

FREE PREVIEW

20 pages of the full 402-page guide - not the paid edition

FREE SAMPLE CHAPTER

BARATELLI INSTITUTE - PRACTITIONER GUIDE SERIES

Gentrifying Small Towns

Demographics - Capital Stack - Adaptive Reuse

SAMPLE CHAPTER IN THIS PREVIEW

Chapter 2 -- The Five Stages of the Gentrification Cycle

20-page preview - drawn from the 402-page full guide

BARATELLI INSTITUTE

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MENTORING AT SCALE

ABOUT THIS FREE PREVIEW

Gentrifying Small Towns, Free Preview

Gentrifying Small Towns is the 402-page illustrated practitioner reference for the multi-disciplinary work of revitalizing a small town -- from the mayor running for re-election on a downtown thesis to the developer underwriting an adaptive-reuse pro forma to the community-bank lender layering the capital stack. Forty-plus sections covering the Five Stages cycle, demographics, the investor / buyer / resident / government entry points, zoning reform, adaptive reuse, the financing stack (Main Street, BID, TIF, CDFI, EB-5, Opportunity Zones), brand and marketing, food and beverage, retail recruitment, short-term rentals, tourism, events, solar, healthcare, education, and community engagement.

This free preview gives you the cover, the table of contents, the lifted Reading Map by Role (six persona paths), and the core teaching arc of the book -- Chapter 2, The Five Stages of the Gentrification Cycle. Dormant. Pioneer. Early gentrification. Mature. And the Stage 4 trap that turns success into displacement pressure if not anticipated. Plus the 'For Investors' entry routing that converts the framework into a five-point capital-commitment test.

Read it the way a working practitioner reads a reference: find your role in the persona table, locate the stage your town sits on, then read the Five Stages chapter cover-to-cover and ask whether the next decision in front of you is anchored to the right stage. If you are about to approve a TIF in a Stage 4 town the answer is not the same as in a Stage 2 town.

WHAT YOU GET IN THIS PREVIEW

Cover - About This Preview - Table of Contents - Reading Map by Role - one full sample chapter

Sample chapter: Chapter 2 -- The Five Stages of the Gentrification Cycle (Dormant - Pioneer - Early - Mature - Stage 4)

The full guide is available at baratelliinstitute.com. Single-user license; not for redistribution.

CONTENTS

Table of Contents

Foreword	11
Who This Guide Serves	8
01. The Small Town Renaissance	12
02. The Five Stages of the Gentrification Cycle	14
03. Demographics: The Data Behind Revitalization	52
04. Measuring Success: The Metrics That Matter	260
05. For Investors: Identifying & Capturing Opportunity	32
06. For Real Estate Buyers: Finding Your Entry Point	37
07. For Residents: Navigating & Profiting from Change	41
08. For Local Government: Policies That Drive Growth	45
09. Zoning Reform: Removing the Barriers	145
10. Adaptive Reuse & Historic Preservation	215
11. Signage Strategy: Communicating Identity	132
12. Parking Strategy: Solving the Real Problem	138
13. Safe Lighting: Visibility, Safety & Ambiance	97
14. Landscaping & Trees: Beautifying the Community	61
15. Murals: Transforming Walls Into Community Identity	169
16. Transportation & Connectivity	231
17. Financing the Revitalization: Building the Capital Stack	197
18. Brand Identity & Marketing Your Town	203
19. Food & Beverage: Building the Culinary Ecosystem	210
20. Retail Recruitment & Business Mix Strategy	235
21. Adaptive Reuse & the Night Economy	282
22. Short-Term Rentals: Policy That Makes or Breaks Tourism	154
23. Tourism Development: Turning Visitors Into Advocates	220
24. Events & Programming: Activating the Community Year-Round	226
25. Solar Energy & Clean Energy Infrastructure	252
26. Attracting the Right People: Seven Demographic Playbooks	292
27. Attracting Creative People: The Cultural Foundation	108
28. Volunteerism, Civic Organizations & Faith Communities	157
29. Health, Wellness & Quality of Life	239
30. Education & Workforce Development	244
31. Community Engagement & Inclusive Revitalization	248

CONCEPTUAL GLOSSARY

Terms Organized by Topic

A complement to the alphabetical glossary that follows - finding terms by what they relate to.

The alphabetical glossary that follows this section is designed for lookup: you know the term, you find the definition. The conceptual glossary below is designed for orientation: you don't know what to look up, but you know what topic you're working in. Each term appears in its category here and is defined in full in the alphabetical glossary.

REAL ESTATE & DEVELOPMENT

ARV (after-repair value) · BRRRR (buy-rehab-rent-refinance-repeat) · Cap rate · NOI (net operating income) · DSCR (debt-service coverage ratio) · LTV / LTC · Hard cost · Soft cost · Carry cost · As-of-right zoning · Variance · Conditional use permit · Special use permit · Spot zoning · Incentive zoning

PUBLIC FINANCE & INCENTIVES

TIF (tax increment financing) · PILOT (payment in lieu of taxes) · Abatement · Opportunity Zone · QOZB (qualified opportunity zone business) · NMTC (new markets tax credit) · LIHTC (low-income housing tax credit) · Historic Tax Credit (HTC) · Brownfields credit · Industrial Revenue Bond (IRB) · GO bond · Revenue bond

POLICY & LAND USE

Comprehensive plan · Master plan · Form-based code · Mixed-use zoning · Inclusionary zoning · Mandatory inclusionary housing (MIH) · Voluntary inclusionary housing · Linkage fee · Density bonus · Floor area ratio (FAR) · Setback · Lot coverage · Impervious surface · Greenfield vs. infill

DEMOGRAPHIC & MARKET TERMS

Median household income · Area Median Income (AMI) · Rent burden (>30% of income) · Severe rent burden (>50%) · Population pyramid · In-migration · Out-migration · Diversity index · Displacement risk index · NIMBY · YIMBY · Anti-displacement plan

ECONOMIC CONCEPTS

Multiplier effect · Supply elasticity · Demand elasticity · Filtering (housing) · Gentrification stages (Stage 1 risk, Stage 2 onset, Stage 3 maturation, Stage 4 displacement) · Substitution effect · Income effect · Hedonic pricing model · Repeat-sales index · Quality-adjusted price index

FINANCING & CAPITAL STACK

Senior debt · Mezzanine debt · Preferred equity · Common equity · Ground lease · Sale-leaseback · Bridge loan · Permanent financing · Construction-to-perm · CMBS · HUD 221(d)(4) · Fannie Mae multifamily · Freddie Mac small balance · USDA rural development

STAKEHOLDER ROLES

Developer · CDFI (community development financial institution) · CDC (community development corporation) · LISC · Enterprise Community Partners · Local Initiatives Support Corporation · NeighborWorks · Habitat for Humanity · Anti-displacement coalition · Tenant union · Land bank · Community land trust (CLT)

WHO THIS GUIDE SERVES

A Reading Map by Role

Small-town revitalization is multi-disciplinary by design. The mayor, the planning director, the developer, the community-bank lender, the resident, and the nonprofit organizer each enter this work with different questions and different stakes. This guide is built so each role can read the sections that matter to them first, then circle back for the surrounding context.

You are...	Read in this order
<p>Mayor / city manager</p>	<ul style="list-style-type: none"> • Sect. 1 - The Small Town Renaissance • Sect. 2 - The Five Stages of the Gentrification Cycle • Sect. 8 - For Local Government • Sect. 31 - Community Engagement • Sect. 42 - Strategic Planning • Sect. 37 - Your 90-Day Action Plan • Apx D.9 - Mayor's playbook: moves you can make right now <p><i>Then return to Sect. 17 (capital stack) and Sect. 41 (Main Street / BID / TIF) when financing is on the table.</i></p>
<p>Planning director</p>	<ul style="list-style-type: none"> • Sect. 9 - Zoning Reform • Sect. 10 - Adaptive Reuse & Historic Preservation • Sect. 16 - Transportation & Connectivity • Sect. 39 - Tactical Urbanism • Sect. 40 - Housing Supply: Missing Middle • Sect. 41 - Downtown Organization Models <p><i>Pair with Sect. 31 for community engagement and Sect. 36 for risk.</i></p>
<p>Economic-development director</p>	<ul style="list-style-type: none"> • Sect. 5 - For Investors • Sect. 8 - For Local Government • Sect. 17 - Financing the Revitalization • Sect. 20 - Retail Recruitment • Sect. 26 - Attracting the Right People • Sect. 35 - Success Stories <p><i>Coordinate with planning on Sect. 9 (zoning) and finance on Sect. 41.</i></p>
<p>Real-estate developer / investor</p>	<ul style="list-style-type: none"> • Sect. 2 - The Five Stages (<i>diagnose stage FIRST</i>) • Sect. 34 - Key Market Indicators • Apx D.10 - Developer protocol: stage diagnosis before deal screening • Sect. 5 - For Investors • Sect. 6 - For Real Estate Buyers • Sect. 38 - Real Pro Formas • Sect. 17 - Financing the Revitalization • Sect. 22 - Short-Term Rentals • Sect. 36 - Risks, Mitigation <p>Stage diagnosis is the gating decision. <i>Do not move to financing or pro formas until you can defend which of the five stages the town is in.</i></p>

You are...	Read in this order
<p>Community-bank lender / CDFI</p>	<ul style="list-style-type: none"> • Sect. 17 - Financing the Revitalization • Sect. 38 - Real Pro Formas • Sect. 5 - For Investors • Sect. 41 - Main Street / BID / TIF • Sect. 34 - Key Market Indicators • Sect. 26 - Attracting the Right People <p><i>Use Sect. 38 pro formas as the starting point for project-level diligence.</i></p>
<p>Municipal CFO / finance director</p>	<ul style="list-style-type: none"> • Sect. 17 - Financing the Revitalization • Sect. 41 - Main Street / BID / TIF • Apx D.8 - TIF general-fund starvation warning • Sect. 4 - Measuring Success • Sect. 8 - For Local Government • Sect. 36 - Risks & Mitigation • Sect. 38 - Real Pro Formas <p><i>Owns the capital stack, TIF / BID structures, and the long-arc fiscal outcome. Read D.8 before approving any TIF.</i></p>
<p>Real-estate buyer</p>	<ul style="list-style-type: none"> • Sect. 6 - For Real Estate Buyers • Sect. 2 - The Five Stages • Sect. 33 - Property Rights & Legal Enforcement • Sect. 34 - Key Market Indicators • Sect. 17 - Financing <p><i>Read Sect. 35 (success stories) for context before committing.</i></p>
<p>Long-time resident</p>	<ul style="list-style-type: none"> • Sect. 7 - For Residents • Sect. 31 - Community Engagement • Sect. 33 - Property Rights • Sect. 14 - Landscaping & Trees • Sect. 17 - Financing for Rehab <p><i>The plain-language path; layer Sect. 36 (risks) when concerned about displacement.</i></p>
<p>Community-development nonprofit</p>	<ul style="list-style-type: none"> • Sect. 31 - Community Engagement • Sect. 27 - Attracting Creative People • Sect. 28 - Volunteerism, Civic Organizations • Sect. 35 - Success Stories • Sect. 4 - Measuring Success • Sect. 36 - Risks & Mitigation <p><i>The community-stewardship path; coordinate with planning on Sect. 9-10.</i></p>
<p>Business owner / entrepreneur</p>	<ul style="list-style-type: none"> • Sect. 19 - Food & Beverage • Sect. 20 - Retail Recruitment • Sect. 18 - Brand Identity & Marketing • Sect. 17 - Financing • Sect. 6 - For Real Estate Buyers <p><i>Validate market with Sect. 34 (indicators) and Sect. 35 (success stories).</i></p>

Understanding the Gentrification Cycle

Gentrification in small towns follows a recognizable arc. Understanding where a town sits on that arc is the single most important factor in timing your entry and maximizing your upside.

The Five Stages at a Glance

1 - Dormant	Low activity, declining population, depressed values, neglected infrastructure.	HIGH (early risk)
2 - Pioneer	Artists, remote workers, and entrepreneurs begin arriving. First coffee shops and galleries appear.	VERY HIGH
3 - Early Gentrification	Property values rising 10-25%. Media attention begins. Renovation activity accelerates.	HIGH
4 - Acceleration	Chain retailers arrive. Values up 40-80%. Displacement pressure increases.	MODERATE
5 - Mature	Established market. Lower yields but stable, appreciating values.	LOWER (safe harbor)

The Five Stages: In Depth

Each stage of the gentrification cycle carries its own risk profile, opportunity set, and cast of characters. The most successful participants in these markets don't just identify which stage a town is in -- they understand the specific dynamics at play so they can act with conviction.

Typical Pop. Trend	Avg. Home Values	Investor Activity	Timeline to Stage 2	Risk Level
Declining	Severely depressed	Minimal	2-10 years	Highest

FIGURE 1

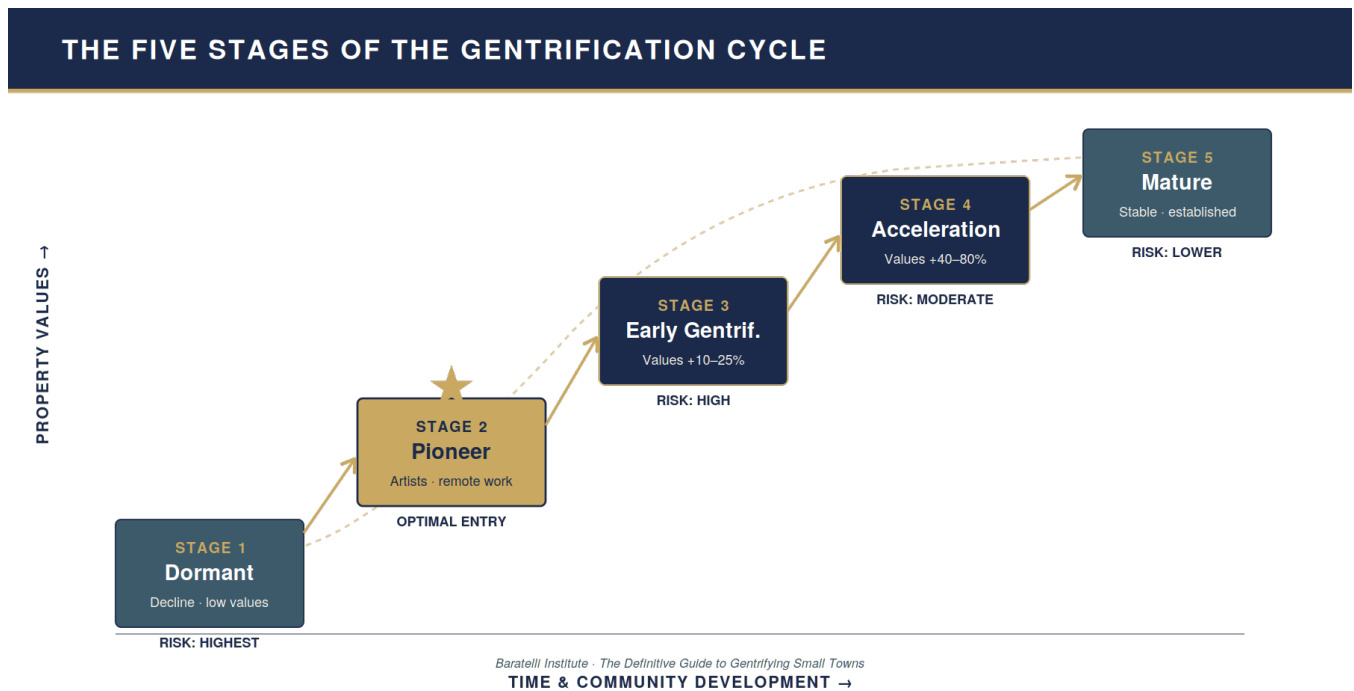


Fig 1. The five stages of the gentrification cycle — from dormant disinvestment through maturation. Each stage has distinct market signals

FIGURE 2

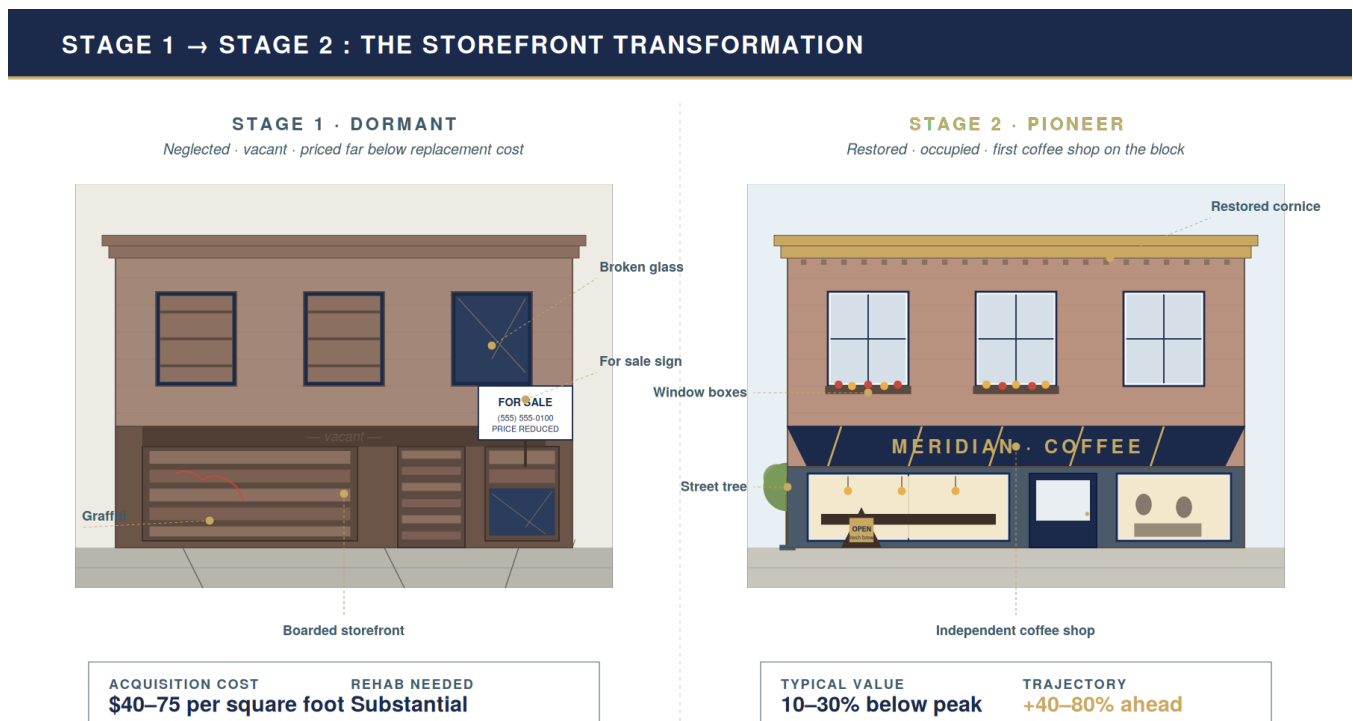


Fig 2. The visible transformation: boarded-up storefronts in Stage 1 become activated mixed-use spaces by Stage 4.

FIGURE 3



Fig 3. Main Street's evolution across all five stages — the same block, five different realities.

FIGURE 4



Fig 4. The demographic sequence: who shows up at each stage, and what they're looking for.

FIGURE 5

THE PIONEER ARRIVAL SEQUENCE

Seven leading indicators that a Stage 1 market is transitioning to Stage 2. Learning to read this sequence is the core skill of small-town market identification.

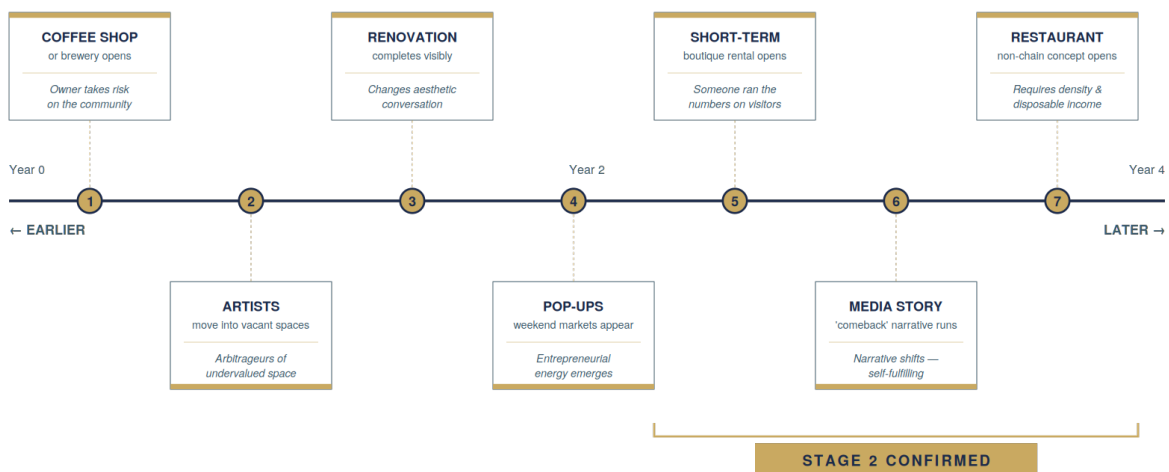


Fig 5. The pioneer sequence: artists, entrepreneurs, and remote workers arrive first and activate the previously dormant market.

FIGURE 6

THE 25% THRESHOLD: COLLEGE ATTAINMENT AS LEADING INDICATOR

Of all demographic variables, bachelor's degree attainment rate is the most statistically robust predictor of neighborhood trajectory.

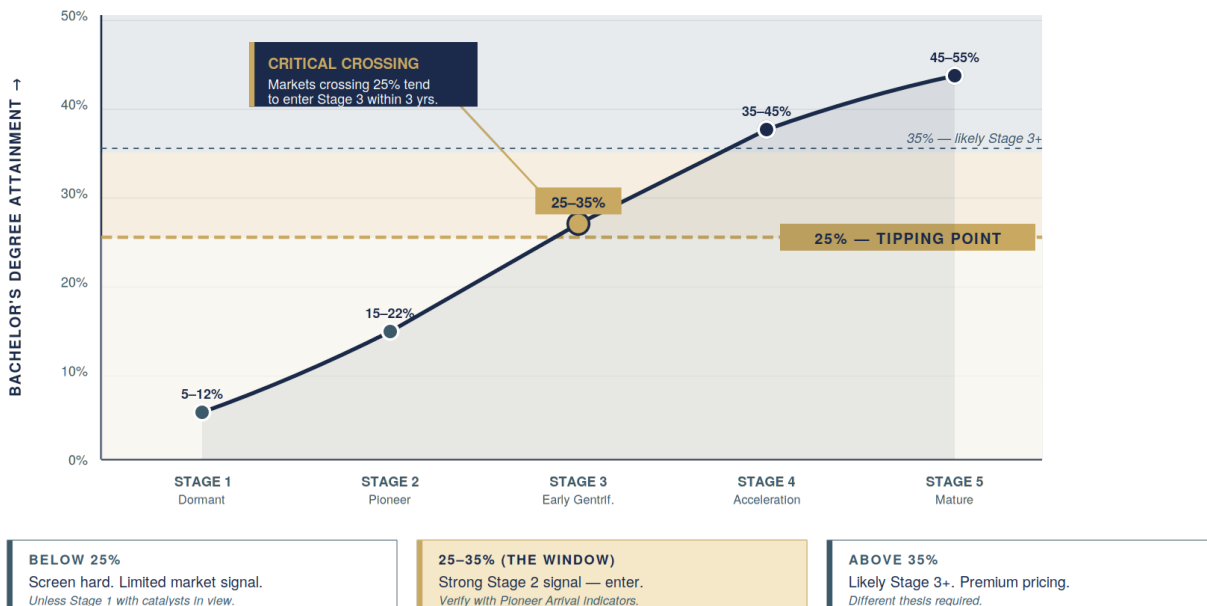


Fig 6. The education threshold: communities that cross the 30%+ bachelor's-degree line show dramatically different trajectories.

FIGURE 7



Fig 7. The Stage 4 trap: success creates displacement pressure. Communities that anticipate and manage this avoid backlash.

BEFORE YOU USE THE FIVE STAGES

Limits of the Five-Stage Framework

The five-stage framework that organizes the remainder of this chapter — Dormant, Pioneer, Early Gentrification, Acceleration, Mature — is a *heuristic*, not a taxonomy. It is useful for the same reason any framework is useful: it gives readers a shared vocabulary for discussing market trajectories and a rough map for timing investment decisions. But the framework oversimplifies in ways that any sophisticated reader should understand before relying on it operationally.

Three limits worth naming explicitly

First: markets do not progress through the stages neatly. Real communities stall, reverse, skip, or split. A town may sit at Stage 1 for decades and never tip. A town may reach Stage 3 and then reverse when an employer leaves or a regulatory environment shifts. Different blocks of the same downtown may simultaneously occupy different stages — one block at Stage 3 with renovated storefronts, one block at Stage 1 with boarded windows.

Second: stage is not destiny. The confident-sounding "maximum upside" framing applied to Stage 1 in this guide reflects the statistical upper bound of what is possible, not the expected value of the investment. Most Stage 1 towns never become Stage 2. Expected returns for patient Stage 1 capital are, on average, lower than Stage 2 — and the distribution of returns has much fatter tails. Underwrite Stage 1 investments accordingly: lower probability of large wins, meaningful probability of total loss, and very long time horizons.

Third: the signals that distinguish stages are noisier than they appear. The arrival of a coffee shop, the first renovation project, or the first positive media coverage can be leading indicators of Stage 2 onset — or can be false signals that fade. The five-stage framework is most useful when treated as a lens for diagnosing trajectory with *confirming* evidence across multiple indicators, not as a definitional rule triggered by a single signal.

Use the framework. Respect its limits. The guide that follows is strongest when read as a set of practitioner observations tested across many markets — not as a scientific taxonomy with guaranteed results.

A Dormant town is one where decline has become the dominant narrative -- but where the underlying bones remain sound. These are communities that once thrived on a single industry (coal, textiles, timber, a military base) and never fully adapted when that anchor disappeared. Population has been falling for years or decades. Storefronts are vacant. The tax base has eroded. Local government is often in fiscal stress.

What makes Dormant towns interesting is precisely what makes them dangerous: maximum upside coexists with maximum uncertainty. There is no guarantee a Dormant town will ever tip into Stage 2. Some never do. The towns that eventually tip tend to share certain latent assets that only become visible in hindsight -- or to a trained eye in advance.

What Dormant towns often have going for them:

- Historic architectural stock -- brick commercial buildings, Victorian homes, industrial structures -- priced far below replacement cost.
- Natural amenities (rivers, mountains, forests) that have never been monetized for tourism or recreation.
- Low cost of living that can attract artists, retirees on fixed incomes, and remote workers priced out of larger markets.
- Civic infrastructure (courthouses, libraries, schools) that would be expensive to replicate and signals former community investment.
- Geographic proximity to a growing metro -- within 90 minutes of a city that is itself experiencing affordability pressure.

What to watch out for:

- Environmental contamination from former industrial uses -- always conduct Phase I environmental assessment before acquiring commercial property.
- Structural population collapse with no evident catalyst for reversal.
- Hostile or dysfunctional local government that is likely to obstruct rather than enable private investment.
- Absence of any broadband infrastructure -- a market without connectivity has a ceiling on remote-worker appeal.

The Dormant Investor's Edge

The rare investor who enters a Dormant market and holds through the transition to Stage 3 or beyond will typically capture the largest total return of anyone in the cycle. The challenge is carrying cost and time horizon. Dormant markets require patient capital, low debt, and conviction -- not a 3-year exit strategy.

Typical Pop. Trend	Avg. Home Values	Investor Activity	Timeline to Stage 3	Risk Level
Stabilizing	10-30% below peak	Early movers only	1-5 years	Moderate-High

The Pioneer stage is the most consequential moment in the entire gentrification cycle. It is the inflection point -- the moment when a town transitions from decline to growth, often without most observers noticing. The pioneers themselves are rarely investors in the traditional sense. They are the artists who can afford the cheap rents, the entrepreneurs who see unmet demand, the remote workers who value space and quiet over proximity. But their arrival sets every subsequent development in motion.

For investors and buyers, Stage 2 represents the optimal entry point: risk has declined meaningfully from Stage 1 (the market is clearly moving) but prices have not yet reflected the coming appreciation. This is the window that closes fastest and rewards most generously.

The Pioneer Arrival Sequence

Pioneer markets follow a remarkably consistent sequence of early indicators. Learning to read this sequence is the core skill of small-town market identification:

Independent coffee shop or brewery opens	Requires an owner willing to take risk on the community. Signals foot traffic and disposable income are emerging.
Artists move into vacant spaces	Artists are the original arbitrageurs of undervalued urban space. Where they go, others follow.
A renovation project completes visibly	One well-executed renovation changes the aesthetic conversation about what a street or block can be.
Weekend pop-up markets appear	Indicates entrepreneurial energy and consumer demand that didn't exist before.
Boutique short-term rental opens	Someone has run the numbers and concluded that visitors will pay to come here.
Local media runs a 'comeback' story	The narrative is shifting from decline to possibility -- and narrative is self-fulfilling.
A restaurant with a non-chain concept opens	Independent restaurants require community density and disposable income to survive.

Who the Pioneers Are -- and Why It Matters

- Creative class workers: designers, writers, photographers, musicians -- drawn by cheap space and authentic character. Their presence builds the cultural identity that attracts the next wave.
- Remote knowledge workers: software engineers, consultants, marketers -- drawn by affordability and lifestyle quality. Their incomes create consumer demand that supports new businesses.
- Retirees from nearby metros: often the most underestimated pioneer group. They bring capital, stable income (Social Security, pensions), community engagement, and long investment time horizons.
- Mission-driven entrepreneurs: people who want to build something in a community they believe in, not just extract returns. These operators tend to anchor neighborhoods and resist the temptation to flip early.

Typical Pop. Trend	Home Value Change	Investor Activity	Media Attention	Risk Level
Growing 1-3%/yr	+10% to +25%/yr	Accelerating	Regional coverage	Moderate

By Stage 3, the market has tipped. What was once a quiet bet has become a recognizable trend. Regional media has run the 'hidden gem' story. Real estate agents in nearby metros are fielding calls from clients asking about the town. Property values are rising meaningfully -- but the market is still far from fully priced. The opportunity window remains open, though it is narrowing.

The character of investment changes in Stage 3. Stage 1 and 2 required conviction in the face of uncertainty. Stage 3 requires speed and discipline. The deals are real, the returns are real, but so is the competition. Investors who hesitate while waiting for more certainty are the ones who buy at Stage 4 prices with Stage 3 expectations.

What Changes in Stage 3:

- A second wave of restaurants, retail, and services opens -- no longer just pioneers, but operators who have seen the pioneers succeed and are following the signal.
- The first significant commercial renovation project completes, demonstrating that adaptive reuse is financially viable in this market.
- A regional bank or CDFI makes its first visible investment, providing credibility and financing infrastructure for the next wave.
- Days on market for residential properties drops sharply. Multiple offers begin to appear on well-priced listings.
- Local government starts to see rising tax revenues and becomes more receptive to pro-growth zoning and permitting reforms.
- Airbnb and VRBO occupancy rates cross the 50% threshold, validating short-term rental economics.

Stage 3 Strategy by Audience:

END OF FREE PREVIEW

Decide. Act. Now.

What you just read is one core teaching arc of more than forty. The full guide takes the same level of care into demographics and the data behind revitalization, the investor / buyer / resident / government entry routings, zoning reform, adaptive reuse and historic preservation, the full financing stack (Main Street program, BID, TIF, CDFI, EB-5, Opportunity Zones), brand identity and marketing, food and beverage ecosystem building, retail recruitment, short-term rentals, tourism development, events and programming, solar and clean energy, health and wellness infrastructure, education and workforce, and community engagement.

The companion Excel toolkit operationalizes the frameworks -- the market-indicator dashboard, the property due-diligence checklist, the pro-forma builders for adaptive reuse and mixed-use, the TIF general-fund starvation warning model, and the developer's capital-stack worksheet.

If you are the mayor, the planning director, the developer, the lender, the resident, or the nonprofit organizer and the next move on your town is in front of you, this is the reference. Revitalization is multi-disciplinary by design; the guide is how you stop guessing which discipline matters most this quarter.

GET THE FULL GUIDE

Gentrifying Small Towns, 2026 Edition (Illustrated)

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