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Revitalizing the Street of Dreams: A North 24th Street Case Study

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REVITALIZING THE STREET OF DREAMS:
A NORTH 24TH STREET CASE STUDY

University Honors Program Thesis
University of Nebraska at Omaha

Submitted by

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ABSTRACT

The purpose of this study is to analyze the North 24th Street corridor in Omaha, Nebraska, to highlight the benefits of investing in commercial real estate development, propose tools for financing new development or redevelopment projects, and to suggest methods of building a coherent development plan to avoid gentrification. Commercial development provides the following: quality business space, accessible jobs for an underemployed populace, additional tax revenue, and a reduction in community detriments such as crime, empty lots, and low property values. The North 24th Street corridor has economic potential, as it is less than one mile from downtown Omaha, the core of the city. Investors would be wise to invest in the future of the corridor since several tax incentives and other tools exist to make projects more financially viable. Although the goal is to create a space that is friendly to all people, community members should not be shunned from the future of the corridor, as their voices are a vital component to building a thriving neighborhood that truly meets the needs of the people. Designated community organizations should serve as representatives of the citizens along the corridor. As representatives, the organizations must participate in the development/redevelopment planning process and enforce controls on new projects to ensure agreed upon plans are effectively executed. Ultimately, this study will serve as a guide to facilitate collaboration between the community, the local government, and private developers/investors to effectively revitalize the “Street of Dreams.”
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INTRODUCTION

Most cities across the nation have heavily segregated communities of minorities and low-income individuals; these areas generally have lower quality, less desirable real estate than other parts of the city. Real estate developers deem these communities as undesirable due to high crime rates, development infeasibilities (primarily financial), and the risk of gentrification. As a result, these communities have often been overlooked and avoided. The results are obvious: dilapidated buildings, empty lots, and stagnant economic growth. “The fact of the matter is that we’ve got sub-standard properties in a number of areas around my district [North Omaha] … and we cannot continue to allow that to happen.” (Ben Gray, District 2 Councilman, as cited in Reye 2018). This thesis provides a comprehensive analysis of how investing in commercial real estate can foster economic growth in low-income communities and increase the overall quality of both commercial and residential properties in these areas. The following questions were used to guide this research:

- How does commercial real estate development benefit the local economy?
- What are some ways to attract new real estate development and investment in low-income areas?
- How can the potential negative impacts of gentrification be avoided or mitigated?

To provide context, the 24th Street corridor in Northeast Omaha, spanning from Cuming Street to Ames Street, is used as a case study (Figure 1). All arguments made throughout this paper reference this corridor. Journal articles and other publications are used to provide general evidence of the benefits of commercial real estate. Interviews with local community members and real estate professionals are also included to supplement published materials and provide a
local perspective on the issues at hand. For the purpose of this paper, commercial real estate refers to any property used to generate income (e.g. office, retail, apartment, mixed use, etc).

I. BENEFITS OF COMMERCIAL REAL ESTATE

Background

Once a burgeoning economy, the North 24th Street corridor has for decades experienced an absence of quality real estate investments, hindering the community’s ability to grow. In the early 20th century, the corridor was composed of a diverse population and thriving businesses. According to NorthOmahaHistory.com, a website created by the North Omaha historian Adam Fletcher Sasse, “Hopping businesses, swinging clubs and streams of human traffic came and went from these blocks.” (Sasse). The community prospered economically until the dynamics of the neighborhood changed drastically in the mid 1900’s. The “white flight” phenomenon in the 1950s and early 1960s, an event in which most white people living in inner cities fled to the suburbs, quickly diminished the diversity of the North 24th Street community (Sasse). Subsequently, racial tensions resulting in riots and looting ravaged the community, leaving behind only the vestiges of a once prosperous area. “The neighborhood has never recovered. Since the 1980s, there have been several government and private plans to improve the street, but overall they have failed to materialize.” (Sasse). In the nearly 70 years since the
neighborhood riots, commercial real estate investments near and along the corridor have been scarce and infrequent. Though some investments have been made on North 24th Street (e.g. Union for Contemporary Arts, Fair Deal Village, Lake Point Building, etc.), a large portion of the corridor is still characterized by derelict buildings and empty lots. As a result, North 24th Street and the areas surrounding it are home to some of Omaha’s poorest residents.

In 2018, the City of Omaha and Participating Partners conducted a study entitled, “Omaha-Council Bluffs Regional Assessment of Fair Housing,” which evaluated concentrations of poverty using census tracts in Omaha, Nebraska. Poverty concentrations were identified using the Racially or Ethnically Concentrated Areas of Poverty (R/ECAPs), a metric developed by the U.S. Department of Housing and Urban Development (HUD). R/ECAPs, by definition, must have a non-white population of 50 percent or more, with 40 percent or more of individuals living at or below the poverty line. As a predominantly African American community, North 24th Street falls within a R/ECAP census tract (Enterprise Geospatial Information System). Per the City of Omaha study, “While there have been periods of investment in the area [North 24th Street], it is now primarily identified by poverty, industrial activity, vacant property, empty lots, and limited commercial or retail providers.” (p. 169). Than Merrill, in his article entitled “The Impact of Commercial Redevelopment on Local Communities,” explains how commercial real estate can aid in the growth of a community. Merrill states, “you could argue that commercial redevelopment is a viable catalyst to stimulate growth…”, and “can have a resounding impact on a community for years – if not decades.” The following sections demonstrate means in which commercial real estate can function as a catalyst for lasting growth on North 24th Street.
Commercial Real Estate Benefit #1: Small Business Space

Small businesses are vital to the health of an economy, whether it’s at the national, regional, or local level. According to the U.S. Small Business Administration’s (SBA) 2018 Small Business Profile, “United States small businesses employed 58.9 million people, or 47.5% of the private workforce....” (p.1). With an unemployment rate of 6.9% among the African American population in Northeast Omaha, compared to 3% overall in the Omaha area, it is clear the shortage of small businesses in this sector of town has been a contributing factor in the area’s decline. Therefore, reintroducing small businesses to the North 24th Street corridor should be a key goal in revitalizing the area.

For a start-up or proven small business to establish a presence in Northeast Omaha, it needs a safe and modern facility in which to conduct its operations. That is, business owners need commercial real estate to accommodate their businesses, whether it be retail, office, hospitality, light industrial, or the like. Commercial real estate is therefore critical to a community’s economic well-being, and any significant investment made in this sector can send a strong signal to local businesses that the North 24th Street corridor is “open for business” and worth investing in. This can have a ripple effect and encourage other businesses to follow suit.

Small businesses ensure that capital is kept in the community and that community members can shop locally. The “Omaha Master Plan: The Future Land Use Element” explicitly states the need for more commercial space in Northeast Omaha: “35% of metro area consumers live east of 72nd Street, only 6% of the metro shopping is done there… The lack of commercial services in the older areas of Omaha results in people of lower income having to spend more time and money traveling to obtain goods.” (p.14). Ultimately, commercial real estate
development breeds accessible businesses, keeps money in the community, and creates jobs for community members.

**Commercial Real Estate Benefit #2: Tax Revenue**

In addition to creating space for small businesses, commercial real estate contributes to a growth in tax revenue. To increase tax revenue, “...cities often pursue development opportunities with an explicit goal of generating new revenues to expand and improve upon the level of services they provide to businesses and residents.” (Pagano, p.5). Several tax structures are likely to increase in tandem with the development of commercial space. First, new developments boost property tax revenues. Second, businesses inhabiting the developments generate additional sales tax revenue. Third, these businesses pay income taxes leading to even more indirect tax revenue. Property taxes can have a lasting effect on the community. The “Property Levy Information: Tax District 100” (Figure 2), obtained from the Douglas County Assessor’s website, indicates the value of commercial real estate to the tax district. Commercial development on North 24th Street would lead to more funding for vital public services; an influx of property tax revenue from the corridor could potentially provide public schools with more resources, supply additional funds to public transportation initiatives, and support community infrastructure improvements. Ultimately, the development of
commercial real estate on North 24th Street benefits the entire city, as the capital can be used to fund some of Omaha’s most needed public improvements.

**Commercial Real Estate Benefit #3: Accessibility/Transportation**

Accessible and stable employment options can help maintain the health of an economy. Unfortunately, low density cities make reaching employers a difficult task; a task that Omaha has yet to make easier for many of its constituents. Per the article titled “Chart of the Week: Transportation Equity is Key to Inclusive Prosperity in the Omaha Region” by Jamila Henderson, “For households living in regions without robust transit systems, access to a car is critical, but lower income people, people of color, and some immigrant communities are more likely to be carless.” (Figure 3). Vehicles are a necessity for the vast majority of citizens in Omaha, as most bus routes are concentrated in East Omaha, while many employers are in the western parts of the City. “Many of these job sites do not have adequate mass transportation to serve its employees. The best possible way to address this problem is to bring jobs and shopping opportunities to the inner city in order to accomplish this.” (Omaha Master Plan, p.44). The infill of empty lots with commercial real estate developments and the rehabilitation of existing commercial structures can bring jobs closer to the North 24th Street corridor, thus eliminating the transportation hurdle that many of its citizens face.
Revitalizing the Street of Dreams

Commercial Real Estate Benefit #4: Reducing Community Detriments

Multiple hazards accompany empty lots and vacant dilapidated buildings. Commercial real estate investments can effectively stop the spread of these pernicious community hazards. The three key issues that typically coincide with the decline in quality and utility of real property are increases in local government costs, declines in property values, and higher crime rates. An article issued by the U.S. Department of Housing and Urban Development (HUD), titled “Vacant and Abandoned Properties: Turning Liabilities Into Assets”, garners information from multiple cities across the country to shed light on the impact of a lack of real estate investments in inner-city communities.

Per the HUD article, “Local governments bear the cost of maintaining, administering, and demolishing vacant and abandoned properties as well as servicing them with police and fire protection and public infrastructure.” (p.6). The city is responsible for maintaining the upkeep of a community and averting the effects of empty lots or buildings. For example, to eliminate the safety hazards of an abandoned building, the city may need to demolish a property. Furthermore, the city may assume the responsibility of keeping the grass cut and empty lots free of rubbish. These expenditures can be detrimental to a community as the properties usually generate no tax revenue, while absorbing significant tax dollars that could be used in more useful ways.

According to Marty Barnhart, Executive Director of the Omaha Municipal Land Bank (OMLB), “Vacant properties add three things every time: maintenance issues, pest issues, and possibly crime.” These three factors are hazards to North 24th Street that continue to worsen as long as empty lots and vacant buildings go unaddressed.

Crime has become a perpetual issue in low-income communities. Futile attempts to mitigate crime have proven that an underlying problem exists. Many investors dismiss the idea
of investing in declining urban communities because of the risks associated with higher crime rates; what these investors do not realize is that they might be the solution to the underlying problem. “Vacant abandoned properties are widely considered to attract crime because of the ‘broken windows theory’ - that one sign of abandonment or disorder (a broken window) will encourage further disorder” (HUD p.6). This statement alludes to the need to eliminate empty lots and vacant buildings by making real property investments. The vacant properties on North 24th Street serve as evidence of the “broken window theory” and in addition to crime, property values are also affected.

Generally, the goal of realizing a capital gain and/or cash flow drives real estate investment decisions. Investors typically consider a property’s potential risk and rate of return before deciding to invest. When investing in low-income communities, the rate of return generally doesn’t justify the greater risk associated with new development/redevelopment projects. Therefore, addressing the issue of vacant lots is urgent as “research suggests that the longer a property remains vacant, the greater its impact on surrounding property values…” (HUD p.5). Low and stagnant property values on North 24th Street may significantly reduce the return on real estate investments in the area, thus, making the area unappealing to investors and lenders. The only solution to reversing the decline in property values is to invest in quality real estate that adds value to the surrounding area. Government tax incentives, coupled with private philanthropic investments, can be effective means of attracting investors to low-income communities.

II. GOVERNMENT INCENTIVES & PRIVATE INVESTMENT

Long held stigmas cling to the neighborhood’s reputation. “The stigmas people have about Northeast Omaha are no value, no opportunity, and high crime.” (Marty Barnhart, OMLB).
Generally, outsiders view North Omaha as the crime-ridden part of town with low property values. In addition to the stigmas, the neighborhood has little per capita disposable income. The qualities North 24th Street lacks (e.g., appreciating property values and disposable income) are key indicators investors use to determine the financial viability of a development project or investment. So, why should an investor/developer invest on North 24th Street? Prudent investors must be mindful of an age-old investment tenet: future location. Per the “Real Estate Investing for Dummies Cheat Sheet”, by Eric Tyson and Robert S. Griswold, “Areas where new development or redevelopment is heading are where you want to be. The best real estate investment properties are ones that are well located…”

The North 24th Street corridor’s proximity to Omaha’s hotspots (e.g. New North Makerhood, Midtown Crossing, The Old Market, & Blackstone), shown in Figure 4, should not be ignored. Investors should consider the following statistic: 327 percent. Per city-data.com, 327 percent is the increase in median household income when traveling from 24th & Cuming Street to just one block south of the corridor, where median household income is $90,000. Although North 24th Street may seem like a village of its own, one must not forget its proximity to wealthier demographics. Creighton University is a one-minute drive from the corridor – or a two-minute walk. Union Pacific Railroad and First National Bank – two of Omaha’s largest
employers – are less than five minutes from North 24th Street. Furthermore, multiple interstate access points are right off the corridor making the area easily accessible to anywhere in Omaha.

**Building Mutual Interest**

Alicia Clark, CEO of The Seldin Company, stated that a healthy local economy “has to have places for people to spend money, make money, and to live.” Funding new development and rehabilitation projects is the biggest hurdle to revitalizing the corridor and creating a healthy local economy where people can work, shop, and live. North 24th Street has historically struggled to acquire the capital needed to implement development initiatives. Low property values, rising construction costs, and a low-income demographic threaten profit margins. Earning an adequate return on a North 24th Street commercial property investment is difficult, and some private investors find it nearly impossible. The local government is often left with the burden of subsidizing projects, which has proven to be insufficient to spur local economic growth. The Omaha-Council Bluffs Metropolitan Area Planning Agency (MAPA) recently issued a request for proposal (RFP) to obtain consulting and professional services to assist in the creation of a coherent development plan for North 24th Street. The RFP states the following:

“While such [government subsidized] developments have resulted in physical improvements to housing stock and attracted somewhat more moderate-income households, it has not provided sufficient disposable and discretionary income… necessary to sustain growing economic and commercial vitality.” (MAPA, p.1).

If MAPA’s plan is to take root, private investors must be involved.

The successful revitalization of the North 24th Street corridor is therefore dependent on public and private partnership. The article “Public/Private Development: Lessons from History, Research, and Practice” written by Lynne B. Sagalyn, provides a good explanation of why the
collaboration of public and private entities is an effective way to redevelop communities: “These [collaborations] offered city-officials a hard-to-beat blend of flexibility and efficiency in the use of resources… and provided private financing, thereby allowing governments to limit their financial exposure.” Governments often lack the resources and expertise to fully revitalize a community, while private entities usually avoid investing in low-income areas because of unacceptable levels of risk. Therefore, both parties must leverage each other’s strengths to create functional and profitable new development and rehabilitation projects. Specifically, governments can benefit from private sector resources such as capital and expertise. Private entities can benefit from government’s ability to regulate (e.g. building codes, infrastructure, zoning, etc.) and provide economic incentives, which can reduce a project’s risk.

Real estate development incentives are valuable tools used to encourage the revitalization of low-income communities. Ideally, the incentives are designed to offset the financial risks of investing in low-income areas. The following incentives are commonly offered by the government and used by developers to aid in the rehabilitation of blighted communities.

**Real Estate Development Incentives**

**Low Income Housing Tax Credits (LIHTC)**

LIHTC can be used to develop more affordable housing along the North 24th Street corridor. Per the Office of the Comptroller of the Currency (OCC) website, “The Low-Income Housing Tax Credit (LIHTC) is the federal government’s primary program for encouraging the investment of private equity in the development of affordable rental housing for low-income households.” Section 42 of the Tax Reform Act of 1986 established the LIHTC tax incentive. LIHTC is a tax credit distributed as a percentage of the initial development costs of a project. Two types of credits exist: The 30 percent credit (referred to as 4%) and the 70 percent credit
(referred to as 9%). The 9 percent credits are distributed annually for a 10-year period. To be eligible for the 9 percent tax credit, projects must be financed using conventional debt without federal subsidies (OCC). The 4 percent credits are also distributed annually for a 10-year period. The 4 percent tax credit can be used in projects financed with tax-exempt bonds (OCC).

To qualify for LIHTC, a percentage of the project’s units must be reserved for low-income residents. The state government reviews the merit of development proposals and issues the credits to the most qualified projects. LIHTC benefits developers/investors in three ways:

First, tax-credits can be sold to raise equity for a specific project. Second, tax credits can be used on an annual basis to reduce the investors’ federal tax burden. Third, selling tax credits gives developers the opportunity to fund multiple projects with more private capital, thus reducing financing risks. Though tax credits can be claimed for a 10-year period, the property must remain compliant for 15 years and remain affordable for low-income individuals for 30 years. If investors fail “to comply with LIHTC-rental rules at any time during the compliance period, any previously claimed credits may be subject to recapture.” (OCC). However, tax credits cannot be recaptured after the 15-year period.

**Historic Tax Credits (HTC)**

HTC can assist with the rehabilitation of existing commercial establishments on the North 24th Street corridor. The Tax Reform Act of 1976 created the Historic Tax Credit program. HTC aids in the revitalization of existing, historically relevant buildings. The tax credit is a common incentive used to revamp older neighborhoods. Per the OCC’s Fact Sheet on HTC, a property must be “listed on the National Register of Historic Places or architecturally contributing to a National Register district.” (p. 1) to qualify for HTC. As shown in Figure 5, North 24th Street has a few properties on and near the corridor that qualify for Historic Tax
Credits (e.g. Jewell Building, Webster Telephone Exchange Building, Broomfield Rowhouse, etc.). HTC gives a one time “tax credit equal to 20 percent of the qualified rehabilitation expenditures (QRE)” (OCC). Similar to LIHTC, developers can sell the tax credit to a third party to raise equity for a project.

**Tax Increment Financing (TIF)**

Tax increment financing is a local government financing mechanism that developers/investors can leverage when seeking funds for a development project in a blighted area. Per the City of Omaha Planning Department’s website, development projects must be within a community redevelopment area (CRA) to qualify for TIF. Before TIF funds are disbursed, the project must meet criteria such as the following: must be economically feasible, must preserve pre-existing tax revenues, and must be consistent with the City’s Master Plan. TIF allows developers to “borrow against the future, incremental property value of a project for up to 15 years to help fund part of the project’s cost” (City Planning). After the 15-year period, once the TIF loan is paid off, the new project generates additional property tax revenue. For example, Fair Deal Village Market Place, located on the corner of 24th and Burdette Street, was able to secure $195,000 in TIF funding. The $195,000 is the present value of the future incremental property tax revenue the development will generate over the 15-year period. Governments value TIF as it
provides a way for empty and vacant lots to be rehabilitated, which improves neighborhoods and brings in additional city funds.

**Tax Credit and TIF Drawbacks**

With traditional tax credits, significant upfront costs and expertise are often required and these “heavy front-end expenses can deter investors from applying for them” (CEO Alicia Clark, Seldin Co.). All three development incentives (i.e. LIHTC, HTC, & TIF) require the submission of expensive development plans. Plans are usually created by a team of professionals such as architects, engineers, and lawyers, to name a few. LIHTC developments must be designed to sufficiently serve low-income residents. HTC properties must maintain the original design of the property. TIF properties must be aligned with the City of Omaha’s Master Plan. Moreover, developers are not guaranteed an incentive. The risk of losing upfront costs is high as funds are only awarded if plans are approved by the state or local government. Furthermore, if awarded an incentive, the administrative costs associated with remaining in compliance of regulations may offset or decrease profitability.

TIF projects are often controversial. In theory, TIF incentives are used to raise property values in a community, which leads to additional future property tax revenue. However, people sometimes despise the use of TIF, as the projects are funded by tax revenue that would otherwise go towards funding public services such as schools, police, and fire protection. Moreover, the additional property tax revenue generated from the TIF project does not benefit the public until after the 15-year period. Developers must be wary of the potential for community backlash when applying for TIF funds.

The complications associated with each of the development incentives highlighted in this section may dissuade some developers. North 24th Street is already a risky endeavor to most,
and the complexities and uncertainties of the mentioned economic incentives can be daunting. Fortunately, a promising new tax incentive has been introduced that requires less risk and has fewer administrative hurdles for investors.

**Qualified Opportunity Zones (QOZ)**

Section 1400Z of the Tax Cuts and Jobs Act of 2017 gave birth to a new real estate tax incentive that is less complex than the other tax incentives: Qualified Opportunity Zones (QOZ). The tax incentives discussed in the previous section are limited to the investment and development of real property. The Opportunity Zone tax incentive is an invaluable tool that can be used to completely revitalize a local economy. Per the publication titled, *Initial Qualified Opportunity Fund Guidance Released – Taxpayers may now Seize Qualified Opportunity Fund Program Benefits*, written by Jeffery R. Schaffart and Michael J. Keblesh, “This program is designed to incentivize the reallocation of capital to designated low-income census tracts called (QOZs).” Before investing in a QOZ, a Qualified Opportunity Fund (QOF) must be created. A QOF is the investment vehicle used to invest in QOZs. “A QOF must be taxed as a corporation or partnership for federal income purposes and invest at least 90% of its assets in QOZ property.” (Schaffart & Keblesh, p.1).

How does the QOF benefit investors? Capital gains from any investment (e.g. real estate, stocks, etc.) can be reinvested into a QOF to defer capital gains tax until December 31, 2026 or earlier, if the QOF investment is sold before then. If the investor holds QOF interest for five years, the deferred capital gains are recognized at 90 percent of their value, thus reducing federal tax liability by 10 percent. If QOF interest is held for seven years, the deferred capital gains are recognized at 85 percent of its value (reduced by 15%). If interest in a QOF is held for 10 years,
“taxpayers [investors] may make a tax-free sale… and permanently exclude from income the appreciation of the QOF interest.” (Schaffert & Keblesh, p.2).

How does QOZ benefit the community? The Secretary of Housing and Urban Development, Ben Carson, eloquently stated the benefit of opportunity zones: “By offering incentives to encourage investors to think in terms of decades instead of days, opportunity zones ensure that development is here today and here to stay.” A Qualified Opportunity Zone property “consists of (i) QOZ business property, (ii) QOZ corporate stock, and (iii) QOZ partnership interests.” Simply put, a QOF can invest in the real estate or the businesses within a QOZ. The tax incentive is not limited to real estate and instead supports comprehensive economic development of low-income communities.

Since the program is relatively new, guidance on how to use a QOF to invest in businesses is still in the early stages and most investors have elected to use the incentive for real estate purposes. As shown in Figure 6, North 24th Street is located within a QOZ and can benefit from the tax policy. Using a QOF to invest in the community is simpler than the other tax incentives (e.g. LIHTC, HTC, TIF), as there is less government interference. The freedom associated with investing in the QOF makes the opportunity zone a more appealing incentive to investing in property on North 24th Street.

Although development incentives may be appealing, the fear of the unknown can still inhibit investments in low-income communities. Bridging the gap between investors and
residents of the community is crucial to revitalizing a low-income area. Fortunately, an up and coming non-profit can serve as a liaison. Spark Community Development Intermediary (CDI) is an organization that specializes in connecting community leaders to the funds necessary to revitalize distressed communities. The “Spark Strategic Plan 2018-2023” concisely summarizes the mission of the organization:

Spark, as a financial partner, will link private investors to local economic development opportunities by leveraging our specialized knowledge of the area, providing gap funding resources, and developing community relationships to structure deals that have both financial returns and social and economic benefits for area residents. (p.8)

Communication between community leaders and developers/investors is vital to create the synergy necessary for successful revitalization. Failure to communicate and collaborate effectively can lead to negative repercussions for both parties. When working alone, investors/developers run the risk of investing in projects that the community does not and will not support. On the other hand, when the community works alone, it may struggle to finance development/redevelopment projects and/or lack the expertise to successfully execute projects. The shared risks could prevent adversarial relationships and distrust between the two parties. The open dialog also addresses the risk of gentrification.

III. AVOIDING GENTRIFICATION

A newly revitalized community may attract wealthier demographics thus increasing the risk of low-income residents becoming displaced. In a study titled “Gentrification and Displacement”, by Lance Freeman and Frank Braconi, gentrification is described as a “dramatic shift in demographic composition toward better educated and more affluent residents”, occurring after the redevelopment of inner-city communities. Gentrification is arguably one of the most
commonly deployed weapons against the prospect of real estate development.

Investors/developers use the term to obfuscate the fear of investing in low-income areas. Community constituents use the term when proposals of new developments evoke fear of displacement. While gentrification is a real phenomenon that has occurred in some cities across the nation. The fear of gentrification can potentially hurt communities more than the act of gentrifying itself.

The study conducted by Lance Freeman & Frank Braconi analyzed the trends of New York City subboroughs (Chelsea, Harlem, Williamsburg, etc.), identified as gentrified, to examine the implications of real estate redevelopment and the influx of a more middle-class demographic in low-income communities. The study sought to challenge the notion that gentrification leads to the immediate displacement of low-income residents. The study found that perhaps gentrification has the opposite effect on communities, as “the analysis indicates that rather than speeding up the departure of low-income residents through displacement, neighborhood gentrification… was actually associated with a lower propensity of disadvantaged households to move.” In summary, the study found that instead of real estate development displacing low-income residents, they were more inclined to stay in the neighborhood. In fact, more people are displaced from declining neighborhoods than gentrified neighborhoods. This finding is in large part due to the advantages highlighted in section I of this paper, such as increased accessibility to employers, more neighborhood amenities, and better public services.

**Community Involvement & Planning**

A development needs widespread support before it should even be considered. A major contributing factor to the rise or decline of a neighborhood is its people. If change is needed in a neighborhood, the people **must** speak up and take-action. A designated community organization
should serve as the voice of the community. In an article titled “We Live Here Too: Incorporating Residents’ Voices in Mitigating the Negative Impacts of Gentrification”, Malo Andre Hutson asserts “To mitigate the potentially negative effects of such changes [development], longstanding community residents must organize and make their voices heard” (Hutson, p. 1). To effectively ensure that all parties involved benefit from a project, “governments and developers should work to include such residents in the planning of urban revitalization projects from the outset” (Hutson, p. 1). The foundation of a North 24th Street revitalization effort must therefore stem from the collaboration of city planners, investors/developers, and the community.

A collectively created and comprehensive plan must be implemented before a development and/or rehabilitation project is considered. When speaking to Attorney Jeff Schaffart, tax specialist at the Koley Jessen law firm, about Opportunity Zones, he stressed the importance of having a vision or plan before investments are made. The onus should be on community members and the local government (i.e. city planning) to ensure that new developments fit the fabric and the synergy of a community. Drafting a plan or a vision for the community should be the very first item on the revitalization agenda. According to Malo Andre Hutson, it is important for the community, whom he refers to as the coalition, “to be heard early and often in the planning of a major development project.” (p. 9) Furthermore, “For governments and developers, too, it is much better to hear residents’ voices early in the planning process rather than belatedly in protests and litigation” (Hutson, p. 9). Omaha City Planning has already taken the initiative to engage the community on a development plan on and near North 24th Street.
The Holistic Neighborhood Revitalization – Neighborhood Action & Fact (NAF) is an Omaha City Planning revitalization plan for the neighborhood bordered by Sprague Street and Wirt Street, between N. 27th Street and N. 24th St, as shown in Figure 7. Per the “Environmental Assessment for Neighborhood Action and Fact Redevelopment Area” study, the purpose of the NAF plan is to “develop and implement a holistic neighborhood revitalization plan with input from the community.” It serves as a good example of the planning phase. Once plans for the community are complete, investors/developers will have a more solidified and credible basis for the development and rehabilitation of the area. The NAF plan “allows for low-density multi-family housing and mixed-used development,” and may be financed with “Community Development Block Grants, City Redevelopment Bonds, Tax Increment Financing, and private development funds.” (NAF). The project will likely be the impetus of the North 24th Street revitalization. If successfully executed, the project will exemplify the strength in the coordination of private investors/developers, the local government, and the community to revitalize a declining area.

**Controlling the Outcome**

To aid in the preparation and control of a revitalization plan, astute investors and/or organizations within the community must “control the ground”. What does this mean? One way to avert the risk of gentrification is to own the land. Seventy-Five North Revitalization Corp CEO, Othello Meadows, has become a revitalization trailblazer in the North Omaha community. When speaking with Meadows he vehemently stressed the importance of land control by stating...
the community must “be proactive with property acquisition. It’s a good way to insulate yourself against gentrification.” The empty lots on the North 24th Street corridor are relatively inexpensive. Having control over the vacant lots adds an extra layer of protection against gentrification and gives the community a stake in the development efforts. In addition to securing the land, the community should also implement legal protections.

The Opportunity Zone tax incentive provides the power to funnel capital directly to real estate development and rehabilitation projects. Individuals and institutions have already begun to create funds for specific areas; for example, Goldman Sachs “created an opportunity fund to invest in a project that will add affordable housing to New York’s Jamaica neighborhood” (Bloomberg News). Developers/investors should collaborate with the North 24th Street community to create a Qualified Opportunity Fund (QOF) specifically for the corridor. As a corporation, the QOF must have an “Articles of Incorporation”. The incorporation documents should include a provision stipulating that approval by community representatives must be gained before the commencement of a rehabilitation or development project. Although many investors/developers have good intentions, having this legal safeguard protects against any deviations from original agreements.

Another effective control mechanism that communities have historically deployed to influence real estate development is the Community Benefits Agreement (CBA). According to an article titled “Community Benefits Agreements: Definitions, Values, and Legal Enforceability” by Julian Gross, “A CBA is a legally binding contract (or set of related contracts), setting forth a range of community benefits regarding a development project, and resulting from substantial community involvement”. (Gross, p.3). By implementing a CBA for the North 24th Street corridor, the community can ensure that development projects are beneficial
to residents, assist in the overall economic growth of the area, and prevent displacement caused by gentrification.

The fear of gentrification is understandable, but it should not paralyze the economic growth of a community. People prefer to live in communities that are thriving rather than economically imperiled. To sustain the population near North 24th Street, a change needs to be made. Administering a development plan to address the needs of the community is critical. Carrying out the plan is equally as important. Owning the land and using legal protections (e.g. contract provisions, CBA agreement) are effective ways to maintain control of a project. Ultimately, developers must build “something that appeals to multiple types of people” (Meadows), without compromising the well-being of current residents.

**CONCLUSION**

Lifting a community from economic despair requires the collective strength of multiple parties (private investors, local governments, and community representatives); a single party can’t do it alone. Successful businesses, quality buildings, decent housing, and community morale are essential building blocks that make up the health of a local economy. When one block falters the entire system crumbles. Real estate is the mortar that holds the blocks together. Therefore, the North 24th Street corridor will never realize substantial economic growth without real property investment. Will the investment be highly profitable immediately? Probably not, but it could generate a higher long-term return than other investments. How?

1) Commercial real estate development creates space for businesses, which brings accessible jobs to the community. Result: Higher employment and increases in median household incomes
2) Commercial real estate development eases the “broken windows” theory (i.e., reduces crime enhanced by empty buildings and vacant lots). Result: A safer community

3) Commercial real estate development (e.g., multi-family, mixed-use) helps alleviate the affordable housing shortage. Result: additional housing, increased density, and urban infill.

4) Commercial real estate development draws people from all over the city to the corridor. Result: Increase in economic activity.

5) Commercial real estate development increases property values. Result: An increase in wealth for property owners in the community, higher returns for investors, and additional tax revenue for the city and county.

An investment along the corridor is not an investment in a building, but an investment in the community. In the long-term, a single investment can result in an inconceivably high return buoyed by a strong local economy. A wise man once said, “someone is sitting in the shade today because someone planted a tree there a long-time ago” (Warren Buffett). Let’s come together and revitalize the street of dreams – one tree at a time.
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Figure 3. Chart of the Week: Transportation Equity is Key to Inclusive Prosperity in the Omaha Region, Retrieved from National Equity Atlas (March 2019)

Figure 4. North 24th Street Proximity to Downtown Omaha, Retrieved from Google Maps (March 2019)

Figure 5. Historic Places near North 24th, Retrieved from Google Maps (March 2019)

Figure 6. North 24th Street QOZ, Retrieved from opportunity.nebraska.gov (March 2019)

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