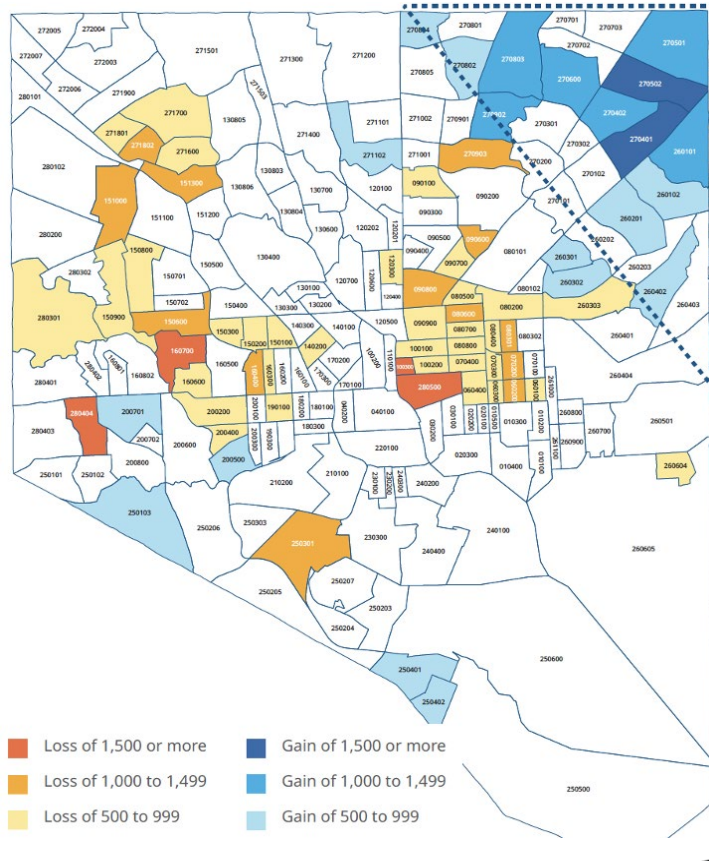
Middle Neighborhoods: Proposed data to prioritize neighborhoods

- Black population 80% or greater
- Over 14.5% residents over 65-years old
- Median sales price trending **down** 10% between 2010 - 2019 and the 2019 median sales price below the city median
- Homeownership rate above 50% and homeownership rate between 2010 - 2019 declined more than the citywide rate
- **Low** Vacancy rate (between 5 - 10%)
- School factors:
 - ✓ When paired with a focus on housing can attract residents through programming and/or other factors
 - ✓ Have staffing and leadership capacity to participate in partnerships
 - ✓ Represent an alignment with City Schools' portfolio goals
 - ✓ Have partnerships that need support from this kind of effort
 - ✓ Have capacity to grow
- Qualitative factors (e.g., presence of amenities, active community organization)



Middle Neighborhoods: Changes in Black population, 2000 - 2017

Black Population Gains and Losses 2000 to 2017



Source: Abell Foundation report- [Drilling Down in Baltimore's Neighborhoods: Changes in racial/ethnic composition and income from 2000 to 2017.](#)

Middle Neighborhoods: Proposed City government role moving forward

- Take a visible leadership role in a Middle Neighborhoods strategy.
- Identify target neighborhoods and commit to strategic investments - i.e., city services coordination, standard level of care, implementation of full middle neighborhoods toolkit.
- Develop a pool of resources for use in priority neighborhoods.
- Articulate a plan for expansion beyond initial neighborhoods.

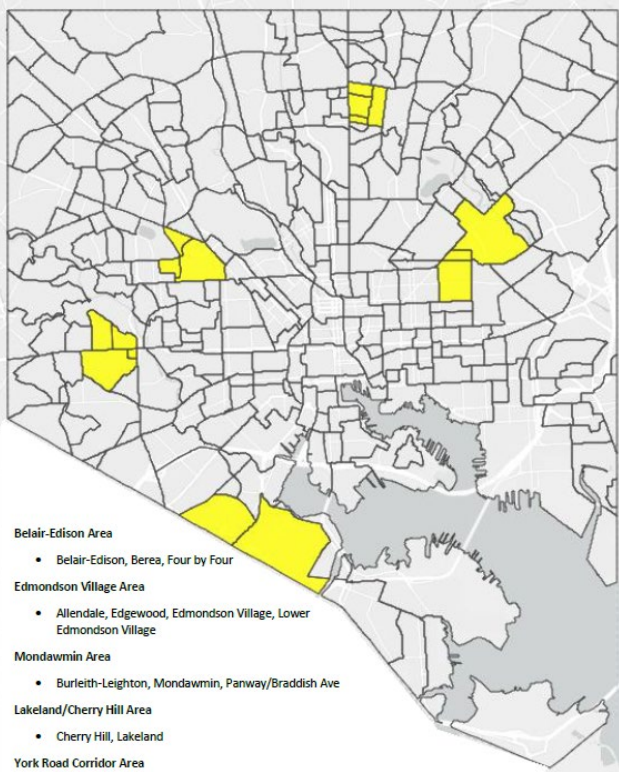


Middle Neighborhoods: What next?

- DOP & HCD leadership work with Deputy Mayor to finalize a city-led Middle Neighborhoods strategy and present to the Mayor and CAO
- Include Middle Neighborhoods in the Neighborhood Sub-Cabinet.
- Refine draft toolkit, test neighborhood prioritization model and prioritize financing strategies.
- Identify resources, including ARPA, to implement strategies in initial priority neighborhoods.
- Convene a public process to discuss middle neighborhoods strategies and neighborhood prioritization.
- Identify an agency and point person for the City's middle neighborhoods initiative.
- Develop a strategy for the City's work with lenders.



Buy Back the Block and Market Analysis (Live Baltimore)



Belair-Edison Area

- Belair-Edison, Berea, Four by Four

Edmondson Village Area

- Allendale, Edgewood, Edmondson Village, Lower Edmondson Village

Mondawmin Area

- Burleigh-Leighton, Mondawmin, Panway/Braddish Ave

Lakeland/Cherry Hill Area

- Cherry Hill, Lakeland

York Road Corridor Area

- Kenilworth Park, Richnor Springs, Winston-Govans, Woodbourne-McCabe

- Resident Retention + Anti-Displacement Strategy
- \$3 million in ARPA funds
- Up to 270 grants to eligible homebuyers
 - \$10,000 to residents who buy where they currently rent
 - \$20,000 to residents who buy where they currently rent and renovate
- Directly administered by Live Baltimore

