

Major Public Funding Sources to Reconnect Communities

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Federally funded highway construction **decimated Black and lower-income neighborhoods** throughout the country in the 1950s and 1960s, often intentionally.

Now that some cities are planning to **reconnect these neighborhoods through redevelopment**, these processes must be informed by residents of affected communities.

Organizations that represent residents, such as **Hinge Neighbors** in Rochester, NY, can harness a variety of resources to pursue community goals in these redevelopments.

When the federal government invested billions of dollars in highways beginning in the 1950s, **Black and lower-income neighborhoods** across the country were razed or cut off from surrounding communities. In **some cities**, like Birmingham, Alabama, the highway system was designed to maintain the racial boundaries that had been established through racial zoning laws. In **other cities**, such as Nashville, Tennessee, planners rerouted proposed highways to prevent harming white-owned and -operated businesses and instead used them to demolish or relocate Black-owned businesses. These highways have had long-lasting negative health and environmental consequences on adjacent communities. Because of their destructive urban form, these highways tend to **discourage taking transit or walking** and increase exposure to **health-damaging particulate** and **noise pollution**.

Now, **cities throughout the country** are attempting to right those past wrongs and reconnect communities that were damaged by highway construction. The **Infrastructure Investment and Jobs Act**, passed in 2021, allocates \$1 billion for a **Reconnecting Communities Pilot Program** that will fund projects to integrate neighborhoods destroyed by highways, including through highway removal and the creation of pedestrian-friendly boulevards.

Marketview Heights, a majority Black and Hispanic lower-income neighborhood in Rochester, New York, is one such community. It was divided and partly destroyed by the construction of the city's Inner Loop highway in the 1950s. The city government is now developing plans to **remove the northern portion of the highway** and reconnect Marketview Heights with Grove Place, a whiter, wealthier neighborhood to the south. This follows the removal of **the eastern portion of the Inner Loop** in 2017, an investment funded by **federal, state, and local grants**. That project replaced a grade-separated freeway with a much narrower, landscaped surface street and, in the process, opened up parcels of land for redevelopment and created safer routes for pedestrians and cyclists.

Residents of areas affected by projects such as these are pushing to have a voice within the redevelopment processes intended to benefit their neighborhoods. Nonprofit organizations representing community groups, such as **Hinge Neighbors** in Rochester, are helping residents do this by advocating for their priorities. According to the group's founders, some residents of Marketview Heights are concerned that the first phase of highway removal created a neighborhood environment incompatible with their goals for the neighborhood, including new housing that was out of scale with the surrounding community and unaffordable to existing residents, as well as streets and alleys that were not pedestrian friendly. At the request of Hinge Neighbors, this fact sheet provides information about federal, state, and

local funding streams that could support their goals and those of other groups nationwide looking to reconnect communities split by highway construction in an equitable and community-led manner.

POTENTIAL FUNDING SOURCES FOR INCLUSIVE REDEVELOPMENT

In addition to funds for highway removal, cities need resources to ensure that the development that follows allows residents to remain in place, supports pedestrian-friendly road reconstruction, and prioritizes community-driven economic development. These projects should not wait until after the highway is removed—their development needs to run in parallel with, and in some cases before, the removal’s planning process. [Coronavirus State and Local Fiscal Recovery Funds](#) are a possible source of funding for these initiatives, depending upon the local priorities. In Rochester, the priorities identified by Hinge Neighbors align well with the key themes in the city and county’s recovery plans of [transportation, housing and infrastructure, economic growth, and community development](#). But other local, state, and federal dollars could be used to support these additional goals. This section outlines several major federal, state, and local funding sources that groups such as Hinge Neighbors could advocate for to support such redevelopment in three categories: transportation, housing, and community and economic development. These categories were selected based upon the expressed goals of leaders in Marketview Heights and Grove Place in the redevelopment of their community, (communicated to us during a discussion with Hinge Neighbors in March 2022): they would like pedestrian-friendly and safe roads, affordable housing with homeownership options so residents can remain in place as the community redevelops, and community and economic development activities that align with their preferences for density and neighborhood amenities.

TABLE 1
Major Programs and Grants Available to Advance Inclusive Redevelopment

Transportation	Affordable housing	Community and economic development	
Reconnecting Communities Pilot Program	Low-Income Housing Tax Credits	New Markets Tax Credits	Community Economic Development projects
RAISE Grant	HOME Program	Community Development Financial Institution Program	State/Local Departments of Development
National Infrastructure Project Assistance	National, State, and local Housing Trust Funds	Community Development Block Grants	The Sociological Initiatives Foundation Grants
Safe Streets and Roads for All Grant Program	Tax Increment Financing	EDA Grants and Programs	
Federal Highway Formula Grants	Multifamily HUD loans for nonprofit development	Community Services Block Grant	

Source: Authors’ review of programs.

Transportation Funding Sources

As mentioned, the federal government’s new Reconnecting Communities Pilot Program offers a unique opportunity to remove highways and to rebuild connections between neighborhoods. This program, [which will fund](#) \$750 million in projects and \$250 million in planning by 2026, is intended to support jurisdictions that want to remove, retrofit, or mitigate a highway that “creates a barrier to community connectivity, including barriers to mobility, access, or economic development, due to high speeds, grade separations, or other design factors,” [according to the law](#). The owner of a road facility may apply for planning grants of up to \$2 million or construction grants of \$5 million or more. The US

Department of Transportation encourages project sponsors to form community advisory boards to track progress and facilitate engagement throughout the project, which groups like Hinge could lead.

Several other transportation programs could also be effective in supporting highway removal and replacement efforts. The Infrastructure Investment and Jobs Act provides significant new funding for [Rebuilding American Infrastructure with Sustainability and Equity](#) grants. These grants have previously been used to fund pedestrian and bike greenways or create complete streets—roadways offering safe, quality amenities for people using many modes of transportation, not just cars. They have also gone toward projects designed to improve public transportation, such as creating new transfer stations or improving accessibility for people with disabilities. City and state governments and public agencies are eligible to apply for Rebuilding American Infrastructure with Sustainability and Equity grants and should incorporate other community partners such as Hinge Neighbors into their application to ensure that the proposal is in line with the goals of residents who will be affected. Grants will range from \$1 million to \$25 million. The US Department of Transportation will judge each proposed project based on eight criteria, including safety, environmental sustainability, quality of life, mobility and community connectivity, economic competitiveness and opportunity, state of good repair, partnership and collaboration, and innovation. The department's criteria emphasize projects located in disadvantaged communities, and the department encourages projects that link land use and transportation through multimodal investments, partnerships, and adjacent affordable housing (discussed in the next section). The grants will be distributed in annual increments of at least \$1.5 billion over five years.

The Infrastructure Investment and Jobs Act also supports “[megaprojects](#)” under the National Infrastructure Project Assistance grants program (\$1 billion in 2022), Nationally Significant Multimodal Freight and Highway Projects grants programs (\$1.55 billion), and the Rural Surface Transportation Grant program (\$300 million). All three are open to local governments and use a common application. Relevant selection criteria for these projects include promoting health and safety, particularly among vulnerable transportation users; supporting economic development and job creation and supply chain bottlenecks; promoting climate resiliency; and improving quality of life through transportation equity. The US Department of Transportation will consider whether projects benefit areas of persistent poverty or historically disadvantaged communities. Finally, the act allocates \$5 billion over five years for a new program, [Safe Streets and Roads for All](#), designed for communities that are “aim[ing] at preventing transportation-related fatalities and serious injuries in a locality, commonly referred to as a ‘Vision Zero,’” [according to the law](#). This program, which will accept applications competitively from public entities, could be leveraged in concert with other funds to support highway removal.

Considerable funds are also available through “formula” grants distributed by the federal government to states and localities. Federal [Surface Transportation Block Grants](#) and [Congestion Mitigation and Air Quality Improvement](#) grants can be used for local roadway improvements, such as street reconstructions and pedestrian improvements. Further, state departments of transportation have considerable resources to improve local facilities. For example, New York State has a [five-year capital improvement plan](#) that includes about \$5 billion to be spent on roadways annually, much of it supported by state-generated revenues. All of these funds could be leveraged to help support an equitable highway transformation, but this will require collaboration and cooperation between state and local governments, working in concert with local organizations.

[Affordable Housing Funding Sources](#)

As communities like Marketview Heights and Grove Place are reconnected, localities must invest in developing and preserving affordable housing to ensure that current residents are able to remain in place and benefit from improvements. Hinge Neighbors also communicated the importance of using available funds to support the creative

economy, meaning funding not just for traditional artists but also for any creators, from garage bands to garage software developers. Affordable housing is key to supporting such creativity and entrepreneurship.

The largest source of funding for such affordable housing developments is the Federal Government's **Low Income Housing Tax Credit** (LIHTC). Since 1986, the credit has helped facilitate the construction and rehabilitation of approximately 2.4 million affordable housing units throughout the US. LIHTC provides a dollar-for-dollar reduction in an investor's tax liability. LIHTCs can fund the new construction and rehabilitation of many different property types, including traditional apartments, single-family homes, and two- to four-unit multifamily properties such as duplexes or triplexes, which may be particularly attractive for communities looking to preserve lower-density housing. Properties using these credits must cap rents for some or all of the units at 60 percent of location's area median income or below, a statistic published by the US Department of Housing and Urban Development that estimates the average housing cost in a specific geographic area.

Many cities use housing trust funds to provide gap financing for LIHTC properties—making project construction more feasible—but cities that do not yet have housing trust funds can use federal **HOME funds**, federal **Community Development Block Grant funds**, **State Housing Trust Fund dollars**, or **National Housing Trust Fund dollars** to help support LIHTC developments. In Rochester, for example, if any local governments or **land banks** own property in the Marketview neighborhood, they could donate the property for affordable housing development, thereby reducing overall development costs for those units. Residents could also consider forming **cooperatives**, or co-ops, to purchase and preserve affordable housing. Co-ops are member-owned, democratically controlled businesses that are locally based and participatory. Housing cooperatives are arrangements wherein residents do not own their units outright; rather, each resident is a shareholder in a corporation that owns the housing, with their share amount based in part on the relative size of their unit. Co-ops can promote homeownership for long-term renters and help residents in lower-income communities remain in their homes in high-demand real-estate markets. Cooperatives, such as **Dos Pinos in Davis, California**, have been successful at increasing affordability relative to incomes in the area and keeping delinquencies low among owners. To support cooperatives, cities usually need to have right-of-first-refusal laws in place, such as the **Tenant Opportunity to Purchase Act** in Washington, DC. Right-of-first-refusal laws contractually allow tenants, tenant associations, and nonprofit organizations to make offers to purchase homes or buildings being sold by owners before anyone else can bid. Local governments can also support co-ops by providing financial support, including full or matching grants; loan guarantees, loss reserves, or other forms of credit enhancement; and tax credits, deductions, deferrals, or other tax reductions.

Finally, the residents in neighborhoods like Marketview Heights could consider forming Community Land Trusts (CLTs), or linking up with a preexisting land trust like **City Roots Community Land Trust** in Rochester. CLTs are nonprofit, community-based organizations designed to ensure community land stewardship. CLTs can be used for many types of development (including commercial and retail) but are primarily used to ensure long-term housing affordability. To do so, the CLT acquires land and maintains ownership of it permanently. With prospective homeowners, it enters into a long-term, renewable lease rather than a traditional sale. When the homeowner sells, the family earns only a portion of the increased property value. The remainder is kept by the trust, preserving the affordability for future low-to moderate-income families. The most readily available sources of funding for CLTs come from the **US Department of Housing and Urban Development** and foundations focused on affordable housing, so most CLTs stay alive by continually acquiring land and adding housing to their portfolios to bring in grant money. Cities also often donate land to CLTs or assist with acquisition through gap financing.

Community and Economic Development

Several community and economic development resources can be used to promote equity and community voice within redevelopment processes. For instance, [New Markets Tax Credits](#), or NMTCs, can help fund a variety of projects, including health care services, schools and child care, community facilities, services for vulnerable populations, and affordable housing. NMTCs seek to attract private investment capital to low-income communities by providing taxpayers with credits against their federal income taxes for making qualified equity investments into specialized financial intermediaries called community development entities, or CDEs. CDEs must first be [certified](#) by the federal Community Development Financial Institution Fund and then competitively win access to provide the tax credits. After CDEs sell the credits to investors, they use the capital they receive to invest in businesses or nonprofits located in low-income communities. To get NMTCs, residents would need to link up with a CDE that either (1) already has approved credits through the program that their project would fit within, or (2) is applying for future credits that their project could be written into. Some examples of NMTC projects that might be of interest to residents of Marketview Heights include a [charter school in Miami, FL](#); a [community health center in Reading, CA](#); and an [art space in Salt Lake City, UT](#).

Rochester and other cities could also consider using [Community Development Block Grants](#) distributed by the federal government to support community development in neighborhoods like Marketview Heights. Community Development Block Grants are the most sizable, stable, and comprehensive support for community and economic development and were the mechanism through which Coronavirus Aid, Relief, and Economic Security funding was distributed in 2020. The City of Rochester's [2021–22 action plan](#) for the allocation of federal entitlement funds available through Community Development Block Grants and other programs lists the following objectives that may align with the goals of Hinge Neighbors: (1) increase the supply of affordable housing, (2) improve public infrastructure, and (3) revitalize business and commercial areas.

Cities like Rochester could also consider using Economic Development Administration (EDA) funds to support posthighway redevelopment. [EDA grants](#) fund projects designed to promote innovation, competitiveness, and economic growth throughout the country. Through these programs, EDA funds planning grants, technical assistance, large-scale construction projects, revolving small-business loan funds, and various other economic development activities. Organizations such as Hinge Neighbors could request support from universities and other groups that have received EDA funding to provide technical assistance, such as the [Ain Center for Entrepreneurship at the University of Rochester](#), which is designed to leverage university resources to support economic development strategies in the greater region.

BUILDING PARTNERSHIPS

To fully leverage these resources, community-based organizations should partner with the local, state, and other community entities eligible to apply for the wide range of programs and grants available. To begin, groups like Hinge Neighbors should identify eligible applicants for and distributors of each pot of funding. Some places to start include local community development corporations and community development financial institutions, and in Rochester, the City's [Housing Division](#), the County's [Community Development Office](#), and the [Monroe County Department of Transportation](#). In some places, the mayor's office or a separate entity like a bond issuer controls the dollars that could be used for community development. For LIHTC, community-based organizations can look to the state housing finance agencies and identify their current pipelines of projects to explore the possibility of redirecting funds to areas near the highway removal. They could also scan articles in local periodicals, such as business trade journals, to see who is investing in similar activities. Or they could interview local community development corporations and community development financial institutions. They should also reach out to the eligible CDEs that have made NMTC investments in projects in their region to see if their priorities and funds align with projects in the reconnected community.

Once the community group knows who the important actors are in making funding decisions, they should sit down with them to ask what subsidies are available, tell them what they need, and ask whether there are funds to support their efforts. By deepening community connections and solving problems creatively with their communities, groups like Hinge Neighbors have a wide array of tools they can use to pursue equitable, inclusive, and community-led redevelopment. In table 2, we list potential decisionmakers relevant to each of the funding programs we identified in Rochester. Similar decisionmakers are present in communities across the nation.

TABLE 2
Potential Decisionmakers for Each Type of Funding that Community Based Organizations Can Reach out to

Type of funding	Type of decisionmaker	Decisionmakers or potential partners in Rochester, NY
Transportation		
Reconnecting Communities Pilot Program	Project sponsor	City of Rochester Department of Environmental Services ; Monroe County Department of Transportation ; RTS Rochester Public Transit ; Genesee Transportation Council ; New York State Department of Transportation
National Infrastructure Project Assistance	Project sponsor	
RAISE Grant	Project sponsor	
Safe Streets for All Program	Project sponsor	
Federal Highway Formula Grants	State government	
Affordable housing		
Low-Income Housing Tax Credits	Affordable housing developers, state housing finance agencies	Urban League of Rochester Economic Development Corporation ; New York State Housing Finance Agency
Multifamily loans for nonprofit development: HUD 2221(d)(4) and 223(f)	Developers, builders, investors	Pathstone Development Corp.
Tax Increment Financing	Redevelopment agencies	REDCO, Harris Beach
HOME Program	Local governments	City of Rochester Department of Neighborhood, Business Development and Monroe County Community Development Office
Community development		
Community Development Block Grants	Entitlement jurisdictions	Monroe County Community Development Office
Community Services Block Grant	State and Tribal governments	NY State Division of Community Services
Community Development Financial Institution Program	CDFIs	Pathstone Enterprise Center, Genesee Co-Op
The Sociological Initiatives Foundation Grants	Advocacy or community groups	Community Design Center Rochester
Economic development		
New Markets Tax Credits	Community development entities	Ibero-American Investors Corporation
EDA Grants	Vary	Ain Center for Entrepreneurship at the University of Rochester
Community Economic Development Program	Community development corporations	NCS Community Development Corporation
State/Local Departments of Development	State or local development agencies	Empire State Economic Development Fund

Source: Authors' review of funding sources.