



Models for Vacant Property Disposition and Community Stabilization

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Enterprise Community Partners

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The Enterprise Mission

Enterprise's mission is to see that all low-income people in the United States have the opportunity for fit and affordable housing and to move up and out of poverty into the mainstream of American life.



How We Do It



We advise, finance and assist in the construction and rehabilitation of affordable housing and economic development projects.

We create community development models and policies that can be replicated.

What We've Accomplished

More than \$9 billion in equity, loans and grants invested since 1982

More than 240,000 affordable homes created

Investing \$1 billion in equity, loans and grants annually



Foreclosure Tsunami's Impact on Communities

- **40.6 million** homes in neighborhoods surrounding foreclosed homes will suffer price decline
- Property values for each home located in the neighborhood of a foreclosed house will drop an average of **\$8,667**
- **\$352 billion** total decline in property values
- Localities will lose **\$4.5 billion** in property taxes and other local tax revenue

In short: whole communities, not just individual homebuyers, suffer from concentrations of foreclosures.

Enterprise Community Stabilization Goals

- Target at-risk communities to stop downward cycle
- Keep residents in their homes
- Restore market confidence
- Prevent and eliminate blight
- Preserve property values
- Renovate and sell/rent vacant properties
- Create land banks for obsolete properties
- Reduce holding periods of REOs by lenders/servicers



Lessons Learned

- Good data and mapping critical
- Precise geographic targeting
- Sustain at-risk owners through workouts
- Demolish obsolete & blighted properties
- Renovate and sell/rent vacant properties
- Provide quality pre- and post- counseling
- Vacant land banking/re-utilization
- Public-private partnerships a must
- Flexible subsidies to fill development gaps



Enterprise's Target Community Stabilization Areas

- ⊙ Atlanta
- ⊙ Baltimore
- ⊙ Cleveland
- ⊙ Columbus
- ⊙ Dallas
- ⊙ District of Columbia
- ⊙ Los Angeles
- ⊙ New York City
- ⊙ Rochester
- ⊙ St. Louis
- ⊙ State of Mississippi



Enterprise's Role in Target Communities

- Program design expertise
- Experience with Acq./Rehab/Sale programs
- Leveraging public funds through innovative financing
- Property valuation assistance
- Assistance to state/local government partners on developing NSP Action Plans
- Access to REO properties through National Community Stabilization Trust

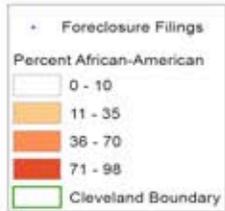
Leveraging Public Dollars to Create Size, Scale and Impact

- New financing tools to address gaps in current funding sources
- Leveraging of public dollars for greater impact
- Blended interest rates to stretch subsidies
- Credit enhancement for leveraged pools of capital
- Investment earnings help support operations

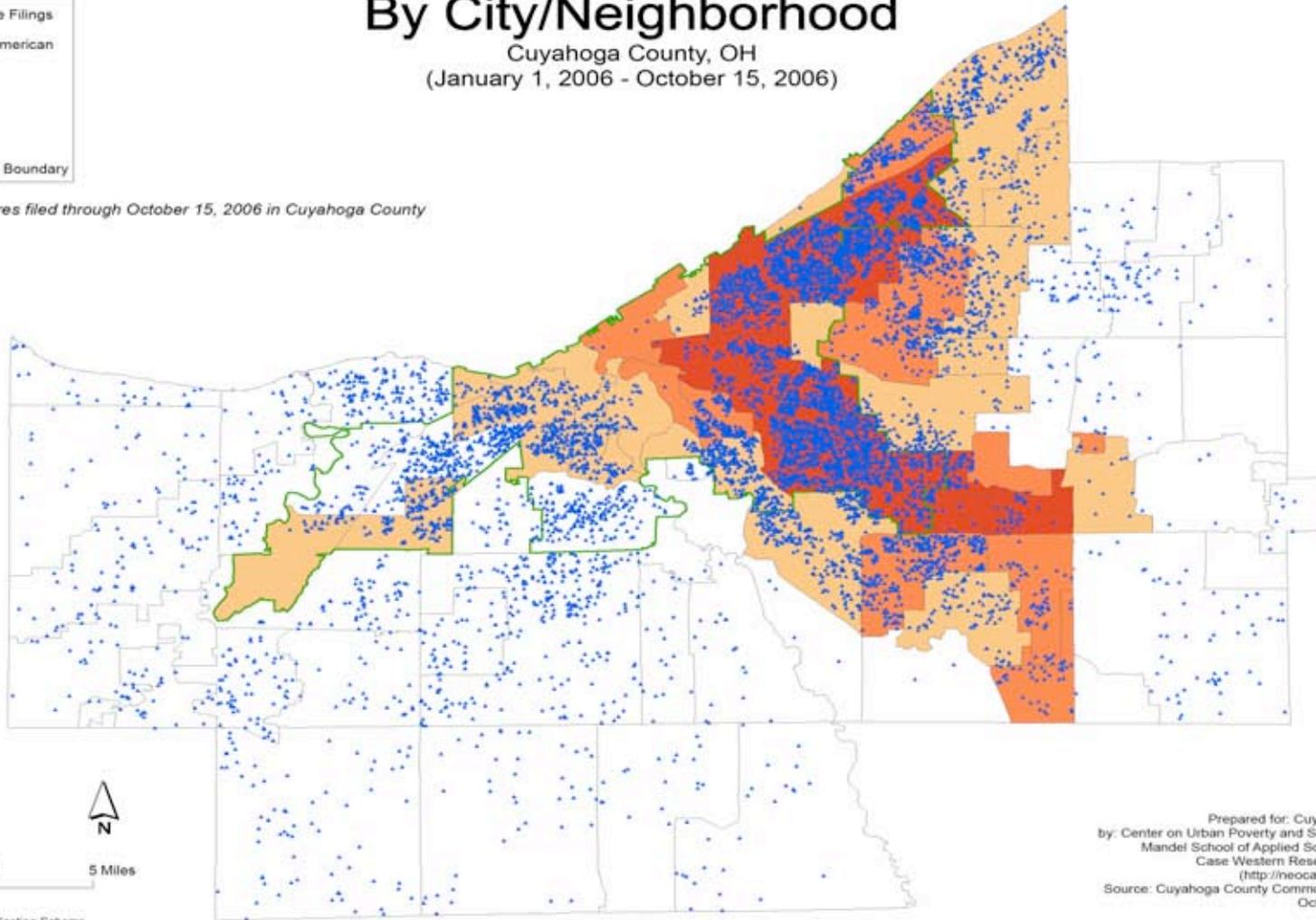
Cleveland's Concentration of Foreclosed Properties

Foreclosure Filings By City/Neighborhood

Cuyahoga County, OH
(January 1, 2006 - October 15, 2006)



9,102 foreclosures filed through October 15, 2006 in Cuyahoga County



Prepared for: Cuyahoga County
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(<http://neocando.case.edu>)
Source: Cuyahoga County Common Pleas Court
October 17, 2006

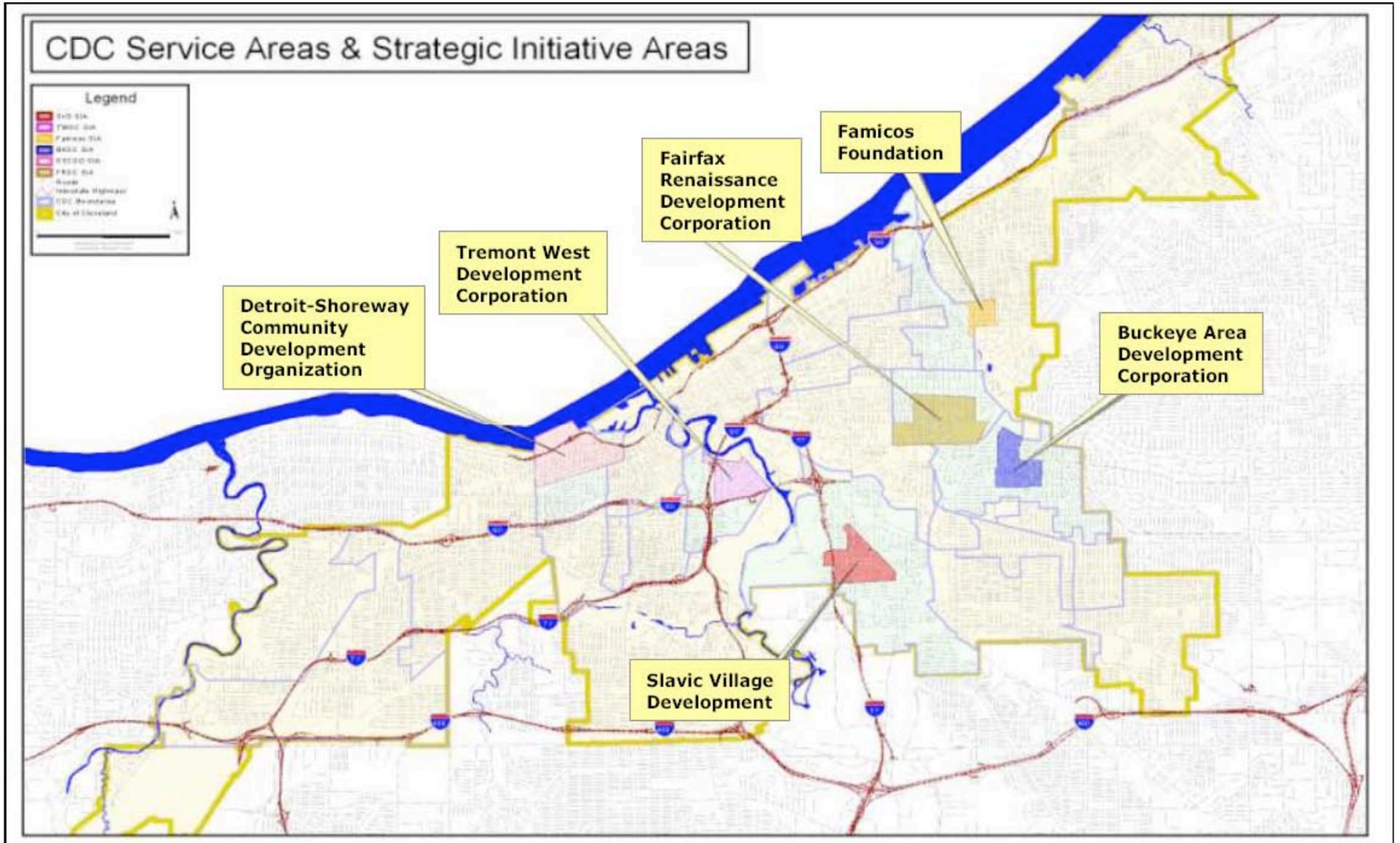
Natural Breaks Classification Scheme

Cleveland's Response – Opportunity Housing

Three Year Stabilization Pilot impacting 750 homes in 6 Cleveland neighborhoods:

- Help 300 families at risk of foreclosure stay in their homes
- Demolish 300 obsolete, blighted structures
- Redevelop 150 vacant homes for homeownership, lease/purchase or rental housing (60-120% AMI)

Cleveland: Opportunity Housing Target Communities



Cleveland: Opportunity Housing

Partners: Neighborhood Progress, Cleveland Housing Network, City of Cleveland, 6 CDCs

Total cost: \$21 million including:

- Demolition resources: \$1.2 million in CDBG
- REO Redevelopment: \$1.5 million in CDBG soft seconds (\$10,000 per homeowner)
- \$4.5 million in gap funding from OHFA

Enterprise's Role:

- Technical assistance in the creation of this pilot program
- \$1 million in pre-development and acquisition financing
- \$200,000 grant for program reserves

Cleveland Pilot - Disposition Alternatives

Direct fee-simple sale (1/3 of homes)

- TDC: **\$125,000**
- City/HFA subsidy: **\$40,000**
- Sales prices: **\$85,000**
- Monthly P&I: **\$650 to \$700**
- Affordable to families at **60% of AMI**



Cleveland Pilot - Disposition Alternatives

Lease purchase arrangement (2/3 of homes)

- Same TDC and subsidy: \$85,000 “sales price”
- Monthly payments: **\$700**
- Interest only on LOCs: **\$150 monthly**
- **6 month** renewable leases
- Typical credit issues: employment history, payment history, slight credit impairments



Lease-Purchase: Two Models

Self Help's LP Mortgage

- Mortgage with an assumption clause
- 1-5 Year Lease-Period
- Homeownership counseling required
- Tenants will have to meet Fannie Mae underwriting requirements or qualify for another mortgage.
- SH will buy mortgage notes, credit enhance them and sell them to Fannie Mae

Cleveland's LP Product

- Renewable lease with purchase agreement
- 6-18 Month Lease-Period
- Homeownership counseling required
- Cleveland will work with local lenders to qualify tenants for mortgage financing
- The lease period is financed by a blend of market-rate and subsidized capital

HANDS – Operation Neighborhood Recovery: Essex County, NJ

- Purchase notes on 46 properties (90 units)
- Properties in foreclosure in or near Essex County
- Result of large real estate fraud & bankruptcy
- 60 day due diligence period
- \$7.9 million development costs
- Investors: HANDS, N.J. Capital, Prudential, LISC, Enterprise



HANDS – Operation Neighborhood Recovery

Disposition Options:

- **8 properties demolished & landbanked**
- **10 sold** to private investors
 - Better markets; less need for rehab
- **6 redeveloped** by HANDS for new homeowners
- **22 conveyed** to 4 different CDCs for redevelopment
 - HANDS to deliver the properties secure and with clear title
 - Arranging own acquisition & construction financing

For Further Information

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