Models for Vacant Property Disposition and Community Stabilization

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Enterprise Community Partners
Federal Reserve: October 20, 2008
Enterprise’s mission is to see that all low-income people in the United States have the opportunity for fit and affordable housing and to move up and out of poverty into the mainstream of American life.
How We Do It

We advise, finance and assist in the construction and rehabilitation of affordable housing and economic development projects.

We create community development models and policies that can be replicated.
More than $9 billion in equity, loans and grants invested since 1982

More than 240,000 affordable homes created

Investing $1 billion in equity, loans and grants annually

Enterprise
Foreclosure Tsunami’s Impact on Communities

- **40.6 million** homes in neighborhoods surrounding foreclosed homes will suffer price decline
- Property values for each home located in the neighborhood of a foreclosed house will drop an average of **$8,667**
- **$352 billion** total decline in property values
- Localities will lose **$4.5 billion** in property taxes and other local tax revenue

*In short: whole communities, not just individual homebuyers, suffer from concentrations of foreclosures.*

Source: Center for Responsible Lending
Enterprise Community Stabilization Goals

- Target at-risk communities to stop downward cycle
- Keep residents in their homes
- Restore market confidence
- Prevent and eliminate blight
- Preserve property values
- Renovate and sell/rent vacant properties
- Create land banks for obsolete properties
- Reduce holding periods of REOs by lenders/servicers
Lessons Learned

- Good data and mapping critical
- Precise geographic targeting
- Sustain at-risk owners through workouts
- Demolish obsolete & blighted properties
- Renovate and sell/rent vacant properties
- Provide quality pre- and post- counseling
- Vacant land banking/re-utilization
- Public-private partnerships a must
- Flexible subsidies to fill development gaps
Enterprise’s Target Community Stabilization Areas

- Atlanta
- Baltimore
- Cleveland
- Columbus
- Dallas
- District of Columbia
- Los Angeles
- New York City
- Rochester
- St. Louis
- State of Mississippi
Enterprise’s Role in Target Communities

- Program design expertise
- Experience with Acq./Rehab/Sale programs
- Leveraging public funds through innovative financing
- Property valuation assistance
- Assistance to state/local government partners on developing NSP Action Plans
- Access to REO properties through National Community Stabilization Trust
Leveraging Public Dollars to Create Size, Scale and Impact

- New financing tools to address gaps in current funding sources
- Leveraging of public dollars for greater impact
- Blended interest rates to stretch subsidies
- Credit enhancement for leveraged pools of capital
- Investment earnings help support operations
Cleveland’s Concentration of Foreclosed Properties

Foreclosure Filings
By City/Neighborhood
Cuyahoga County, OH
(January 1, 2006 - October 15, 2006)

9,102 foreclosures filed through October 15, 2006 in Cuyahoga County

Prepared for: Cuyahoga County
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(http://neocando.case.edu)
Source: Cuyahoga County Common Pleas Court
October 17, 2006

Natural Breaks Classification Scheme
Cleveland’s Response – Opportunity Housing

Three Year Stabilization Pilot impacting 750 homes in 6 Cleveland neighborhoods:

- Help 300 families at risk of foreclosure stay in their homes
- Demolish 300 obsolete, blighted structures
- Redevelop 150 vacant homes for homeownership, lease/purchase or rental housing (60-120% AMI)
Cleveland: Opportunity Housing

**Partners:** Neighborhood Progress, Cleveland Housing Network, City of Cleveland, 6 CDCs

**Total cost:** $21 million including:
- Demolition resources: $1.2 million in CDBG
- REO Redevelopment: $1.5 million in CDBG soft seconds ($10,000 per homeowner)
- $4.5 million in gap funding from OHFA

**Enterprise’s Role:**
- Technical assistance in the creation of this pilot program
- $1 million in pre-development and acquisition financing
- $200,000 grant for program reserves
Direct fee-simple sale (1/3 of homes)

- TDC: $125,000
- City/HFA subsidy: $40,000
- Sales prices: $85,000
- Monthly P&I: $650 to $700
- Affordable to families at 60% of AMI
Lease purchase arrangement (2/3 of homes)
- Same TDC and subsidy: $85,000 “sales price”
- Monthly payments: $700
- Interest only on LOCs: $150 monthly
- 6 month renewable leases
- Typical credit issues: employment history, payment history, slight credit impairments
Lease-Purchase: Two Models

**Self Help’s LP Mortgage**
- Mortgage with an assumption clause
- 1-5 Year Lease-Period
- Homeownership counseling required
- Tenants will have to meet Fannie Mae underwriting requirements or qualify for another mortgage.
- SH will buy mortgage notes, credit enhance them and sell them to Fannie Mae

**Cleveland’s LP Product**
- Renewable lease with purchase agreement
- 6-18 Month Lease-Period
- Homeownership counseling required
- Cleveland will work with local lenders to qualify tenants for mortgage financing
- The lease period is financed by a blend of market-rate and subsidized capital
HANDS – Operation Neighborhood Recovery: Essex County, NJ

- Purchase notes on 46 properties (90 units)
- Properties in foreclosure in or near Essex County
- Result of large real estate fraud & bankruptcy
- 60 day due diligence period
- $7.9 million development costs
- Investors: HANDS, N.J. Capital, Prudential, LISC, Enterprise
Disposition Options:

- **8 properties demolished & landbanked**
- **10 sold** to private investors
  - Better markets; less need for rehab
- **6 redeveloped** by HANDS for new homeowners
- **22 conveyed** to 4 different CDCs for redevelopment
  - HANDS to deliver the properties secure and with clear title
  - Arranging own acquisition & construction financing
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