

# The Healthy Neighborhoods Program: A Middle Neighborhoods Improvement Strategy

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As this volume has shown, relatively few well-organized programs are aimed at strengthening middle neighborhoods. Two exceptions are the Healthy Neighborhoods programs in Baltimore and Milwaukee,<sup>1</sup> both are asset-based and market-driven programs. They are asset-based because their basic premise is that the neighborhoods they target have many assets and reasons to live there, which residents, real estate agents, and potential newcomers often overlook. The programs generally choose neighborhoods that have few vacant properties and a strong community organization, yet a housing market that is persistently stagnant. The program is market-driven because it understands that its target neighborhoods exist in a market (neighborhoods compete with one another for residents and investment), and the goal of the program is to strengthen their competitive position in the city or regional market.

In many respects, Healthy Neighborhoods is a twenty-first century version of the Neighborhood Housing Services (NHS) organization begun in Pittsburgh in 1968, and promulgated by NeighborWorks America. Like NHS, Healthy Neighborhoods targets middle neighborhoods and combines efforts of neighborhood residents, lenders, city government, and the nonprofit sector to prevent abandonment, increase investment, particularly in homeownership, and stabilize or increase property values. All this is done in an effort to protect and expand homeownership equity. However, unlike the NeighborWorks model, there are not income restrictions on who can participate in the program.

## The Key Elements of the Healthy Neighborhoods Model

The programs in Baltimore and Milwaukee seek to increase homeownership in their target neighborhoods by marketing (with incentives) the neighborhoods to existing residents and prospective buyers. The goal is to improve these neighborhoods and to make it more likely that homeowners will be able to build equity through increased home values.

Operationally, the programs follow similar principles. These are:

1. **Improve the neighborhood by working from the strongest areas outward.** This approach targets neighborhood improvement by building on assets rather than fixing the biggest problems. This principle may appear to be counterintuitive, but building from the strongest areas spreads market strength and avoids the common problem

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<sup>1</sup> The name "healthy neighborhoods" does not describe a health initiative in the neighborhoods, but rather an approach to keep the middle neighborhoods strong and vibrant, hence, "healthy."

of having investments made in weak areas chewed up by decline, and uses scarce financial resources wisely. This strategy gains momentum from success that can be reinvested, improvement-by-improvement, until it affects the entire neighborhood. For example, if a quality school is an asset for a particular neighborhood, then efforts should focus on building additional support in the community for that school. This could mean working with the school principal and staff to offer additional recognition and access to school facilities or afterschool activities. Helping current and prospective parents connect with the school as a resource is one approach to neighborhood improvement. It can also mean connecting with real estate agents so they know that the schools will be an important asset in marketing homes in the neighborhood.

2. **Support residents in working together to establish and enhance individual neighborhood identities by marketing strengths.** This is often accomplished by direct neighbor-to-neighbor contact, in which residents focus on what they like about their neighborhood, and not on its liabilities. As a starting point, everyone should know the name of their neighborhood and be able to articulate the key reasons for living there. There should be general agreement about what is important and why most people choose to live there. Knowing neighborhood history helps to build this solidarity, as do programs such as walking tours, community newsletters published by residents, and other similar efforts. This positive approach can be challenging because neighborhood residents are typically organized to confront problems and their sources. Helping resident associations adopt positive messaging while still confronting the sources of neighborhood problems requires ongoing coaching and technical help. Residents must find the right balance between promoting the neighborhood as a good place to live, while demanding solutions to problems from city government when warranted.
3. **Help residents become spokespeople and “sales agents” for the area.** Healthy Neighborhoods programs help organize active residents to speak articulately about their neighborhoods and actively promote its virtues to friends, relatives, and coworkers. Baltimore uses the terms “neighborhood ambassadors” or “I Love City Life’ ambassadors” for its program of city residents who are actively involved in the community and volunteer at neighborhood events and other opportunities. The positive messages about the neighborhoods are also conveyed through active, well-maintained websites, given that large numbers of homebuyers use the web to scout out homes and neighborhoods. Of course, neighborhood “sales agents” must work with the real estate agents who sell homes in the neighborhoods to ensure they have up-to-date information on the assets in the neighborhoods and the positive activities underway.
4. **Help people of all income levels invest in their properties by offering economic incentives to get financing for home improvements.** To encourage people to invest in their properties, Baltimore’s Healthy Neighborhoods program has organized with a group of lenders in a loan program to provide home improvement loans and home mortgages at slightly below-market prices, which residents can access in an expedited manner. All the loans require some home renovation, particularly on home exteriors.

Healthy Neighborhoods encourages homeowners to make external, visible improvements because these changes can become contagious in a positive way, with homeowners following suit once they see their neighbors making improvements. Loans can exceed the after-rehabbed value of the home.

**5. Market the neighborhood and its assets to people who may want to move in—and knowing the market segments that are likely to move into the neighborhood.**

A key starting point is simply to market the neighborhoods to people with similar income levels and to be strategic in reaching out to those who would find the neighborhoods attractive as a place to live and invest. The Internet is the most important means of communication.

**6. Tackle crime aggressively.** People do not choose to live in unsafe neighborhoods.

**7. Clean up physical problems in the neighborhood. Vacant homes, uncut lawns, abandoned cars, and vacant and littered lots must be tackled to improve the look of the neighborhood.** Philadelphia offers as a model the vacant land treatment program created by New Kensington CDC, along with the Pennsylvania Horticultural Society, which is a bottoms-up approach to controlling abandoned land.

**8. Help residents be directly involved and take personal responsibility to improve their blocks through small, inexpensive improvement projects.** Not only do greening, improved lighting, and other efforts help to beautify a neighborhood and improve home values, but the process of making the improvements also helps to create a community fabric. Contrary to conventional beliefs about neighborhood revitalization, an effective strategy is to go to the strongest block in an area and support a park or school, rather than just focusing on a group of kids causing trouble on a corner. Rather than merely focusing on solving the toughest, most expensive physical problems, the efforts should build on the existing strengths of these areas—leveraging them to make them even stronger and more self-sustaining. In addition to supporting residents' investments in their own properties and acting as agents for their neighborhood, the Healthy Neighborhoods goal is to help residents to take action that helps them to have a sense of ownership of and connection to where they live.

**9. Build community spirit through picnics, block parties, and other festive events.**

These activities make it fun to live in the neighborhood and build stronger bridges among different groups (young and old, schools and community, etc.). Living in a good neighborhood is about people enjoying living together, not about spending time complaining about problems. Events that celebrate the quality of life that people have chosen helps to build community spirit. Neighborhood greening and “farming” activities are also important marketing activities.

**10. Tailor approaches to suit particular neighborhood conditions and see to it that the different assets of the neighborhood fit together and reinforce one another.**

This may lead to different strategies for different places—a focus on “aging in place” for neighborhoods with large numbers of seniors, a school-focused strategy to increase resident involvement in school improvement efforts, and similar targeted approaches.

11. **Measure results as a means to provide feedback to resident leaders and their partners on progress or lack of it.** Although stories about actions that improve neighborhoods are of value, hard data matter more. The Healthy Neighborhoods programs track changes in property values through sales price changes, days on market, the number of rehabilitation permits issued, changes in the number of vacant properties—all data that is locally available and relatively easy to collect and report on.

Several critical elements underlie each of these principles:

- Residents, merchants, property owners, and neighborhood institutions must take responsibility for improving their neighborhood.
- Concessionary rate and non-income-restricted mortgages are a critical incentive for improvement and investment given that neighborhoods compete for homebuyers.
- Government is supportive of, but does not lead, the process. Government identification with neighborhood improvement efforts can have the unintended consequence of damaging neighborhood confidence by sending the message that the neighborhood is bad enough to need government support. Government's role is to make the streets safe, invest in infrastructure as needed, pick up trash and keep the neighborhood clean, and improve schools. In addition to providing these city services, Baltimore city government provides local funds without income restrictions on the users to stimulate homeownership and investment in the neighborhoods. Using income-restricted funds complicates the simple message that these are neighborhoods where anyone can and will buy a home. It instead suggests that the only buyers are low- and moderate-income households who are moving in because they are receiving federal support.
- Execution of the plan in each neighborhood will, and should, vary. The approaches are by no means "neighborhood improvement by formula," but rather, approaches that seek to unleash invention and creativity in neighborhoods. Successful execution requires significant volunteer time and energy and neighborhood leadership.
- Many forces will work against the improvement of these areas. Although these neighborhoods may seem "good enough" to some, hard work is needed to ensure they are on a path to becoming improved places to live and invest.
- The neighborhoods must be carefully selected. They must be large enough that their improvement can spread to bordering areas, yet the strategies targeted enough that change is visible in a year or two. Residents and outsiders alike must develop a growing confidence that the neighborhood is on the road to improvement.
- A nonprofit organization should serve as an intermediary between neighborhood leadership, city government, the school board, lenders, and other partners. In Baltimore, this nonprofit is Healthy Neighborhoods, Inc., which was incubated by the Baltimore Community Foundation and then spun off. In Milwaukee, the nonprofit is the Greater Milwaukee Foundation.

## The Experience in Baltimore

The Healthy Neighborhoods program was begun in 2004 as a pilot program of the Baltimore Community Foundation (BCF) with the single goal of strengthening middle neighborhoods in a city that had been losing population since the end of World War II. BCF raised the initial funds for the program and recruited a strong board, which consisted of executive leadership from three banks, foundations, and other civic leaders. The board hired a seasoned president with substantial knowledge of Baltimore neighborhoods and housing finance, and a deputy who had been leading a middle neighborhood program in Baltimore.

During the program's 10-year history, it has worked with 14 neighborhood groups to improve 41 neighborhoods, with private and public capital exceeding \$150 million in investments in these neighborhoods. Healthy Neighborhoods chose neighborhoods through a "request for proposal" competitive process. Neighborhoods must have met the definition of a middle neighborhood, and neighborhood groups were selected on the basis of neighborhood capacity and willingness to participate in an approach that builds on assets and property. Each neighborhood receives \$40,000 annually for program staffing, and each neighborhood is also eligible to receive funds to take on community improvement projects.

The neighborhoods targeted their efforts to the strongest blocks in the neighborhood, following the "build from strength" principle. The program leaders also understood that private financing could provide attractive terms and incentives without income or price restraints. Healthy Neighborhoods organized a pool of loans from 10 lenders totaling \$40 million. These loans were special in two ways. First, the loans could be up to 120 percent of post-rehab appraised value. Three local foundations and the Maryland Housing Fund made these loans possible by guaranteeing the top 10 percent of losses to the lenders. Second, loans were made to qualified buyers at a percentage point below market rates as an incentive to draw buyers into the neighborhoods. No mortgage insurance premium was charged to the borrowers. A second \$30.5 million loan pool was organized when all the funds from the first were committed. In all, these loan pools have originated 352 loans totaling \$53.6 million. Defaults have cost the program 2.5% of capital. In addition to mortgage loans, the program provides matching grants of up to \$10,000 to homeowners who are willing to improve their homes. This program component has led to 179 rehabbed homes, with \$1.6 million allocated in matching grants.

Baltimore City has been supportive of the HNI program, providing city funds for operations and matching grants. These funds are local funds, not federal funds, because federal funds, such as Community Development Block Grants or HOME funds, carry restrictions on the borrowers' incomes. The programs provide ongoing training and mentoring for nonprofit staff and board on the specifics of the Healthy Neighborhoods model. This training includes content on marketing and organizing, loan products, advice on development projects, public policy, and block projects to help neighbors feel more positive about their neighborhoods. Forty-one neighborhoods have participated in the program, supported by 12 neighborhood

(sometimes CDC) organizations. The program is modest to operate compared with most community development programs. The annual program costs in 2015 were \$1.3 million.

The Baltimore program was also a successful applicant for Neighborhood Stabilization Funds from the federal government and used these funds to work with developers to successfully renovate and sell 205 formerly vacant or foreclosed housing units in the targeted neighborhoods. Although the NSP component is not a fundamental part of the Healthy Neighborhoods model, its use in Baltimore's targeted neighborhoods has had a significant impact on home values and neighborhood conditions.

The program monitors its own progress quarterly, measuring its success through changes in sales prices of homes, rehab permits issued, and days on market of homes (to measure market strength) as well as other real estate measures. Through 2008, results were positive, with neighborhood values keeping up with or exceeding the city's trend lines. The recession did harm the city and those neighborhoods particularly where development drove up values artificially or there was predatory lending. However, home values are again increasing in these neighborhoods.

The program is successfully improving these neighborhoods and their competitiveness, without gentrification. The median income in the middle neighborhoods in Baltimore has risen, on average, slightly above that of the city overall. The three neighborhoods that experienced a sharp rise in median income are near Johns Hopkins University and adjacent to neighborhoods with very strong markets. Even in these neighborhoods, what is occurring is not gentrification, but a slow replacement of owners who have aged in place with newcomers who have higher incomes. However, the essential character of the neighborhoods has not been disrupted.

*Table 1: Median Income in Select Baltimore Neighborhoods*

Neighborhood	Median Household Income		
	2000	2006-2010	% Chg.
Highlandtown	\$28,180	\$59,210	110.1%
Lauraville	\$ 44,870	\$56,061	24.9%
Medfield/Hampden/Woodberry/Remington	\$ 22,426	\$49,204	119.4%
Patterson Park Northeast	\$ 27,663	\$48,889	76.7%
Belair-Edison	\$ 36,512	\$42,921	17.6%
Edmondson Village	\$ 33,032	\$40,122	21.5%
Orangeville/East Highlandtown	\$ 28,003	\$38,988	39.2%
Howard Park/West Arlington	\$ 37,099	\$38,218	3.0%
Greater Mondawmin	\$ 27,105	\$37,034	36.6%
Forest Park/Walbrook	\$ 28,766	\$36,859	28.1%
Glen-Falstaff	\$ 32,508	\$35,785	10.1%
Midtown	\$ 22,426	\$35,394	57.8%
The Waverlies	\$ 32,492	\$34,787	7.1%
Downtown/Seton Hill	\$ 21,723	\$33,874	55.9%
Brooklyn/Curtis Bay/Hawkins Point	\$ 26,358	\$32,888	24.8%
Midway/Coldstream	\$ 27,712	\$32,544	17.4%
Greater Charles Village/Barclay	\$ 21,068	\$31,659	50.3%
Pimlico/Arlington/Hilltop	\$ 26,012	\$28,815	10.8%
Greater Rosemont	\$ 24,682	\$28,810	16.7%
Penn North/Reservoir Hill	\$ 22,287	\$27,874	25.1%
Upton/Druid Heights	\$ 14,487	\$13,811	-4.7%
Average of Healthy Neighborhoods	\$ 27,877	\$37,321	33.9%
Baltimore City	\$ 30,078	\$39,386	30.9%

## Revitalizing Milwaukee's Middle Neighborhoods

Milwaukee has been working to improve middle neighborhoods for over a decade. In 2006, the Greater Milwaukee Foundation launched the Healthy Neighborhoods Initiative, a public-private partnership with the city of Milwaukee. The program has operated in 18 neighborhoods in Milwaukee and two neighborhoods in Waukesha, a nearby suburb. The program targets neighborhoods in the middle, those generally stable, affordable places that are neither high-demand neighborhoods promoted by real estate agents nor the distressed neighborhoods receiving public policy attention. They are, nonetheless, neighborhoods important to the future well-being of the city.

## Healthy Neighborhoods' Approach

Milwaukee Healthy Neighborhoods program has three main goals:

- Restore market confidence in selected neighborhoods through investment, reinvestment, and strategic physical improvements;
- Help neighborhood residents build wealth, primarily by restoring homeowner equity and market appreciation;
- Strengthen and enhance the social fabric of neighborhoods by supporting neighborhood organizations and community-building activities.

The foundation identifies and works with designated neighborhood lead organizations that engage residents and manage the program on the ground. They helped residents improve more than 1,300 properties, representing more than \$23 million in neighborhood reinvestment. The foundation also collaborates with a broad array of public and nonprofit organizations that agree to work together to make the program successful. Neighborhood lead organizations must be committed to Healthy Neighborhoods values, have dedicated staff, systems for finance and administration, and sources of funding other than the foundation.

Resident engagement is a key driver of success for the program. Since its inception, more than 900 block activities and community events have engaged more than 70,000 residents. More residents are choosing to invest in their homes because the program is increasing their confidence that their neighborhood is improving. This was evident in 2015 when 59 homeowners in the Silver City, Burnham Park, and Layton Park neighborhoods participated in the Most Improved Home Contest. The residents invested more than \$232,800 in curb appeal enhancements that boost neighborhood appearance, pride, and confidence.

## The Foundation's Role in Healthy Neighborhoods

The Healthy Neighborhoods program developed in a fairly organic way in Milwaukee. Initially, neighborhood lead organization conducted only a cursory assessment to identify suitable neighborhoods. Over time, the foundation brought more discipline and analysis to select the target neighborhoods. In 2012, the foundation and other stakeholders engaged The Reinvestment Fund to conduct a market value analysis for Milwaukee, a tool described in the third essay in this volume. As the foundation prepared to redesign the program in 2014, it used this tool to confirm its designated neighborhoods and identify new middle market neighborhoods. During this process, the foundation learned the neighborhoods it designated as "Healthy Neighborhoods" were indeed middle neighborhoods with the exception of two, which were healthy enough that they graduated from the program.

The foundation's commitment to middle neighborhoods is evident in the human and financial capital it has contributed to the program. A program officer provides key leadership, identifying training needs and appropriate training resources for the lead agencies. Some of this training has touched on topics such as understanding the Healthy Neighborhoods approach, branding and marketing, the importance of working with real estate agents and using LinkedIn, just to name a few.

Since the program's inception, the foundation has coordinated monthly meetings among the neighborhood lead agencies. These meetings create synergy, build trust and understanding, and create a learning community. Neighborhood coordinators come prepared to share resources and information about upcoming projects, and to collaborate on projects across neighborhoods. In addition, the program officer identifies and acquires financial resources, whether from the foundation's unrestricted funds or by partnering with other philanthropic entities. An example of unrestricted funds is the foundation's Model Block Project. The project provides grants to make the neighborhood more physically attractive to newcomers and to strengthen social connections among neighbors. Block projects make an immediate physical improvement or tie closely to a target block strategy. Block projects involve residents in planning, implementation, and ongoing maintenance.

In commemoration of the foundation's centennial, the Healthy Neighborhoods Art Initiative, in partnership with the Greater Milwaukee Foundation Mary L. Nohl Fund, helped create art in public spaces. The Mary L. Nohl Fund is among the foundation's largest funds dedicated to investing in local arts education programs and projects. Five neighborhoods received more than \$80,000. The project was also supported by the Neighborhood Improvement Development Corporation, which provided matching grants of up to \$20,000.

## **The Vital Role of Partnerships in Healthy Neighborhoods**

None of the work is done in isolation. A critical feature of the program's success in strengthening neighborhoods is the large number of partnerships and collaborations. The foundation has developed relationships with city government, philanthropic partners, and banks to bring needed capital to the program. One of the foundation's central partners is the city of Milwaukee's Neighborhood Improvement Development Corporation, which provides eligible homeowners with a forgivable, low interest loan of up to \$15,000 through its Target Investment Neighborhood strategy. In addition, each designated Healthy Neighborhoods lead agency qualifies for up to \$10,000 in matching grants through its Community Improvement Projects program.

The foundation is one of the founding partners of the Community Development Alliance (CDA), a consortium of philanthropic and corporate funders that have been working to align place-based activities and investments in Milwaukee's neighborhoods since 2010. The alliance combines resources to make contributions to neighborhood improvement.

The CDA is guided by the belief that successful neighborhood leadership is the key to neighborhood stabilization and growth. The foundation, along with its community development philanthropic partners, created two comprehensive leadership programs: The Neighborhood Leadership Institute (NLI), and the Community Connections Small Grants program. The NLI develops the skills of neighborhood leaders through a free 10-month program for neighborhood residents. The program pairs two people who live, work, or volunteer in the neighborhood. By the end of 2016, more than 60 leaders will have completed the training.

The small grants program also provides support by building social connections. It provides up to \$750 to a group of residents to implement projects that benefit their neigh-

borhood. The review committee is made up of residents, many of whom have participated in the Neighborhood Leadership Institute. Examples of projects include backyard composting, family unity craft projects, healthy cooking classes, block parties, positive body image workshops for young girls, and alley clean ups. This is an example of how partnerships help enhance the social fabric in neighborhoods.

In 2015, the foundation and Wells Fargo partnered to establish a \$1 million pool of funds to strengthen Milwaukee neighborhoods. A portion of the funds focuses on a targeted housing preservation strategy that supports homeownership by building equity. The Healthy Neighborhoods Minor Home Improvement Pilot Program is part of that strategy. It works to stabilize three designated Healthy Neighborhoods. The program provides matching grants to homeowners to complete minor exterior home improvement projects.

In summary, both the Baltimore and Milwaukee Healthy Neighborhoods programs have their roots in the foundation, nonprofit, and neighborhood sectors, and both are showing genuine progress in strengthening middle neighborhoods. Relative to many other neighborhood programs, the administrative costs are very small, demonstrating that middle neighborhoods programs can be very cost-effective.

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*Darlene C. Russell brings more than 15 years of nonprofit experience to her role as a foundation program officer. In addition to participating in the discretionary grant review process, she manages the Greater Milwaukee Foundation's Healthy Neighborhoods Initiative and serves on several nonprofit advisory committees. Prior to joining the Foundation in January 2011, Darlene worked with a number of organizations to help increase college access to students in the greater Milwaukee area. In her role as senior outreach consultant at Great Lakes Higher Education Guaranty Corporation she worked to support low-income first generation college students access post-secondary education by partnering with nonprofits that helped students and families prepare and pay for college. Darlene graduated with a bachelor's degree in community leadership and development from Alverno College and earned a master's degree in management from Cardinal Stritch University.*