2011

Community Scope

Vol. 2 Issue 2

Neighborhood Stabilization – Putting Policy into Practice

A Study of Five NSP1 Indirect Recipients

Community Development Department

Federal Reserve Bank of Richmond

Community Scope

The mission of *Community Scope* is to provide information and analysis on current and emerging issues in community development. The content of *Community Scope* is collected and developed by the Community Development Department of the Federal Reserve Bank of Richmond.

Community Development Department Staff

RICHMOND OFFICE

Kimberly Zeuli
Vice President and Community Affairs Officer

Urvi Neelakantan
Research Economist and Manager, Editor

Jennifer Giovannitti
Regional Community Development Manager

Amanda Gibson
Outreach Coordinator

Shannon McKay
Research Analyst

Lisa Hearl
Analyst

Karen Huffman
Administrative Support and Project Coordinator

Deborah Jackson
Staff Assistant

CHARLOTTE OFFICE

Tammie Hoy
Regional Community Development Manager

BALTIMORE OFFICE

Ellen Janes
Senior Regional Community Development Manager

Karron Minor
Communications Specialist

Design: Michael Batts
A special thanks goes to Jim Strader and Gillian Field for editing assistance.

Community Scope is published by the Federal Reserve Bank of Richmond. Free subscriptions and additional copies are available upon request.

To inquire about our publications, contact:
The Federal Reserve Bank of Richmond
Community Development Department
P.O. Box 27622, Richmond, VA 23261-7622
email: caorichmondfed@rich.frb.org
www.richmondfed.org/community_development/

Neighborhood Stabilization – Putting Policy into Practice

A Study of Five NSP1 Indirect Recipients

AUTHORS

Shannon McKay, Urvi Neelakantan and Kimberly Zeuli

In 2007, the country found itself facing an unprecedented foreclosure crisis. Given the severity of the foreclosure problem, the federal government felt the need to craft a response that would be both swift and national in scope. Congress enacted the Housing and Economic Recovery Act (HERA) in the summer of 2008, which created the Neighborhood Stabilization Program (NSP). The first round of funding, commonly referred to as NSP1, provided $3.92 billion dollars for the redevelopment of abandoned and foreclosed homes. All fifty states, the District of Columbia and five U.S. territories received NSP1 funds. The direct recipients of the NSP1 funds carried out their own set of neighborhood stabilization activities and also provided funds (indirect awards) to nonprofit subrecipients. Indirect recipients included local governments, regional and local planning authorities, housing authorities and other community development organizations.

In this issue, we describe the implementation experiences of five indirect recipients of NSP1 funds.[1] The recipients are diverse in size, experience and location (see Profiles of Case Study NSP1 Recipients). Taken together, the five case studies offer some insights into the effectiveness of using an indirect funding model for rapid neighborhood stabilization. The indirect recipients faced the challenges of an additional layer of bureaucracy as well as their own capacity to implement a complex federal neighborhood stabilization program. The challenges were heightened by the tight deadlines of the program: Congress set a deadline of eighteen months for all recipients to obligate their NSP1 funds.[2] In a general sense, the studies also serve as an interesting illustration of how national community development policies are implemented at the local level.

Profiles of Case Study NSP1 Recipients

Lowcountry Housing Trust*'s mission is to assist nonprofit and for-profit developers in constructing a full spectrum of affordable housing in the greater Charleston, South Carolina, region. It has a staff size of four. Through a variety of loans, incentives, gap financing, "soft" subordinate mortgages and development services, it has assisted in financing more than 500 affordable housing units representing $100 million in local community development investments. It works with nonprofit and for-profit developers and pools funds from public and private sources. According to Michelle Mapp, executive director of Lowcountry Housing Trust, "Participation in the NSP program seemed a natural fit with the mission of our organization. The Lowcountry Housing Trust is a regional advocate for affordable housing created as a local source of funding to support the production of affordable homeownership, rental and transitional housing opportunities. NSP allowed the Lowcountry Housing Trust to assist with the stabilization of neighborhoods negatively impacted by already foreclosed or abandoned property, helping families maintain the wealth that they have accumulated in their homes while providing affordable homeownership and rental opportunities to the region's workforce."*

Rather than funding programs with its own money, the ***Northern Shenandoah Valley Regional Commission*** *acts as a facilitator and administrator for localities and other organizations in the region to obtain funding from state, federal and other funding sources. For example, it entered into agreement with the City of Winchester to administer the city's Community Development Block Grant and Home Investment Partnerships programs. In this role, it assists Winchester in monitoring the programs' indirect recipients and projects. The Northern Shenandoah Valley Regional Commission is also an advocate for regional coalition building in community development. In regard to its NSP involvement, Martha Shickle, executive director of the Northern Shenandoah Valley Regional Commission said, "The Northern Shenandoah Valley Region was significantly affected by the foreclosure crisis that began in 2008. We were pleased to have the opportunity to access funding through the Neighborhood Stabilization Program to address at least some of the impacts of foreclosed and abandoned properties in our neighborhoods and communities. By targeting resources to areas of high foreclosure concentration, we hope to be able to infuse enough investment in the communities to encourage more substantial private investment in neighboring properties. Over time, we expect to see stability return to these neighborhoods."*

While it is the provider of community development services to forty-two municipalities in the county, the ***Redevelopment Authority of the County of Fayette*** *also acts as the administrator of several federal, state and county programs on behalf of the county and its municipalities. Through the Fayette County Business Park initiative, the Redevelopment Authority is involved in infrastructure improvements, marketing and setting up agreements with private development. According to Andrew French, the executive director of the Redevelopment Authority of the County of Fayette, "The Fayette County, Pennsylvania, Neighborhood Stabilization Program (NSP) represents a collaborative initiative designed to strengthen fragile communities that have been plagued by home foreclosures and blight. Utilizing NSP to leverage other local, state and federal resources, the program's impact has been profound — assisting over twenty-four families realize the dream of homeownership while simultaneously removing blighted properties and helping to stabilize targeted neighborhoods throughout Fayette County."*

The ***Building Departments of Bedford and South Euclid*** *are typical of building departments found in small cities across the United States. With relatively small staffs, they handle the building permits for their communities as well as property inspections to make sure structures are aligned with building codes. In addition, they guide the development of a city through zoning ordinances. When asked about participating in NSP1, Sally Martin, housing manager for the City of South Euclid, said, "We chose to participate in the program to jump start some neighborhood revitalization efforts in our hardest hit neighborhoods. We have seen much success with our Green Neighborhoods Initiative. We have sold three homes for much higher than market average and have created a greater sense of community involvement with our three new community gardens. In fact, we just found out our project has won a Crain's Emerald Award." Of Bedford's involvement, Leonette Cicirella, housing program manager/foreclosure specialist, stated, "The NSP grant program was viewed as a welcome opportunity for the city to further develop and extend its housing program. Specifically, it offered a mechanism to 'drive up' property values, or at least maintain residential property values, one house at a time."*

Table 1: Overview of NSP1 Recipient Characteristics

Recipient	Organization Type	Year Established	Staff	2009 Operating Budget/ Expenses ($)	Area(s) Served	Mission/Purpose
Lowcountry Housing Trust	Certified Community Development Financial Institution	2004	4	0.4 million	Charleston County, SC Dorchester County, SC Berkeley County, SC	Lowcountry Housing Trust is a regional affordable housing advocate and financier that works to address the housing crisis facing the local community. Its mission is "leveraging public and private resources to foster community economic development."
Northern Shenandoah Valley Regional Commission	Planning District Commission	1968	9	1.2 million	City of Winchester, VA Clarke County, VA Frederick County, VA Page County, VA Shenandoah County, VA Warren County, VA	The Northern Shenandoah Valley Regional Commission is one of twenty-one planning district commissions in Virginia whose purpose is "to encourage and facilitate local government cooperation and state-local cooperation in addressing on a regional basis problems of greater than local significance."
Redevelopment Authority of the County of Fayette, Pennsylvania	Local Government Agency	1949	16	1.1 million	Fayette County, PA	The Redevelopment Authority of the County of Fayette is the principal agency in Fayette County responsible for implementing community development and single-family affordable housing initiatives. It provides general community development services and administers several programs on behalf of the county and its municipalities.
Building Department of the City of Bedford, Ohio	Local Government Department	1932	6	0.5 million	Bedford, OH	The Building Department is responsible for the enforcement of building, housing and zoning codes as well as other ordinances. It also enforces laws that help protect its citizens from unscrupulous contractors while maintaining property values through property maintenance programs.
Building & Housing Department of the City of South Euclid, Ohio	Local Government Department	1941	10	0.7 million	South Euclid, OH	The Building & Housing Department's mission is "to protect and preserve the city's housing stock and fairly and consistently enforce building codes to protect the life, health and safety of our residents."

Source: *Lowcountry Housing Trust (http://www.lowcountryhousingtrust.org/); The Northern Shenandoah Valley Regional Commission (http://www.lfpdc7.state.va.us/); The Redevelopment Authority of the County of Fayette (http://www.racfpa.org/); City of Bedford (http://www.bedfordoh.gov/); City of South Euclid (http://www.cityofsoutheuclid.com/); and email from Sally Martin, housing manager for South Euclid on September 1, 2011.*

The five indirect recipients of NSP1 funding highlighted in this study include (1) Lowcountry Housing Trust in North Charleston, South Carolina; (2) Northern Shenandoah Valley Regional Commission in Front Royal, Virginia; (3) the Redevelopment Authority of the County of Fayette in Uniontown, Pennsylvania; (4) the City of Bedford in Bedford, Ohio; and (5) the City of South Euclid in South Euclid, Ohio. Table 1 describes the key characteristics of the recipients. Lowcountry Housing Trust is a certified community development financial institution (CDFI); the Northern Shenandoah Valley Regional Commission is a regional planning district commission; the Redevelopment Authority of the County of Fayette is a local government agency; and Bedford and South Euclid are two suburban communities in Cuyahoga County, Ohio. In the case of the latter two cities, the NSP1 program was administered by their building departments. All five received an indirect award from either a local or state government's direct NSP1 award in 2009.

Lowcountry Housing Trust and the cities of Bedford and South Euclid operate in fairly traditional urban and suburban metropolitan counties, while the Northern Shenandoah Valley Regional Commission and the Redevelopment Authority of the County of Fayette serve more rural markets. Table 2 describes the local economic and housing market situation that the organizations faced in 2008. During that time, home foreclosures were continuing to increase across the country, propelled by increasing unemployment rates and declining house values. Fayette County, Pennsylvania, and Cuyahoga County, Ohio, faced the most severe foreclosure crises with foreclosure rates in the 6 to 8 percent range. The counties in Pennsylvania and Ohio also tended to have higher unemployment rates, lower median household incomes and lower median house values. By comparison, the counties in South Carolina and Virginia had foreclosure rates ranging from 3 to 5 percent. Unemployment rates in the counties in South Carolina and Virginia were near or below the national average of 6 percent. Median incomes and median house values also tended to be near or above the national average in South Carolina and Virginia and below the national average in Pennsylvania and Ohio.

Table 2: Demographic, Economic and Housing Market Characteristics for Counties Served by NSP1 Recipients (2008)

Geographic Area	Total Population	Median Household Income ($)	Civilian Unemployment Rate (%)	Median House Value ($)	Estimated Foreclosure Rate (%)
Charleston County, SC	349,778	50,213	5.3	244,800	2.7
Berkeley County, SC	169,586	49,414	6.1	150,900	4.5
Dorchester County, SC	127,830	60,254	5.6	169,700	3.9
Frederick County, VA	73,769	61,295	4.2	266,700	4.4
Warren County, VA	36,695	53,495	4.4	266,400	4.3
Shenandoah County, VA	40,984	48,671	4.7	216,500	3.0
Fayette County, PA	143,289	34,050	6.6	81,600	5.9
Cuyahoga County, OH	1,282,880	44,324	7.0	141,100	8.4
United States	304,374,846	52,029	5.8	192,400	4.8

Source: *Population data is from U.S. Census Bureau, Population Division, Population Estimates program. Median household income data is from U.S. Census Bureau, Small Area Income and Poverty Estimates (SAIPE) program, 2008 estimates. Unemployment rate data is from Bureau of Labor Statistics/Haver Analytics. Data for median house value is from U.S. Census Bureau, 2006-2008 American Community Survey 3-Year Estimates. Foreclosure rate data is from U.S. Department of Housing and Urban Development, Office of Policy Development and Research Neighborhood Stabilization Program Data, NSP1.*

NSP1

A DROP IN THE BUCKET?

The U.S. Department of Housing and Urban Development (HUD) was tasked with dispersing the NSP funds through their Community Development Block Grant program.[3] The method of awarding funds varied by state recipient, but it was typically a competitive process. State and local governments were required to distribute their NSP funds to areas with the "greatest need" as determined by the percentage of foreclosures, the percentage of homes financed by subprime mortgages and the likelihood of increased rates of foreclosure in the area. [4] HUD established a formula in its original guidance to help state and local governments define their areas of greatest need, but it also gave recipients a certain amount of latitude in designing their NSP programs to reflect local housing market trends and foreclosure conditions. Using HUD's formula, state and local government NSP1 programs established their own risk scores to define areas of greatest need and allocate their direct NSP1 awards. For example, Virginia targeted localities with either a minimum of 200 foreclosed properties or a foreclosure rate of at least 4 percent.[5] In contrast, South Carolina used a relative measure to identify the areas of greatest need. They ranked the top twenty counties with the highest number of foreclosures, the highest number of residential units that had been vacant for ninety days or longer or the highest number of high-cost loans. In turn, the indirect NSP1 recipients identified specific target neighborhoods that fit within the guidelines and scoring of the entity from which they received funding.

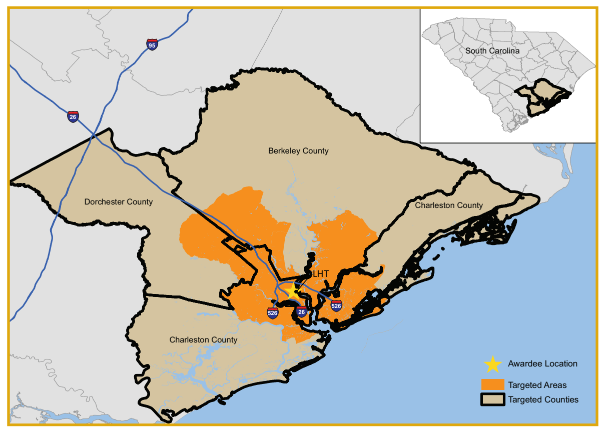
By the time the $3.92 billion in NSP1 funds were dispersed across the country, indirect recipients received relatively small awards, especially when compared to the scope of the foreclosure situation they were attempting to address. For example, Lowcountry Housing Trust in South Carolina received $47 million in requests from community development corporations that wanted to be a part of their application. It ended up requesting $15 million and was ultimately awarded $7.4 million (see Table 3 for award amounts). The indirect awards across the five case study recipients range from $0.5 million to just over $7 million.

A TARGETED APPROACH

Lowcountry Housing Trust

As Table 1 indicates, Lowcountry Housing Trust's service area comprises three counties in South Carolina — Berkeley, Dorchester and Charleston. Anticipating that this area would be among those that South Carolina identified as areas of greatest need, Lowcountry Housing Trust took a proactive approach in trying to obtain NSP1 funds for the tricounty region. In October 2008, on behalf of its regional partners, Tammie Hoy, Lowcountry Housing Trust's then executive director, sent a letter of interest to the South Carolina State Housing Finance and Development Authority requesting that $15 million be considered for disbursement to the tricounty area.

Map 1A: Lowcountry Housing Trust Target Area



Source: *Lowcountry Housing Trust's Neighborhood Stabilization Program, Request for Allocation, Tier 1, Charleston, Berkeley and Dorchester Counties.*

All three counties were indeed classified by South Carolina as areas of greatest need. In March 2009, Lowcountry Housing Trust was awarded $7.4 million from the state to target an estimated seventy-one units in the tricounty region.

Within the three counties, Lowcountry Housing Trust identified seven core areas of greatest need using data on the concentration of foreclosed properties and short sales. Map 1A highlights the target areas, which varied greatly in their housing market conditions. For example, the urban neighborhoods in the cities of North Charleston and Charleston have a stock of historically valuable housing that has become vacant and dilapidated. The suburban bedroom communities of Summerville town and Goose Creek city in Dorchester and Berkeley Counties consist predominantly of 1 to 1½ acre lots of new housing construction. The town of Mount Pleasant is a large, wealthy suburb of Charleston with a 2008 median house value of $373,500.[6]

Table 3: Comparison of Select NSP1 Award Characterisitcs

Recipient	Lowcountry Housing Trust	Northern Shenandoah Valley Regional Commission	Redevelopment Authority of the County of Fayette, PA	Building Department of the City of Bedford, OH	Building & Housing Department of the City of South Euclid, OH
Amount of Award ($)	7.4 million	2.5 million	1.9 million	0.5 million	0.5 million
Percentage of NSP1 Funds Allocated for each Eligible Use (%)*					
Acquisition & Rehabilitation	89	91	35	87	79
Demolition	–	–	19	–	4
Redevelopment	11	–	40	–	–
NSP1 Target Area(s) (Areas of Greatest Need)	Berkeley County, SC Charleston County, SC Dorchester County, SC	Frederick County, VA Warren County, VA Shenandoah County, VA	Uniontown, PA Connellsville, PA Borough of Masontown, PA	Bedford, OH	South Euclid, OH
Neighborhood(s) Targeted	Highway 52 Corridor (Goose Creek, Hanahan) Highway 78 Corridor (Ladson, Moncks Corner, Summerville) Mount Pleasant West Ashley (West Ashley, James Island, Johns Island) Urban Core (Charleston, North Charleston) Dorchester Road Corridor (North Charleston, Summerville) Highway 165 Corridor (Ladson, Summerville)	Senseny Road Corridor (Apple Ridge, Senseny Glen, Bedford Village; zip code 22602) Stephens City (zip code 22655) Front Royal (zip code 22630) Strasburg (zip code 22657)	Gallatin Avenue and East End neighborhoods (Uniontown) Main Street area (Connellsville) Census Blocks designated as "Priority and Qualified Need Areas" in Uniontown, Connellsville and Masontown	Presidential District	Census Block Groups 1851 and 1852

** None of the recipients planned to dedicate funding to financing mechanisms or land banking. For certain recipients, the planned percentages for eligible uses do not sum to 100 percent. There were certain activities in the recipient budgets such as administration, closing costs, advertising, architecture/engineering that cannot be clearly assigned to one eligible use type.*

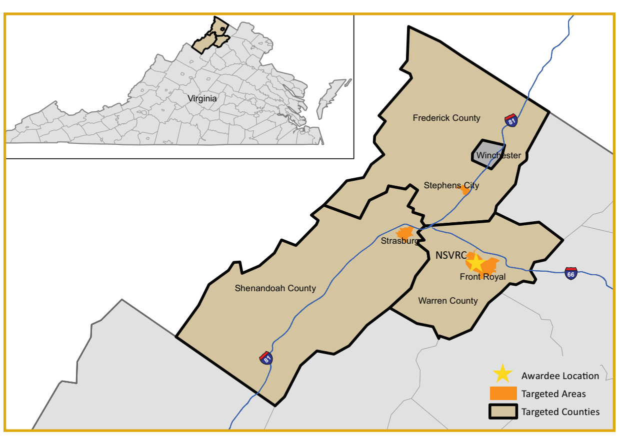
Source: *Cuyahoga County Department of Development, Neighborhood Stabilization Program Application, The South Euclid Sustainable Neighborhood Recovery and Revitalization Initiative; City of Bedford's Cuyahoga County Department of Development, NSP Municipal Grant Program, FY 2008, Application for Assistance; Northern Shenandoah Valley Regional Commission Proposal to Virginia DHCD Neighborhood Stabilization Program; Redevelopment Authority of the County of Fayette, Pennsylvania, Application to Commonwealth of Pennsylvania, Department of Community & Economic Development, Center for Community Development, Neighborhood Stabilization Program; Lowcountry Housing Trust's NSP Start Up Requirements for SC State Housing Finance & Development Authority; Lowcountry Housing Trust's Neighborhood Stabilization Program, Request for Allocation, Tier I, Charleston, Berkeley and Dorchester Counties; Office of the Governor, Commonwealth of Virginia, press release, "Governor Kaine Announces $17.5 Million to Purchase/Rehabilitation Foreclosed Homes," June 8, 2009; and http://www.clevelandfed.org/Community_Development/topics/NSP/Fayette_County_NSP.cfm.*

Lowcountry Housing Trust thus faced the challenge of working in neighborhoods that exemplified extremes of the housing market. The Charleston-North Charleston area is a specific example. The housing markets there were characterized as "rising quickly" in 2005 and "stable" in late 2009.[7] Even after the foreclosure crisis, Builder magazine named the Charleston-North Charleston area one of the healthiest housing markets for 2010.[8] However, underlying these statistics is the stark contrast between Charleston — the largest city and a popular tourist destination — and North Charleston. In 1996, when Congress decided to close the Charleston Naval Base, the loss of jobs accelerated the decline of North Charleston. Population loss left behind many vacant, poorly maintained homes. In 2008, North Charleston had a 17.3 percent housing vacancy rate, the highest of any target area in our study.[9]

Northern Shenandoah Valley Regional Commission

In Virginia, the Northern Shenandoah Valley Regional Commission received its indirect grant from the Virginia Department of Housing and Community Development (DHCD), the NSP1 administrator for the state. The DHCD designed their program to emphasize flexibility as well as a neighborhood-based approach that required potential applicants to "conduct very specific, on-the-ground research in order to determine priority areas."[10] It also made the point that the program was "aimed at addressing neighborhoods that have been hardest hit by the recent foreclosure crisis, not necessarily those areas that have negative conditions brought about by events predating this issue."[11]

Map 1B: Northern Shenandoah Valley Regional Commission Target Area



Source: *Northern Shenandoah Valley Regional Commission Proposal to Virginia DHCD Neighborhood Stabilization Program.*

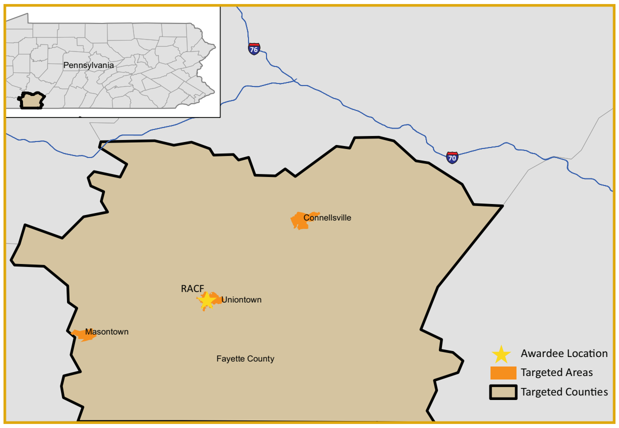
The Northern Shenandoah Valley Regional Commission has six counties in its service area. It identified five target neighborhoods within three of the counties that were eligible for NSP1 funding where it believed that "foreclosures appear to have significant neighborhood effects."[12] The target area is shown in Map 1B. The target neighborhoods included two in Frederick County (Senseny Road Corridor and Stephens City), two in Warren County (both in the town of Front Royal) and one in Shenandoah County (the town of Strasburg). As in South Carolina, the area had experienced significant growth prior to the foreclosure crisis. The region is located within an hour's drive from metropolitan Washington, D.C., and is popular with commuters and retirees.[13] From 2000 to 2006, Frederick County experienced a 175 percent increase in the median value of owner-occupied homes. Before 2007, foreclosure was virtually nonexistent in Warren County. Between 2007 and 2009, Warren County saw an increase in the number of foreclosed properties from 1 to 119.

While the Northern Shenandoah Valley Regional Commission selected neighborhoods based on criteria such as foreclosure rates and high cost loans, it also considered the marketability of properties. It applied for $4 million in NSP1 funds, which it planned to leverage with $810,000 from other federal and private sources to carry out its "Northern Shenandoah Valley Foreclosure Mitigation Program." It planned to focus on twenty properties in the first phase and fifteen additional properties using the proceeds from the sales of the first-phase properties. In June 2009, it was awarded $2.5 million in funding from DHCD (see Table 3). As a result, it reduced the number of targeted properties in its plan to twelve.[14]

Redevelopment Authority of the County of Fayette

In Pennsylvania, the Redevelopment Authority of the County of Fayette, under the direction of its executive director, Andrew French, began preparing what would become its NSP1 funding application in the summer of 2008, shortly after NSP was authorized. The entire Fayette County qualified on the state's list of areas of greatest need because of the percentage of subprime mortgages in the county during 2004-2006. Within the county, certain census block groups qualified separately because of their values on the estimated foreclosure abandonment risk score scale.[15] Like many parts of rural Appalachia, coal mining was Fayette County's primary industry for decades. When coal mining operations shut down in 1972, they left behind small impoverished enclaves of twenty to fifty houses called "patches" where some of the county's poorest residents still live. Fayette County

Map 1C: Redevelopment Authority of the County of Fayette Target Area



Source: *Redevelopment Authority of the County of Fayette, Pennsylvania's Application to Commonwealth of Pennsylvania, Department of Community & Economic Development, Center for Community Development, Neighborhood Stabilization Program.*

illustrates the struggles of a rural region grappling with the impacts of long-standing blight and abandonment. The strategy of the Redevelopment Authority included selecting areas that had been included in prior neighborhood stabilization programs. It saw the NSP1 funds as a tool to bring long-term stability to these localities. The Redevelopment Authority acknowledged that its efforts were not aimed at the most distressed neighborhoods but those on the tipping point where their intervention could prevent serious decline.[16]

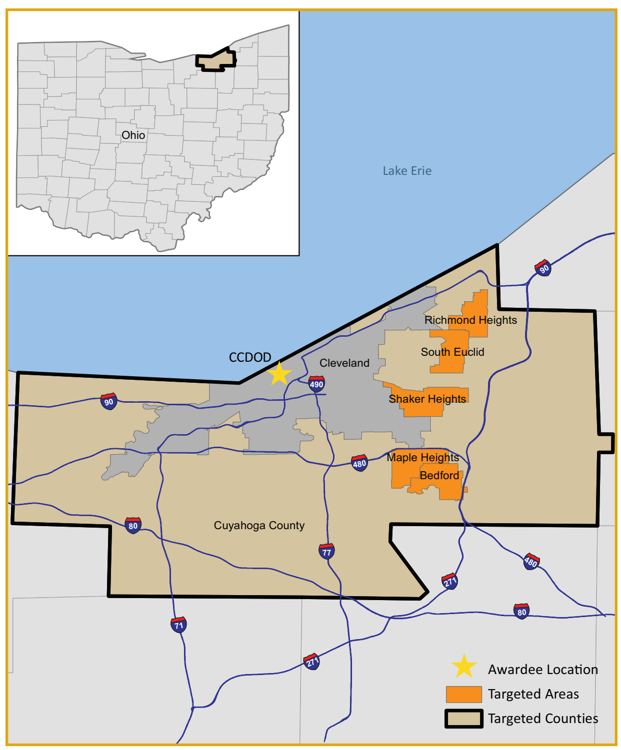
The Redevelopment Authority of the County of Fayette calculated foreclosure risk scores and worked with data maps provided by the direct recipient, the Pennsylvania Department of Community and Economic Development. The maps were prepared by The Reinvestment Fund, a Philadelphia-based community investment group, and were used to hone in on the cities of Uniontown and Connellsville and the borough of Masontown as NSP1 target areas (see Map 1C). The Redevelopment Authority used its own research and mapping capacity to identify and map all of the properties that went through a sheriff's sale (a foreclosure auction under the authority of the sheriff's office) during 2007 and 2008. Based on this information, it was able to better tailor its proposed target areas to where it believed the money would "have a positive impact on the community."[17]

In February 2009, the Redevelopment Authority of the County of Fayette submitted a joint application with the redevelopment authorities of Uniontown and Connellsville requesting $1.9 million to buy fifteen foreclosed properties for rehabilitation and resale or demolition, construct five new houses and demolish fifty other properties (including a commercial mixed-use building).[18] In June 2009, the Pennsylvania Department of Community and Economic Development approved its request. However, due to budget issues in the state government, it did not receive its full contract with the state until September 2009.

Cities of South Euclid and Bedford

In Ohio, the cities of South Euclid and Bedford were two of the five cities that received indirect grants from the Cuyahoga County Department of Development (CCDOD), the other three being Maple Heights, Richmond Heights and Shaker Heights (see Map 1D). CCDOD allocated $500,000 to each through its municipal grant program as part of its NSP1 direct award. The cities were chosen based on their foreclosure/abandonment risk scores.

Map 1D: Cuyahoga County Department of Development Target Area



Source: *Cuyahoga County Board of Commissioners. Substantial Amendment to PY 2008,Cuyahoga Urban County, CDBG Application to The U.S. Department of Housing & Urban Development, December 1, 2008. http://www.clevelandfed.org/Community_Development/topics/NSP/Plans/CuyahogaCountyNSP.pdf.*

All five are inner-ring suburbs of Cleveland, a city that in the past decades has experienced some of the nation's most intense waves of population loss and property abandonment. Residents moved from Cleveland to the suburbs and, more recently, from the inner suburbs to communities farther from the urban core. As a result, many of the inner-ring suburbs had begun to experience neighborhood deterioration from job loss, aging infrastructure and an increasing inventory of vacant and abandoned properties. The foreclosure crisis was an additional direct impact on the inner-ring suburbs.

"Houses that pose a threat to the health and safety of surrounding houses in the neighborhood need to be demolished to retain [neighborhood] stability."

– Cuyahoga County Department of Development

Bedford and South Euclid rank among the ten communities within Cuyahoga County with the highest foreclosure rates. South Euclid's population had declined by 4.7 percent during 2000–2008 and the city-wide vacancy rate stood at 7.8 percent in 2008. In the severely distressed neighborhoods, the vacancy rate had reached almost 30 percent.[19] In Bedford's case, the city had experienced a scattered incidence of foreclosures and vacancies. The one exception was the Presidential District, where nearly 20 percent of all homes were the subject of foreclosure actions or had already been sold at a sheriff's sale and were vacant.

MAKING THE MOST OF IT

The descriptions above highlight the initiative that the indirect recipients took in anticipating the needs of their communities, applying for funds and leveraging the resources provided by the direct recipients. Funds received through the NSP1 program were to be used by the recipients to buy, repair and resell foreclosed and abandoned homes. Specifically, recipients could choose among five different strategies, or eligible uses: [20]

- **Financing mechanisms —** Establish financing mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties, including such mechanisms as soft seconds, loan loss reserves and shared-equity loans for low- and moderate-income households.
- **Acquisition and rehabilitation —** Purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent or redevelop such homes and properties.
- **Land banking —** Establish land banks for homes that have been foreclosed upon.
- **Demolition —** Demolish blighted structures.
- **Redevelopment —** Redevelop demolished or vacant properties.

As was the case with most of the NSP1 recipients in the country, the five recipients highlighted in this study chose acquisition and rehabilitation (A&R) as their primary strategy.[21] The five recipients planned to allocate at least a third of their NSP1 funds to A&R, with some allocating close to their entire funding amount (see Table 4). The funding targeted at A&R ranged from $0.4 million to $6.6 million and the number of residential properties targeted from seven single-family properties to fifty-five units (single-family properties and rental units). None of the recipients selected land banking as a strategy.[22]

Bedford and South Euclid placed environmental concerns at the forefront of their plans. Both allocated more than three-fourths of their funds to A&R (see Table 4). One of Bedford's proposed NSP1 program goals was the promotion of energy-efficiency and renewable energy. The age of many homes in the Presidential District (constructed between 1850 and 1960) made them appropriate candidates for energy efficient rehabilitations. City officials recognized that energy costs could be as high as mortgage payments and thus a factor that tipped homeowners into default.

South Euclid saw the NSP1 target area as an "incubator of affordable and sustainable green-living areas."[23] South Euclid's NSP1 funding was part of a larger effort called the "Green Neighborhoods Initiative." NSP1 funds were leveraged with funding from the First Suburbs Consortium (a government-led advocacy organization of mature suburbs) to acquire and rehabilitate bank-owned properties using green living and sustainable building practices and to demonstrate that such practices could be used to develop affordable housing.[24] South Euclid's proposed plan stated that any construction materials would contain at least 50 percent recycled/green/sustainable materials or components. South Euclid also allocated 4 percent of its funds to demolition, citing the goals of eliminating blighted properties and reducing supply to reflect demand (see Table 3).

The Redevelopment Authority of the County of Fayette strategically designated 40 percent of its NSP1 funds for redevelopment, the broadest eligible use category, targeting five units (see Table 3). It viewed redevelopment as a tool to stabilize its neighborhoods through the construction of new affordable housing on existing vacant lots, believing that occupied new houses were a better stabilizing force than cleared vacant land. According to Andrew French, its executive director, although the Redevelopment Authority welcomed $2 million in NSP1 funding, it needed $200 million over a long, consistent period of time to address decades' worth of blighted properties and to build the capacity to effectively tackle it. It leveraged its NSP1 funding and identified more than five additional funding sources in its target areas. NSP1 funding became part of its broader redevelopment and revitalization strategies in Connellsville and Uniontown. It also obligated funds for demolition because Fayette County, like South Euclid, had a supply of dilapidated houses that it felt threatened the stability of neighborhoods. The Redevelopment Authority designated 19 percent of its funds for demolition and was slated to demolish roughly thirty units across Uniontown and Connellsville.

"Demolition does not help to stabilize neighborhoods or provide the need for affordable housing, which is critical to our mission."

– Lowcountry Housing Trust

Lowcountry Housing Trust planned to commit 89 percent of its funds to A&R (see Table 4). In its view, A&R was the strategy that most directly addressed the foreclosure problem. It planned to use the remaining 11 percent toward redevelopment, focusing on no more than four units at a time in partnership with nonprofits and local governments. Lowcountry Housing Trust had concerns about redevelopment because of the level of detail required to get started and the need to meet Community Development Block Grant rules. It was prepared to switch to different properties if the process became too time-intensive. Lowcountry Housing Trust did not choose demolition. According to its then executive director, Tammie Hoy, affordable housing was critical to Lowcountry Housing Trust's mission and demolition did not fulfill the area's need for it.

Table 4: Planned Acquisition and Rehabilitation Activity by NSP1 Recipient

Recipient	Planned Funding Amount for A&R ($)	Percentage of Total Funds (%)	Number of Planned Properties/Units for A&R
Lowcountry Housing Trust	6.6 million	89	55 single-family properties and rental units
Northern Shenandoah Valley Regional Commission*	3.6 million	91	20 single-family properties initially (15 in second phase)
Redevelopment Authority of the County of Fayette	0.7 million	35	12 single-family properties
Building Department of the City of Bedford, OH	0.4 million	87	15 single-family properties per year (5 to start with)
Building & Housing Department of the City of South Euclid, OH	0.4 million	79	7 single-family properties

** The information for the Northern Shenandoah Valley Regional Commission is based on their NSP1 Open Submission Application to DHCD rather than their actual initial award amount.*

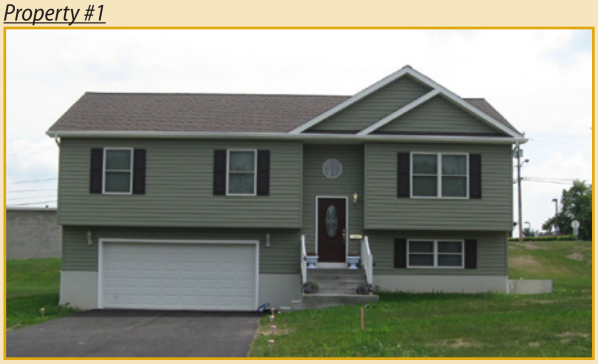
Source: *Cuyahoga County Department of Development, Neighborhood Stabilization Program Application, The South Euclid Sustainable Neighborhood Recovery and Revitalization Initiative; City of Bedford's Cuyahoga County Department of Development, NSP Municipal Grant Program, FY 2008, Application for Assistance; Northern Shenandoah Valley Regional Commission Proposal to Virginia DHCD Neighborhood Stabilization Program; Redevelopment Authority of the County of Fayette, Pennsylvania's Application to Commonwealth of Pennsylvania, Department of Community & Economic Development, Center for Community Development, Neighborhood Stabilization Program; and Lowcountry Housing Trust's NSP Start-Up Requirements for SC State Housing Finance & Development Authority.*

Redevelopment Authority of the County of Fayette NSP Activities

Acquisition and Rehabilitation
Property #1
Before:

After:

New Construction
Property #1



Demolition
Property #1

Photo Credit: Redevelopment Authority of the County of Fayette

The Northern Shenandoah Valley Regional Commission took a different approach and chose to focus solely on A&R. Demolition and redevelopment did not fit into its plans because the properties in its target areas were not candidates for either. The design of the state program also played a role in steering it away from land banking, financing mechanisms and housing assistance. For example, Virginia's DHCD did not allow financing mechanisms for buyers whose income was over 50 percent of the area median income.

ROAD BLOCKS

For the most part, the recipients assumed that they could hit the ground running in their target areas after being awarded funding. Given the unprecedented number of foreclosed properties in the market, recipients did not anticipate problems in their ability to acquire property in their target areas, particularly in the weaker housing markets. Unexpectedly, housing market transactions became a primary roadblock. The greatest procedural bottlenecks occurred during transactions involving individual NSP1-eligible properties. All five recipients encountered different degrees of difficulty in identifying NSP1-eligible properties: from finding the owner or servicing company, to negotiating the acquisition terms, to getting the necessary NSP1 approvals, to managing the rehabilitation, marketing the property and identifying NSP1-eligible purchasers as required by the terms of their grant (see Chart 1). Each step took time and narrowed the universe of available NSP1-eligible properties. In relatively stable markets with valuable properties, private investors were able to more nimbly bid on, purchase and sell these properties.

Identifying foreclosed houses within target areas was especially challenging in the comparatively stronger suburban housing markets in Northern Shenandoah Valley in Virginia and Charleston County in South Carolina. Many of the houses in both areas would quietly go through the foreclosure process with minimal attention in the neighborhood, even going without a for-sale sign that listed it as bank-owned or in the foreclosure process. Tracking down the current owner of these properties was a time-consuming and frustrating experience for the NSP1 recipients. The majority of the original mortgages, even those only a few years old, had been bought and resold several times, which meant in certain cases that local property records were often months, if not years, out of date. To address lag time with local government records, the Redevelopment Authority of the County of Fayette in Pennsylvania assigned staff to regularly monitor sheriff's sales and to pull court records to help identify mortgage servicers.

In turn, success in marketing rehabilitated properties greatly depended on the recipients' partners. Real estate agents proved to be important. For example, compared to Lowcountry Housing Trust's community development corporation partners, realtors were able to move with more agility to sell foreclosed properties. Community development corporations were stalled by delays in funding and the fulfillment of bureaucratic requirements. South Euclid, in particular, developed a strong partnership with a local realtor who expedited short sales and helped to track bank-owned property transactions in NSP1 target areas.

The recipients also noted that delays in the receipt of funding posed a barrier to effective implementation in an ever-changing market. Indirect recipients did not receive funds until several months after their applications were approved. The market for foreclosed homes changed

Chart 1: NSP1 Process for Acquisition and Rehabilitation

Unit Foreclosed, Abandoned or Vacant
- Located in target area (area of greatest need).
- Meets NSP1 property type and condition qualifications.

Unit Purchased by NSP1 Recipient
- Environmental review must be completed before commitment of funds.
- Properties must be appraised in conformity with the Uniform Relocation Act and the appraisal must be done within 60 days of the offer to purchase.
- Purchase price must be at a discount from the appraised value — the "maximum reasonable discount" with deduction for the incurred mortgage carrying costs if property not sold to NSP1 recipient.
- Minimum "maximum reasonable discount" of 5 percent per NSP property.
- If NSP1 recipient has detailed methodology for estimating the carrying costs of the seller, then use a 10 percent portfolio discount; otherwise, it is 15 percent.

Unit Rehabbed, Demolished, or Redeveloped
- Rehab must comply with applicable laws, codes and requirements related to safety, quality and habitability.
- NSP rehabiliation standards must be described in recipient's action plan amendment.
- Improvements for green building technology and energy efficiency are allowed.

Unit Sold or Rented to Homebuyer or Reused for Another Purpose
- Unit must be "affordable" with definition of affordability detailed in the action plan amendment.
- Sale price to homebuyer cannot exceed the costs of acquisition and redevelopment, but may consider direct and activity delivery costs; it may not incude maintenance costs.

Program Income to NSP1 Recipient
- Use of "program income" depends on date and NSP-eligible use.
- Before July 30, 2013, the money is retained and used according to statutory law and HUD regulations.
- On and after July 30, 2013, any amount generated in excess of acquistion, rehabilitation or redevelopment cost of abandoned or foreclosed home may be retained for NSP purposes with HUD approval.
- All other types of program income received on and after July 30, 2013 must be returned to HUD.
- Any program income received by private individual or entity must be returned to NSP1 recipient and the rules above apply.

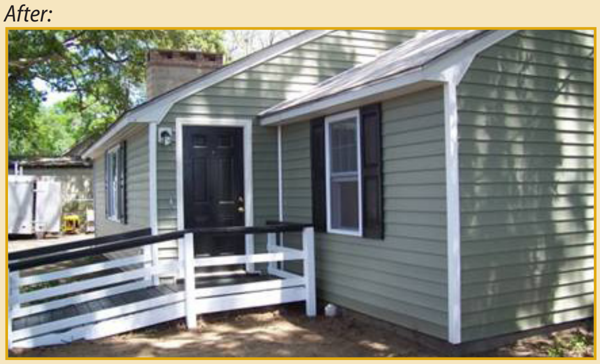
Source: *Gimont, Stan, Diane Lobasso, Marsha Tonkovich, Kelly Price, and Marilyn Stober. NSP and HOME. February 26, 2009. http://www.docstoc.com/docs/4567382/NSP-AND-HOME-PRESENTED-BY-Stan-Gimont-HUD-Office. ICF International. Neighborhood Stabilization Program (NSP): Stabilizing and Revitalizing Neighborhoods. Downloaded on July 20, 2010.*

Lowcountry Housing Trust NSP Activities: Acquisition and Rehabilitation

Property #1

Before:

After:



Property #2

Before:

After:

Photo Credit: Lowcountry Housing Trust

quickly, and some areas originally targeted as places of greatest need did not remain in need of the greatest assistance. For example, when the Northern Shenandoah Valley Regional Commission began to implement NSP1, several of the target neighborhoods identified in its 2008–2009 application no longer satisfied the state's risk scores because foreclosures were no longer concentrated in a single neighborhood. The Regional Commission and its partners spent time and resources identifying potential neighborhoods and target properties, but private investors purchased these properties at foreclosure sales or even through short sales (which is not an eligible use under NSP1).[25] This was in many ways a sign of emerging market confidence. Even in some of the older neighborhoods, such as Front Royal, potential NSP1 target properties were not on the market long enough for the Regional Commission to acquire them. Thus, recipients spent many hours (and NSP1 resources) tracking down potential properties.

Recipients also said that they struggled with the bank-owned property management practices of financial institutions and HUD. In South Euclid, they described situations in which lenders preferred to sell their inventory in bulk, which smaller organizations did not have the capacity to handle. Moreover, the bulk property listings included houses in communities outside of South Euclid's target neighborhoods, such as the city of Cleveland and other suburbs. In Bedford, the city was prevented from bidding on properties because they were never listed for sale. Both South Euclid and Bedford reported that HUD sold bank-owned properties to entities that they described as "irresponsible investors" — investors who bought properties not to rehabilitate them but to resell them, sometimes at artificially inflated prices. They described such property transactions as being characterized by flip-flopping ownership, shoddy maintenance, and the absence of community ties and believed that they were significant destabilizing factors in Cuyahoga County neighborhoods.

Lowcountry Housing Trust also described the struggles that their community development corporation partners reported with financial institutions. They described situations in which financial institutions in their area allowed properties to go to short sale rather than file foreclosure claims, which impeded the community development corporations' ability to use NSP1 funds to claim title to foreclosed properties in their target area. Several community development corporations had to choose alternative properties for acquisition because they were outbid or outmaneuvered on their priority properties when banks stalled in negotiations or in the foreclosure process. In addition to introducing snags in NSP1 plans, short sales also led to low home sale prices, resulting in further property value deterioration. According to Lowcountry Housing Trust, the problem was made worse by the uncertain ownership and title status in these cases, as clear title was necessary for transfer of property to occur. Similar problems were reported in South Euclid and Bedford, where NSP1 recipients stated that a number of banks were in effect "walking away" from properties by not transferring ownership titles after a sheriff's sale.

Lowcountry Housing Trust and their community development corporation partners were interested in using NSP1 to build stronger relationships with banks and to create partnerships for bulk sales of bank-owned properties. However, they said that they had difficulty finding banks that were willing to provide gap financing for NSP1 acquisition efforts. The community development corporations stated that they found that many banks were skeptical of the program and, before participating, wanted proof that NSP1 funding would materialize, especially given the delays in NSP1 obligation and expenditure commitment time frames. They had heard many reports of banks declining offers on properties from municipalities working with NSP1 funds.

To balance the strict language of the NSP1 statute with the practical realities of implementation, HUD issued periodic regulatory guidance to clarify NSP1's ambiguities. Each change required recipients and their partners to examine their plans and make necessary changes. Although these statutory and rule changes aimed to make NSP1 transactions more efficient, they also made it difficult for recipients to manage the overall program. For example, Lowcountry Housing Trust staff reported that a nonprofit partner's budget was based on the acquisition discount price of 15 percent. When the rule changed in June 2009 to 1 percent, this organization had to rework its budget while trying to master new programmatic and reporting procedures. Several NSP1 recipients interviewed for this study reported that the changing rules and bureaucracy had alienated potential partners, including real estate agents who started to disregard inquiries if they knew that the prospective property purchaser was using NSP1 resources.

NSP1 recipients were accustomed to working with HUD's Community Development Block Grant and HOME Investment Partnerships program reporting systems but were required to use a different reporting system for NSP1 — the Disaster Recovery Grant Reporting System. Training for the system became available well after communities began to implement their NSP1 plans. In follow-up calls made in 2010, NSP1 recipients reported that training on this new reporting system would have been most helpful at the outset of the program.

RIPPLES OF SUCCESS

In spite of these and other challenges, the five indirect NSP1 recipients highlighted in this study made substantial progress in implementing their NSP1 programs. Table 5 presents the activity and funding for each as of March 31, 2011.

Table 5: Funding Progress by NSP1 Recipients, March 31, 2011

Recipient	Project Funds Budgeted to Date ($)*	Percentage of Budgeted Project Funds Spent (%)
Lowcountry Housing Trust	7.7 million	91
Northern Shenandoah Valley Regional Commission	2.5 million	84
Redevelopment Authority of the County of Fayette	2.4 million	71
Building Department of the City of Bedford, OH	0.7 million	80
Building & Housing Department of the City of South Euclid, OH	0.8 million	63

** The values under "Project Funds Budged to Date ($)" may be higher than NSP1 award amount in Table 3 because these numbers include any program income received by the recipients since the date of their award.*
Source: *Quarterly Performance Reports to HUD, March 31, 2011; email responses from Sally Martin of the City of South Euclid and Leonette Cicirella of the City of Bedford.*

Conclusion

The five indirect recipients fully obligated their funds within the eighteen-month deadline, and all of the recipients had to deviate from their original plans to navigate housing market challenges. Lowcountry Housing Trust canceled one of their planned activities — the redevelopment of three vacant properties into new housing in the city of Charleston. The money was shifted to another acquisition and rehabilitation project, and Lowcountry Housing Trust did not pursue any redevelopment activities. During the third quarter of 2010, the Cuyahoga County Department of Development (CCDOD) increased the amount of its grant to South Euclid by $300,000. The rationale was that CCDOD was close to the deadline for encumbering all of its funds and realized that South Euclid's program had effectively obligated its original grant amount of $500,000 and could effectively obligate additional funds as well. The Redevelopment Authority of the County of Fayette received an additional $600,000 from the Commonwealth of Pennsylvania's Department of Community and Economic Development (DCED) in August 2010 for the construction of additional houses in Masontown and Uniontown.[26] Based on its record of quickly expending funds, the Redevelopment Authority received the additional amount from funds that DCED recaptured from nonperforming recipients.[27]

Each recipient has also seen some tangible signs of success. So far, Lowcountry Housing Trust has sold or rented out fifty-five rehabilitated properties. As of the end of first quarter 2011, South Euclid had acquired, rehabilitated and resold one property. Another rehabilitated property was on the market while two other properties were nearly complete in their rehabilitation. South Euclid also completed two community gardens. Bedford acquired four properties in the Presidential District. All four properties are either complete or near completion but none have been sold. Bedford also received an additional $200,000 from CCDOD in July 2010. The Northern Shenandoah Valley Regional Commission has acquired and completed the rehabilitation of fourteen properties and sold two of these. The Redevelopment Authority of the County of Fayette has rehabilitated three foreclosed housing units and constructed four new housing units.

The next major milestone for the recipients occurs in the summer of 2013. At that point, the recipients will need to have completed all of their NSP1 activities and fully expended all NSP1 funds.

Final Thoughts

NSP was designed to quickly disperse funding to states to help them stabilize communities that were hit hardest by the foreclosure crisis. It was not designed to tackle the wide-ranging problems associated with communities experiencing decades of decline, such as high crime, aging housing stock, poor property maintenance, lack of local employment opportunities and population loss. A more comprehensive approach than NSP is needed to stabilize severely distressed neighborhoods. And yet, our study suggests that NSP1 recipients used at least some of the funding to tackle redevelopment and demolition projects in blighted neighborhoods.

NSP is most commonly criticized on two fronts. First, framing neighborhood stabilization as an emergency relief program posed special challenges for recipients. Despite its tight deadlines, NSP1 was also characterized by complex rules and policies, and for indirect recipients, an additional layer of bureaucracy that stymied quick progress. In addition, the pressure to obligate funds quickly seems to have forced recipients to choose the most efficient versus the most effective strategies from the five eligible uses and to change plans midprogram. As one local government official remarked during our visit, "We have been so focused on following the NSP1 grant rules and getting the program up and running that your visit was the first time we have thought about the broader context of stabilization."

Second, NSP funds, while significant, were simply insufficient to address the scope of the foreclosure problem that exists nationally. To date, roughly $6.8 billion has been allocated to the NSP program across all three funding rounds (NSP1, NSP2, NSP3). The current number of loans in foreclosure at the end of June 2011 is approximately 1.9 million and this number is expected to increase.[28] Yet, H.R. 861, NSP Termination Act, was introduced on March 1, 2011, in the U.S. House of Representatives.[29] The bill would rescind the third round of NSP funding ($1 billion) and terminate the program. The Act passed the House on March 16, 2011. As this study went to press, the bill is with the Committee on Banking, Housing, and Urban Affairs in the U.S. Senate. The proposed American Jobs Act of 2011 puts forward a new Project Rebuild program, which uses a model similar to NSP. The goal of the proposed program is to target abandoned and foreclosed housing and commercial properties to stabilize affected neighborhoods and create jobs in the process.[30]

While NSP may not be the silver bullet that communities needed to rectify all of the damages created by the spread of the foreclosure crisis, it may end up serving as a first step. The work of the recipients profiled here may act as a catalyst to attract funding from sources other than the federal government to tackle long-term neighborhood stabilization efforts beyond the scope of NSP.

Acknowledgements

This article could not have been written without the support of the indirect recipients and their partners profiled in this issue. We are appreciative of their time and valuable insights. A special thanks goes to Andrew French of the Redevelopment Authority of the County of Fayette, Martha Shickle of the Northern Shenandoah Valley Regional Commission, Michelle Mapp of Lowcountry Housing Trust, Sally Martin of the City of South Euclid, Leonette Cicirella of the City of Bedford and Michelle Adams of Cuyahoga County Department of Development for their contributions to this issue.

This issue is based on fieldwork conducted under the direction of, and case study summaries written by, Joe Schilling of the Metropolitan Institute of Virginia Polytechnic Institute and State University. We are grateful to Lisa Hearl, Courtney Mailey and Carl Neely for participating in the site visits to Virginia and South Carolina. We thank the staff at the Federal Reserve Bank of Cleveland, especially Mary Helen Petrus for participating in the site visits in Pennsylvania and Ohio and providing feedback. A special thanks to Sarah Eckstein, Wanda Carter and Tammie Hoy for their input.

REFERENCES

[1] *The case studies were conducted by a research team with members from the Federal Reserve Banks of Cleveland and Richmond; the National Vacant Properties Campaign, which is now known as the Center for Community Progress, and the Metropolitan Institute of Virginia Polytechnic Institute and State University.*

[2] *Recipients had eighteen months from the time of signing their grant agreements to obligate funds and four years to expend them. For most recipients, this fell into the September to October 2010 time frame.*

[3] *Housing and Economic Recovery Act of 2008. P.L. 110-289.*

[4] *"NSP Laws and Federal Register Notices, " U.S. Department of Housing and Urban Development, Community Planning and Development, Neighborhood Stabilization Program, last updated February 28, 2011, http://hudnsphelp.info/media/resources/NSPLawsNotices.pdf.*

[5] *"Community Development Block Grant: Neighborhood Stabilization Program," Virginia Department of Housing and Community Development, accessed October 14, 2011, http://www.dhcd.virginia.gov/CommunityDevelopmentRevitalization/PDFs/VA_NSP_Plan.pdf.*

[6] *U.S. Census Bureau, 2006-2008 American Community Survey 3-Year Estimates.*

[7] *The quotes represent responses from the survey of NSP1 recipients (see Appendix).*

[8] *Boyce Thompson, "The 20 Healthiest Housing Markets for 2010," Builder, February 25, 2010, accessed October 14, 2011, http://www.builderonline.com/local-markets/the-20-healthiest-housing-markets-for-2010.aspx?page=8.*

[9] *U.S. Census Bureau, 2006-2008 American Community Survey 3-Year Estimates.*

[10] *Virginia Department of Housing and Community Development Neighborhood Stabilization Program, page 4.*

[11] *Ibid, page 13.*

[12] *Northern Shenandoah Valley Regional Commission Open Submission Application, page 2.*

[13] *Employment has been increasing in Washington, D.C., which has become the largest employment source in the Commonwealth of Virginia. According to Warren County's Comprehensive Plan, the majority of its residents commute to the Washington/ Northern Virginia area daily for work. For additional information, see "Warren County Comprehensive Plan, Chapter 2: Demographics and Population Trends," page 1, http://www.warrencountyva.net/component/rokdownloads/349-demographics.html.*

[14] *The Northern Shenandoah Valley Regional Commission received a preliminary planning grant from DCHD to prepare their NSP proposal and build capacity with their nonprofit and local government partners.*

[15] *The foreclosure abandonment risk score for a census block is estimated by HUD based on three major factors — greatest percentage of home foreclosures, highest percentage of homes financed by subprime mortgage-related loans and likelihood of a significant rise in the rate of home foreclosures. The scale ranges from zero to ten, with a value of ten indicating the greatest risk.*

[16] *This statement is based on information obtained in the survey of NSP1 recipients (see Appendix).*

[17] *NSP Narrative, Fayette County, page 3.*

[18] *Ibid.*

[19] *The South Euclid Sustainable Neighborhood Recovery and*

Revitalization Initiative (the city's NSP application to CCDOD), page 3.

[20] *Housing and Economic Recovery Act of 2008. P.L. 110-289, Section 2301(c) (3) (A)-(E).*

[21] *Shannon McKay, Urvi Neelakantan and Kimberly Zeuli, "Where Did the Dollars Go? An Exploration of Neighborhood Stability Strategies Chosen by NSP1 Recipients," Community Scope, Vol. 2, Issue 1, 2011.*

[22] *Neither South Carolina nor Virginia had enabling state land banking legislation. In general, not selecting land banking appears to be a trend among the majority of NSP1 grantees nationwide. A review of 87 NSP1 plans by the Enterprise Foundation found that only 5% included land banking. For additional information, see Amanda Sheldon, Phillip Bush, Aaron Kearsley and Anne Gass, "The Challenge of Foreclosed Properties: An Analysis of State and Local Plans to use the Neighborhood Stabilization Program," Enterprise Community Partners Inc., 2009.*

[23] *CCDOD NSP Application, The South Euclid Sustainable Neighborhood Recovery and Revitalization Initiative, The City of South Euclid, page 3.*

[24] *The First Suburbs Consortium, created in 1996 by the mayors of Cleveland's older inner-ring suburbs, works to maintain, preserve and redevelop their communities and to foster regional cooperation. http://www.firstsuburbs.org/index.htm.*

[25] *Grantees could purchase properties through short sales after the revised definitions of "abandoned" and "foreclosed" were released in April 2010. However, this change occurred after our study period was over. http://hudnsphelp.info/index.cfm.*

[26] *Revak, Amy. "Authority receives rehabilitation funding," Herald Standard, August 11, 2010, accessed October 18, 2011, http://www.racfpa.org/news/2010/NSP2_0810.pdf.*

[27] *Ibid.*

[28] *The inventory of mortgages in foreclosure at the end of second quarter 2011 was 1,944,098, which is not seasonally adjusted. This number is for one to four unit residential mortgage loans. The data comes from Mortgage Bankers Association/Haver Analytics.*

[29] *H.R. 861: NSP Termination Act (GovTrack.us) http://www.govtrack.us/congress/bill.xpd?bill=h112-861.*

[30] *American Jobs Act of 2011, Title II, Subtitle G, Section 261, 57-62 http://www.whitehouse.gov/sites/default/files/omb/legislative/reports/american-jobs-act.pdf.*

APPENDIX: Notes on Research Methodology

There are two main sources for the data used in this study. The first is information obtained during site visits to the communities under study. The second is the responses by our recipients to a national survey of NSP1 recipients. Additional details on each data source are detailed below.

Community Visits

The case studies were conducted by a research team with members from the Federal Reserve Banks of Cleveland and Richmond; the National Vacant Properties Campaign, which is now known as the Center for Community Progress; and Metropolitan Institute of Virginia Polytechnic Institute and State University. The visits consisted of interviews with the staff at each case organization as well as with key stakeholders in the respective communities, including local government, community and nonprofit partners. Researchers also toured the respective target areas to gain a sense of the scope and effect of the foreclosure crisis and to assess what had been accomplished already with NSP1 and what remained to be done. The dates of the visits are listed below:

- **July 22–July 23, 2009. Northern Shenandoah Valley Region, VA**
- **August 13–August 14, 2009. Fayette County, PA**
- **August 31–September 2, 2009. Charleston County, SC**
- **September 28–September 29, 2009. Cuyahoga County, OH**

For more details on the experiences in Ohio and Pennsylvania, see Nelson, Lisa, Mary Helen Petrus and Francisca G. C. Richter. "Neighborhood Recovery and NSP1: Implementation in Select Fourth District Communities." CR Report, Summer 2011.

NSP1 Recipients Survey

A nationwide survey of NSP1 recipients by researchers from the Federal Reserve Board of Governors, eleven Federal Reserve Banks and Enterprise Community Partners was conducted between fall 2009 and early 2010. Respondents were asked about the background, planning, capacity, implementation, performance and assessment of the NSP1 plans and programs. The surveys were either completed through in-person interviews with NSP1 recipients or by the recipients themselves through an online website. The respondents were either the NSP1 program administrator, government official, or the consultant or staff member from a nonprofit that was implementing the program at a regional or community level. All of the respondents were within the first year of their program's implementation. The sample of respondents was not chosen to be statistically representative of all NSP1 grantees. There was variation in the sample along geography, size, activities planned and jurisdiction type.

In all, ninety-eight NSP1 recipients were surveyed. Fifty-seven responded to the full survey and forty-one to a short version. The short version was used by researchers from the Federal

Reserve Bank of Atlanta for their NSP1 recipients in Florida, Georgia, Louisiana, Mississippi and Tennessee. It differs from the full survey by asking fewer questions; in particular, it did not ask respondents to provide details on how they are conducting their chosen activities. The results from both surveys are combined in the analysis. Selected quotes from this survey are also included in this report.

THE FEDERAL RESERVE BANK OF RICHMOND
RICHMOND ■ BALTIMORE ■ CHARLOTTE

Post Office Box 27622 • Richmond, VA 23261
www.richmondfed.org

WEB RESOURCES

Community Data Resource Center

Find county profiles updated with 2009 data from the U.S. Census Bureau's American Community Survey. The data reflect demographic, social, housing and economic characteristics at the county and state levels for the District's five states and Washington, D.C. Data can be downloaded as PDF or Microsoft Excel files. Visit: **www.richmondfed.org/community_development/resource_centers/community_data/index.cfm**.

UPCOMING EVENTS

December 6-7, 2011

Strategic Data Use to Stabilize Neighborhoods at the Federal Reserve Bank of Richmond, Baltimore Branch

Join the Federal Reserve Board of Governors and the Federal Reserve Bank of Richmond for an interactive conference exploring creative uses of data and technology to promote public and private investment in transitional communities. Participants will have the opportunity to consider a wide array of practical, cost-effective tools and methods to inform local decision-making, mobilize support and attract investment.
To register, visit **www.cvent.com/d/gcqjg2**.

December 12, 2011

Innovation and the Nonprofit Sector at the Federal Reserve Bank of Richmond

How does scientific innovation relate to the nonprofit sector? Come and learn about the Black Swan concept and other thought-provoking ideas being used by top academics at an interactive workshop for nonprofit leaders.
To register, visit **www.cvent.com/d/tcqnkf**.

30% post consumer waste