Rethinking housing strategies for weak market neighborhoods

Alan Mallach
Non-resident Senior Fellow
The Brookings Institution
The market is the starting point for neighborhood housing strategies:

- Strategies need to be grounded in understanding market realities
- Strategies must focus on building stronger markets – drawing consumer choice
- Weak market areas offer particular challenges for market-driven neighborhood change strategies
There are fundamental realities affecting weak market areas:

- Most older industrial cities have lost population, and many continue to lose population.
- These cities have a surplus of housing and more vacant land than can be absorbed by redevelopment.
- Population loss is accompanied by gradual impoverishment, a greater threat to urban viability than population loss itself.
How do these realities affect neighborhood change?

- Neighborhood conditions reflect weak market conditions in city and region, not only neighborhood dynamics
- Limited citywide or regional housing demand limits neighborhood options
- Resources are likely to be severely limited relative to demand
What do these conditions mean for neighborhood strategies?

- Strategies need to be framed in a context of citywide slow growth or shrinkage
- Resources need to be strategically targeted to have meaningful impact
- Drawing and building the middle class should be a priority
- Abandoned and foreclosed properties are likely to be a significant issue in any neighborhood strategy.
Consumer choice is the starting point for neighborhood strategies:

Homebuyers want a house that meets their needs at a price they consider reasonable in light of the house and its surroundings; an area that offers them the quality of life they are seeking, which they perceive to have the stability that will protect their quality of life and personal investment.
Healthy neighborhoods are those neighborhoods which meet home buyers’ criteria, where:

- People who have enough income to choose between neighborhoods choose to move into the neighborhood
- People who have enough income to leave the neighborhood choose to stay
Healthy neighborhood housing markets can be built by:

- Increasing the desirability of the neighborhood’s housing stock
- Increasing neighborhood amenity value and quality of life
- Increasing neighborhood stability
Vacant and abandoned properties are a critical barrier to fostering neighborhood stability:

- They diminish property values, act as magnets for crime, increase fire risk and health hazards, reduce neighborhood cohesion, and make the area less attractive to prospective buyers.

- Foreclosures exacerbate existing abandoned property problems in weak market areas.
Foreclosures destabilize neighborhoods
Foreclosures impose burdens on local government
Foreclosures diminish property values.

**BUT**

Most of the damage results from lack of maintenance and/or abandonment, not foreclosure as such.
Foreclosures are more likely to lead to abandonment in weak market areas:

- Creditors less motivated to complete foreclosures
- Creditors less motivated to maintain property during foreclosure process
- Borrower less motivated to renegotiate loan or remain in property
- Neighborhood conditions increase risk of property damage, deterioration and vandalism
How can abandonment and foreclosure issues be tackled?

- Reduce the link between foreclosure, vacancy, deterioration and abandonment.
- Gain control of properties
- Invest strategically in ways that build market demand.
Reduce the link between foreclosure, vacancy, deterioration and abandonment

- Keep tenants in properties – eliminate foreclosure as grounds for eviction.
- Allow responsible owners to convert to tenants after foreclosure sale.
- Make creditors take responsibility for vacant properties from beginning of foreclosure process.
Gain control of properties

- Create effective, targeted code enforcement strategies
- Develop nuisance abatement program with capacity to collect for municipal costs
- Use tax foreclosure and other legal tools to gain control of problem properties
- Create land banking entity
Why is land banking important?

- Minimize negative impacts of vacant land on community
- Maximize long-term redevelopment opportunities
- Foster beneficial uses, such as open space or urban agriculture
- Allow the community to control its future
- Invest strategically to build market demand:
  - Target public sector investments around market-based strategy in key neighborhoods
  - Link investments – housing, schools, open space, transportation – around strategy
  - Use HERA funds strategically
Use HERA funds strategically:

- Direct resources to neighborhood stabilization strategies, not scattered properties
- Let market inform what to acquire, when to rehab and when to demolish
- Leverage HERA funds with other public and private financial resources and capacity
- Integrate HERA activities with other stabilization strategies such as code enforcement and foreclosure prevention
The bottom line for weak market cities:

- Cities may shrink, but they can become healthier smaller cities.
- Cities have assets that they can leverage to become healthier cities.
- Cities must both draw a middle class and address the needs of their lower income residents.
Key strategies

- Stabilize viable existing neighborhoods
- Build on unique assets to create new markets
- Develop long-term land banking strategies to make possible long-term reconfiguration of urban land
- Address education and workforce needs of long-term residents
- Foster regional cooperation
Alan Mallach
PO Box 623
Roosevelt NJ 08555
609.448.5614
amallach@comcast.net