

# Neighborhoods in Bloom

## *Measuring the Impact of Targeted Community Investments*

Carolina Reid

One of the obstacles to identifying best practices in community development is the lack of research that empirically quantifies the costs and benefits of various policies and interventions. This gap is problematic, since the field is increasingly being called upon to prove that expenditures—especially of public dollars—have an impact on low-income communities and are therefore justified.

This is easier said than done. One of the key challenges to measuring impact in community development is the lack of a “counterfactual” case—the “what would have happened without those investments?” Communities are not petri dishes, and it is difficult to isolate the effects of community development activities from the wider range of social and economic forces acting upon a neighborhood. In addition, community development takes time, and the impacts of investments today may not manifest themselves for several years.

As a result, the field as a whole has generally relied on “output” data to measure impact, for example, reporting on the number of units financed or the amount of dollars “leveraged” in a deal. While important, neither of these measures provides a good indication of the effect of those units or dollars on the neighborhood. The challenge is to focus on achieving and measuring neighborhood “outcomes,” such as higher property values, healthier children, better schools, or an increase in living wage jobs.

As the field has become more aware of the need to track impact, researchers are devising new methods to study neighborhood change in an attempt to tease out the real contribution public dollars can make in revitalizing communities. The Federal Reserve Bank of Richmond recently commissioned a groundbreaking study to measure the impact of a local community development program, Neighborhoods in Bloom (NiB), in Richmond, Virginia. The NiB case study is noteworthy, not only for the novel approach the city has taken in making public investments, but also because of the effort made to measure the impact of this investment strategy on property values.

### **The Neighborhoods in Bloom Strategy**

By the end of the 1980s, Richmond struggled with a large number of high poverty neighborhoods. Like most cities, Richmond attempted to address this problem by allocating its CDBG and HOME Investment Partnership (HOME) funds across all of its distressed neighborhoods. After a

decade of very few positive changes, however, it became obvious that these dollars were being stretched too thin and simply were not sufficient to address all the problems of all the neighborhoods.

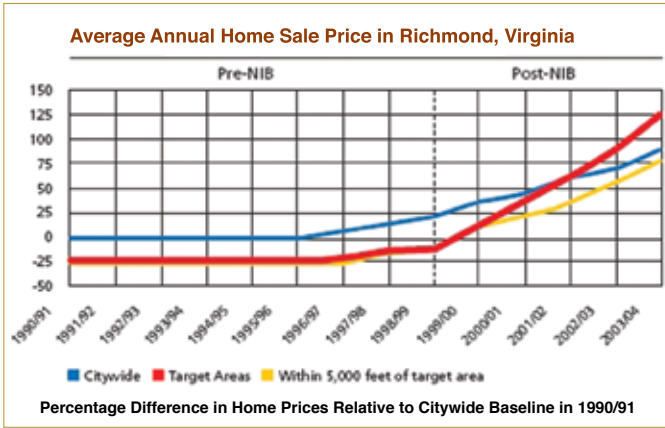
---

*To build support for this targeted strategy, the city, in collaboration with LISC, local CDCs, community groups, and businesses, embarked on an extensive effort to determine which neighborhoods to target.*

The city decided to radically change its course and target all of its funds in only a few selected neighborhoods. The theory was that this kind of concentrated infusion of public money in select areas would produce a “tipping point” that would reverse those neighborhoods’ fortunes. As private market activity returned to the selected neighborhoods, public funds could then be redirected to new neighborhoods.


The targeting strategy had one significant political downside, however, since it would mean shifting resources away from other challenged neighborhoods that relied on public funds for many of their community development activities. To build support for this targeted strategy, the city, in collaboration with LISC, local CDCs, community groups, and businesses, embarked on an extensive effort to determine which neighborhoods to target. The process took over three years, but in the end, the combination of community engagement and rigorous data analysis of neighborhoods’ needs led to a consensus on which seven neighborhoods to select.

The city then began to channel about 80 percent of its federal housing dollars into 6-to-12 block areas within the selected neighborhoods. At the same time, LISC aligned its grants and loans with those of the city. In each neighborhood, increased police patrols were followed by aggressive code enforcement, setting the stage for block-by-block rebuilding. The program focused on improving existing owner-occupied units, rehabilitating blighted properties, and constructing new housing to create mixed-income



age. The investments also had a spillover effect on nearby areas, which similarly benefited from higher than average house price appreciation. Confidence in these neighborhoods has grown in tandem, and private investment activity has returned to the communities. The study also quantified the benefits of the strategy for the city, finding that the increase in property taxes in these neighborhoods, if projected out over a period of 20 years, would cover the city’s \$14.8 million investment. George Galster, an economist at Wayne State University and one of the authors of the study, noted that “the program literally pays for itself.”

**Conclusion**

Although it may be another ten years before the NiB strategy achieves a wider range of positive impacts, the NiB case study shows the important link between innovation in practice and research that evaluates whether or not the innovation succeeds in reaching its goals. The NiB research shows that a strategy that targets resources in a few neighborhoods works, and that the CDBG and HOME programs are effective and cost efficient policy options for neighborhood revitalization. 

homeownership possibilities. Local residents also received homeownership counseling and downpayment and closing cost assistance to help them buy renovated properties in the community.

Six years after NiB started, research suggests that the targeted strategy worked as it was intended. The study shows that house prices in the NiB communities grew 10 percent faster over the five-year project period than the city aver-



The 1600 block of Decatur Street in Richmond, VA, before and after targeted reinvestment through Neighborhoods in Bloom.

