Investing in Distressed Communities: Outcomes from the Neighborhood Stabilization Program

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.

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.

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

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

Notes: 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