

PPI Metro Policy Play #4

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Location: Columbia, S.C.

Program: Building “A Sense of Place” In a Formerly Neglected Downtown

Play: Transform a once-fading downtown into a magnet of residential and business development – using CDBG funding as leverage for millions of dollars of additional private investment.

Results: For relatively modest public outlays, Columbia has reaped sizable gains for its downtown and other neighborhoods. In one building-restoration initiative, the city parlayed \$745,000 in CDBG funding into nearly \$7 million in urban-core private investment.



SUMMARY

Over the final three decades of the 20th century, one of the defining features of American life was the abandonment and deterioration of historic urban centers. In cities large and small, from coast to coast, residents and dollars followed the interstate highways out of the old commercial downtowns and out to the suburbs.

Columbia, S.C., may be an exceptional town in some respects – it is, after all, both a state capital and the home of the University of South Carolina – but even these enviable assets could not save it from the centrifugal forces that were leeching the vitality of Downtown U.S.A. during the Seventies and Eighties. College kids and civil servants weren't enough to prevent Macy's and other department stores from either decamping for the 'burbs or shuttering entirely.

Today, of course, the story of the American urban core is more nuanced, with many city centers teeming with renewed popularity while others continue to struggle. Columbia is very much in the former column. Its Main Street District is now home to chic clothiers, upscale

bars, an art-house movie theater, a weekly farmers-and-artisans street market – and a contagious sense of forward momentum.

“If we were able in our city to create connected, walkable experiences, we felt that we could attract people to our urban core,” said Steve Benjamin, Columbia’s mayor since 2010. “If your Main Street’s alive and vibrant, then people say your city’s alive and vibrant. If it isn’t, then businesses and people who live there will leave downtown with an idea that their city is not happening.”

The fact that Columbia is now firmly in the “happening” category is due in no small part to a policy innovation instituted by Mayor Benjamin and his administration – an innovation that is eminently replicable in cities and towns of all sizes.

The policy centers on one of America’s most venerable urban-renewal mainstays: the Community Development Block Grant program. What’s noteworthy about Columbia’s use of CDBG funds is its success in leveraging public dollars to generate far larger private-sector investments, in two specific areas: downtown-building restoration and affordable housing.

The restoration initiative is known locally as the Façade Grant Program, and it focuses on making the most of one of Columbia’s signature assets: Generations historic older buildings that have developed in and around downtown since the final years of the 18th century.

As Mayor Benjamin explained it, “People are attracted to aesthetically pleasing, beautiful buildings.” To ensure that more of Columbia’s aging architectural gems remained standing, the administration offered property owners \$80 for every \$20 they spent restoring their structures

to their historic status, with maximum grants of \$35,000 per project.

With roughly \$745,000 in CDBG funds, the Façade Grant Program generated nearly \$7 million in private investment for the commercial core around Main Street. The results have been sufficiently impressive for Mayor Benjamin to expand the program to other historic business districts around town – and to invite fellow mayors from across the nation to see Columbia’s achievement for themselves.

As president of the U.S. Conference of Mayors, Benjamin brought 60 municipal chief executives to his hometown for the organization’s annual gathering last September, making a point of taking the top elected officials of New York City, Boston, Miami, and other major cities on a walking tour of Main Street – demonstrating that the connection between historic architecture and urban vitality was alive not only in big-city enclaves like Greenwich Village, Beacon Hill, and South Beach, but also in the heart of the Palmetto State.

Besides the Façade Grant Program, the other primary usage of Columbia’s CDBG funding is the creation of affordable housing.

Here too, the city has found ways to get more for its money. Typically, when a town applies CDBG dollars toward residential development, it will use that money as a grant to directly reduce the cost of a home – if a house or apartment costs \$100,000, City Hall would give you \$10,000 to reduce the effective cost to \$90,000.

It’s a straightforward approach, but Benjamin and his team thought there might be a more powerful way to deploy CDBG residential funding. “We decided instead to use it as a tool to stretch it a whole lot further,” he said.

Here's how. Columbia decided to sequester CDBG funds over a period of years, building a nest egg. The city then approached banks with a proposal: We'll bring you a group of prospective homebuyers – most of them earning less than 80 percent of the local median income. If you'll take on 80 percent of their home mortgage, the city will use the sequestered CDBG money to cover the remaining 20 percent, eliminating the need for a down payment.

The buyers, many of whom had never before owned a home, would be on the hook for a relatively small amount – somewhere between \$500 and \$2,000, depending on income. For their part, the banks enjoy a reduced burden of exposure, and are consequently able to offer lower interest rates.

Columbia has used the program to encourage home ownership in infill areas and historically disadvantaged neighborhoods. Three years ago, the city created a modification specifically for police officers, paying a residency bonus that would also serve as the down payment on a home.

All told, Columbia's CDBG home-ownership program now has approximately 600 loans on the books, worth about \$130 million – and a total default rate of less than 1 percent.

Overseen by the Department of Housing and Urban Development, CDBG has distributed funds to thousands of communities nationwide since its establishment in 1974. Some of those funds go directly from the federal government to cities, while the balance goes to the states, which parcel them out to smaller towns.

A major element of CDBG's political durability is its flexibility: Instead of imposing solutions from D.C., it invites localities to design their

own plans for serving low-income and middle-income residents. Mayors and city councils have used CDBG money for everything from homeless shelters to health centers, from parks to public infrastructure.

Despite its successes and its longevity, CDBG has foes in high places. Three months into the Trump administration, Office of Management & Budget Director Mick Mulvaney told reporters that "CDBG does not work." The White House targeted CDBG for elimination in its budget for Fiscal Year 2018.

But then something interesting happened. The GOP majorities in the House and Senate momentarily abandoned their normal fealty to Trump and not only restored CDBG funding, but actually increased it.

And so – even with CDBG critic Mulvaney having risen to the position of acting White House Chief of Staff – the program now looks as secure as ever, especially with one chamber of Congress now in Democratic hands.

"I'll give the Republican leadership credit for not adopting the White House budget, and making sure that CDBG funding was a priority," said Benjamin. "I'm even happier that we'll have divided government right now – I think it will make sure that this program remains alive and vibrant."

The mayor explained the program's deep bipartisan appeal: "As I've told the president, and as I've told other members of Republican leadership, this isn't 'money for the cities' – these are repatriated tax dollars. This is our money. This is not the federal government's money. And we want that money to come back home to build our cities, the cities that are driving the American economy."

LESSONS FOR LEADERS

- Perhaps most fundamentally, regard public spaces – from storefronts to sidewalks, from parks to plazas – as catalysts of energy and growth, for small cities as well as large ones. While many municipalities have successfully embraced this lesson, many others still have not.

Mayor Benjamin referred to “how important it is to build a sense of place” and the value of “investments in place-making.” Such investments – including CDBG disbursements – can pay off significantly in heightened business activity; increased tax revenue; and rising levels of residential and commercial occupancy.

Recognize the unique value of investment focused on a single neighborhood, rather than dispersed citywide. For political reasons, it’s often easiest for city leaders to win support for expenditures that trickle out to a large number of wards or neighborhoods. However, there is a potent case for instead concentrating funds in a geographically compact area that is primed to blossom – such as a historic downtown.

By allocating such funds deeply in a single area rather than broadly across a city (at least at first), municipalities can create nodes of density and activity that could eventually generate positive returns for an entire community. This is what has happened in Columbia, which devoted its CDBG funds to the Main Street district before branching out to other neighborhoods.

“There’s always a desire to do something citywide, but in this instance we determined we would have maximum impact if we focused on one specific geographic area that was important to the entire city,” said Mayor Benjamin.

- Take full advantage of one of the most important traits of CDBG – its adaptability to local circumstances. Benjamin refers to the program as “an incredible tool that serves as a wonderful, flexible tool to help catalyze neighborhood redevelopment.” That malleability is a crucial ingredient; it empowers mayors and city councils to tailor funds for their community’s unique strengths and needs.

In short, get creative – whether it’s in finding ways to team up with private-sector partners (for example, Columbia has cooperated with the Wells Fargo Neighborhood Lift program to strengthen home-ownership incentives) or to find wholly novel applications of funds. Within the limits of the program’s rules, local officials have a broad ambit in the deployment of CDBG dollars, so begin from the standpoint of your city’s particular situation.

- Become an advocate for CDBG. For all of CDBG's contributions to prosperity and opportunity in Columbia and elsewhere, the program could be doing far more. If Congress had kept CDBG on pace with inflation, the program's funding level would be about three times larger than its present \$3 billion.

As the pushback against the proposed elimination of CDBG showed, senators and representatives pay heed to local testimonials on the value of the program. "They realize it works," said Benjamin. "They get that feedback from their local leaders at home, who are on the ground using these programs to build communities."

If your community has already benefited from CDBG, join the fight to sustain and build the program; if you are using it for the first time, be aware that your voice matters in keeping it alive – both for your own town and for others nationwide.

To learn more about Community Development Block Grants and how your community might make use of the program, visit the program's website. To learn more about Columbia's use of CDBG funding, you can also contact Francis Harvin at fhharvin@columbiasc.net.



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