Neighborhood Stabilization: Fostering Innovative Models

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Living Cities

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Overview

• Living Cities Initiative Strategy and Process
• Neighborhood Stabilization Models
• Aspirations and Challenges
• Close-up: Cleveland and Detroit
• Next Steps
About Living Cities

• World’s most enduring corporate/philanthropic collaborative

• Over 15 years, $543 MM in investments leverages $17 B in community assets

• Pivot to more comprehensive substantive agenda

• Foreclosure crisis threatens investment
Our Response

• Focus on local/regional neighborhood stabilization efforts.

• Identify and test models for federal intervention and support

• Forms of support:
  _ Grants: $500,000 or less
  _ Flexible Capital: Select sites; amount TBD
  _ Technical Assistance
  _ Knowledge Community
  _ Advocacy/Convening
Pilot Selection

• Criteria:
  _ Readiness
  _ Resources
  _ Scalability
  _ Impact/Output
  _ Meaningful Role for Living Cities Funding

• Representation from strong, mixed and weak markets
Results

• Reviewed applications from 14 cities; selected 10

• Uses of LC dollars:
  
  _ Operations Support

  _ Strategic Support

  _ Credit Enhancement/ Leverage
Pilot Characteristics

• Innovative, market-savvy
• REO strategy part of larger, comprehensive strategy
• Some operational now; all by October
• Strong coalitions; aggressive multi-sectoral leadership
• Neighborhood-level data
• Typically operate at neighborhood level
• Plan to touch 50-250 units per year
Types of Innovation

- **Entity**: Create New or repurpose existing
- **Financing**: New sources/structures
- **Affordability**:
  - Subsidy structure
  - Affordability preservation
  - Product development
- **Property Treatment**:
  - Acquisition/rehab/disposition
  - Demo
  - Brokerage
  - Land Bank/Trust
## Market Characteristics and Pilot Goals

<table>
<thead>
<tr>
<th>Market</th>
<th>Strong</th>
<th>Weak</th>
<th>Mixed</th>
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</thead>
</table>
| **Characteristics** | – Properties often do not enter REO  
– Acquisition costs high; competition for properties  
– Had severe economic challenges before foreclosure crisis | – Market dynamics vary by city/neighborhood  
– Multi-pronged strategies needed | |
| **Pilot Focus** | – Provider/preserve affordable housing  
– Preserve neighborhood owner-occupancy | – Preserve progress  
– Integrate REO strategy into community revitalization strategy | – Capitalize on opportunity to provide and preserve affordable housing  
– Prevent market collapse |
Strong Market Pilots

- New York
  - Center for NYC Neighborhoods
  - Mission-Driven Brokerage
- Washington, DC
  - Shared Equity Land Trust Model
  - New Markets Tax Credit
  - Cluster Approach
Mixed Market Pilots

Chicago
- City-wide entity
- ACA/Bulk purchase
- Mix of rehab for rental /demo

Dallas
- Repurposing Asset Control Area program
- Scattered-site model

Los Angeles
- Brokerage/REO model in rapidly declining market

Massachusetts
- Statewide stabilization fund
- Three-city pilot

Rhode Island
- Statewide land trust
- Smaller city

Twin Cities
- New financial products
Weak Market Pilots

• Cleveland:
  – REO integrated into comprehensive six-neighborhood revitalization strategy
  – Will rehab/sell some properties, demo and redevelop others

• Detroit:
  – New Office for Foreclosure Prevention and Response
  – Strategy remains under development
Aspirations

• Feasible models identified
• Sites succeed in acquiring REO properties this quarter
• Lessons learned inform policy and industry planning / practice
• New relationships develop between nonprofits and servicers
Challenges

• Market uncertainty
• Acquiring REO properties from servicers
  – Accessing decision-makers
  – Finding title-holders
  – Negotiating purchase terms
• Disposition strategy selection
• Risk to nonprofits
  – Holding period/costs
  – Continued market shift
• Politics (mixed bag)
• Replicability
Neighborhood Progress, Inc.

- REO strategy meant to preserve community development gains
- Built into comprehensive six-neighborhood revitalization plan
- Weak market makes servicers more willing to play
Cleveland (Cont’d)

Pluses

• Strong support from city, state
• Early-stage agreements with servicers
• Strong data platform
• Sharp overall strategy; high capacity

Challenges

• Actualizing servicer agreements
• Market volatility
Detroit

Office of Foreclosure Prevention and Response

• Quasi-public coordinating entity
• Created by funder community and the city
• Charged with crafting city’s response
Detroit (Cont’d)

Pluses
• Strong foundation engagement
• Encouraging early signs for new mayor
• Top-notch data platform

Challenges
• Positioning
• Public sector systems
• Moving from planning to implementation
Next Steps

• Responding to HUD funding regs
• Collecting and disseminating learnings
  • Web platform
  • Case study—NMTC
• Implementing TA pool
## Summary Table

<table>
<thead>
<tr>
<th>Market</th>
<th>City</th>
<th>Innovation/Point of Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strong</td>
<td>New York</td>
<td>City-Wide entity; Mission-driven broker</td>
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<tr>
<td></td>
<td>DC</td>
<td>Shared Equity; NMTC</td>
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<tr>
<td>Mixed</td>
<td>Chicago</td>
<td>City-wide; rental; secondary market</td>
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<tr>
<td></td>
<td>Dallas</td>
<td>ACA model; scattered site</td>
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<tr>
<td></td>
<td>MA</td>
<td>Statewide fund; Multi-city pilot</td>
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