Targeted Neighborhood Stabilization: Lessons In Resilience In Weak Market Cities

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Cities with little growth or shrinking populations are faced with tough choices when investing scarce public and private resources in neighborhood revitalization and stabilization. There is often a political tension between spreading resources equally across neighborhoods in a city and taking more strategic, targeted approaches designed to make the best use of limited funds and leverage additional investment. Responding to the foreclosure crisis has made the choices tougher and more pressing.

This article represents the on-the-ground perspective of nonprofit practitioners putting these policies into action, in coordination with partners in other sectors. The Cleveland Housing Network (CHN) in Ohio and HAPHousing (HAP) in Massachusetts have both played important roles in investing Neighborhood Stabilization Program (NSP) funds in response to the foreclosure crisis. Limited public resources have left local governments with difficult decisions about how to target resources to specific neighborhoods where stabilization efforts will jump-start private market activity. One of the key lessons learned is that public subsidy, land-banking, and private financing have all been essential to nonprofit housing practitioners in selectively demolishing, rehabbing or building new homes and selling them to lower- and moderate-income families.

Another lesson is that this targeted investment succeeds when it builds neighborhood resilience even after the limited public subsidies have been spent. Both CHN and HAP see signs that their work is having positive effects in restarting private market activity and improving the quality of life for residents in their targeted neighborhoods. Both organizations are now developing new strategies to maintain this positive momentum in an era of more constrained public resources.

In this article, we share our perspectives on these lessons. First, we define what we mean by "weak markets," and describe the challenges that weak markets pose to affordable housing development and neighborhood stabilization. We then provide an overview of our respective efforts in Cleveland, Ohio and Springfield, Massachusetts, and describe the initiatives that we have launched to target resources strategically as part of our neighborhood stabilization efforts. These cities have been hit hard by multiple cycles of disinvestment and, in

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Springfield's case, a recent destructive tornado. As such, they face layers of challenges, but they have also been able to build on the foundation of previous efforts. When public dollars and commitment, such as the NSP funds and Cuyahoga County's land bank, are available, previous targeting decisions make nonprofit partnerships more effective at investing resources wisely in neighborhoods where they will leverage additional investment. In the final section of the paper, we examine two important financing tools for neighborhood stabilization in weak markets–public subsidies (in the form of the federal Neighborhood Stabilization Program) and land banking–and describe how these tools were used in the two different city contexts.

The Challenge of Neighborhood Stabilization in Weak Markets

Property values in older industrial cities like Cleveland and Springfield were already depressed when the crisis began and predatory lending practices leading up to the housing crisis infiltrated many communities. The subsequent recession only made matters worse, and the number of abandoned homes began to mount. As a result, affordable housing and community development nonprofits face significant challenges, both old and new, in revitalizing weak market neighborhoods. As scholar Alan Mallach described the situation, even before the crisis, "America's cities have not shared equally… in the economic gains of the past decade. While many cities have thrived, gaining new residents, companies, and visitors, others have not. Those 'weak market' cities continue to lose population, jobs, and businesses into the new century. Their threats are not land and housing shortages, but population loss and stagnant economies."[1]

All regional housing markets contain more and less desirable neighborhoods, and property values generally correspond with people's perceptions of the quality of life in each market. Cleveland and Springfield are weak market cities, where the costs of renovation or new construction exceed the market value of the homes. When rents do not cover the cost of operating an apartment building properly, an owner cannot justify further investment. When owners are unable to justify investment in their properties, homes and apartment buildings deteriorate. Similarly, when sales prices are lower than total development costs, building a new home or substantially renovating an existing structure even if the site is donated is unfeasible.[2] The financial imbalance in weak markets can lead to a downward spiral of neigh-

1 Alan Mallach, "Building a Better Urban Future, New Directions in Housing Policy for Weak Market Cities." Community Development Partnerships' Network, The Enterprise Foundation, Local Initiatives Support Corporation, and National Housing Institute, June 2005. Available at http://www.nhi.org/pdf/BetterUrbanFutureLong.pdf.

2 Peter Gagliardi, "Housing Programs in Weak Market Neighborhoods: Developing the Right Tools for Urban Revitalization." Working Paper 36. (Boston, MA: Pioneer Institute for Public Policy Research, December 2006).

borhood disinvestment and undermine community development efforts.[3] In these conditions, landlords often accept tenants willing to live in poorly maintained properties, without screening for rental histories or criminal backgrounds. This contributes to social and public safety problems. Ultimately, disinvestment leads to buildings that are so deteriorated and costly to repair and maintain that they are abandoned.

On the regional level, metropolitan areas experiencing minimal population growth or even population loss are particularly vulnerable to weak market dynamics that lead to vacant properties. In zero growth regions such as Greater Cleveland, for each new housing unit developed (typically in an outer ring suburb), one housing unit will inevitably go vacant, and this unit typically will be located in a troubled neighborhood (as all households strive to "move up" to the best living situation they can afford). The challenge for community development and affordable housing practitioners is to identify which neighborhoods have sufficient assets to build on, so that public subsidies can be used to leverage and spur private market reinvestment.

Opportunity Homes: Operating at Ground Zero

Foreclosures hit Cleveland early and hard. In 2012, more than 16,000 homes within the city stood vacant, drastically lowering neighborhood property values. The downward spiral, spurred by predatory lending during the early 2000s, undermined the positive investments that were occurring in many of Cleveland's inner-city neighborhoods. For example, the Slavic Village neighborhood became known nationally as "Ground Zero" in the nation's housing foreclosure crisis, undoing decades of community development investments. The number of foreclosure sales in the five-square-mile neighborhood swelled from 114 in 2001 to 840 in 2008, and average house prices dropped by 65 percent. In the aftermath of what has been termed "Hurricane Wall Street," the Slavic Village neighborhood hit bottom with countless vacant and vandalized properties offered as donations, and many more with sales prices significantly below $10,000.

It was against this discouraging backdrop that a group of community stakeholders and funders came together in 2008. A trio of nonprofits–Cleveland Housing Network (CHN), Cleveland Neighborhood Progress (formerly Neighborhood Progress, Inc.), and Enterprise Community Partners (Enterprise)–recognized the need for an immediate response to foreclosures and engaged key government agencies at the City of Cleveland and the Ohio

3 These weak market dynamics pose a different challenge from strong market dynamics, in which high property values cause total development costs to exceed affordability constraints (for either sale or rental). The significant difference is that in weak markets, the gap subsidy enables a house to be built that may cost double its market value, whereas in strong markets, the development cost does not exceed market value but requires a subsidy if the house is to be affordable to a family of modest means. In both scenarios, a significant grant or gap subsidy is required. However, the downward spiral of disinvestment in a neighborhood is unique to the weak market context.

Housing Finance Agency.[4] Together, they developed the strategic framework for what would become "Opportunity Homes." The aim was to stabilize neighborhoods and spur market recovery through a targeted, coordinated effort of housing redevelopment, demolition, reuse of vacant land, and foreclosure prevention.

At its core, Opportunity Homes, which was created as a single-purpose entity under the name Opportunity Housing Cleveland LLC, is a partnership of long-standing collaborators, public and private. Cleveland Neighborhood Progress (CNP) and CHN are the key planning and production partners for the initiative. CNP focuses on analyzing and mapping data in the target areas and evaluating the effort, while CHN is responsible for locating and acquiring properties, redeveloping according to Enterprise's Green Communities standard, and marketing and selling the homes, as well as taking on the overall coordination role.[5] Numerous sources provided funding for Opportunity Homes. The City of Cleveland provided demolition funds (additional demolition funds were later committed through the newly formed Cuyahoga Land Bank). The City also committed NSP funds for working capital and development gap funding. Additional development gap funding was secured from the Ohio Housing Finance Agency, Federal Home Loan Bank of Cincinnati, and the City of Cleveland's Community Development Block Grant program. Each source for buyer write-down had income qualifications, allowing for a range of buyers. The lease-purchase side was financed through Low Income Housing Tax Credits (LIHTC).[6]

Recognizing that the available subsidies were insufficient compared to the need, Opportunity Homes chose to target its resources to Cleveland's Strategic Investment Initiative (SII) areas. SII is a city-approved community development plan dating back to 2004 that focused on six neighborhoods–Buckeye-Shaker, Detroit Shoreway, Glenville, Fairfax, Slavic Village, and Tremont.

Opportunity Homes developed a strategy within a strategy, targeting select streets within the SII areas believed to hold the most promise for improving property values and restoring private developer engagement. This strategy also coordinated well with the city's long-range vision, the Connecting Cleveland 2020 Citywide Plan. Within these target areas, CHN and

4 Cleveland Housing Network has 30 years of experience as an affordable housing developer and service provider, and is known nationally for its large-scale, lease-purchase model using the Low Income Housing Tax Credit program. Cleveland Neighborhood Progress, is a local intermediary created in 1988 to provide technical and financial support to Cleveland's community development corporations (CDCs) as part of citywide revitalization efforts.

5 In addition to CHN and CNP, other implementation partners essential to the effort included City of Cleveland, Cuyahoga County Land Reutilization Corp., Case Western Reserve University's Center on Urban Poverty and Community Development, Cleveland State University, ESOP (Empowering & Strengthening Ohio's People), and six CDCs—Slavic Village Development, Tremont West Development Corp., Buckeye Shaker Square Development Corp., Detroit Shoreway Community Development Organization, Fairfax Renaissance Development Corp., and Famicos Foundation.

6 Additional funding partners included, Cuyahoga County Land Reutilization Corp., Dollar Bank, Enterprise Community Partners, First Merit Bank, Greater University Circle Living, Huntington Bank, Key Bank, Living Cities Catalyst Fund, Third Federal Savings and Loan, and CNP's Village Capital Corporation (VCC). All subordinate loan dollars to the LLC were also directed through VCC, a wholly owned subsidiary of CNP. Sources of subordinate loan funds included Enterprise Community Loan Fund, Living Cities, the Cleveland Foundation, and the George Gund Foundation. Most grant dollars flowed into the LLC through CHN.

CNP began to strategically redevelop vacant homes, target demolition of blighted homes, and prevent foreclosures in the target areas.

One of Opportunity Homes' greatest successes is arguably the Buckeye-Shaker neighborhood. Opportunity Homes redeveloped 97 homes, demolished 58, and prevented foreclosure in eight of 84 at-risk homes on the target streets. This work took place in a very small area that included the neighborhood's designated "Model Blocks" and a handful of blocks surrounding them, all close to anchor projects and the heart of the neighborhood. Although the foreclosure intervention effort proved difficult,[7] the development and demolition activities helped to stabilize neighborhood property values.

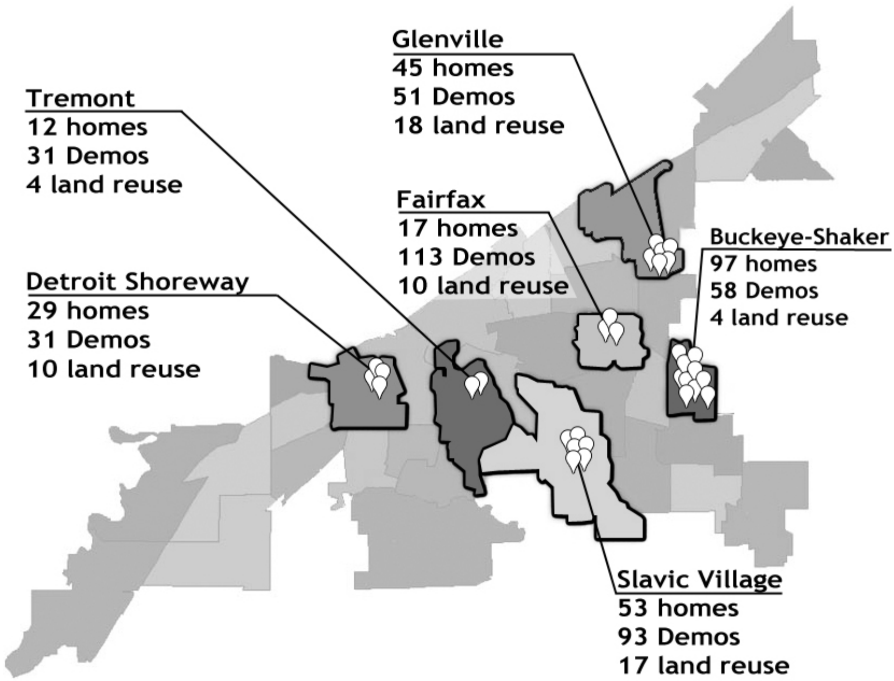
Perhaps more important, the efforts reinforced other significant investments in the neighborhood. Opportunity Homes' partner, CNP, together with the local CDC, worked together to revive a defunct hospital in the target area. Today, Saint Luke's is the centerpiece of more than $113 million in investments in the target area that include two new schools, a library, a reconstructed transit station, and a single family housing development. The impact is also evident in rising property values. From 2008 to 2012, the median property values in the target area increased by 24 percent (compared with a 14 percent decline for the entire neighborhood). The average Opportunity Homes sales price of $86,400 contributed to the increase, while the quality and chosen location of the rehabs contributed to quick sales.

The targeting strategy has been successful in other areas as well. Within all six SII neighborhoods, Opportunity Homes rehabbed 693 properties, created 253 infill homes, tore down 377 blighted homes, and sought land reuse in 63 cases (see Figure 1). Four of the six target areas saw property values grow more quickly than citywide rates. One area improved at the same rate as the city, and only one saw a market decline.[8] The success of each neighborhood depended on multiple factors including cost viability (i.e., home size and condition), neighborhood marketability, and the power of the anchor project to act as a catalyst for stabilization, suggesting the value of targeting investments in neighborhoods that have assets on which to build.

7 Opportunity Homes tried to go door-to-door to increase its foreclosure prevention outcomes, but families were skeptical, making the intervention less successful than was hoped.

8 Opportunity Homes had less impact on two areas (Tremont and Fairfax), but for vastly different reasons. Tremont remained relatively stable throughout the housing crisis. It had one of the highest housing values in the city because of its high desirability for urban living and market demand. The area simply had very few vacant homes. Fairfax began the crisis with extremely low values and an abundance of homes in extreme disrepair. The large size and extremely poor condition of homes made it infeasible to tackle a high number of rehabs.

Figure 1: Targeting Opportunity Homes Interventions in Cleveland's SII Neighborhoods, 2009–2012



However, choosing where to target limited resources even within the SII neighborhoods was a challenge. Among the thousands of vacant and abandoned properties, how does one decide which 50 to work on? In Cleveland, this targeting was data driven. To make informed decisions, CNP relied heavily on NEO CANDO, a database developed by Case Western Reserve University's Center on Urban Poverty. The system integrates multiple data sets to allow practitioners to make informed decisions and effect social change. Specifically, the data helped Opportunity Homes identify and map sites for potential acquisition and renovation targets. The data also helped them decide which blighted properties should be demolished and to pinpoint occupied homes whose owners were at risk of foreclosure. This system allowed CNP to prioritize and categorize destabilizing properties and use neighborhood market data to make decisions about returning properties to productive use. The data have also allowed Opportunity Homes to conduct more holistic assessments of neighborhood change, capturing emerging trends in neighborhood conditions (e.g., sales activity demonstrating signs of stabilization or further crisis) and measuring the impact of Opportunity Homes' investments. Finally, using data to make decisions about targeting scarce resources also helped to build political consensus around the location and nature of those investments and increased the transparency of why certain decisions were made.

Collaboration in Springfield: Old Hill and Six Corners

As in Cleveland, when the foreclosure crisis hit Springfield, Massachusetts, it was clear that any neighborhood stabilization efforts would need to build on existing community revitalization efforts. In the middle of the last century, Springfield boasted a strong manufacturing base with a robust downtown and healthy economic diversity. But as with many mid-sized Northeast cities, major losses in the manufacturing sector resulted in a slow and steady decline beginning in the 1970s.[9] Economic conditions were exacerbated by an early wave of foreclosures in the 1980s, and continued disinvestment and depressed property values throughout the 1990s. The recent foreclosure crisis only increased the number of vacant and abandoned properties in the lower-income neighborhoods of Springfield, along with speculation by investors who did not properly maintain or manage the properties.

Recognizing early on that there was a need to target its housing and community-building interventions, HAP had been working in the centrally located Old Hill neighborhood since the early 2000s. HAP had responded to neighborhood and stakeholder requests to assist in launching a revitalization initiative for three key reasons.

First, a significant share of the real estate was vacant and in distress; the neighborhood was known for its property abandonment, illegal dumping, and drug activity. Although some community development practitioners believe that revitalization initiatives should begin in areas where the neighborhood is relatively stable, HAP and its partners sought to have the greatest possible psychological impact by removing the most distressed buildings and interrupting crime habitats associated with abandoned properties.

Second, although Old Hill included several streets that were very distressed, the neighborhood as a whole had many assets. A driving factor in HAP's decision to target Old Hill was Springfield College, which anchors one end of the neighborhood. Springfield College was undergoing an expansion, and had launched its own master planning initiative, providing an opportunity for "town-gown" collaboration. Anchoring the other end of Old Hill is State Street, a central corridor of the city that leads from downtown Springfield to MassMutual, a Fortune 100 company that is an essential employer, tax-payer, and civic leader in the city. MassMutual launched the State Street Alliance that includes 40 other institutions committed to rejuvenating State Street as a vibrant urban boulevard. Along State Street are American International College, Springfield Technical Community College, and the Springfield Technology Park. Old Hill is also home to many churches including St. John's Church, which is a vibrant and growing African American church with a rich history.

Third, HAP believed that starting in Old Hill was also important from a social equity perspective. This traditionally African American neighborhood had properties languishing

9 The poverty rate in Springfield is nearly three times higher than the statewide rate in Massachusetts. Overall, 27 percent of Springfield residents live below the poverty line. In the abutting neighborhoods of Old Hill and Six Corners, the poverty rate is 35 percent and 45 percent, respectively. While the Springfield metropolitan area ranks among the 100 largest metropolitan areas in the country, Springfield is commonly acknowledged as a weak market city.

in land court and tax taking for more than a decade. It also suffered from illegal dumping, and a level of criminal activity that would not have been tolerated in other neighborhoods.

HAP's first commitment to Old Hill–and its own area of expertise–was an aggressive housing agenda. It became clear, however, that to transform the neighborhood, more than a housing plan would be needed. A comprehensive neighborhood revitalization approach was essential, and it required multiple investments in infrastructure, schools, public safety, and housing, all linked synergistically. After working closely with Springfield College, the Old Hill Neighborhood Council, and many community partners on a neighborhood master plan, HAP built the Partnership for the Renewal of Old Hill into a group of more than 45 partners and supporters. The group worked on a variety of improvements to public safety,[10] educational opportunities, and infrastructure such as parks and streets. Concurrently, HAP worked with collaborating developers Springfield Neighborhood Housing Services and Greater Springfield Habitat for Humanity to form the Old Hill Revitalization Collaborative and an associated limited liability company that served a land banking function. Initially, this group focused its efforts on acquiring, rehabbing, or demolishing and redeveloping distressed one- and two-family homes. To maximize impact, the group acquired additional properties to add to the land bank as part of a cluster development strategy. This land banking effort was financed through a line of credit from TD Bank, supported by two philanthropic grants and a loan guarantee from Springfield College.

Prior to the crisis, housing development targeted for first-time homebuyers was financed with construction loans paid off when buyers purchased their homes. Grants provided by federal HOME funds filled the development funding gap. When the foreclosure crisis hit and property values began dropping, however, taking on additional debt was risky and NSP funds became the main source of funding for real estate strategies. Just as in Cleveland, HAP's preexisting neighborhood targeting strategy provided a framework for foreclosure response strategies, and the Old Hill and adjacent Six Corners neighborhoods became targeted areas for federal NSP investment.[11]

In June 2011, another disaster struck in the form of a deadly tornado. The tornado cut a wide swath of destruction and the neighborhoods that had been targeted by HAP for neighborhood revitalization were two of the hardest hit. In the wake of the tornado, HAP has continued to focus on these neighborhoods, and continues to couple real estate owned (REO) disposition strategies with broader revitalization efforts. On the basis of its experience, HAP is not only addressing tangible housing redevelopment projects and distressed

10 The Partnership for the Renewal of Old Hill addressed public safety issues with a federally funded Weed and Seed Initiative. This program reduced gun violence related to the drug market and local gang activity through data-driven police intervention, a faith-based anti-gang initiative, and investment in area youth programs.

11 After making a significant commitment to revitalize the Old Hill neighborhood, HAP initially responded to the City's request to address deteriorated housing in a small pocket of the Six Corners neighborhood. With NSP funding, HAP later targeted another street in Six Corners. However, it wasn't until the tornado destroyed a swath of the neighborhood surrounding the HAP-developed homes that HAP made a more significant, multi-dimensional commitment to Six Corners.

REOs, but also looking at the neighborhood assets holistically. Working closely with neighborhood leaders, HAP is advocating for a commercial redevelopment plan in Six Corners and seeking to turn a newly built school into a full-service community school to meet parent and community needs.

Key to HAP's success is collaboration with other groups, as well as community engagement. HAP has hired a community-building manager to engage local residents, neighborhood councils, businesses, and other stakeholders in planning and advocating for transformative redevelopment of their neighborhoods. In addition, the City responded to the aftermath of the tornado by placing liens on properties to ensure that owners repaired or demolished property rather than walking away from the property with the insurance proceeds. The City received $21 million in Disaster Relief Community Development Block Grant (CDBG-DR) funds, a portion of which will be allocated to support housing interventions. Although CDBG-DR funding will not be enough to rebuild on all of the vacant land, there is the opportunity to leverage this funding with other sources to build new homes where problem properties once stood.

The investments of key stakeholders in Old Hill have spurred additional investment from both the public and private sectors. After HAP and the Old Hill Revitalization Collaborative (the Collaborative) began their targeted efforts in 2003, the City began to take a proactive role in investing in Old Hill and Six Corners. In addition, as a result of the attention HAP and its partners brought to Old Hill, the State of Massachusetts, interested in promoting the city's economic revitalization, directed a portion of its funds to neighborhood infrastructure improvements in the area. The result was the reconstruction of a key north/south corridor shared by these neighborhoods, punctuated with period lighting and other amenities. Public funding was also directed toward improving neighborhood roads and sidewalks, planting trees, and creating new playgrounds. Public funds also supported the private-sector initiative to transform the schoolyard of a neighborhood magnet school into outdoor classrooms and new athletic fields.

The success of the Collaborative's strategies is now starting to be visible in the upgrading of properties throughout the neighborhood, but especially on its target streets. After conducting extensive surveying using the Success Measures outcome evaluation tool in 2009 and again in 2012, HAP has found that residents' willingness to invest in their properties was correlated with increased confidence in their neighborhood's resurgence.[12] Compared with 2009, 20 percent more homeowners in 2012 reported that they were likely to make home repairs. The survey also documented a significant increase in the number of respondents who reported feeling safer in the neighborhood, and who linked these feelings to the removal of abandoned buildings.

12 Success Measures is an outcome evaluation resource used by community-based organizations to objectively assess programmatic impact. NeighborWorks America supports this program.

Financing Redevelopment in Weak Markets

The fundamental financial challenge in weak market cities is that development costs exceed market values. Debt financing, grant funding, and institutional resources for a land banking strategy in Springfield and a quasi-public land bank in Cleveland have all helped to bridge this challenge for CHN and HAP as they carry out housing development interventions in their communities.

The Importance of Public Subsidy: The Neighborhood Stabilization Program

In both Cleveland and Springfield, the importance of NSP funding as a resource during the depths of the foreclosure crisis is hard to overstate, notwithstanding the challenges associated with the program.[13] Both CHN and HAP typically finance their development costs with construction loans primarily through private debt. However, in this case, not only did public NSP funding fill the gap between development costs and market values, but it substituted for private debt when private investment was unwilling to put capital at risk and developers were unwilling to assume debt owing to market volatility.

In Springfield, because home prices had collapsed and were unstable, HAP's leadership felt it was too risky to borrow funds against a projected sales price and timeframe. Although the homes HAP built sold within a few months of completion at an appraised value close to its projections, that outcome was far from certain when construction began. NSP funds functioned effectively as a revitalization tool both because they filled development financing gaps, and because they allowed those with moderate incomes (up to 120 percent of area median income) to buy a home, and required resale restrictions of as few as five years. Other housing investment programs in Massachusetts usually impose long-term deed restrictions on income eligibility and resale, and have typically been designed to address housing cost inflation in booming markets or promote economic diversity in higher-income communities. In strong markets, long-term deed restrictions are appropriate for offering a fair return at resale while preventing a windfall profit. However, in weak markets these requirements can be counterproductive and add to economic segregation. In weak market neighborhoods where home value appreciation is already very limited, resale restrictions can result in returns that do not fairly reward a homeowner who made an investment in a revitalizing neighborhood. In Springfield, NSP funding enabled homes to be marketed to buyers with a larger range of incomes and offered enough financial incentive (because of minimal resale restrictions) to attract homebuyers who might not otherwise have invested in Old Hill or Six Corners.

As in Springfield, Cleveland used NSP funds to attract a relatively diverse income spectrum to Opportunity Homes, and to keep prices reasonable–at the 90–100th percentile of

13 NSP, deployed quickly and in the midst of the foreclosure crisis, was launched without implementation regulations in place, and it was administered with a level of detail and scrutiny that added to housing development administrative costs.

current market activity.[14] Thanks to the Cuyahoga Land Bank, acquiring the land was not the most difficult part of redevelopment, but NSP played a vital role in filling the gap between appraised values and total development costs. Its involvement also allowed Opportunity Homes to pursue multiple strategies, ranging from demolition to high-quality lease-purchase renovations to high-quality for-sale renovations. For example, NSP funds were used to finance second mortgages for first-time homebuyers who were unable to come up with a 20 percent down payment.[15]

CHN also used NSP funds to leverage LIHTC in a successful lease purchase model. The model offers homes with affordable rents to residents for 15 years and then, because there is little initial debt on the properties, sells the homes at an affordable, sustainable price to low-income owners.[16]

With NSP funds dwindling, both CHN and HAP anticipate that they will have fewer resources to operate their neighborhood stabilization efforts. While values have stabilized in many of their targeted neighborhoods, the basic problem of high-cost development and low property values remains in both communities. CHN and HAP are developing new strategies to ensure the positive momentum of the early success in jump-starting private market activity and improving the quality of life for neighborhood residents continues in an era with more constrained public resources. Some ongoing federal programs are important sources of funds that leverage additional capital to support their continued work.

In Cleveland, CHN has successfully used LIHTC investments since 1987 to finance the rehabilitation and new construction of scattered-site, single-family homes in weak housing markets. LIHTC allocations are becoming ever more competitive, and CHN's lease-purchase model competes with other types of affordable housing investment opportunities in Ohio, thus this funding source can no longer finance development at a consistent scale. In addition, without NSP, there is no subsidy to support second mortgages, which fill appraisal gaps and improve affordability for first-time homeowners.

In Springfield, it is anticipated that CDBG-DR funds could serve as a close substitute for NSP, filling development gaps and promoting new homeowners' investment in targeted neighborhoods. The disaster response has also spurred valuable public and private philanthropic investment in comprehensive planning, which is providing a new vision to guide ongoing neighborhood efforts. The Massachusetts Department of Housing and Community Development will reinstate its homeownership development program, which was suspended

14 However, this percentile varied widely from neighborhood to neighborhood, so homes were sold on the basis of "micro" market values. One target area might have a 100th percentile price point of $65,000 while another nearby area might be as high as $150,000. In the end, the median sales price across all target areas was $85,000. Even so, this price did not cover the costs of the extensive rehab needed on most homes.

15 In the context of the current banking environment, with loans capped at 80 percent of loan-to-value, second mortgages for first-time buyers are particularly important.

16 As the largest developer of LIHTC-funded single-family homes, CHN has three decades of experience in scattered-site rental housing. CHN has built significant organizational capacity (nearly 70 staff) to manage all aspects of its scattered site lease-to-purchase program, including lease-up, compliance, resident needs, property maintenance, sales, and asset management. CHN is quite successful with this model, having developed nearly 2,700 homes with an 85 percent transition rate to homeownership. CHN will continue this flagship program for as long as LIHTC funding is available.

during the foreclosure crisis. However, as with CHN, HAP anticipates that post–NSP resources will be fewer and support a lower level of real estate activity.

Land Banking

The experiences of Cleveland and Springfield—and the scale of the neighborhood stabilization efforts CHN and HAP have implemented—are distinguished by the degree of local institutional capacity in each city, and the greatest difference is the existence of the Cuyahoga County Land Bank. The Springfield area does not have a large, quasi-public land bank. Although HAP was instrumental in creating an LLC to undertake a land banking function in the early stages of its Old Hill efforts, it was a small, targeted, private effort based on private debt financing with credit enhancement, and a business model that assumed a stable housing market. The Old Hill Collaborative, described earlier, assembled $1.5 million in financing to acquire properties that HAP and its collaborators were interested in later developing. HAP served as the manager of the limited liability company. The intention was to hold properties acquired for a short period, while pursuing funding to assemble clusters of parcels for redevelopment. When the foreclosure crisis hit, the land banking model suffered greatly. Homeownership development funding programs administered by the Massachusetts Department of Housing and Community Development were suspended when the inventory of homes on the market began to grow, and NSP funds were targeted for foreclosed property. Most of the land banked property had been held too long to qualify as "foreclosed" and did not meet the other priority categories that local administrators used to guide NSP investments, leaving HAP unable to move forward with developing property in its land bank. HAP is still holding some of the property (and incurring ongoing costs) while the overall homeownership market recovers and the City of Springfield devotes its limited resources to rebuilding from the tornado.[17]

In contrast, the Cuyahoga County Land Reutilization Corporation (CCLRC, also known as the Cuyahoga Land Bank) is a quasi-governmental corporation that, while still insufficient to address the scale of the problem in Cleveland, has proved immensely valuable to redevelopment efforts (see Box 1). In Cleveland, CHN has partnered with the CCLRC since 2008. Projects that typically would have taken the organization 12 months to put together can be done in fewer than six months with the land bank's support. The land bank has helped to keep critical, affordable housing projects alive for CHN, stepping in to purchase and hold properties while other financing could be assembled—flexibility that simply does not happen in private-market deals. The partnership has allowed CHN to significantly reduce the intensive labor, time, and costs associated with locating and acquiring vacant homes. Previously, CHN might have spent months to research, assess, and negotiate the sale of a handful of vacant properties before rehab could even begin, paying as much as $15,000 per property—that is, if the owner could be located. Today, the CCLRC conducts the due diligence, holds the property as necessary (or demolishes), and sells for a nominal amount.

17 With DHCD reinstatement of its homeownership financing program, HAP may be able to develop some of the remaining parcels, and it is also looking for other potential buyers and strategic uses for the properties in the land bank.

Box 1:

The Cuyahoga County Land Reutilization Corporation

The Cuyahoga County Land Reutilization Corporation (CCLRC) was formed through advocacy efforts by local leaders. The leaders pushed for new legislation to gain more authority to deal with abandoned, vacant properties. The legislation that created the county land bank, Ohio SB 353, allows a local entity to accept, demolish, and transfer vacant properties to responsible redevelopers. (This is different from the City of Cleveland's own land bank, which can accept vacant land only; the county bank can accept vacant houses as well as land, execute a demolition system for unviable homes, and keep vacant homes out of the hands of ill-intentioned speculators.)

CCLRC has the ability to acquire vacant and abandoned foreclosed properties from a variety of sources and demolish or rehab the homes and get them quickly back into the market. These sources include banks, government-sponsored enterprises such as Fannie Mae or federal and state agencies such as HUD, as well as real estate lost to tax foreclosure and donated properties. Each city in Cuyahoga County is a major partner in decisions about CCLRC-owned properties within its borders. For example, CCLRC's partnership with the City of Cleveland and its land bank includes handing over title to all vacant land after completing demolition. The goal of the partnerships with local municipalities is to promote collaboration, spread risk, and to make joint code enforcement and nuisance abatement operations possible.

CCLRC has been instrumental in assuming responsibility for more than 1,000 vacant properties. It has established unprecedented agreements with several major lenders (Wells Fargo and Bank of America), who have agreed to donate vacant properties to the land bank and pay for demolition costs. The land bank also is the only bulk repository of vacant and abandoned properties with Fannie Mae and HUD. This has resulted in a significant slowdown of "flipping" and speculative trafficking in low value, abandoned properties in Cuyahoga County. The Cuyahoga Land Bank is also the first enterprise capable of receiving privately foreclosed, abandoned properties directly without sheriff's auctions. This allows properties to be more responsibly mothballed and repositioned for rehabilitation or demolition. These abandoned properties have gone through cycles of tax foreclosure and abandonment and speculative trafficking, which have proved devastating to large sections of the region.

CCLRC is based on the Genesee County, Michigan land bank, which was created to deal with similar problems in Flint and the surrounding county. While funded in part by Cuyahoga County, it is a nonprofit organization and as such is not subject to the normal political and bureaucratic constraints of government. Primary funding is from the accumulation of penalties and interest on collected delinquent real estate taxes and assessments. This primary revenue stream is supplemented by grants from the land bank's partners, CCLRC's sale of acquired properties to qualified rehabbers and housing developers, and from the donations and recoupment of funds from various banks. CCLRC has also received funding through the federal NSP and more recently through the Ohio Attorney General's allocation of $75 million (from a federal national settlement with five major banks).

Conclusion

The Springfield and Cleveland stories differ in many respects, particularly in the scale of the revitalization efforts and the resources, institutions, and partners available in each community. However, both HAP and CHN have started to see positive results from targeted housing investment as part of a comprehensive, multi-partner strategy in their targeted neighborhoods. Mission-driven housing organizations such as HAP and CHN bring both housing expertise and connections to private and public entities to effectively implement strategic investment approaches.

Both HAP and CHN's experiences underscore the value of long-term targets and plans. This approach offers a strategic path and institutional infrastructure when crisis hits, and helps to build resilience in neighborhoods, a critical factor in weak market cities and regions. HAP and CHN, along with their partners, are well positioned to build on the groundwork laid previously in targeted neighborhoods.

Both cities struggle under multiple cycles of disinvestment and, in Springfield's case, a natural disaster. Despite these layers of challenges, both cities have been able to build on the foundation of previous efforts. When public dollars, like NSP funds, are available, previous targeting decisions allow nonprofit partnerships to be more effective in investing resources wisely, in neighborhoods where they will leverage additional investment.

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Kate Monter Durban joined the Cleveland Housing Network (CHN) in 1990, and currently serves as assistant director. As the chief fundraising and public relations officer, Ms. Monter Durban manages resource development, public policy, communications, and supervises the Human Resources and Community Training departments. Ms. Monter Durban began her work in community development in 1981 as a community organizer in the Slavic Village neighborhood. She currently serves on the Board of Trustees of the national Housing Partnership Network, the statewide Coalition on Homelessness and Housing in Ohio where she currently serves as president, and the City of Cleveland's Housing Advisory Board.

Sarah Page is Senior Vice President of Community Building at HAPHousing and has been with the organization since 2004. HAPHousing is a large regional housing organization serving 43 cities and towns in Western Massachusetts with 40 years of experience offering a broad range of housing programs and is actively involved in developing and managing affordable housing across the region including in its urban core. She leads collaborative neighborhood revitalization including initiatives to rebuild sections of Springfield target neighborhoods destroyed by the June 2011 tornado in Springfield, MA. She has over 25 years of experience in the housing and community development field.