

# **FOCUSED INVESTMENT STRATEGY**

## **Frequently Asked Questions and Answers**

Revised December 4, 2007

### **Purpose and Goals:**

#### 1) What is the Focused Investment Strategy (FIS)?

- Rochester, like most federal entitlement communities, has spent its CDBG funds on priority needs, but not focused spatially. The FIS would dedicate a portion of the City's allocation of federal entitlement funds to specific neighborhoods over an extended period of time. In addition the FIS would coordinate these investments with the activities of all appropriate City departments.
- Focusing is a cultural shift in how the City and its partners use their funds. Dollars must be allocated over a multi-year period, requiring a firm political commitment and public support for the effort.

#### 2) Why should the City implement the FIS?

- The legislative purpose of CDBG and HOME funds is to revitalize neighborhoods. Focusing investments spatially is the most effective proven way to achieve this result. Investing large portions of CDBG and HOME funds to the benefit of individual home owners in a scattered pattern has the least effective demonstrable impact on neighborhoods intended by these Federal entitlement grants.
- Strategic investments of limited public resources can trigger the revitalization of urban neighborhoods.
- In an environment of shrinking resources and growing need, it is the responsibility of the City to maximize the impact of the funds available.
- The City should act upon the recommendations of the City-wide Housing Market Study to, "Strategically focus public dollars determined by an inclusive public process."
- The funds available are not sufficient to meet all the housing needs of residents. For example, the need for rehabilitation assistance through the RAP program far exceeds the City's entire CDBG budget. While the provision of grants is a necessary component of a housing strategy, the City needs to devise ways to positively impact the housing market. A stronger housing market will provide additional options for home owners to make necessary repairs to their home besides reliance on government grants, including private investment and lending. The only way to come close to addressing the rehabilitation needs of home owners is to create a housing market that provides them with a position of positive equity and increased wealth. The provision of grants on a scattered basis does not have an impact on the housing market or individual home owner's equity situation.

- The dispersed pattern of existing investments cannot have the desired impact on property values and neighborhood revitalization. It is not possible to see the investments made beyond the property where funds were provided. City investments are not having a derivative impact and are not leveraging private investment to the extent possible. The dispersed investment city-wide does not propel neighborhoods to a point where the private market can operate without subsidy. The existing investment pattern often produces no discernible improvement in low- and moderate-income neighborhoods.
- High quality neighborhood-based plans have suffered from a lack of implementation because resources are not specifically allocated for their implementation.
- It is not possible to implement all the strategies required for successful neighborhood revitalization on a city-wide basis given limited resources. The City does not have the resources to be all things to all places within the city of Rochester.
- There is a great need to increase the number of neighborhoods in the City that have a vibrant housing market.
- The City must develop a vision for neighborhoods in partnership with the community for what areas should look like going forward, perhaps 10 years from now. We must have dedicated resources to fulfilling those visions. The existing investment pattern works to ensure neighborhoods remain in their existing state.
- Neighborhood revitalization requires more than the implementation of housing investments. It requires the coordination of a variety of city initiatives and investments, including activities undertaken by DCD, EDD, NET, DEQ, DRYS, RPD and others, in concert with non-profit, for-profit and social capital.

### 3) What are the main goals of the FIS?

- Invest funds in a way that will improve local housing markets and neighborhood vitality.
- Increase property values, thereby increasing the amount of resources available for services and investments.
- Maximize the impact of Federal funds.
- Empower neighborhood stakeholders by allocating the resources necessary to implement their neighborhood based plans.
- Maximize the number of low and moderate income residents who benefit from the housing policy initiatives beyond the direct recipients .

### 4) What outcomes are expected from a FIS?

- Successful FIS neighborhoods will be visibly improved, attain a viable real estate market, have an improved perception throughout the City, and will have strong social connections.
- The return on investment of City funds will be increased.

- The focusing of investments will increase the ability to leverage other funds and will encourage investment by the private market.
- A FIS will actually increase the number of low- and moderate-income households that benefit from City-sponsored initiatives because of an increased ability to leverage funds, the efficiency of implementation within a small geography, and the benefits of having a positive impact on housing values.

### **Precedents:**

1) Has the City investigated other cities that have implemented this kind of strategy so that it can learn from their successes and mistakes? What are those cities?

- **Richmond, Virginia:** The Federal Community Development Block Grant (CDBG) and HOME funding programs were targeted to seven neighborhoods. Over the course of seven years, those investments produced startling results. This targeted funding approach dramatically improved these neighborhoods. Using increases in sales price of single family homes as the measurement of change, over the period of investment a rate of improvement was achieved 10% greater than the city average. When these neighborhoods are compared to similar distressed neighborhoods the rate of improvement is even more impressive.
- **Battle Creek, Michigan:** Battle Creek is much like Rochester. It competes in a weak market region of suburban homes with good schools, and convenient shopping only minutes from downtown. Like Rochester, they face a litany of issues: drugs, unemployment, teen pregnancy, vacant houses, failing schools, and declining commercial areas. Strategic actions, combined with broad-based support and sufficient flexible resources over time, created the change necessary to bring neighborhoods back to health. The approach was not a one-time fix; it is a commitment to long-term investment in rebuilding both the market and the social fabric. "Civic leaders joined with residents to identify sections of the city that had potential to be 'places of choice', which they defined as neighborhoods that could compete to retain and attract households with sufficient resources to keep the houses and the blocks in good condition".
- **Pittsburgh:** Elm Street program
- **Seattle International District:** "Blackberry Jungle" Blue Parkway
- **Kansas City:** Scope of Swope's Redevelopment
- **Minneapolis:** Community Safety Center
- **Boston:** Uphams Corner Revitalization
- **Crime reduction:** Revitalization of Payne Avenue in St. Paul
- **Baltimore**

2) What has the City done with targeting in the past and what has been the outcome of these efforts?

- On those occasions when housing resources have been concentrated dramatic improvements have been seen in the immediate vicinity of those projects; but the investment in the adjoining areas was limited and not sustained to effect change on the neighborhood level. Examples include:
    - **Anthony Square**
    - **Olean–Kennedy**
    - **Fulton Ave**
- 3) Does the City currently geographically target other programs and funds?
- **Challenge Streets**
  - **High Falls**
  - **EDD Commercial Strip Revitalization**
- 4) Are there existing ideas for neighborhood empowerment and improvement within the City of Rochester that are consistent with the notion of the implementation of the FIS?
- Each of the following community-based plans recommend a large number of initiatives and action steps within a specified geographic area, similar as proposed by the FIS:
    - **Rochester Children’s Zone**
    - **Marketview Heights Collective Action Plan**
    - **South River Corridor**
    - **Center City Master Plan**

**Funding:**

- 1) How much money will be dedicated to the FIS?
- The 2007-2008 Consolidated Plan allocated \$1 million in CDBG funds to the Focused Investment Strategy, \$2.5 million in CIP funds and \$2 million in Section 108 loans.
  - In future years the City proposes to allocate approximately \$2.5 to \$3 million annually for housing and community development activities in the focused investment strategy areas from CDBG and HOME allocations.
  - The balance of the federal funds for community development will be spent citywide.
- 2) How much of it is net new funding?
- The HUD CDBG Section 108 program is one potential option for net new funding; however, it is a loan program and must be payed back. Program strategies using the 108 funds will have to be structured as loans.

- There is hope that federal appropriations for CDBG and HOME will be increased in coming years as a result of a Democrat-controlled congress.
  - The City will work to identify and apply for every funding opportunity available.
- 3) Are funds being taken from other Departments and other programs to fund the FIS?
- At this time there are no plans to specifically allocate funds from departments other than DCD and EDD to the FIS. The FIS is will be funded by entitlement funds as allocated in the Consolidated Plan. However, the City will coordinate with other departments in implementing the FIS.
- 4) How much of what is funded now through CDBG and HOME will remain funded?
- The City does not plan to cut off funding to existing high quality programs. However, the City is developing a new housing policy that will set priorities for funding in the future. The purpose of a new housing policy is to reset funding priorities in order to address the changes that have occurred in recent years and in order to make changes that will have a more dramatic impact on housing market and neighborhood revitalization. Funding changes will therefore result more from this comprehensive revision of priorities than simply a matter of the implementation of the FIS.
- 5) How much will programs be reduced in order to fund the FIS?
- Maintaining the current level of City-wide programming would require identifying approximately \$3 million in additional funds. Any reduction in funding will be decided upon as a result of the new housing policy priorities.
- 6) Are you taking money out of the distressed and depreciated neighborhoods to fund the FIS?
- There is no desire to reduce funding to Rochester's most distressed and depreciated neighborhoods. While some reductions in funding for city-wide services are possible to create a FIS, the overall impact of our programs will increase. These would be city-wide cuts and not from just distressed or depreciated neighborhoods. The impact of any cuts would be small while the impact of an implemented FIS could be very substantial.
  - The FIS could be implemented in a distressed or depreciated neighborhood and it may be a criteria that at least one distressed or depreciated neighborhood be chosen for the FIS so long as it meets the selection criteria.

**Impact on Other Programs:**

- 1) Has the City determined what the baseline services are that will continue city-wide regardless of focused strategy?
- The City-wide housing program will continue to be focused on priorities of: 1) new home ownership involving acquisition rehabilitation of city owned property; 2) owner occupied residential assistance; 3) affordable rental housing; 4) lead abatement; 5) foreclosure prevention and among priorities. Code enforcement of

problem properties will also be a major city-wide strategy outside of the target neighborhoods.

- Focusing is often aimed at making better use of one source of funds—federal entitlement dollars. Other capital funds as well as dollars for continuing services and programs are still available to benefit neighborhoods that are not specific focus areas. Additionally, all communities can benefit from focusing because as a city's tax base improves and the market expands, this brings private investment that would not have occurred otherwise.

2) What is the City going to do in areas that are not selected as FIS areas?

- A baseline of City-wide services as described below will continue in areas that are not selected as FIS areas. In addition, the following are services that are being discussed as part of our new Housing Policy:
  - Greening Strategies
  - Neighborhood planning challenge grants

3) What are services that will be provided City-wide?

- While the services that the City provides are being reviewed in the context of a new housing policy it is expected that efforts will continue around the following broad categories:
  - Home Buyer Services:
  - Tenant/Landlord Services:
  - Rental Housing Fund:
  - CHDO Development Support:
  - Lead Paint:
  - Foreclosure Prevention:
  - Fair Housing:
  - Demolition:
  - Code Enforcement:
  - Capital Improvements:

**Process:**

1) Who will determine whether the FIS is approved?

- The administration and the City Council will work together to draft a new housing policy. Public input will be received on a draft in October and November. The new housing policy will be put to a vote in December.
- A FIS Advisory Committee has been formed to help guide the implementation of the FIS. As part of the housing policy development the committee will suggest

criteria for the selection of neighborhoods and recommend a process for selection and implementation. After the approval of the housing policy the committee will convene to make suggestions for Phase I and Phase II FIS areas.

2) What are the plans for community input?

- Public debate and buy-in are necessary for the approach to succeed. Up-front coordination and transparency in all aspects of the decision-making process is necessary.
- The City has appointed a Focused Investment Strategy Advisory Committee comprised of neighborhood and community leaders to help take the first steps in the focusing process.
- The Presidents Council will meet to discuss the housing policy.
- Public meetings will be held to discuss the housing policy.
- During implementation, the community will drive the planning and implementation process. Each FIS area will need to develop a comprehensive plan that includes parcel by parcel evaluation. This will be conducted in a public process with neighborhood leader and resident collaboration.

3) To what extent is the community involved in decision-making?

- The community has already been involved and the City is committed to continue as much involvement as possible during every step of the process of conceiving, approving and implementing the FIS. To date, the following activities have been completed for community involvement:
  - Housing Market Study Advisory Committee:
  - Public Meetings:
  - Focused Investment Strategy Advisory Committee:
  - Focus Groups:
- The City does recognize that it is not always easy to get the level of community involvement that it would like and that some constituents have been underrepresented in previous efforts. As a result the City is very interested in identifying new ways to encourage constituent involvement and is very happy to hear any new ideas that it could use. It is especially important to find new ways to work with people who have not been present in our existing efforts, including:
  - Residents, including both tenants and home owners, who live in the neighborhoods that could be affected.
  - Landlords and investors who own properties in the neighborhoods.
  - Business owners who operate within the neighborhoods.

4) How can we determine criteria for focused investment areas without knowing the main principles of the new housing policy?

- These must be developed hand-in-hand. It is important that intensive discussion on the FIS happen early and often. Discussion on the FIS criteria will inform the housing policy.

### **Coordination:**

- 1) Which other City departments are involved in decision-making and what is the extent of their involvement?
  - The following City departments are have already been involved in the process and will be active as staff support to the FIS Advisory Committee: DCD, EDD, DEQ, Law, NET, and DYRS.
- 2) Is DCD going to cooperate with EDD and other City departments for more comprehensive implementation of the FIS?
  - Focused reinvestment will never be successful if the strategy is grounded in building infill homes with little attention paid to the underlying community needs.
- 3) What is EDD thinking in terms of identifying its own focus areas?
  - EDD and DCD are working particularly closely in the development of the FIS. Focus areas will not be determined independently by EDD and DCD. The departments will work together in FIS areas. This is especially true in areas where a commercial corridor runs through or adjacent to an FIS area. Community development and economic development are more and more working together to address all the needs of our neighborhoods.

### **Implementation:**

- 1) How many neighborhoods will be selected for the FIS?
  - Four neighborhoods will be selected for Phase I and four neighborhoods will be selected for Phase II.
- 2) How large will the FIS areas be?
  - Approximately eight blocks will be selected in each neighborhood selected as FIS areas.
  - Advice from leadership of the implementation of similar strategies in other communities is that no more than 300 properties should be included in a focus area.
- 3) Explain what is meant by Phase I and Phase II.
  - Phase I will include the implementation of the FIS in the first four neighborhoods for approximately a five year period. The impact of the FIS will be evaluated in each neighborhood throughout the five year period. Based on the evaluations it will be determined in each area whether to:

- Continue working in the FIS area because there has been some measure of success but more work is needed before the neighborhood and the housing market can continue to improve without the assistance of the FIS;
- Expand to adjacent blocks in the neighborhood to build on the success within the FIS area;
- Determine that the FIS should not continue in the area due to an inability to meet the goals and objectives of the neighborhood plan;
- Declare that the FIS has been successful enough for the market to continue without the need for the FIS.
- The FIS will be implemented Phase II neighborhoods once work in Phase I neighborhoods is complete and it has been determined to move on to other areas of the city. The evaluation process for the FIS in Phase II neighborhoods will work as it did in Phase I neighborhoods.
- Phase II neighborhoods will be identified at the same time as Phase I neighborhoods in order to provide time for planning, constituent participation, and capacity building within the neighborhoods.
- Prior to implementation of the FIS in a Phase II neighborhood changes within the neighborhood will be evaluated in order to ensure that the neighborhood still meets the criteria established for the identification of a FIS area.

4) What will happen once the FIS areas for Phase I are determined:

- A detailed needs analysis, asset and opportunity plan will be necessary for each of the focus block areas selected within the first 120 days of phase 1 initiation. This needs analysis will be a function of the NBN Sector and Neighborhood Planning process employed by the City. A hallmark of this effort must be to:
  - Build on assets;
  - Focus on market niche;
  - Target outcomes;
  - Value neighbors and shop keepers as investors and leaders; and
  - Invest in both “bricks and mortar” as well as “social capital”.
- The Housing Market Study recommended that the City implement the FIS in such a way that to:
  - Build from existing strengths by identifying focus areas with private initiatives currently underway and where a reasonable infusion of public dollars could strengthen that market.
  - Support community development capacity to implement programs and effectively bridge the efforts of citizens and City agencies.
  - Leverage private dollars by identifying where minimal public investment can result in significant amounts of private investment.

- Promote socio-economic and racial diversity by ensuring that investments positively impact families of all backgrounds.
  - Reinforce other public investments in parks, schools and commercial corridors to create revitalization synergies.
- 5) How will the City ensure tighter project management to ensure that the focused investments are not left un-awarded or unspent?
- Budget allocations, appropriations and expenditures will be evaluated regularly by City staff in partnership, including: DCD, EDD, and Budget.
- 6) Could there be negative consequences to the implementation of the FIS such as displacement of low and moderate income residents or gentrification?
- Cities have carefully planned for the natural success resulting from the leveraging of private investment and have created policies to protect low-income households from being pushed out.
  - Any displacement of low and moderate income residents that results from the use of HOME or CDBG funds, such as the removal of a dilapidated housing project, must put in place a relocation plan and provide assistance to those displaced.
  - Organizations such as Empire Justice have already said that would work to ensure that displacement does not result from the FIS.
  - Rochester does not have any of the conditions that cause real gentrification, such as dramatic increase in jobs or population. A diversifying population in low income areas to include middle and upper income residents must be seen as being successful in the de-concentration of poverty. While the impact of displacement must be addressed when it occurs, the goal is the creation of successful and thriving mixed income neighborhoods.

### **Evaluation:**

- 1) What will be done to evaluate the success and/or failure of the FIS?
- A consistent process for monitoring trends is needed to ensure that the investments are having the intended impact.
- 2) What will happen if a neighborhood (or focused area) fails to meet expectations in five years?
- The FIS will be evaluated throughout the five year period in order to identify strategies and programs that are not working. Reasons that the area is not meeting expectation will be identified so that improvements to the implementation of the neighborhood plan can be made.
  - Improvements to the neighborhood plan that address the reasons that the FIS is not meeting expectations in an area will be implemented based on the evaluation.

- If an evaluation determines that it is not possible to successfully implement the FIS in an area in order to have the impact desired the City would consider whether to move on to another FIS area identified for Phase II.

### 3) How will the City measure success?

- The Housing Market Study provided a framework for the review of neighborhood trends on the block-group level throughout the City. Eight benchmarks were set for the following data points: median household income, code violations, building permits, home ownership rate, vacancy rate, crime against persons, crime against property, and assessed value. These data points were aggregated to create a neighborhood typologies map. The study provided the data and the framework to continue this evaluation in the future. It was recommended to repeat the analysis every two years.
- The outcomes expected from the implementation of a successful FIS must be measured including an increased impact on the following compared to the City's existing investment pattern:
  - Return on investment;
  - Must have visible improvement in a neighborhood to show stabilized values and immediate positive effect;
  - Commercial analysis could be done to assess improvement;
  - Stop leakage of population outside the city;
  - Stop losing property value;
  - Decreased vacancy rates;
  - Increased property sales;
  - Increased assessed values;
  - Visible improvement and change in status in a short time. For example, changing a distressed area to transitional low;
  - Change in poverty and/or crime statistics;
  - Amount of leveraging from other sources;
  - Amount of private investment;
  - Number of low and moderate income households directly benefiting from City investments; and
  - Perception of neighborhood vitality.
- Each neighborhood plan must develop its own goals, outcomes and determine its own measures of success. Outcomes will be different in different areas.
- The analysis of outcomes and success will be conducted with a combination of work from City staff, its partners and independent evaluations.