

*CHICAGO  
NEIGHBORHOOD  
INCLUSIVE  
REDEVELOPMENT  
STRATEGY*

UPDATED MARCH 2020

# STATEMENT OF NEED: ADVANCING EQUITABLE REDEVELOPMENT IN CHICAGO

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 lakefront—the population has become much wealthier and less racially diverse than the City as a whole. In the process of redeveloping these communities, poor and working-class residents were excluded and displaced through external “investment” in their now-former communities. These communities need public sector intervention to ensure that beneficial impact from development accrues to their residents. The status quo has excluded Chicago's low- and moderate-income families and communities, resulting in statistically significant outmigration (as identified in US Census and annual population change reports).

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 community-driven decision making, rather than redevelopment through displacement—resulting in both agency and equity for residents of redeveloping communities. New tools are needed to support this paradigm shift, and Delta believes that the first tool needed to lead this transformation is a land bank integrated with a land trust and controlled by the communities that use it.

## **Delta Institute's History of Addressing Community Inequities**

For over 20 years, Delta Institute staff has answered calls for assistance from communities facing multiple environmental and economic challenges that often result from the mismanagement of vacant land. Communities in the South, West, and North sides have requested and received assistance from Delta, with a common need being the development of capacity at the local level to steward and advance community investment and financial assistance. To provide financial assistance, Delta Institute has solicited grants, worked with lenders to create loan programs, and established a New Markets Tax Credit fund. We interviewed land trusts, land banks, and community development corporations to determine that merging the capacity of both a Land Bank and Trust with technical assistance should provide the support necessary for community redevelopment through inclusion and empowerment.

As a direct result of the above, 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 their own redevelopment to achieve equity by building agency, assets, and opportunities for their residents.

### **Building on Our Region's Current Progress**

CNLB&T's land bank capabilities are designed to supplement the work of Cook County Land Bank Authority by helping fill marketplace voids and more intentionally including community members throughout the decision-making process. The CNLB&T will also accelerate and steer market-generated residential and economic redevelopment by holding and preparing land for sale. The CNLB&T is intended to acquire titles to vacant, abandoned, and tax-delinquent properties; eliminate 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 properties to develop, which may or may not be tax delinquent.

CNLB&T may have collaboration opportunity with the Chicago Community Land Trust and the Chicagoland Owners Land Trust. While the City of Chicago established the Chicago Community Land Trust in 2006, this quasi-public entity does not hold ownership to any land and thus 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 does not provide the community control and capacity building we seek in order to change the redevelopment paradigm in Chicago. Additionally, 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 Delta Institute is optimistic about these ventures, we have identified that non-housing, community, and economic development-focused support is desperately needed by community development corporations.

### **A Holistic Approach: Both Land Bank and Land Trust**

The land trust capabilities of CNLB&T will help steer equitable, affordable redevelopment. Community Land Trusts (CLTs) retain ownership of land and employ ground leases for residential, commercial, and community service uses to catalyze development that provide long-term stability and empowers low- and moderate-income residents. CLTs 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.

CLTs 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 slow non-inclusive redevelopment by strategically purchasing and leasing property at affordable rents. In

weaker markets, the community could accelerate redevelopment by actively cultivating businesses through lease incentives at targeted properties.

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—like they would in CNLB&T—with coordinated action and a common goal. The land bank and land trust are designed to complement each other to manage redevelopment pacing so that its driven by community engagement and not exclusively by outside interests. 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—resulting in 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 and support only job generation and workforce development uses. At the same time, the land trust might step up support for affordable housing development to balance increased market activity while protecting commercial space for existing resident-operated businesses.

By working together as a holistic unit, CNLB&T's land bank and land trust capabilities can harness market forces and balance them with pressing investment and economic needs to build equity and assets for Chicagoans who had been left behind by the prevailing redevelopment through the displacement and replacement paradigm.

### **Expanding Capacity in Chicago's South and West Sides**

In addition to land bank and land trust capabilities, community groups have expressed that technical assistance is value-additive for community group partners as we collectively pursue responsible community development, particularly for commercial and industrial development. Delta Institute has previously engaged 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 Community Development Financial Institution Funds.

# HOW WOULD THE CHICAGO NEIGHBORHOOD LAND BANK & TRUST ADDRESS THIS NEED?

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

- Entering 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 and assembling high priority parcels to create strategic new redevelopment opportunities; and,
- 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 all 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 accept private donations of) property, as well as successfully own property in perpetuity;
- Issuing ground leases while selling the buildings on specific properties;
- Requiring covenants of the buyers to sell to other community-oriented buyers while monitoring those sales for covenant fidelity;
- 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 properties for 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;

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

As a **community-controlled** organization, CNLB&T would support community-based organizations (CBOs) 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 CBOs 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 that they control but do not have to operate;
- Allowing the CBOs to continue operating outside of a landlord-tenant relationship with their constituents;

- 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;
- Leveraging and attracting capital to purchase and improve properties;
- Fundraising for affordability subsidies;
- Compensating CBOs for agreed upon services they provide;
- Creating a mechanism for residents to invest in projects if they choose.

CLTs are known for being a cost-effective way to create and maintain affordable housing and commercial buildings. CLTs should become self-sufficient and can fund their own operations. However, funds for property acquisition and initial affordability subsidies are likely needed on an ongoing basis.

## *DELTA INSTITUTE'S SOLUTION: CREATION OF THE CNLB&T*

To catalyze the creation of CNLB&T, Delta proposes collaborating with local communities to:

- Explore 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 our 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 our 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 communities that might want CNLB&T’s services but prefer to be collaborators rather than members;
- Develop a business plan and financial pro forma that projects CNLB&T’s growth, revenue, and operations from start up through the first five years;
- Identify potential funding sources for start-up, land acquisition, operations, and technical assistance;
- 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;
- Build the capacity of member or potential member CBOs over time and structure standards and incentives for CBO performance; and,
- Work with member and collaborating CBOs over time to impact policy related to CNLB&T’s mission of redeveloping communities through empowerment not displacement.

History shows us that redevelopment in Chicago will continue to lead to displacement and greater inequality, unless intervention with a new approach and related strategy are created and implemented—specifically empowering low- and middle-income communities to direct development for their benefit and equity stake. 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. 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 have been left out or 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 CBOs with common interest, new resources, and independent sources of wealth to become a force for change that strengthens communities.

### Next Steps

We see this CNLB&T strategy as large and transformational with the potential to provide millions of dollars in development annually. However, resources are needed to thoroughly develop this concept, business plan, and pilot in communities facing different constraints. We propose the following phases over an 18-month period to begin developing the CNLB&T:

**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) while working in tandem with Chicago Community Loan Fund staff to complement efforts in planning 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, and 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. Many skills ranging from general to technical are needed to develop and operate the CNLB&T, including legal, finance, business planning, and negotiation skills. 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 determine interest and understand their needs for success. While multiple programs seek to help businesses, they are not executed in business-friendly ways. Therefore, it is important that potential recipients and program participants respond to whether this would work for them to avoid fatal flaws.

1.f. Enact implementation plan for CNLB&T with budget, rollout, and timeline 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 four 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 need to aggressively market development opportunities; and communities confronting development pressure, gentrification and displacement.

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 needs in different pilot programs to inform a larger citywide effort.

2.c. Create summary reports advising 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.

**Objective 3: Build understanding and support for CNLB&T as the first tool toward a paradigm shift in support of redevelopment through empowerment.** Engage with the professional planning community about this work by making 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.

Delta Institute works with and listens to communities to help them meet their identified development goals. The CNLB&T is a powerful potential tool for us to unlock capital with our community partners, creating economic opportunities while mitigating both environmental issues and displacement through gentrification.

# 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, the communities most impacted lack the capacity and resources to effectively address these challenges. When planning and redevelopment efforts occur, residents are often excluded by decisionmakers to meaningfully engage.

We seek to ensure that local stakeholders are inspired and well-positioned 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 collaborate with communities in tackling challenges like brownfield redevelopment, coal community transition, and poor air quality. We've done that by facilitating stakeholder dialogues as well as 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 dialogue resulted in the articulation of nine shared guiding principles that laid the groundwork 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. The redevelopment for one of these sites is under consideration as a finalist for the Pritzker Traubert Foundation's inaugural Chicago Prize.

**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, a \$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 developed a strategy for prioritizing its 6,000 vacant structures for demolition, contractor training for Gary businesses, a workforce development strategy for efforts, two 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 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 the requirements of the NMTC program and was released from further reporting.

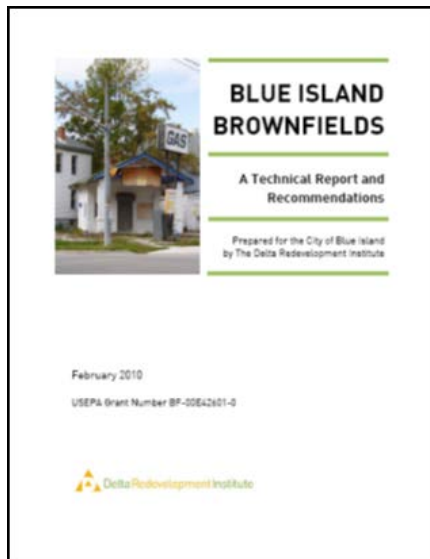
**St. Louis Deconstruction Initiative:** In 2017, the City of St. Louis and its sister agencies engaged the Delta Institute to work with them to maximize environmental, local economic development, and social outcomes for their imminent \$2 billion investment in demolition and green infrastructure for 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:** 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 (CSEDC):** 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.

## Contact us

Phone 312-554-0900  
Email [info@delta-institute.org](mailto:info@delta-institute.org)  
Website [delta-institute.org](http://delta-institute.org)



DeltaGreatLakes



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