

*CHICAGO
NEIGHBORHOOD
INCLUSIVE
REDEVELOPMENT
STRATEGY*

JANUARY 2019

BACKGROUND

Chicago is increasingly becoming a tale of two cities. In most of the City's neighborhoods, income has declined, middle class residents and immigrants are leaving, and employment opportunities are scarce. Yet, the housing burden and the cost of living continue to rise.

In the other Chicago neighborhoods—mostly the gentrified communities surrounding downtown and near the lake front-- the population has become much wealthier and more Caucasian than the City as a whole. In the process of redeveloping these communities, poor and working class residents were displaced. They did not benefit and often were harmed by redevelopment.

To address the growing inequity among Chicago neighborhoods a new paradigm for neighborhood redevelopment is needed. This new approach should be crafted to achieve redevelopment through empowerment rather than redevelopment through displacement. It must result in both agency and equity for the residents of redeveloping communities. New tools are needed to support this paradigm shift. First among them to lead this transformation is a land bank integrated with a land trust and controlled by the communities that use it.

Nine months ago, Delta Institute reflected on its work in Chicago through our strategic planning process. Over 20 years, Delta staff had answered calls for assistance from communities facing a number of environmental and economic challenges often stemming from the mismanagement of vacant land. Communities in the South, West and North sides have requested and received assistance from Delta where the common theme is developing capacity at the local level to steward and advance development and financial assistance. To provide financial assistance, Delta solicited grants, worked with lenders to create lending programs and even established its own New Markets Tax Credit Fund. Faced once again with numerous communities with the same challenges, we interviewed land trusts, land banks, and community development corporations and determined that merging the Land Bank and Trust capacity with technical assistance could provide the support for redevelopment through inclusion and empowerment.

Delta Institute proposes to work with low and moderate income communities in Chicago to create the Chicago Neighborhood Land Bank & Trust (CNLB&T). CNLB&T can create the capacity for member communities to manage redevelopment to achieve equitable development by building agency, assets and opportunities for their low and moderate income residents.

CNLB&T's land bank capabilities will supplement the work of Cook County Land Bank Authority and help accelerate and steer market generated residential and economic redevelopment by holding and preparing land for sale. The land bank is intended to acquire title to vacant, abandoned and tax delinquent properties, eliminate the liabilities and transfer the properties to new, responsible owners in a transparent manner that results in outcomes consistent with community-based plans. Because the Cook County Land Bank Authority often targets the most distressed properties, it is often not in the position to select the most strategic to develop properties which may or may not be tax delinquent. Additionally, the CNLB&T, may have an opportunity to collaborate with the Chicago Community Land Trust and the Chicagoland Owners Land Trust. The Chicago Community Land Trust despite receiving funding in 2006 has not performed according to inspector general reports. The newly established Chicagoland Owners Land Trust advanced by the Chicago Community Loan Fund is currently focused on housing and operating in two narrowly defined geographic areas. While we are very optimistic about these ventures, we have identified that non-housing, community and economic development focused support is desperately needed by community development corporations.

The land trust capabilities of CNLB&T will help steer equitable affordable redevelopment, as well but will also provide the ability to "apply the brakes" as needed to manage redevelopment to meet a community's need for affordability and equity. Community Land Trusts (CLT's) retain ownership of land and employ ground leases for residential, commercial and community service uses to catalyze development that provides long term stability and empowers low and moderate income residents. CLT's also maintain the affordability of residential and commercial property at a fraction of the cost of traditional subsidy programs. For example, in a gentrified area where family businesses are being displaced, the community could "tap the breaks" on development by strategically purchasing and leasing property at affordable rents. In weaker markets, the community could "pump the gas" through developing capacity to cultivate businesses.

Community land trusts are created to establish local ownership and control over land and other resources, in order to create permanent affordability and shared equity, reduce absentee ownership and displacement, and foster community commitment. While the City of Chicago established a community land trust, the Chicago Community Land Trust, in 2006, this quasi-public entity does not hold ownership to any land and has not functioned as a true land trust. City officials have recently acknowledged this and are considering a proposal from board members to begin performing these traditional land trust functions. This entity may become a useful partner for CNLB&T but will not provide the community control and capacity building we seek in order to change the redevelopment paradigm in Chicago.

A land bank and land trust are complementary tools. Both are needed in Chicago and must work together seamlessly to manage equitable community development. To accomplish this they should be two parts of one organization—CNLB&T—with coordinated action and a common goal.

The example below demonstrates how the land bank and land trust can complement each other to manage the pace and type of community change. A community in the earliest stages of redevelopment might decide that for every market rate residential unit supported by the land bank, one affordable residential unit will be developed through the land trust; a 1:1 ratio. As the market picks up and generates more market rate residential development without land bank assistance, the ratio might change to 1:5. As it accelerates even more, the ratio might change to 1:15 or the land bank might stop supporting market rate residential development all together and support only commercial and job generating uses. At the same time, the land trust might step up its support for affordable housing development to balance the increased market activity and begin protecting commercial space for existing resident run businesses.

By working together seamlessly, CNLB&T's land bank and land trust capabilities can harness market forces and balance them with pressing need to build equity and assets for Chicagoans left behind, thus far, by the prevailing redevelopment through displacement and replacement paradigm.

In addition to land bank and land trust capabilities, technical assistance is badly needed on the community level for community development. This is especially true for commercial and industrial development. In October, Delta Institute engaged with the Cook County Land Bank Authority, the Chicago Community Loan Fund and representatives from community development corporations in Pilsen, Englewood, Woodlawn, Chicago Lawn, Bronzeville and South Shore. While representatives discussed potential partnerships between various organizations, key players flagged some of the greatest barriers to success:

- Lack of capacity and the need for technical assistance for neighborhood level plans and visions that could inform development.
- Lack of development capacity to advance developments spearheaded by community groups.
- Lack of strategic properties at the land bank. There is a misalignment between the tax delinquent properties the land bank can hold and the truly strategic properties that are on the market but, not tax delinquent.
- Lack of equity and being resigned to working with CDFIs.

How Would the Chicago Neighborhood Land Bank & Trust Help?

Chicago Neighborhood Land Bank & Trust would be a partner to and assist the Cook County Land Bank Authority (CCLBA) in accomplishing its goals by:

- Entering into negotiated sales for specific properties in CCLBA's portfolio;
- Performing work (demolition and deconstruction, environmental testing, refuse clean-up, marketing) that does not require CCLBA's unique powers, thereby enabling CCLBA to focus their work on clearing liens and obtaining clear title to property and allowing them to sell properties with a smaller investment time and fewer resources.
- Balancing CCLBA's targeting initiative with community land trust services that maintain affordability and build equity for residents in the target communities;
- Balancing CCLBA's targeting initiative with land bank services to non-targeted communities that are receiving less attention from CCLBA;
- Identifying interim and permanent uses for portfolio properties;
- Acquiring/assembling high priority parcels to create strategic new redevelopment opportunities;
- Purchasing and stabilizing vulnerable and distressed properties before they end up in CCLBA's portfolio.

As a **land trust**, CNLB&T would help the City of Chicago accomplish "redevelopment through empowerment" by providing a tool for low and moderate income communities in Chicago to benefit from and manage redevelopment. It could empower a community's future decision making, and provide agency through equity opportunities and permanent affordability to promote neighborhood stability for low and moderate income Chicagoans, by:

- Creating and implementing a community land bank and trust model for non-residential community and economic development.
- Working with the City to purchase (or taking private donations of property) and owning property in perpetuity;
- Issuing ground leases while selling the buildings on specific properties;
- Requiring and monitoring covenants of the buyers to sell to other community oriented buyers;
- Verifying that ground lease holders maintain property insurance, pay all the taxes and make necessary repairs and improvements to their property;
- Establishing a formula that allows the owner to build equity while still passing on the affordability subsidy on to the next buyer;
- Educating buyers about the rights and responsibilities of buying resale-restricted homes and businesses;

- Owning, leasing and managing affordable rental property for business and community uses;
- Ensuring that the complex real estate development, property management and financing skills needed for a successful CLT are available on staff and through partner relationships;

As a **community controlled** organization, CNLB&T would support the work of community based organizations (CBO's) by:

- Providing a vehicle to own land and control the pace type and affordability of redevelopment to benefit their residents and local entrepreneurs;
- Creating new ways for CBO's and residents to build equity and wealth as part of the redevelopment process;
- Increasing their leverage in the development process to negotiate community benefit agreements and other development impacts;
- Enabling them to focus on community visioning, organizing and advocacy work;
- Establishing land banking and CLT capacity for their community that they control but do not have to run;
- Allowing the CBO's to continue to operate

While it is anticipated that CNLB&T will require a significant investment of resources by local government and foundations, CLT's are known for being a cost effective way to create and maintain affordable housing and commercial buildings. Many CLT's become self-sufficient and, over time, can fund their own operations. However, funds for property acquisition and improvements and initial affordability subsidies are likely to be needed on an ongoing basis.

- Marketing land bank and CLT properties to CLT-qualified, eligible tenants and buyers;
- Intervening in cases of mortgage default;
- Partnering to develop mixed use, retail, community service, commercial, industrial and office space.

outside of a landlord-tenant relationship with their constituents (which often causes role conflicts);

- Providing technical assistance and capacity building to member and potential member organizations;
- Providing a vehicle for organizations in many Chicago communities to work together and advocate for common goals and policies that support this work;
- Raising funds to provide technical assistance to CBOs;
- Raising capital to purchase and improve properties;
- Raising funding for affordability subsidies;
- Compensating CBOs for agreed upon services they provide.
- Create a mechanism for residents to invest in projects if they choose.

Because of CNLB&T's focus on community and economic development, Chicago's new Neighborhood Opportunity Fund is a potential new source of funding to launch the organization in combination with foundation grants and other public resources.

How Can Delta Institute Help Create the CNLB&T?

To catalyze the creation of CNLB&T, Delta proposes to:

- Explore the potential of creating a combined land bank and trust that is controlled by and supports many Chicago Communities;
- Provide expertise and knowledge to manage this exploration process;
- Use its relationships with the City of Chicago to seek their cooperation in No-Cash Bid land purchases and financial support through the Neighborhood Opportunity Fund;
- Use its relationships with the CCLBA and Cook County to develop a cooperative, mutually supportive partnership;
- Work with leaders in potential member communities to organize inclusive participation in CNLB&T by their community;
- Convene community leaders in a process to determine how CNLB&T would need to be structured to meet their needs for control, equity, capacity and resources;
- Determine what CNLB&T would have to require of CBOs to become members;
- Explore whether "at large" capacity is needed to serve targeted populations, such as immigrants or for communities that might want CNLB&T services but lack the volume of activity and would prefer to be collaborators rather than members;
- Develop a business plan and financial pro forma that projects CNLB&T's growth and its revenue sources and uses from start up through the first five years;
- Identify potential funding sources for start-up, land acquisition, operations, technical assistance, etc.;
- Interview land bank and land trust experts to learn from their experience and identify the best ways to develop an organization with combined land bank and land trust capabilities focused on non-residential community and economic development;
- Bring together the expertise to launch and run CNLB&T;
- Build the capacity of member or potential member CBOs over time and structure standards and incentives for CBO performance;
- Work with member and collaborating CBOs over time to impact policy related to CNLB&T's mission of redeveloping communities through empowerment not displacement.

Now Is the Time

History shows us that redevelopment in Chicago, when it occurs, will continue to lead to displacement and greater inequality unless the tools are created to transform the process by empowering low and middle income communities to direct development for their benefit and enjoy an equity stake in the gains.

Typically, Chicago's redevelopment has been pursued by developers seeking to maximize their profit. While efficient and practical for some communities, this model does not serve weak market communities that have become stagnant and disinvested. These communities need public sector intervention to ensure that beneficial impact from development accrues to their residents. The status quo has been a disaster for Chicago's most hard hit families and communities resulting in tremendous outmigration amongst the poor and middle class. Much of the working class—white, black and brown—families with options, have fled the city leaving the poorest, oldest, and most committed residents behind.

CNLB&T, if embraced by the City, the County, and the communities could be transformational. It could be the foundation for Chicago to begin a new redevelopment strategy—Empowerment. This strategy would speak to Chicagoans who, at best have been left out and at worst harmed by the prevailing redevelopment through displacement model. Local ownership of land and buildings, control over reuse, ongoing stability and affordability, an equity stake in neighborhood change, and a significant investment of resources and policies to support empowerment would, over time, counter the alienation and distrust that has grown over the years. CNLB&T would create new collaboration of CBO's with common interest, new resources and independent sources of wealth to become a force for change that strengthens communities.

Next Steps

While our CNLB&T strategy is large and transformational with the potential to provide millions of dollars in development annually, resources are needed to thoroughly develop the concept, business plan and pilot in communities facing different constraints. The following four phases are proposed for an 18 month period.

Objective 1: Develop CNLB&T Model and Business Plan: Delta will create a Chicago Land Trust model for community development (such as commercial, industrial and community services). We will work in tandem with Chicago Community Loan Fund staff to complement COLT's efforts figuring out a CLT model for housing in Chicago that can be used for nonresidential development. We will engage with community development corporations and other stakeholders seeking to support neighborhood-based, community-led development. Finally, we will produce a business plan, strategy and budget for implementation in conjunction with a plan for pilot projects.

1.a. Research community land trusts that do nonresidential work to compile lessons learned. We will research, interview and potentially conduct site trips to determine the following: How do they work? How are they governed? What are their greatest challenges?

1.b. Continue to engage with COLT, Chicago Community Loan Fund, the Cook County Land Bank Authority to determine potential to support nonresidential development in their organization or to determine if their model can support nonresidential development

1.c. Interview World Business Chicago's Chicago Anchors for a Strong Economy (CASE), Chicago Department of Planning and Development, community development corporations, chambers of commerce, developers, and support organizations to develop strategy for advancing nonresidential development.

1.d. Identify capacity needs, explore partnerships, shared service models and volunteers potential to provide such capacity needs. Lots of skills ranging from general to technical are needed to develop and operate the CNLB&T. Those may include legal, finance, business planning, and negotiation. Because it is likely infeasible to employ each of these as staff or purchase professional services, determining mechanisms and processes for utilizing pro bono services or determining options to use volunteers or share services with organizations involved in similar work may be efficient.

1.e. Interview businesses that might benefit from the model to take their temperature and understand their needs for success. Because multiple programs seek to help businesses, but are not executed in business friendly ways, it is important that potential recipients and program participants respond to how this might work or not work for them to avoid fatal flaws.

1.f. Implementation Plan for CNLB&T with budget, rollout and time line for central activities. The implementation plan will also include the pilot program plan. Additionally, work through governance issues with the Delta Board of Directors. The Delta Board has a process and system for working through bold social enterprise concepts.

Objective 2: Create and begin implementation of a pilot program in 4 communities. Pilot program to demonstrate how nonresidential Land Trust/Bank models could work in communities throughout Chicago. Delta proposes to identify four communities—a north side, a west side and a south side community as well as a non-geographic community such as veterans, homeless, or another such group—to partner with in developing and implementing the NLB&T model for non-residential development.

2.a. Select neighborhoods and organizations within those neighborhoods to work with. Create working arrangements with those organizations inclusive of financial support for executive officer level participation (staff

and board). These efforts may potentially align with COLT's first land trust service area in Woodlawn and other partners in Englewood, Little Village and Pilsen. Our review of neighborhoods will seek to test a variety of contexts that include a weak market community that needs to pump the gas to develop; communities confronting development pressure, gentrification and displacement; and

2.b. Work with each community group to agree on high level strategy for their community. Through this work, Delta seeks to determine what it would take to execute the model in different venues. Delta would determine what kind of capacity and resources might be needed to rollout the model. Delta could then compare the different the needs in different pilot programs to inform a larger citywide effort.

2.c. Create summary reports advising of next steps inclusive of a rollout plan, a timeline, and estimated budget for each community. The rollout plan would include local community considerations and diverse funding plans that accommodate capital, operations, capacity building, central services and investment.

2.d. Begin implementation of roll out plan in at least two communities during the grant period.

3. Objective 3: Build understanding and support for redevelopment through empowerment paradigm and for CNLB&T as a first tool toward this paradigm shift. Engage with professional planning community about this work, make information available through our website, webinars, meetings, conferences, etc. Delta Institute routinely shares tools, resources and strategies to enable others to tackle their most challenging quandaries.

ABOUT DELTA INSTITUTE

Delta Institute is a Chicago-based 501(c)(3) organization formed in 1998 that envisions a region in which all communities and landscapes thrive through an integrated approach to environmental, economic, and social challenges. To accomplish this vision, we collaborate with communities to solve complex environmental challenges throughout the Midwest.

Our work is accomplished in partnership with Midwest communities, nonprofit partners, private business and landowners and local, regional, and state public leaders. Working with our partners, we identify opportunities for market-based environmental solutions and design, test, and share on-the-ground solutions that yield social, environmental, and economic benefits for communities.

Over the last 20 years, Delta has earned reputation in both the public and private sectors as a trusted advisor and collaborator that can effectively work with stakeholders on both sides of an issue to find common ground and consensus for change.

Resilient Communities

Communities throughout the Midwest are dealing with vacancy and environmental stressors, which limits investment and degrades environmental & economic health as well as quality of life. Often communities most impacted lack the capacity and resources to effectively address these challenges. When planning and redevelopment efforts occur, local residents are often not empowered to meaningfully engage in or lead them.

We seek to ensure that local stakeholders are inspired and empowered to engage in planning and redevelopment efforts, and in doing so, recognize their capacity as changemakers. Delta's partner communities retain and recognize the economic, environmental, and social benefits of our collaboration, and the tools and resources that are co-created as outputs of our collaboration are used by local changemakers and adapted and spread for wider impact.

Since our inception, Delta has leveraged its technical, planning, and engagement expertise to empower communities to tackle challenges like brownfield redevelopment, coal community transition, and poor air quality. We've done that by facilitating stakeholder dialogues and creating and sharing practical, actionable tools and resources. Additionally, we have worked with partners to not only remove barriers from redevelopment, but also to provide capital through traditional and non-traditional sources ranging from Tax Increment Financing, to New Market Tax Credits and Value Capture strategies utilizing public private partnerships.

Some of our Past Projects

These representative projects illustrate our team's performance of similar work:

Fisk and Crawford: Mayor Emanuel established the Fisk and Crawford Reuse Task Force to collect community input on future uses of the generating sites, and to consider economic development and job creation options for the land. Delta Institute was retained to facilitate a dialog from multiple stakeholders with diverse interests: Midwest Generation (the site owners), ComEd, community organizers, organized labor, two aldermen and the City's Department of Housing and Economic Development. The five month dialog resulted in the articulation of nine shared guiding principles that they the ground work for following development.



Little Village Redevelopment Strategy: Delta Institute partnered with Little Village Environmental Justice Organization (LVEJO) to develop a comprehensive strategy to guide the redevelopment of vacant and underutilized properties in Chicago's Little Village neighborhood, a historic industrial corridor. The strategy presents a redevelopment roadmap for ten sites, including site-specific redevelopment opportunity sheets, accompanying preliminary environmental reviews and reuse strategies.

Gary Redevelopment: The City of Gary partnered with the Delta Institute in 2014 to convene stakeholders around proactive blight management. As a result of the convening where multiple stakeholders achieved consensus around environmental, economic and social outcomes, Delta provided technical support to enable the City of Gary to win a \$7 million dollar federal grant for demolition, \$250,000 grant to plant forests on brownfields and over \$500,000 of philanthropic investment for economic development. As a result of these efforts the City has a strategy for prioritizing its 6000 vacant structures for demolition, contractor training for Gary businesses, a workforce development strategy for efforts, and 2 large hybrid poplar forests and a budding reclaimed materials marketplace. This work was engaged to target economic impacts to specific vulnerable populations in Gary.



Delta Institute New Markets Tax Credits Experience: The Great Lakes Region Sustainability Funds LLC (“Sustainability Fund”), is owned and managed by the Delta Institute and Coniston Consulting. The Sustainability Fund received a \$15 million allocation of NMTC in 2005. It established a leverage fund, the Great Lakes Redevelopment Initiative Fund I, LLC (“Initiative Fund”) to make investments in brownfield projects. Five banks including Fifth Third, Bank of America, Harris, MB and Private Bank invested equity in the Initiative Fund. These equity investments were combined with leverage loans to fund three projects.



Chicago Lead Safe Window Services (“CLSWS”), the first investment, combined NMTC equity and loans with grant funds through the City of Chicago to enable CLSWS to perform lead abatement, primarily in the form of window replacement, in multi-family buildings in Chicago. The second investment funded Aspira of Illinois (“Aspira”) to remediate and renovate a former industrial facility for its Early College Charter School in Chicago. And, Roosevelt University Development Corporation (“Roosevelt”), the third investment, funded land remediation and construction of a Student Athletic Center, also in Chicago.

In 2016 the Sustainability Fund met all of the requirements of the NMTC program and was released from further reporting. The Sustainability Fund is in the process of winding-down the Initiative Fund’s investments and expects to end its operations in 2018.

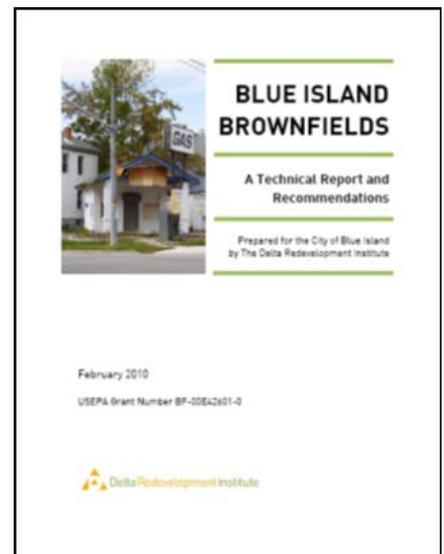
St. Louis Deconstruction Initiative: In 2017, the City of St. Louis and its sister agencies engaged the Delta Institute to work with them to maximize environmental, local economic development and social outcome for their imminent \$2 billion investment in demolition and green infrastructure for a their consent decree entered with the Environmental Protection Agency. Delta has successfully completed two phases of work including a convening with stakeholders and preliminary analysis. Our next phase included market analysis, strategy development, contractor training and reworking the demolition procurement strategy for the City.



Cook County Sheriff Renew: Delta Institute conducted a training for the Cook County Sheriff’s office on sustainable deconstruction practices, enabling the County to train inmates in deconstruction and use paid inmate crews to deconstruct structures in Southern Cook County and structures managed by the Cook County Forest Preserve. The program enabled post-release trainees to become certified as Deconstruction Workers through the Building Materials Reuse Association,

providing a pathway into the workforce for individuals with significant barriers to employment. Further, the program provided a mechanism through which the Sheriff could demolish vacant structures that house crime in communities where the Sheriff supplements policing. As a result of our work over 60 structures have been deconstructed, tons of materials have been salvaged and repurposed, and high performers have apprenticeships with the pipefitters union resulting in lower recidivism rates.

Blue Island Brownfields: Technical Assistance in Developing a Brownfield Program. The City of Blue Island hired the Delta Redevelopment Institute to provide technical assistance in developing a brownfields program to conduct work under a federal EPA Brownfields Assessment grant that was awarded to the City in 2007. Delta worked with City staff to train brownfield stakeholders in the elements of a successful brownfields program. Delta also drafted a technical report to educate City staff and other brownfield stakeholders to make for a more informed decision-making process as well as to lay the groundwork for creating new tools that contribute to a more permanent brownfields redevelopment program.



Research on the Sustainable Reuse of Brownfields for the Chicago Southland Economic Development Corporation: Through a grant from U.S. EPA, Delta worked with municipalities and other community partners on predevelopment planning for vacant commercial and industrial property for sustainable new uses including renewable energy, waste-recycling and urban agriculture. In 2009, Delta conducted research with CSEDC economic development staff on the potential to move its metal cluster industries into manufacturing of wind turbine or solar panel components.