

## **Keystone CORE Services, Inc.: Operating Philosophy**

Community revitalization is a multi-faceted field of endeavor that encompasses a wide range of activities. All of these activities, however, ultimately seek to attain one or both of the following goals – to enhance the quality of life in a community and/or to improve the economic conditions and thereby, the economic viability of that community.

Time and time again, one of the biggest impediments identified that hinders the attainment of these two goals is a lack of capacity at the local level in the field of community and economic development. Many communities have a difficult time just being able to provide basic governmental services, let alone implement programs requiring the somewhat more specialized knowledge and skill sets required to implement a successful revitalization program. Often times, municipalities will turn to local, volunteer driven, non-profit organizations established primarily to develop the organizational capacity to undertake these revitalization efforts.

The Main Street™ and Elm Street methodologies, not to be confused with the funding programs of the Department of Community and Economic Development, provide any community that wishes to undertake a comprehensive revitalization effort with the basic conceptual framework and revitalization tools necessary to address the elements of a well thought-out , asset based and market driven revitalization plan.

Among the methodological sub-sets of both the Main Street™ and Elm Street Approaches is Economic Restructuring (Main Street) and Neighbors and Economy (Elm Street). These two elements represent the most critical component of both programs for those communities that have improving the economic condition and viability of their community as a goal. Increasing economic competition from big-box retail centers, on-line shopping and understanding the market complexities of regional trade areas have made this particular area of the overall revitalization effort among the most difficult to implement. Understanding the local market and both its socio-economic and psychographic profile is critical to implementing an overall business development -retention-recruitment campaign.

In addition to the issues of business development, retention, recruitment and market analysis, economic restructuring/neighbors and economy is also the program area that has traditionally been responsible for promoting and assisting in the adaptive re-use of the vacant, abandoned, under-marketed, and neglected structures that are so much a component of many local business districts and neighborhoods. These key “anchor buildings” through poor local market condition that might otherwise spur investment, the market realities of reduced need for storefront space in many communities of the simple neglect of the property owner, are often times a major hurdle to both the public perception and economic reality that the revitalization effort is truly having a positive impact.

Despite the fact that these “blighted” properties have both a negative impact on both the visual and economic conditions in a business district of neighborhood, in many towns these structures are allowed to continue to decay, even if a local revitalization organization exists and is implementing a revitalization effort. This continued neglect of such properties has many causes. Tax lien issues, ownership issues and uncertainties, degree of decay, potential environmental problems and any number of other issues adversely impact the local community’s willingness to get involved with such structure, despite the realization that such intervention is critical to the revitalization effort. Just as detrimental is the lack of the market knowledge, lack of understanding of the real estate development process (particularly as it relates to under-utilized or blighted properties), lack of financial and technical assistance resources and the risk aversion of many local, volunteer-driven revitalization organizations.

Recognizing this reality has one of the areas where the board of the Pennsylvania Downtown Center (PDC) has explored ways in which it might be able to positively impact that many negative factors

impeding the revitalization of these anchor structures. First identified at a PDC board retreat in 2005, PDC has been “dipping its toe in the water” relative to its direct intervention in the real estate market development issues in local communities. In 2006 PDC helped to fund a real estate feasibility study in Meyersdale on the Colonial Hotel with the assistance of Mr. Donovan Rypkema from the firm of Place Economics in Washington D.C. Then with the implementation of the Elm Street Demonstration Program (ESDP) PDC moved to the next level by engaging in activities related to down-payment and rehabilitation assistance in selected Elm Street neighborhoods.

The recent passage of the Conservatorship Act by the Commonwealth of Pennsylvania and the pending passage of SB 900 (the Blight Bill), have further incentivized the belief on the part of the PDC that a more direct role in partnering with local organizations that have an interest in, but reluctance to, intervening in their local real estate development market is an idea whose time has come.

As a result, in 2009, PDC created a separate non-profit organization – Keystone CORE Services, Inc. (KCS) CORE stands for Community Oriented Real Estate and is based on the substantive real estate intervention process materials developed by Mr. Rypkema for the National Trust Main Street Center. KCS is now incorporated in the Commonwealth of Pennsylvania and is a separate IRS-recognized 501c3 organization. The mission of KCS, as stated in its by-laws, is as follows:

1. **Combat Community Deterioration** by cooperating with local units of government and other non-profits, to act as a redevelopment partner for the environmentally sensitive/responsible reclamation and rehabilitation of blighted and deteriorated properties that have not, due to the existence of one or more of the conditions that would meet the definition of blight as established by the Commonwealth of Pennsylvania, been reinvested in or redeveloped by the private sector.
2. **Lessen the Burden of Government** by defraying local governments’ need to invest general tax revenues in building-specific code compliance activities, nuisance mitigation and other increased crime-related and law enforcement costs associated with deteriorated properties, and the administrative costs incurred with the monitoring of and reaction to public safety concerns usually associated with blighted properties.
3. **Promote Historic Preservation** by the protection and reutilization of architecturally significant but decaying buildings within the Commonwealth’s traditional downtown areas and surrounding neighborhoods.

KCS has a separate board of directors, and not more than 49% of the KCS board may be members of the PDC board

In addition to the necessary organizational development matters, KCS has begun the process of developing a three year action plan. The first step in this process was to develop a menu of services to be provided by KCS to local communities. While still undergoing final development, the general outline of services anticipated to be offered by KCS includes the following:

#### Preliminary KCS Scope of Services Menu

1. Front End Project Development
  - a. Resource Team Site Visit (Fee)
  - b. Feasibility Studies
  - c. Predevelopment Studies
  - d. Developer Recruitment
2. Project Implementation

- a. Market and Financial Information Resources
- b. Project Resource Roles
  - i. Advisor
  - ii. Liaison/Ombudsman
  - iii. Project Manager for Local Organization
- c. Lender
- d. Equity Partner
- 3. Project Stabilization
  - a. Conservatorship
    - i. Physical Property Stabilization
    - ii. Property Maintenance
  - b. Land Banking
- 4. Marketing
  - a. Businesses For Sale Brokerage
  - b. Property Listings

KCS will only operate initially in communities where it has been invited to be partner with the local community

Even as KCS develops its program of services, it must now begin working on capitalizing its operations. Already a contract with Carnegie Mellon University on small site (downtown and neighborhood) “brownfields” has resulted in a contractual partnership between the two entities that will have KSC resource teams visiting communities in late 2010 and into 2011 using a feasibility study process that is a combination of Mr. Rypkema’s work and an inventory process developed by CMU . The conservatorship act has also resulted in some preliminary interest from the banking community in working with a service provider that could assist communities with such activities.

The Boards of PDC and KCS and the staff believe that with some level of support from government, the corporate sector and the foundation community, KCS can have a very positive impact of the revitalization effort in Pennsylvania generally and in smaller communities in particular.