

# Neighborhood Stabilization: Fostering Innovative Models

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# Overview

- Living Cities Initiative Strategy and Process
- Neighborhood Stabilization Models
- Anticipated Results, Challenges and Looking Ahead



# About Living Cities

- World's most enduring corporate/philanthropic collaborative
- Over 15 years, \$543 MM in investments leverages \$17 B in community assets
- Pivot to more comprehensive substantive agenda
- Foreclosure crisis threatens investment



# Our Response

- Focus on local/regional neighborhood stabilization efforts.
- Identify and test models for federal intervention and support
- Forms of support:
  - Grants: \$500,000 or less
  - Flexible Capital: Select sites; amount TBD
  - Technical Assistance
  - Knowledge Community
  - Advocacy/Convening



# Pilot Selection

- Criteria:
  - Readiness
  - Resources
  - Scalability
  - Impact/Output
  - Meaningful Role for Living Cities Funding
- Representation from strong, mixed and weak markets

# Results

- Reviewed applications from 14 cities; selected 9 (10<sup>th</sup> in process)
- Uses of LC dollars:
  - Operations Support
  - Leverage



# Pilot Characteristics

- Innovative, market-savvy
  - REO strategy part of larger, comprehensive strategy
  - Some operational now; all by October
  - Strong coalitions; aggressive multi-sectoral leadership
  - Neighborhood-level data
  - Typically operate at neighborhood level
  - Plan to touch 50-250 units per year
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# Types of Innovation

- Entity: Create New or repurpose existing
  - Financing: New sources/structures
  - Affordability:
    - Subsidy structure
    - Affordability preservation
    - Product development
  - Property Treatment:
    - Acquisition/rehab/disposition
    - Demo
    - Brokerage
    - Land Bank/Trust
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# Strong Market Cities

- Characteristics:
  - Most properties never make it to REO
  - Acquisition costs high; competition for properties
- Goals:
  - Provide/preserve affordable housing
  - Preserve neighborhood owner-occupancy

# Strong Markets (Cont'd)

- New York:
  - Center for NYC Neighborhoods
  - Mission-Driven Brokerage
- Washington, DC:
  - Shared equity land trust model
  - New Markets Tax Credit
  - Cluster Approach

# Mixed Markets

- Characteristics:
  - Market dynamics vary by city/neighborhood
  - Multi-pronged strategies needed
- Goals:
  - Capitalize on opportunity to provide and preserve affordable housing
  - Prevent market collapse

# Mixed Markets (Cont'd)

- Chicago:
  - Quasi-public entity
  - ACA/Bulk purchase
  - Mix of rehab for rental/demo
- Dallas:
  - Repurposing ACA Program
  - Scattered-site model
- Massachusetts:
  - Statewide stabilization fund
  - Three-city pilot
- Rhode Island:
  - Statewide land trust
  - Smaller city
- Twin Cities:
  - New financial products

# Weak Markets

- Characteristics:
    - Had severe economic challenges before foreclosure crisis
  - Goals:
    - Preserve progress
    - Integrate REO strategy into community revitalization strategy
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# Weak Markets (Cont'd)

- Cleveland:
    - REO integrated into comprehensive six-neighborhood revitalization strategy
    - Will rehab/sell some properties, demo and redevelop others
  - Detroit:
    - New Office for Foreclosure Intervention and Response
    - Strategy remains under development
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# Anticipated Results

- Workable models identified
  - Output: 1,000 units by October 2009
  - Lessons learned inform policy
  - Best practices spread through industry
  - New relationships develop between nonprofits and servicers
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# Challenges

- Acquiring REO properties from servicers:
  - Accessing decision-makers
  - Finding title-holders
  - Negotiating purchase terms
- Speed to Market
- Disposition strategy selection
- Risk to nonprofits:
  - Holding period/costs
  - Continued market shift
- Politics (mixed bag)
- Replicability

# Looking Ahead

- Federal response
- Laying groundwork for replication
- Learning community

# Summary Table

<b>Market</b>	<b>City</b>	<b>Innovation/Point of Interest</b>
<b>Strong</b>	New York	New Entity; Mission-Driven Broker
	DC	Shared Equity; NMTC
<b>Mixed</b>	Chicago	Quasi-public entity; rental; secondary market
	Dallas	ACA model
	MA	Statewide fund; Multi-city pilot
	Rhode Island	Land trust; Statewide; Small city
	Twin Cities	New products
<b>Weak</b>	Cleveland	NPI model; demo
	Detroit	New entity; revitalization strategy