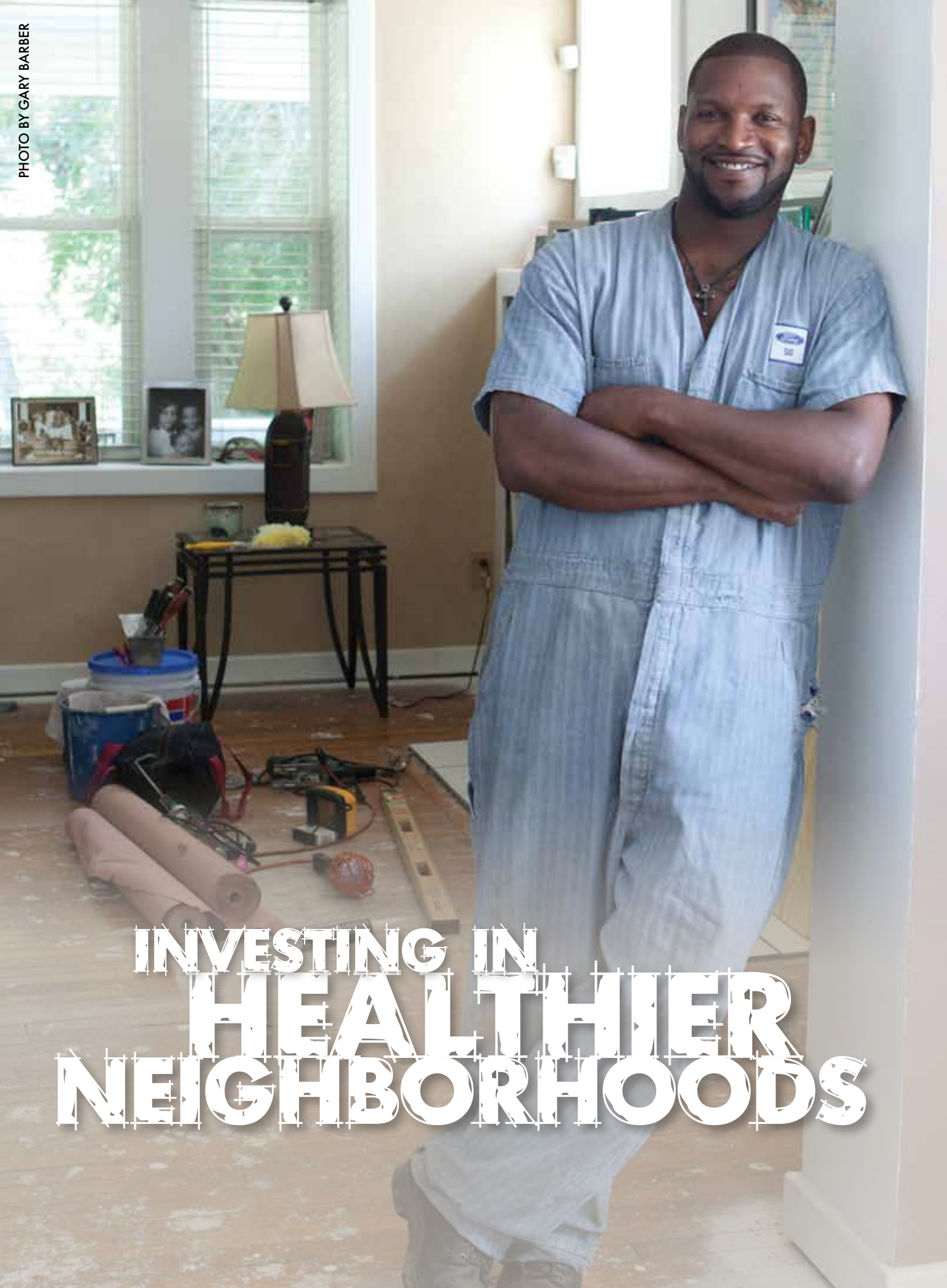


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INVESTING IN HEALTHIER NEIGHBORHOODS



Twelve years ago Dymond Albritton and his wife Yatounda moved into their “dream home,” a roomy stone house on a formerly tattered block in Kansas City’s urban core.



he home was rehabbed by a housing organization as part of a neighborhood revitalization program.

But Albritton, who works at the Ford Motor Company plant in Claycomo, Mo., didn’t stop there.

He added new wood floors, finished the basement and landscaped the yard. “It’s a constant thing for me because I’m picky,” he said.

Investing in his home has had a ripple effect. Additional people have bought and rehabbed homes in his Blue Hills Neighborhood, in the southeast section of the city, improving curb appeal and overall value of the homes on the block.

“With more homeowners, there is more care,” he said. “If you see a piece of trash, better believe it’s going

to be picked up. We all try to do our part to keep up the value of our homes.”

New research by the Kansas City Fed confirms that investing in houses has a measurable spillover effect in helping to reverse neighborhood blight. Senior Economist Kelly Edmiston found that new construction or rehabilitation of existing housing, often by community development corporations (CDCs), significantly increases the appreciation of nearby homes. Housing investments also may help stabilize declining neighborhoods, an important motivation for CDCs to invest in housing in low- and moderate-income (LMI) neighborhoods.

“This is one of the first studies I’ve seen that shows tangible value for the work done by CDCs in our cities,” said Julie Porter, executive director of the Kansas City office of the Local

Initiatives Support Corporation (LISC), a national organization that supports CDCs. “This is compelling research for funders and investors in urban housing.”

Barriers do persist. Abandoned and foreclosed homes continue to threaten urban neighborhoods, spreading blight and increasing the costs of neighborhood revitalization at a time when CDCs face serious funding cuts. Even so, the Kansas City Fed research suggests that strategically targeted investment offers a tool for stabilizing urban neighborhoods.

Making an impact

Edmiston’s research focused on urban neighborhoods in Kansas City, Mo., at the block level.

“We had seen positive effects in regard to resale values of rehabbed houses,” Edmiston

DYMOND ALBRITTON plants a shrub outside the Kansas City home he and his wife Yatounda have restored the past 12 years.



said. “We wanted to see whether the increase in value extended to nearby houses on the block.”

Using data on home sales in LMI areas of Kansas City from 2004 to 2011, Edmiston’s analysis compared the price appreciation of homes within 500 feet of CDC housing investments with the price appreciation of similar homes that were outside of these 500-foot boundaries.

Edmiston says that on average, homes within 500 feet of the CDC projects appreciated 11.8 percent more (or depreciated 11.8 percent less) between the first and second sales of the homes, when compared to homes farther away from the projects. For the average home covered in the analysis, this difference amounted to 4.6 percent greater annual appreciation. Benefits dissipated beyond 500 feet, which is comparable to a city block.

Edmiston cites several reasons for this positive spillover effect. New or rehabilitated homes replace homes that are in disrepair, vacant or built near unsightly empty lots, which attract crime, public nuisances and illegal dumping. The improved physical appearance of the homes adds to the attractiveness of the neighborhood and demonstrates a return on investment that spurs more investment.

“People are willing to pay more to live there,” Edmiston said. “That’s what makes the value go up.”

Ripple effect

Donny Smith, executive director of Community Housing of Wyandotte County (CHWC), points out visual support for Edmiston’s findings as he drives a visitor through the Cathedral Pointe Development area across the state line in Kansas City, Kan. The neighborhood boasts growing schools, art programs and a park salvaged from vacant, weed-infested land.

“Generally, existing homeowners began investing in their homes as we constructed or renovated a home nearby,” he said.

From the start, he says, “We saw incremental increases in appraised values



PHOTO BY GARY BARBER

JOANNE BUSSINGER, EXECUTIVE DIRECTOR OF BLUE HILLS COMMUNITY SERVICES, says it takes more than rehabilitating older homes to rebuild a neighborhood. It takes neighbors working together to build a community, block by block.

through our own private appraisals and with the Wyandotte County appraiser’s office as well.”

Smith believes investing in a neighborhood instills pride and hope among residents.

“For years, homeowners in older and declining neighborhoods knew that there was no return on their investment.” But, he says, when a community organization begins investing in a neighborhood, “it provides emotional and financial incentives for existing homeowners to invest in their own homes.”

Joanne Bussinger, executive director of Blue Hills Community Services, the CDC that works in the Blue Hills Neighborhood of Kansas City, Mo., agrees that working block-by-block, with the help of residents, builds a critical momentum in redeveloping neighborhoods.

“There is a vision that we are trying to communicate: You are buying into more than a house. You are buying into a community,” she said.

And that community vision is growing.



FRED BURNS, A SEMI-RETIRED CONTRACTOR, moved from the suburbs to the urban Blue Hills Neighborhood, where he refurbished a house and now helps other homeowners in the neighborhood rehab their homes.

Besides building and renovating homes, Blue Hills Community Services has provided no-cost home repairs totaling more than \$2 million to homeowners since 2006. The CDC has improved parks, revived commercial corners and is developing a neighborhood contractor business incubator and community meeting space.

Now, said Cliff Pouppirt, director of planning and development for Blue Hills, “We see people who left and are moving back, people who never left and are moving up, and people moving here from another place and want to be nearer to the downtown.”

Fred Burns counts himself as a transplant. The semi-retired contractor moved to the Blue Hills Neighborhood from the suburbs and has helped rehab homes on his street and built a reputation for baking cookies for neighborhood get-togethers. Burns, who lives

two blocks from Albritton, likes the diversity of the near-downtown neighborhood.

“If you live in a place where everyone is just like you, you are not going to grow. We respect and look out for each other. I don’t know how many times someone has said, ‘Fred, can you help me?’ And that’s what you do.”

But Burns and his neighbors are wary of get-rich-quick investors who swoop in and buy up bundles of cheap houses, slap on a coat of paint and try to flip them quickly. “You have to attract people who are more interested in their neighbors and their neighborhood than in making a dollar,” he said.

Competing with fly-by-night investors is a challenge for CDCs because they make it hard for the CDCs to buy nearby homes on blocks they are targeting. Some out-of-state landlords, with few community ties, fail to maintain the homes, so they become derelict again, fall

vacant, attract crime and reverse the good the CDCs are trying to make.

“This is difficult work for CDCs,” Porter said. “You have to look at what is happening with streets, infrastructure, crime, street lights and whether it’s safe for kids.”

Investing in a neighborhood is more than brick and mortar, she said. “The perception of the neighborhood is critical because that is what attracts residents.”

Building neighborhood capacity

It’s Saturday and the meeting of the Blue Hills Neighborhood Association, comprising a diverse mix of residents, is in full swing. Aromas of casseroles and baked cookies waft through the large restored Victorian home where they meet.

An official from the University Of Missouri-Kansas City School of Nursing promotes a neighborhood health initiative. The neighborhood’s community police officer runs down the latest crime figures. Residents discuss the need for the city to address vacant houses and more programs for youths.

“We want what everyone else wants, a safe, clean and beautiful neighborhood,” says Phyllis Ray, the president of the association. “And we’re trying to do that block-by-block.”

The challenge is attracting funding. CDC funding has been cut. Less money is coming from the city. Good investors seem scarce. In the late 1990s, investors pumped money into the neighborhood. But they were edged out by slick nontraditional brokers who lured many borrowers into easy-term loans with exploding interest rates.

But Ray is undeterred. She plans to seek grant funding to help the neighborhood association build its capacity and improve the housing stock in the neighborhood. One idea is to create a property maintenance program to take charge of the housing needs of the neighborhood.

Block captains would work with residents to fix up and maintain their homes. Once a code violation is identified, the

neighborhood association would work with a homeowner to make the necessary repairs, after which the association would put the property on an extended maintenance plan to help the homeowner keep the property in good condition.

Then, she says, the association would market their successes to investors, lenders and banks, saying, “Look what we’ve done with these blocks—we have money in hand and we have people who will bank at your bank. There’s so much we can do.”

Edmiston says one thing he found in his research is that “the greater the investment in a particular block, the greater the impact on values of the surrounding homes.”

That finding suggests that building on success—and making it known—has the potential to lead to more success.

“That’s what makes this research valuable,” said Smith of CHWC. “Not only does it justify our work, but it provides credibility to the outside world, including potential funders.”

When Albritton first moved into his neighborhood, yards were strewn with junked appliances, dumped tires and high weeds. Now he sees trimmed lawns and formerly derelict homes undergoing rehab by new neighbors, including a colleague from the Ford plant.

“As more people move in, they are just as concerned about their investment,” he said. “I see a community that’s coming together now.”



BY PAUL WENSKE, TEN CONTRIBUTING WRITER

FURTHER RESOURCES

“NONPROFIT HOUSING INVESTMENT AND LOCAL AREA HOME VALUES”

By Kelly Edmiston

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