



Neighborhood Stabilization: Fostering Innovative Models

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Overview

- Living Cities Initiative Strategy and Process
- Neighborhood Stabilization Models
- Aspirations and Challenges
- Close-up: Cleveland and Detroit
- Next Steps

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
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Results

- Reviewed applications from 14 cities; selected 10
- Uses of LC dollars:
 - _ Operations Support
 - _ Strategic Support
 - _ Credit Enhancement/ 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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Market Characteristics and Pilot Goals

Market	Strong	Weak	Mixed
Characteristics	<ul style="list-style-type: none"> –Properties often do not enter REO –Acquisition costs high; competition for properties 	<ul style="list-style-type: none"> –Had severe economic challenges before foreclosure crisis 	<ul style="list-style-type: none"> –Market dynamics vary by city/ neighborhood –Multi-pronged strategies needed
Pilot Focus	<ul style="list-style-type: none"> –Provide/ preserve affordable housing –Preserve neighborhood owner-occupancy 	<ul style="list-style-type: none"> –Preserve progress –Integrate REO strategy into community revitalization strategy 	<ul style="list-style-type: none"> –Capitalize on opportunity to provide and preserve affordable housing –Prevent market collapse

Strong Market Pilots

- New York
 - Center for NYC Neighborhoods
 - Mission-Driven Brokerage
- Washington, DC
 - Shared Equity Land Trust Model
 - New Markets Tax Credit
 - Cluster Approach

Mixed Market Pilots

Chicago

- City-wide entity
- ACA/Bulk purchase
- Mix of rehab for rental /demo

Dallas

- Repurposing Asset Control Area program
- Scattered-site model

Los Angeles

- Brokerage/REO model in rapidly declining market

Massachusetts

- Statewide stabilization fund
- Three-city pilot

Rhode Island

- Statewide land trust
- Smaller city

Twin Cities

- New financial products

Weak Market Pilots

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

- Feasible models identified
- Sites succeed in acquiring REO properties this quarter
- Lessons learned inform policy and industry planning / practice
- New relationships develop between nonprofits and servicers

Challenges

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

Cleveland

Neighborhood Progress, Inc.

- REO strategy meant to preserve community development gains
- Built into comprehensive six-neighborhood revitalization plan
- Weak market makes servicers more willing to play

Cleveland (Cont'd)

Pluses

- Strong support from city, state
- Early-stage agreements with servicers
- Strong data platform
- Sharp overall strategy; high capacity

Challenges

- Actualizing servicer agreements
- Market volatility



Detroit

Office of Foreclosure Prevention and Response

- Quasi-public coordinating entity
- Created by funder community and the city
- Charged with crafting city's response

Detroit (Cont'd)

Pluses

- Strong foundation engagement
- Encouraging early signs for new mayor
- Top-notch data platform

Challenges

- Positioning
- Public sector systems
- Moving from planning to implementation

Next Steps

- Responding to HUD funding regs
- Collecting and disseminating learnings
 - Web platform
 - Case study—NMTC
- Implementing TA pool

Summary Table

Market	City	Innovation/Point of Interest
Strong	New York	City-Wide entity; Mission-driven broker
	DC	Shared Equity; NMTC
Mixed	Chicago	City-wide; rental; secondary market
	Dallas	ACA model; scattered site
	MA	Statewide fund; Multi-city pilot
	Rhode Island	Land trust; Statewide; Small city
	Twin Cities	New products
Weak	Cleveland	NPI model; demo
	Detroit	City-wide entity; revitalization strategy