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

• 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:

- 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.
Foreclosure Recovery Plan Strategies:

- **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
Foreclosure Recovery Plan Scale & Resources:

- 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
Foreclosure Recovery Plan Sources:

• **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:

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