

**Strengthening Neighborhoods In Weak Markets
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Fostering Neighborhood Recovery

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Foreclosures in Minnesota:

Twin Cities is epicenter

- Anticipating 70,000 foreclosures in Minnesota between 2007-09
- Affecting 1 in 31 households in MN by end of 2008
- 2/3 of 2007 foreclosures occurred in the metro area
- High degree of foreclosures in inner-city have been investor-owned properties
- Have far surpassed the number of vacant properties previously experienced



Neighborhood Experience



**Lower Payne Townhomes
Dayton's Bluff NHS, St. Paul**



- **Prior to 2005-06, core neighborhoods were experiencing gains in housing values, homeownership rates, and higher density housing.**
- **In 18 months, gains have been dismantled by subprime lending/foreclosure crisis.**



Minnesota Foreclosure Partners Council

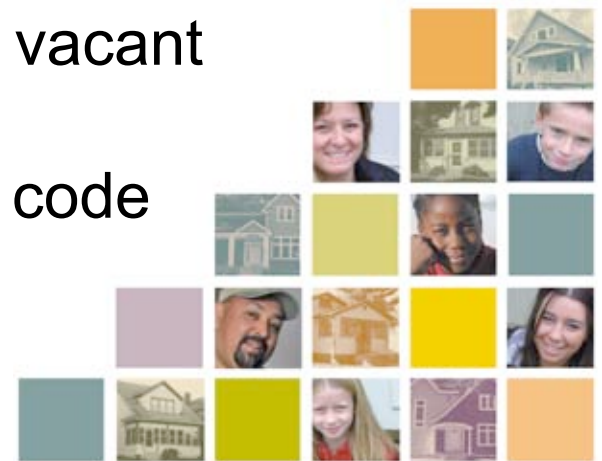
- Primarily consisting of government, nonprofit, and philanthropic interests.
- Initiated at the request of City of Minneapolis' development agency in 2007
- Early efforts focused on prevention counseling
- LISC invited to build out neighborhood recovery strategy



MFPC: Neighborhood Recovery Efforts

Early Actions:

- City of Saint Paul: \$15 million for strategic acquisition and rehabilitation, created new financing product pilots
- City of Minneapolis: Home Advantage Program
- Family Housing Fund: \$16 million - Home Prosperity Fund
- Minnesota Housing investments
- Hennepin and Ramsey County initiatives
- Testing innovative methods to secure vacant properties.
- Employing aggressive and innovative code enforcement.



Foreclosure Recovery Planning:

- Foreclosures present an imminent and significant threat to Minnesota's economy:
 - The spillover of the loss of 39,000 (more) homes in 2008 and 2009 will impact values of 546,000 (one of every three) homes, which will decline \$2.3 billion.
- The only effective response at this scale is to activate and assist the **private market** to work in concert with the public and non-profit sectors.



Foreclosure Recovery Plan Principles:

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- Provide incentives that reactivate and redirect the marketplace.
- Government and nonprofit institutions have instrumental roles.
- Commonly available set of tools and resources, which can be applied in partnership utilizing local knowledge.
- Look to the future— build on likely future economic and demographic trends.
- Urgent, yet sustained effort over the long run.

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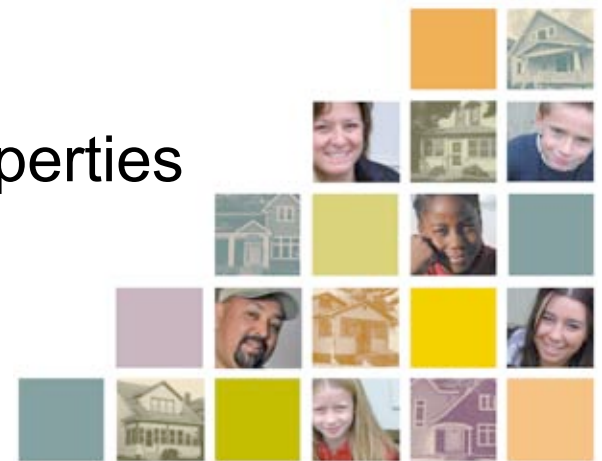


Foreclosure Recovery Plan Strategies:

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- **Prevent Foreclosures**
 - Goal: prevent 10,000 foreclosures
- **Reactivate and Guide Private Investment and Home Purchases**
 - Goal: develop new products for a first round of 2,850 mortgages
- **Assist Communities in Distress**
 - Goal: acquire and rehab 4,500 properties

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Foreclosure Recovery Plan Scale & Resources:

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- **Estimated cost of gap financing: \$223 million over three years:**
 - 10,000 homeowners assisted w/ private workout incentives to prevent foreclosure
 - 1,850 contract for deed/ lease purchase loans
 - 1,000 purchase rehab mortgages
 - 1,000 homeowners assisted by rehab advisors
 - 2,850 homeowners assisted w/ pre-and post counseling
 - 4,500 homes purchased/rehabbed through acquisition
 - 150 community stabilization grants
 - Misc. administrative and technical assistance

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Foreclosure Recovery Plan Sources:

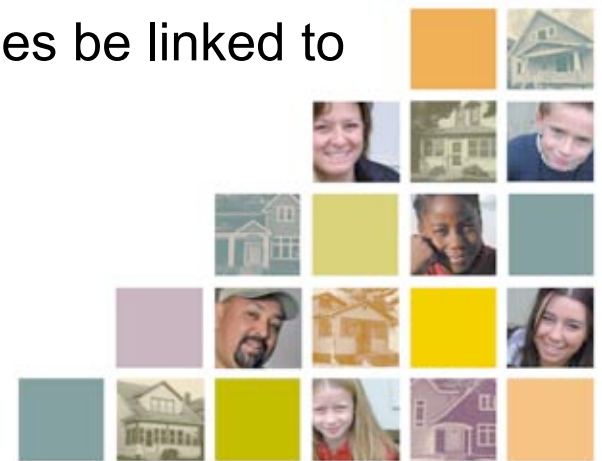
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- **Acquisition Assistance:**
 - National Community Stabilization Trust
- **Working capital:**
 - Federal legislation provides new authorizations and capital
 - Existing programs: City Living, MURL, Fix-up Fund, revenue bonding authority
 - Private capital
- **Gap funding:**
 - Federal legislation
 - State
 - Foundations



Foreclosure Recovery Plan Questions:

- What scale do these strategies need to operate at to achieve results?
- Where is the tipping point to spur private investment and involvement?
- Are there other cost effective strategies being used elsewhere?
- What are the critical next steps in advancing these strategies?
- How can other non-housing investment strategies be linked to neighborhood recovery?



For More Information:

Neighborhood Recovery Planning:

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Minnesota Foreclosure Partners Council (MFPC):

- Family Housing Fund, www.fhfund.org
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