



Maximizing the Neighborhood Stabilization Program Opportunity

Six Guiding Tenets for Implementation

The 2009
Charles H. Shaw
Forum on Urban
Community Issues:
Innovative Uses of
the Neighborhood
Stabilization Program



**Urban Land
Institute**

Terwilliger Center for Workforce Housing



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Daniel Rose Center for Public Leadership in Land Use

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(Cover photo)
**Cincinnati, Ohio. Vacant homes create
upkeep and safety problems that ripple
through neighborhoods.**

PHOTO BY JESS ZIMBABWE

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About the Urban Land Institute

The mission of the Urban Land Institute is to provide leadership in the responsible use of land and in creating and sustaining thriving communities worldwide.

ULI is committed to

- Bringing together leaders from across the fields of real estate and land use policy to exchange best practices and serve community needs;
- Fostering collaboration within and beyond ULI's membership through mentoring, dialogue, and problem solving;
- Exploring issues of urbanization, conservation, regeneration, land use, capital formation, and sustainable development;
- Advancing land use policies and design practices that respect the uniqueness of both built and natural environments;
- Sharing knowledge through education, applied research, publishing, and electronic media; and
- Sustaining a diverse global network of local practice and advisory efforts that address current and future challenges.

Established in 1936, the Institute today has more than 32,000 members worldwide, representing the entire spectrum of the land use and development disciplines. ULI relies heavily on the experience of its members. It is through member involvement and information resources that ULI has been able to set standards of excellence in development practice. The Institute has long been recognized as one of the world's most respected and widely quoted sources of objective information on urban planning, growth, and development.

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The Charles H. Shaw Forum

Charles “Charlie” H. Shaw (1933–2006)—former ULI chairman, ULI trustee, chairman of the Shaw Company, and developer of Chicago’s Homan Square—was instrumental in advancing several key areas of ULI’s program of work, including the revitalization of urban neighborhoods and global expansion efforts. In 2001, Shaw endowed the ULI/ Charles H. Shaw Forum on Urban Community Issues, an annual forum that brings together about 25 experts and leading practitioners to address a specific topic relating to the challenges and opportunities of urban neighborhoods.

The first forum, held in fall 2001, focused on the role played by schools, recreational centers, and other public facilities in providing a foundation for community building. Subsequent Shaw forums have covered such topics as capitalizing on the new markets tax credit, involving the community in neighborhood planning, making parks accessible to the community, partnering of community development corporations with for-profit developers, managing gentrification, and promoting green affordable housing.

2009 Shaw Forum Cosponsors

The ULI Daniel Rose Center for Public Leadership in Land Use

The mission of the ULI Daniel Rose Center for Public Leadership in Land Use is to encourage and support excellence in land use decision making. By providing public officials with access to information, best practices, peer networks, and other resources, the Rose Center seeks to foster creative, efficient, practical, and sustainable land use policies.

The ULI J. Ronald Terwilliger Center for Workforce Housing

The ULI Terwilliger Center for Workforce Housing was established by J. Ronald Terwilliger, chairman of Trammell Crow Residential, to expand housing opportunities for working families. The mission of the center is to serve as a catalyst in increasing the availability of workforce housing in high-cost communities by harnessing the power of the private sector.

2009 Shaw Forum Host

The ULI Center for Balanced Development in the West

The mission of the Center for Balanced Development in the West is to advance the work of the Urban Land Institute by providing responsible leadership in ensuring more sustainable urban growth patterns throughout the West.

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Introduction

The Neighborhood Stabilization Program

In response to the widespread foreclosure crisis destabilizing communities nationwide, the U.S. Congress created the Neighborhood Stabilization Program (NSP) as part of the Housing and Economic Recovery Act (HERA) of 2008. NSP was designed to provide localities with funds specifically designated for stabilization of neighborhoods through such activities as the purchase and rehabilitation of foreclosed properties. Using a needs-based formula, U.S. Department of Housing and Urban Development (HUD) allocated \$3.92 billion in NSP funds to 309 grantees—55 states and territories and 254 local governments.



Baltimore, Maryland. Vacant homes have a deleterious effect on property values in a neighborhood, decreasing the tax revenues that pay for services those same neighborhoods desperately need.

Congress followed this first disbursement, now known as NSP1, with an additional \$2 billion, known as NSP2, as part of the American Recovery and Reinvestment Act (ARRA) of 2009. Unlike NSP1's needs-based direct allocation formula, NSP2 operated through a competitive application process, with applications submitted by July 17, 2009. This process emphasized the need for partnerships across localities and allowed for the inclusion of for-profit and nonprofit organizations. HUD announced the NSP2 award winners on January 14, 2010.

While viewed by Congress as an emergency supplement to HUD's Community Development Block Grant (CDBG) program, NSP—both 1 and 2—comes with its own requirements and focuses specifically on the purchase and redevelopment of foreclosed or abandoned residential properties. NSP grantees can use the funds to do the following:

- establish financing mechanisms for the purchase and redevelopment of foreclosed homes;
- purchase and rehabilitate properties that have been abandoned or foreclosed upon;
- establish and operate land banks for homes and residential properties that have been foreclosed upon;
- demolish blighted structures; and
- redevelop demolished or vacant properties.

In employing the funds, grantees must meet the following regulations:

- All properties purchased with NSP funds must include a discount below the appraised market value.
- Upon resale, the grantee cannot make a profit, but can offer a developer fee.
- The resale price must be equal to or less than the cost to acquire and rehabilitate the property.
- Buyers and renters of properties rehabilitated with NSP funds cannot have incomes in excess of 120 percent of the area median income (AMI), and at least 25 percent of the funds must go toward properties aimed at buyers or renters with incomes below 50 percent of AMI.
- NSP funds cannot be used for foreclosure prevention or demolition of non-blighted structures.

Although NSP2 applicants have only recently learned of their award status, the recipients of NSP1 funds face an urgent timeline. Upon receipt of NSP1 funds, localities have 18 months to obligate the funds. Most localities signed their grant agreements in March 2009, and therefore must obligate all their funds by September 2010. If a locality has any funds remaining at the end of 18 months, HUD may recapture them.

Six Guiding Implementation Tenets for Maximizing the NSP Opportunity

The following six guidelines for maximizing NSP dollars stem from the collaboration between top public and private sector leaders invited to participate in the ninth annual ULI Shaw Forum.

NSP is not a systemic, complete solution for effecting neighborhood stabilization, but it is being put into action now and NSP grantees need to make implementation an urgent priority.

“Port St. Lucie is the tenth-largest city in Florida. We were a developer-developed community. We had a number of new communities in an area called Tradition, where the bulk of the homes were purchased with subprime mortgages. If you drive down the streets of that area today, you would find that only about 10 percent of the homes were occupied.”

—Mayor Patricia Christensen, Port St. Lucie, Florida

While the funds from NSP offer a welcome financial reprieve for struggling states, counties, and cities, they cannot possibly cover every immediate need. Foreclosures constitute just one problem in a much larger continuum of neighborhood stabilization challenges. Many localities are grappling with serious, seemingly intractable issues of long-term population decline and subsequent blight stemming from vacant properties. In addition, the amount provided by NSP will only facilitate the purchase of a small percentage of foreclosed homes, not every home in an area. NSP provides some flexibility, but it does not encompass many elements of neighborhood improvement, such as sidewalks and streetlights. Given that NSP was created with a specific focus and not as a panacea for every neighborhood ailment, localities that receive NSP funds need to have realistic expectations and to strategically coordinate complementary, non-NSP funded efforts.

Further, localities should not assume that NSP funding will continue, given that Congress authorized NSP as an emergency program. Despite NSP's limitations and the fact that most localities are overwhelmed with numerous pressing challenges, the program presents an enormous opportunity that, when made an immediate high priority, can prove influential in distressed neighborhoods. NSP

grantees must remain focused on the intricacies of NSP: the uses of funds are limited, there are new sets of regulations, and—for NSP1 funds—an already looming expiration date. The localities that continuously refine their programs and policies to meet the evolving markets, and thereby reprioritize their successes, will be best prepared for NSP implementation. Above all, the time to use these funds is right now.

Focus On: The National Community Stabilization Trust

For NSP grant recipients struggling with how best to leverage their funds or gain access to the highly competitive market for REOs—real estate owned, properties held in bank portfolios after unsuccessful foreclosure auctions—the National Community Stabilization Trust (NCST) can serve as a useful intermediary. In 2008, four community development organizations—Housing Partnership Network, Enterprise Community Partners, Local Initiatives Support Corporation (LISC), and NeighborWorks America—partnered to sponsor NCST, an entity that strives to help communities grappling with the current foreclosure crisis. Today, the National Council of La Raza and the National Urban League are also members. NCST works with NSP grantees (which it terms *buyers*) and financial institutions with foreclosed properties (termed *sellers*). NCST serves as a third-party bridge to help buyers gain access to REO properties for rehabilitation and stabilization, while helping sellers burdened with REOs get them off their books. NCST offers two primary means of assistance to buyers—access to REO properties and access to financing.

For acquisition assistance, NCST employs a First Look program and a targeted bulk purchase program. The First Look program enables buyers to have access to REOs before they are listed. With this advance purchase window, sellers can sell REOs faster and not have to hold them as long, allowing the sales price through First Look to incorporate a lower concession price that takes into account the savings from the early sale. Using a pricing concession similar to that of First Look, the targeted bulk purchase program allows buyers to buy entire portfolios of REOs in one transaction. For financing, NCST uses a revolving line of credit to offer immediate and short-term assistance to buyers, thereby enabling them to leverage their NSP funds further.

The NCST uses five key areas to evaluate potential buyers: collaboration, concentration, comprehensive, capacity, and capital. NCST wants to see that buyers have a collaborative stabilization plan with other public and private stakeholders. In addition, the stabilization plan must be targeted and strategic rather than scattershot, and it should have multiple layers that complement the effort beyond the sheer act of buying and rehabilitating a property. Further, the buyer should have the capacity to “assess, acquire, manage, rehab, and convey properties at scale,” NCST says, while also having sufficient NSP funds to carry out this work. Similarly, NCST partners with a variety of sellers, many of them major financial institutions, but they all have to want to work with NSP recipients and understand the valuable bridge that NCST provides. Working solely with NCST is not a requirement for NSP grantees, but it can play a unique and scalable role in establishing relationships between buyers and sellers and helping facilitate the transfer of REOs.

Local grantees are well positioned to take a leadership role in coordinating holistic NSP efforts.

Although NSP has triggered some confusion, as well as “use it or lose it” pressure to spend the funds before the deadline, localities should continuously evaluate NSP policies and outcomes within a broader framework. Not without its complications, the NSP has strong similarities to other HUD funding streams—although it has different dynamics and rules—and most localities have a history of working successfully with federally funded programs such as Community Development Block Grants. Many NSP grantees also already have in place comprehensive strategies and programs for community revitalization, as well as established cross-sector partnerships, and therefore are potentially much better positioned than realized at first glance to take a proactive approach to implementing their NSP efforts. Rather than embark on a random spending spree, jurisdictions can take leadership and plan their NSP efforts to complement other redevelopment and stabilization plans.

Although NSP is a housing program, the outcomes and successes needed are at the neighborhood level. Yet some neighborhoods have such extremely high vacancy rates that homeownership or improved rental opportunities would do little to improve them. Are there specific neighborhoods, corridors, or blocks that would most benefit from an infusion of NSP purchases? Once a locality uses the funds to purchase properties, what is the plan from acquisition to rehab to sale or rental?

Localities must also consider the power of leveraging, in terms of both financing and partnerships. Leveraging NSP funds can increase a locality’s purchasing power and allow it to secure a higher number of foreclosed properties. Leveraging partnerships is also crucial from a resource and capacity standpoint. In response to the current economic situation, many localities have downsized the very departments that are essential for executing a holistic NSP effort. Localities should ask themselves if they have the in-house capacity to handle everything from start to finish, or if they should partner with others and take advantage of market-based solutions.

However, the holistic planning does not end there: localities need to implement an ongoing communication strategy emphasizing education of consumers and outreach to current and future partners. Who will buy these homes? How will they know about them? While all this coordination might create a headache, it is absolutely critical, and many localities already have many of the essential planning pieces in place for successful implementation.

Cross-sector collaboration is essential for success.

“We’re crazy if we don’t all get together.”

—Mayor John Brenner, York, Pennsylvania

Most localities lack the full in-house capacity to tackle the broad and multifaceted problems facing neighborhoods with high rates of vacancy and foreclosure. If a locality relies on NSP funds alone, it likely will achieve only minimal impact on the problem. Localities need to reach out as soon as possible to secure key partners and build the right capacity. However, this should not amount only to partnering for the sake of partnering. Localities need to assess their own capabilities, identify components critical for success, clearly define roles and responsibilities, and cultivate the right partners.

Although a locality might have an extensive pool of past partners, it needs to be *sector agnostic* and consider a wide range of potential liaisons. Private sector partnerships might include real estate agents, financial institutions, contractors, buyers/consumers,

Focus On: The Invest St. Paul Initiative

Begun by Mayor Chris Coleman in February 2007, the Invest St. Paul (ISP) Initiative is designed to bring stakeholders together to promote, support, and cultivate viable and sustainable communities in the city. The ISP Initiative relies on geographic targeting to improve areas disproportionately affected by the current economic crisis.

Using key economic and social data points collected by the staff of the St. Paul Planning and Economic Development Department, the ISP team identified four geographic areas to target. With the four areas selected, the ISP team devised a work plan focused on seven core areas:

- strategic acquisition;
- rehabilitation;
- mortgage financing and marketing incentives;
- neighborhood commercial corridors;
- organizational support and community outreach;
- development projects; and
- regulatory services/enforcement.

ISP presented its plan to the St. Paul Housing and Redevelopment Authority (HRA) and received approval to use \$15 million of Sales Tax Revitalization (STAR) jump-start funds to begin working in the targeted areas.

With its focus on stabilizing and rebuilding neighborhoods, the ISP Initiative served as an effective vehicle for using some of St. Paul's and Minnesota's NSP1 allocation. As of November 25, 2009, the St. Paul HRA had acquired through the ISP Initiative 175 vacant properties in the four targeted areas. Building on this initial success, the city has already begun an ambitious continuation plan in the hopes that it receives more stabilization funds through NSP2.

consultants, and others. Public sector partnerships might incorporate the state, other municipal agencies, neighboring localities, etc. Nonprofit partnerships might involve philanthropic groups, community development corporations, the Neighborhood Community Stabilization Trust (NCST), community organizers, research/higher-education institutions, national community intermediaries such as the Local Initiative Support

Focus on: The Sacramento Housing and Redevelopment Agency's NSP Success

While many communities are struggling to create a strategic plan for their NSP allocation, metropolitan Sacramento is already in successful implementation mode. One of the main reasons for the city's success is the regional collaboration and clear leadership that underscore the area's NSP efforts. Sacramento County and the city of Sacramento pooled their respective \$18.6 million and \$13.3 million NSP1 allocations and assigned the Sacramento Housing and Redevelopment Agency (SHRA) the task of administering the funds on their behalf. The SHRA was founded by the city and county in 1981 as a joint powers authority with the mandate to handle redevelopment and affordable housing needs within both jurisdictions. With nearly \$32 million in NSP funds, the SHRA crafted a strategic plan and leveraged the NSP pool with almost \$23 million of non-NSP dollars, thereby enabling the city and county to expand their efforts.

The SHRA has launched several programs that are off to a promising start, among them the Vacant Properties Program (VPP), the Property Recycling Program, and the Block Acquisition and Rehabilitation Strategy.

The VPP partners with local builders and nonprofits to convert vacant and blighted single-family homes into for-sale properties for qualified buyers. What distinguishes VPP is that it is an over-the-counter program with a developer incentive fee. Participating builders deemed qualified by the SHRA receive a rehabilitation loan for foreclosed properties they have purchased in designated target areas. The agency retains 10 percent of that loan until it verifies that all work is completed consistent with SHRA's construction standards. The SHRA does not disburse the developer incentive fee until a qualified buyer closes escrow.

The Property Recycling Program allows the SHRA to buy large assemblages of foreclosed properties in targeted areas so it can later partner with developers for rehabilitation and sale. Under this program, SHRA is further targeting properties in tightly defined stabilization areas or properties so blighted that they would not sell on the market or be candidates for market-rate rehabilitation. Given the serious challenges presented by the condition of properties qualifying under this program, the SHRA might have to engage in demolition and redevelopment.

Under the Block Acquisition and Rehabilitation Strategy, the SHRA identifies blocks of small, multifamily housing plagued by foreclosures that it hopes developers will buy, consolidate, and turn around with strong property management. In many multifamily buildings with foreclosures, ownership is scattered or absent. Developers who qualify receive a low-interest loan and must commit to maintaining the housing units for very-low-income families per NSP criteria. Developers also are expected to make a long-term commitment to the block and offer excellent and safe property management.

Corporation (LISC) and Enterprise, trade schools, and other entities. The possibilities for productive collaboration are virtually limitless, but not every collaboration will constitute the right fit with a locality's specific needs and goals. The Sacramento Housing and Redevelopment Agency's Vacant Properties Program, highlighted in this report, offers an example of successful cross-sector collaboration.

Focus On: The Atlanta Neighborhood Development Partnership's Foreclosure Redevelopment Program

The collaboration between the Atlanta Neighborhood Development Partnership (ANDP) and several metropolitan Atlanta localities offers a compelling example of effective leveraging in terms of both expanding capacity and increasing the spread of NSP dollars. The ANDP is a nonprofit entity committed to promoting, creating, and preserving affordable housing throughout Greater Atlanta. During the NSP1 allocation, the ten-county Atlanta region received about \$97 million, and the ANDP will administer over \$18.3 million through its Foreclosure Redevelopment Program. Specifically, the ANDP is managing and implementing the NSP1 funds for the city of Atlanta and DeKalb, Douglas, Fulton, Henry, and Rockdale counties. Based on the ANDP's track record of success, these six localities deemed the ANDP a high-caliber partner with the capability to leverage and implement NSP funds at a significant scale.

Although the ANDP will work with localities to tailor its tactics to their needs, it has built an effective core implementation model in its Foreclosure Redevelopment Program. The ANDP extensively researched national best practices and designed the program to acquire, rehab, and repopulate foreclosed homes in partnership with experienced, highly efficient private sector partners. A key aspect of the ANDP program involves leveraging the NSP dollars with private sector debt. By linking federal dollars with private financing, the ANDP has been able to expand the reach of the initially limited pool of funds.

The ANDP achieves financial leveraging through soft second mortgages, using NSP funds as zero-percent second mortgages to close the financing gap for homebuyers. Even better for localities, this arrangement allows them to recapture and reuse their NSP funds in perpetuity because the soft second mortgages come with repayment requirements upon resale of the property. Through a partnership with Self Help Venture Funds, the ANDP also incorporates a lease-purchase option in its Foreclosure Redevelopment Program. This lease-to-own option helps potential buyers who might struggle to obtain a mortgage in the current tight credit market. Participants choosing the lease-purchase option undergo financial counseling and education to prepare them for homeownership.

But just as critical as leveraging the NSP funds, the ANDP has increased its own capacity by directing the efforts of third-party service providers that specialize in acquisition, property inspection, construction, leasing and sales, and property management. The ANDP uses a wide range of for-profit and nonprofit partners such as real estate agents, property management groups, financial counselors, and contractors. Through its actively managed relationships, the ANDP is helping the localities of Greater Atlanta make the most of their NSP1 dollars.

Localities must strategically and proactively position themselves in order to succeed at purchasing REOs/foreclosed properties in a competitive marketplace.

Foreclosure reports might make it appear as though a locality will be able to cherry pick from a surfeit of properties, but the reality is far more complex. Having the money is not the only requisite for successful purchases; other challenges besides cash availability might hamper an acquisition strategy. Many localities will find the market for foreclosed properties, especially those within affordable price ranges, to be quite competitive. Private sector investors are buying foreclosed properties at a feverish pace, and often not with the aim of neighborhood stabilization. In order to compete, localities need to have a comprehensive plan in place and be entrepreneurial. And they need to be quick and decisive in view of HUD's 18-month timeline to use NSP1 funds.

Localities have already learned that they need to implement a strategic outreach and investment plan *as soon as possible* to build capacity and develop strong relationships with every partner. Concurrently, the localities need to familiarize themselves with and take advantage of emerging tools, such as the NCST's First Look program, to better position themselves against private investors. Localities can also develop, improve, and use technology, such as geographic information systems (GISs) like PolicyMap, to track foreclosed properties and stay current. Partnerships with small, on-the-ground for-profit partners, including real estate agents, or nonprofit community-based partners can help localities identify and purchase properties before investors.

One of the most strategic tactics a locality can apply is to both understand financial institutions and be highly selective in working with them. Many financial institutions do not understand NSP or the terminology of the affordable housing sector, and even if they do, the knowledge is often confined to upper-level managers rather than the loan officers or asset managers in the field. Localities often have the misperception that financial institutions own the properties held in their portfolios after an unsuccessful foreclosure auction—know as real estate owned, or REOs—but the reality is that the financial institutions service these REOs for thousands of private investors, so buying a foreclosed property is much more complex than simple one-stop shopping. While the market is fast paced and fraught with obstacles, localities can work to put themselves in a competitive buying position.

To address the complex conditions of neighborhoods in transition, localities should target other programs and services to the same geographic areas where they are targeting NSP funds.

“This work is like attempting to find the leak in the dam and stick your finger in it. As one house goes, the rest of the neighborhood goes.”

—Mayor Joey Torres, Paterson, New Jersey

In a locality with a district-based government, there is a natural tendency to allocate public investments across all represented districts. However, initial observations of early programs to address foreclosures indicate that NSP dollars can be more effective if they are concentrated in the hardest-hit neighborhood or neighborhoods. On a broader level, localities can use priority targeting—the act of aligning NSP efforts with other projects and strategic priorities that complement the aims of neighborhood stabilization. Examples of complementary priorities might include crime prevention, job creation, education programming, and street improvements, among others.

Financial targeting offers a means of bundling funding sources so that NSP funds bolster other funded efforts, and vice versa. Geographic targeting affords localities the opportunity to prioritize NSP spending on specific areas with the greatest benefit, such as tipping-point neighborhoods, school corridors, or borderline commercial strips.

In cases in which political pressures make outright geographic targeting unpalatable, localities should consider *tiered targeting*. The goal of tiered targeting is to direct NSP funds to where they will have the most significant impact rather than throw them at neighborhoods that would require significantly more investment. Under tiered targeting, localities can prioritize several geographic areas and allocate funds according to their corresponding tier. Beyond the targeting of funds to address priorities and needs in specific neighborhoods, localities can and should target consumers directly. The localities will need buyers for the homes purchased through NSP funding. Employer referral programs or outreach campaigns advertising the benefits of the rehabilitated homes or touting soft second mortgages coupled with homeownership counseling programs can offer a stream of end users.

Once a locality has exhausted its targeting options, it should not forget that while NSP is helpful, it will not solve every problem in a neighborhood in transition. The locality should bring other funds to the table—local, state, or federal—to achieve the challenging goals affiliated with neighborhood stabilization.

Localities need to think long term and set measures of success.

“Our homebuilders have been building further and further out in suburbia. This is a chance to reverse that. With brownfield and urban schools money available to us, we’re hoping to tip the scale to make it easier to build infill in Toledo.”

—Mayor Carty Finkbeiner, Toledo, Ohio

NSP comes with many strings attached, yet none is a metric for success. HUD has not yet set any benchmarks for long-term accountability—but then again, NSP is an emergency program. Regardless of whether Congress continues NSP funding, how will a locality know whether it has achieved anything through the program? How will it measure and track its progress in addressing vacancy and foreclosures? How will a locality’s efforts with NSP funds complement other stabilization endeavors within the community? While the push to obtain the funds and use them may resemble a race, will the locality’s efforts under the NSP program complement those of the region, or will they more resemble a competition within a metropolitan area? On a broader economic scale, how will NSP efforts today fit into future market conditions that might change radically in terms of housing supply, foreclosures, and lending conditions?

Some questions are impossible to answer, but localities receiving NSP funds need to determine quantifiable measures of success and design specific metric-aligned implementation programs rather than view the program as a random infusion of funds.

Moving Forward with NSP

Following these recommendations will not guarantee success, but they do offer cogent pointers as localities grapple with the relatively new federal regulations and race against the clock to use their NSP dollars. NSP does, however, provide needed funds at a time when many localities suffer from revenue shortfalls.

Notwithstanding, localities expressed many justifiable concerns regarding NSP funds—specifically, an increase in the flexibility of their use. Currently, NSP funds can only be used to create homeownership or rental opportunities at foreclosed, abandoned, or vacant properties, but many localities argue that NSP would have more stabilizing power if the funds could be used to purchase homes that are financially underwater, but not yet foreclosed. Others wish that the NSP funds had been disbursed as part of the Community Development Block Grant program with which localities already have a significant amount of experience. They contend that it is challenging to learn the new NSP rules and regulations, as well as the subsequent changes, on top of addressing the ever-changing market forces and internal capacity issues. In comparison, CDBG is proven and standardized.

Under NSP2, the emphasis has been on partnerships, but some wonder if instead of cooperation, this has spawned intraregional competition for NSP dollars. And perhaps the biggest concern stems from the fact that financial institutions have an incentive to partner with private investors who can pay today rather than deal with the slower and more complicated process of dealing with localities. To a lesser degree, some even fear that as Congress contemplates NSP3, it may feel as if it has provided the full solution for neighborhood stabilization via NSP1 and 2 and will reduce other federally funded programs that play a major role in neighborhood stabilization.

Despite these considerable concerns, NSP is here today, and localities should embrace this opportunity immediately and do everything in their power now to educate themselves, plan strategically, and implement the program successfully.

About the 2009 Shaw Forum

On October 14, 2009, thanks to the generous support of the Annie E. Casey Foundation and the late Charlie Shaw, and the programming from Jess Zimbabwe, ULI Rose Center for Public Leadership in Land Use, and Janine Cuneo, ULI Terwilliger Center for Workforce Housing, more than 25 hand-selected public and private sector leaders from across the country gathered at the Biltmore Hotel in downtown Los Angeles to kick off the ninth annual ULI Shaw Forum. Unlike the stars of Hollywood's Golden Age who came to the Biltmore for the Oscars, these modern land use leaders came to roll up their sleeves and dive into the pressing topic of neighborhood stabilization.

Given the economic meltdown and the correlating rise in foreclosures and their deleterious effects on communities across the nation, the issue of neighborhood stabilization could not be more urgent. Specifically, ULI hoped to examine the federal government's Neighborhood Stabilization Program by assembling experts in the field to assess NSP, share information, analyze promising programs, and offer some clarity to localities in the strategic deployment of NSP funds.



Tyrone Williams of Sustainable Neighborhood Development Strategies Inc. in Atlanta told Shaw Forum participants about the city's efforts to tackle the problem of foreclosures.



Craig Nickerson of the National Community Stabilization Trust described tools available to help cities invest their NSP funds wisely.



Mayor Carty Finkbeiner of Toledo addressed the 2009 Shaw Forum during the mayors' panel.



Cecile Bedor of St. Paul, Minnesota, described the Department of Planning and Economic Development's efforts to combat high vacancy rates in St. Paul neighborhoods.



John O'Callaghan of the Atlanta Neighborhood Development Corporation described how the Atlanta region is attempting to take a comprehensive and regional view of the problems of vacancies and foreclosures.

Con Howe, managing director of CityView and chair of the forum, kicked off the one-and-a-half-day event. Participants heard overviews on NSP and the Neighborhood Community Stabilization Trust (NCST) from Amanda Sheldon Roberts of Enterprise Community Partners and Craig Nickerson of NCST. Following these contextual presentations, the participants gathered at a dinner featuring a lively panel discussion among the mayors of four diverse cities devastated by the foreclosure crisis: John Brenner of York, Pennsylvania; Patricia Christiansen of Port St. Lucie, Florida; Carty Finkbeiner of Toledo, Ohio; and Joey Torres of Paterson, New Jersey. Each mayor shared his or her experience with foreclosures and the use of NSP funds, providing poignant and compelling insights. (Their comments can be found via podcast at: www.uli.org/2009ShawPodcast.)

On the following morning, the participants reassembled at the offices of Leo A. Daly to begin the day's work of examining promising approaches that will help communities maximize the NSP opportunity. Participants heard case study presentations by the Atlanta Neighborhood Development Partnership, the Sacramento Housing and Redevelopment Authority, and the Invest St. Paul Initiative. Participants then broke into three groups and addressed a series of questions targeted at neighborhood stabilization efforts. Each group devised its own list of opportunities, challenges, and lessons learned before reconvening and sharing their thoughts with the group as a whole. The findings and key take-aways from this group of experts led to the six tenets for successful implementation that constitute the bulk of this report.