Investing in Distressed Communities: Outcomes from the Neighborhood Stabilization Program

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Grantees' approaches to NSP2—type of activity, volume of properties treated, expenditures per property, and spatial concentration of investments—varied widely across counties. Regional housing markets account for some of the differences.

Neighborhood Stabilization Program Overview

The Neighborhood Stabilization Program (NSP) is a series of policies intended to assist cities and neighborhoods that were severely affected by concentrated foreclosures. Collectively, NSP provided $6.9 billion to distressed neighborhoods.

NSP Funding Rounds and Legislation

- NSP1: $3.9 billion, Housing & Economic Recovery Act (2008)
- NSP2: $2 billion, American Recovery & Reinvestment Act (2009)
- NSP3: $1 billion, Dodd-Frank Wall Street Reform & Consumer Protection Act (2010)

Similar to the Community Development Block Grant (CDBG) program, the U.S. Department of Housing and Urban Development issued grants to state and local governments and qualified non-profits.

This study analyzes housing production outcomes from 28 NSP2 grantees across 19 counties.

County	Market type	NSP spent (mi)	Properties
Cook IL	East Coast	132.0	262
Cuyahoga OH	Declining	25.9	758
Davidson TN	Moderate	31.0	116
Denver CO	Moderate	35.5	119
Ingham MI	Declining	18.6	215
Kings NY	East Coast	35.5	46
Los Angeles CA	Sand States	220.0	558
Maricopa AZ	Sand States	115.0	494
Miami-Dade FL	Sand States	90.0	296
Palm Beach FL	Sand States	66.5	235
Philadelphia PA	Moderate	58.6	494
Pulaski AR	Declining	16.2	236
Ramsey MN	Moderate	17.7	149
Riverside CA	Sand States	8.9	54
Sarasota FL	Sand States	21.5	71
Stanislaus CA	Sand States	23.3	94
Washington	East Coast	21.7	66
Washoe NV	Sand States	22.4	146
Wayne MI	Declining	75.6	1,947
Total		1,035.9	6,356
Average		54.5	335

In this analysis, market types are defined by housing price levels and trends during the boom (2000–2006) and bust (2006–2009) years.

Grantees could use funds for five activities:

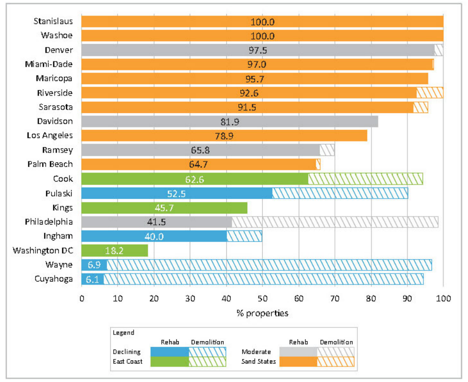
- acquisition and rehabilitation of foreclosed or vacant properties
- redevelopment
- demolition of blighted structures
- land banking
- financing for purchase or development of affordable housing

Rehabilitation accounts for the largest share of NSP2 expenditures, while demolition accounts for the largest share of NSP2 properties.

Activity	Properties	Expenditures	$/property
Acq/Rehab	35.9%	64.2%	291.3
Demo	44.1%	2.9%	10.6
Financing	4.1%	5.1%	203.1
Land bank	1.8%	0.5%	42.7
Multi	5.9%	8.3%	228.9
Redev	8.3%	19.1%	375.1
Total	6356	1,034.9	162.8

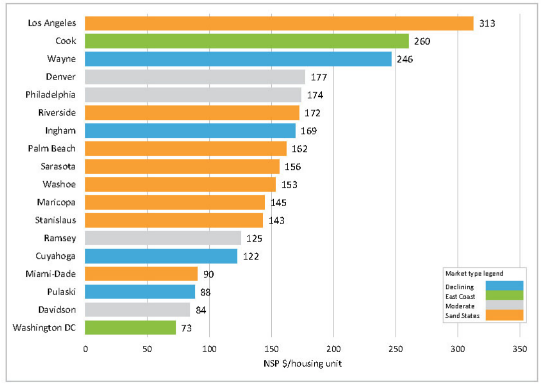
Note: Expenditures per property shown in thousands of dollars. All data provided by grantees.

Grantees in Sand State and Moderate counties mostly rehabbed properties. Demolition was most common among grantees in Declining counties.



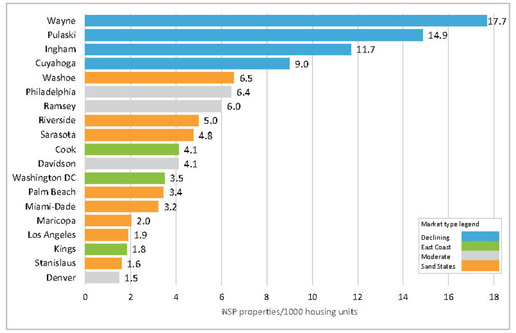
Notes: Rehab category includes redevelopment. Demolition includes land banking. Finance and multiple activities are not shown. Data provided by NSP2 grantees.

Rehab costs varied widely across counties, but not consistently by regional market type.



Notes: Graph shows average per census tract. NSP2 expenditures and housing unit counts provided by grantees.

Grantees in Declining counties treated more properties per census tract and achieved greater spatial concentration of investment than grantees in other market types.



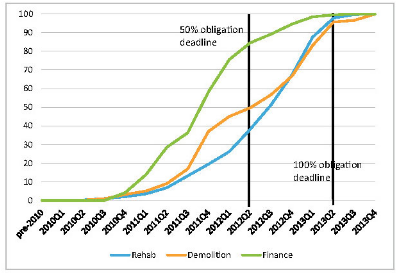
Notes: Graph shows average per census tract. NSP2 property counts provided by grantees. Housing unit counts for census tract come from 2005–2009 ACS.

NSP2 investments were targeted in census tracts with initially weak housing markets and economic fundamentals.

	NSP tracts	Non-NSP tracts	NSP - non-NSP
Housing markets			
Price	150,048	310,869	-160,821 ***
Distressed props/1000 hsg units	57.88	31.56	26.32 ***
Vacancies/1000 hsg units	118.83	75.90	42.93 ***
Population chars			
Income	43,690	64,050	-20,360 ***
Pop w/ less than 12 yrs educ (%)	30.56	19.63	10.92 ***
Hispanic (%)	34.96	25.59	9.37 ***
Black (%)	39.63	20.99	18.64 ***
n =	862	7443	

Notes: Tract level averages for sample counties. Data comes from ACS 2005–2009, Core Logic (2008), and USPS (2008).

Dates of investment completion varied by activity type. Most investments were completed shortly before the March 2013 deadline.



Note: Data collection from grantees ended in August 2013, so completions through Q4 2013 are estimated. Properties that were missing the year of completion or had projected completion after Q4 2013 are excluded.

Note: This complete report is available at: http://www.federalreserve.gov/econresdata/feds/2015/files/2015004pap.pdf