



U.S. Department of Housing and Urban Development

# NSP Webinar

## **Marketing and Disposition Strategies for NSP Properties**

May 2<sup>nd</sup>, 2013

2:00 P.M. EDT

Community Planning and Development

# Moderator and Panel

- ***Kent Buhl***, Moderator – KB Consulting
- ***David Boehlke*** – Healthy Neighborhoods
- ***Jennifer Hylton*** – Dept. of Housing & Urban Development
- ***Juanita Jones*** – Detroit Land Bank Authority (DLBA)
- ***Jill Claybour*** – City of St. Louis, MO



# Topics of Discussion

- What is Marketing and Disposition?
  - Options
  - Challenges
  - Strategies
- Case Studies:
  - Detroit Land Bank Authority
  - City of St. Louis, Missouri



# What is Marketing and Disposition?

- Process of selling, renting, or donating homes and land acquired, rehabilitated, or constructed with NSP
- Unit or land may currently be owned by grantee, subrecipient, or developer
- Does not include properties already sold and occupied or in final use
- \*\*New marketing resource:\*\*  
<http://homesales.stablecommunities.org/introduction-welcome-guide>



# Disposition Options

## General Principles

### NSP PROJECTS MUST:

- Always fit an eligible USE
- Always be an eligible ACTIVITY
- Always meet a NATIONAL OBJECTIVE



# Disposition Options

- Disposition can be used in one of the following three scenarios:
  1. An allowable expense in an eligible activity
  2. Both the eligible activity and end use
  3. The eligible activity used to dispose of a property for an ineligible end use that meets a national objective



# Disposition Options

1. **An allowable expense in an eligible activity**
  - A. **Use as a Public Facility (NSP1)**
  - B. **Special Economic Development Activities**



# 1. An allowable expense in an eligible activity

## A. Use as a Public Facility (Eligible Use E)

Eligible expense in NSP1 and meets the LMMA National Objective.



# 1. An allowable expense in an eligible activity

## **B. Special Economic Development activities** (24 CFR 570.203)

- Eligible Use B and for NSP1 Eligible Use E
  - Activities meet the national objective LMMJ if they benefit LMMI individuals through the creation or retention of jobs,
  - Activities meet the national objective LMMA, through an economic benefit to the area, or
  - Activities meet the national objective LMMC, if they involve facilities designed for use predominantly by LMMI individuals.



1. An allowable expense in an eligible activity

## **B. Special Economic Development activity**

- Meeting a National Objective (LMMA)
  - Be located in a predominantly LMM income neighborhood and serve the LMM income residents



1. An allowable expense in an eligible activity

## **B. Special Economic Development activity**

- Meeting a National Objective (LMMC)
  - Involve facilities designed for use predominantly by LMM income persons



# 1. An allowable expense in an eligible activity

## **B. Special Economic Development activity**

- Meeting a National Objective (LMMJ)
  - Involve the employment of persons, the majority of whom are LMM income persons



# Disposition Options

## 2. Both the eligible activity and end use

### A. Use as a side lot

- Allowable under

Eligible Use B, C, or D

NSP1 can also occur under Eligible Use E

- Vacant or demolished properties can be made available to any adjacent residential property owner
- Grantees may donate or sell the property to a neighbor in a qualified LMMI area to use as a side lot

\*\*\* Meets the area benefit national objective not the housing national objective \*\*\*



# Disposition Options

3. **The eligible activity for an ineligible end use that meets a national objective**
- Dispose of NSP-assisted properties for NSP ineligible activities, as long as:
    1. the NSP-ineligible activities are not assisted with NSP funds
    2. The property was acquired under eligible use B, C, or D (Eligible Use E works for NSP1 only)



### **3. Ineligible end use that meets a national objective**

3. The NSP ineligible activity will contribute to neighborhood stabilization in the NSP target area
4. The initial acquisition or demolition and use of the property meets an NSP national objective
5. The planned use of these properties is described in the grantee's Action Plan or substantial amendment



### 3. Ineligible end use that meets a national objective

Example: A property is used as a neighborhood playground, but the swing sets and equipment are not paid for with NSP funds



# Disposition for Non-Housing Activities

- Examples:
  - Public Facilities
    - Community gardens
    - Community art
    - Youth center
  - Economic Development activities
    - Commercial Development
  - Side lots



# Change of Use §570.505

- The use of grant funds must meet a national objective.
- If a grantee has documented that it has met a national objective on a property but can not continue to meet a national objective, the grantee may contact the Field Office to see if the Change of Use provision would apply



# Change of Use

Total NSP Funds Invested	Initial Use met a National Objective, but Subsequent Use does not	Never able to meet a National Objective
Greater than \$25,000	Reimburse NSP for Fair Market Value	Reimburse NSP for all expended funds on project
Less than \$25,000	Ask HUD for permission to remove from program	Reimburse NSP for all expended funds on project



# Disposition is Difficult

- Disposition can be the most challenging task for NSP grantees, due to a variety of factors:
  - Marketing Challenges
  - Rules and regulations
  - Complexities around holding renovated properties, landbanking lots and structures
  - Finding lending products that work for customers



# Marketing Challenges

- **Decisions made yesterday → problems today**
- **Scattered sites are tough to sell**
- **Some houses just aren't sellable**
- **Real estate hasn't recovered in weaker neighborhoods**
- **Strong buyers are hard to find and even harder to get financed**
- **The 'right' realtor isn't always easy to find**



# Detroit Land Bank Authority's Marketing and Distribution Strategies



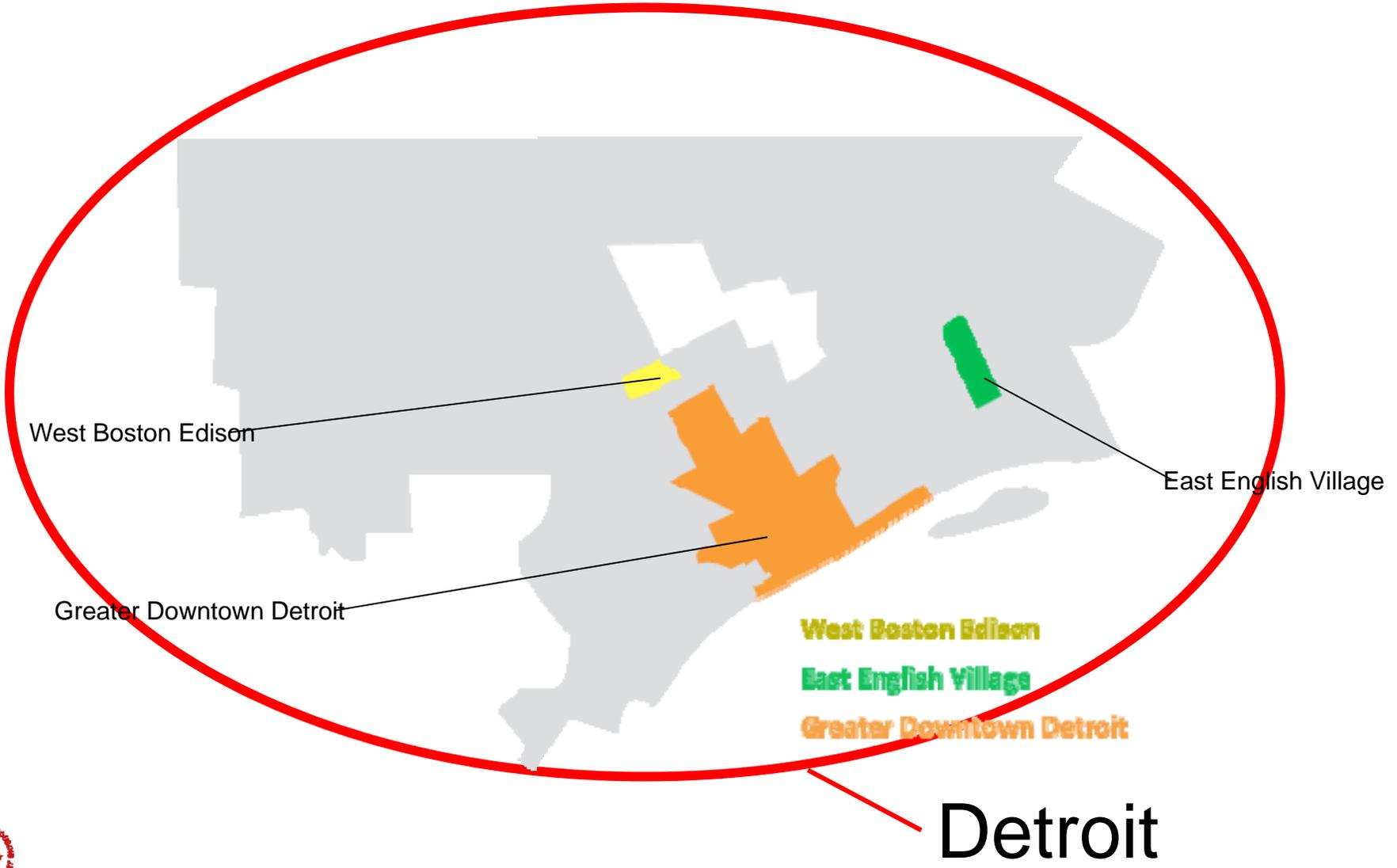
# **DLBA's Marketing & Disposition**

## **Our Central Strategies**

- **Increasing Visibility in Target Markets**
- **Engaging Local Partners**
- **Tours as Events**
- **Realtors**
- **Product**
- **Distributing Properties to Developers**



# Focus Areas



# Increasing Visibility in Target Markets

## The use of Detroit's Project 14

- Originally a local effort for Police Officers
- DLBA held focus groups with Police Officers to determine the best program structure
- The City expanded the program to include all city employees and others interested in target neighborhoods
- 2 settlements and 2 scheduled
- 1 household has picked a house
- 3 others on waiting list
- Check out some photos



# Increasing Visibility in Target Markets



# Increasing Visibility in Target Markets

## If we had a do-over.....

- Beef up marketing (follow the original plan)
  - Have a separate staffer working on marketing
  - Engage the major employers
  - Do mass Texting
  - More on Facebook
  - Twitter
  - Bar-Hop in neighborhoods
  - Give-Aways



# Engaging Local Partners

- DLBA engaged Central Detroit Christian CDC to market properties
- Two churches found buyers through this connection
- That relationship brought 5 families to the neighborhood



# Engaging Local Partners

The story of 5 families and their referral history



# Engaging Local Partners

## If we had a Do-Over.....

- Work more with Historic Preservationists
  - Had connections that we didn't cultivate effectively
  - Could have created a niche market
  - By design, the product does a great job of maintaining the historic character while making it functional and marketable in today's market



# Tours as Event Driven Marketing - Live

- Coordinated with Neighborhood Associations
- Piggybacked existing events and acted as a sponsor
- Boston Edison – over 1,000 participants
- East English Village – over 400 participants



# Tours as Events - Live



# Tours as Event Driven Marketing - Virtual

- Had photographer produce the photos of each property
- Photographer used photos to create virtual tour & realtor placed them on a virtual tour website
- Used the photos that were originally created to document the entire process.
- Two links for sample tours
  - <http://www.youtube.com/watch?v=FCDHapv77pM&feature=youtu.be>
  - <http://fusion.realtourvision.com/91378>



# Tours as Events

## If we had a Do-Over.....

- Every weekend there would a private tour with specific employer
- Vans would roll folks around; we'd feed them; make them feel special!
- Make it possible to sign a Purchase Agreement during the tour
- Distribute Virtual Tours in more places



# Realtors

## Lessons learned regarding Realtor selection

- Don't pick a West-Side Realtor to work an East-Side neighborhood
- Realtors often have a neighborhood focus and useful neighborhood experience
- Remember to manage them constantly, they're another contractor



# The Product

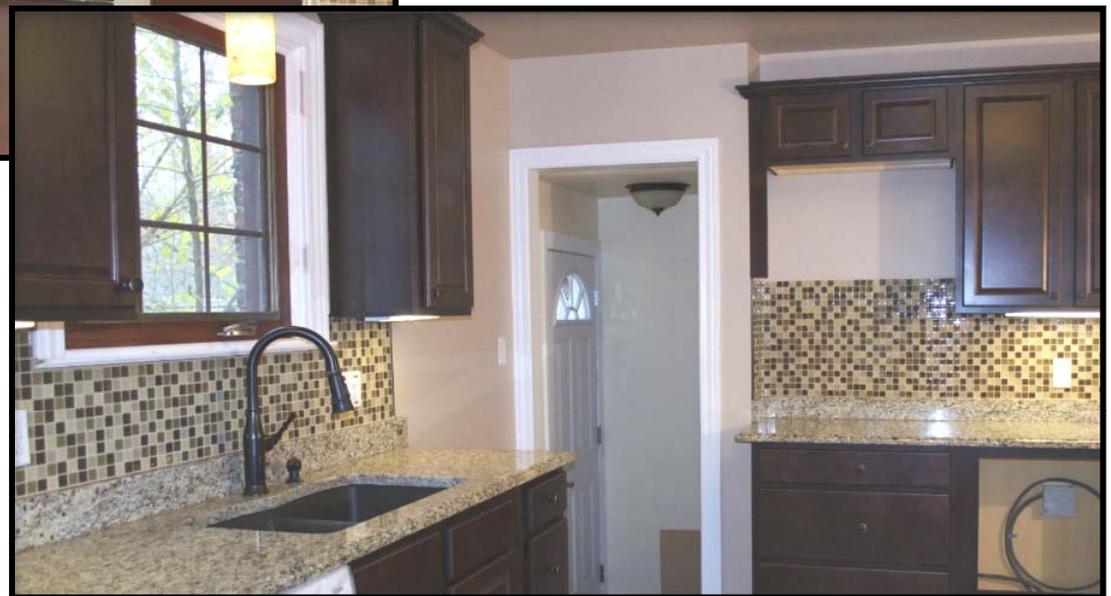
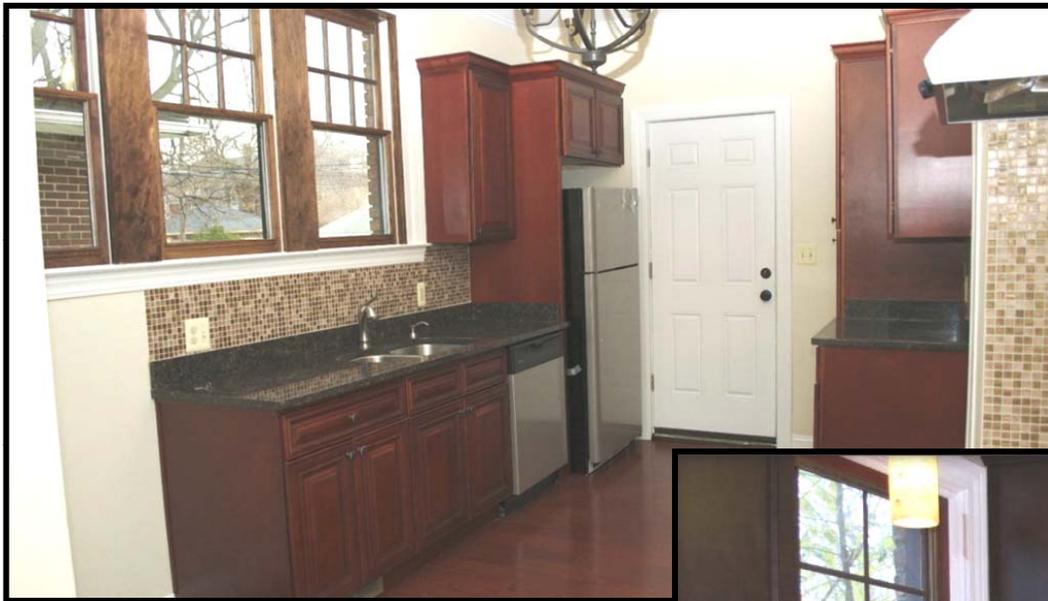
## **Create a product that stands out in the market**

- Buyers are constantly comparing properties
- It's a "Buyer's Market" and... Neighborhood might not be a selling point
- Finishes are key
- Buyers see the value of high quality construction
- Received the Governor's Historic Preservation award for the DLBA NSP housing rehabilitation program



# The Product

Create a product that stands out in the market



# The Product

**Create a product that stands out in the market**



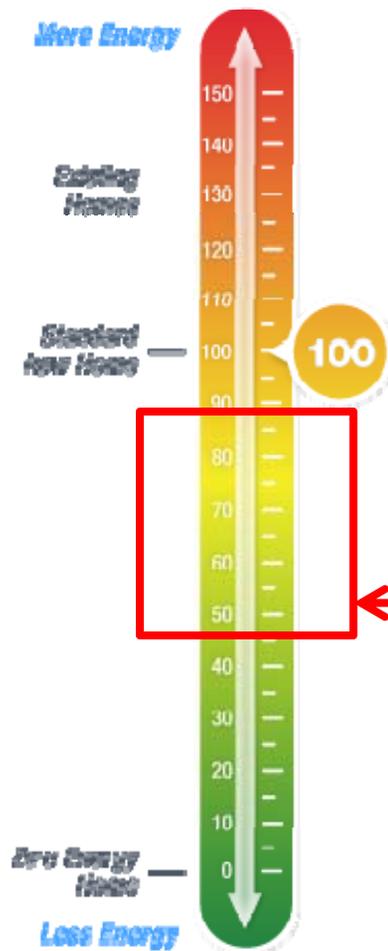
# The Product

Create a product that stands out in the market



# The Product

Create a product that stands out in the market



**HERS Ratings tell a story about Energy Efficiency**

**Performance Range of typical DLBA rehab property**



# The Product

## If we had a Do-Over.....

- Find a Building Materials Distributor that would carry better product lines
- Become a vehicle for making better products available to the entire community
- Cultivate local contractors so that they have the capacity and are willing to “Go Greener”



# Disposition of Properties to Developers

- Distribution of land bank properties to other developers is an option
- Concern is their capacity to produce and their access to funding
- DLBA has distributed properties to the local Habitat for Humanity Affiliate



# Marketing Strategies – Learning from DLBA

- **Put together a plan for selling that give you a competitive advantage.**
- If solid neighbors, partner with them around sales to their friends and families.
- If there are neighborhood events when people are out, use those opportunities.
  - Might mean being open on a summer evening or for an after-church open house.



# Marketing Strategies – Learning from DLBA

- Make seeing the properties social events to broaden your customer pool.
- Always price the houses in terms of the monthly payment.
  - So people can determine if it makes sense for them or for buyers they might recommend.





# **NSP Disposition** **City of St. Louis**

Jill Claybour

Acting Executive Director

City of St. Louis

Community Development Administration



# St. Louis NSP Successes

- Site control of vacant & problem properties in more concentrated areas than previous program allowed for
- Exceptional historic preservation that contributes to overall neighborhood
- Affordable homeownership
- Partnership with existing land bank, nonprofits, developers.



# Scope of the Disposition Challenge

- STL acquired 87 NSP properties with NSP1 funds. *(9 were added to the program at no cost = 96 total)*
- Purchased under Eligible Activity B: to acquire, rehab, and sell/rent residential units
- Held in a pre-existing land bank
- Not all properties were completed under NSP1 deadline



# Factors Contributing to Disposition Challenges

## **1. Acquisition was more difficult & required more time than anticipated.**

- Resulted in a different inventory than planned
- Properties were in worse shape and required far more rehab than originally planned.

## **2. CDA had to do 100% construction financing rather than just financing project gaps.**

- This tied up NSP funds and prevented CDA from starting development on other properties.



# Factors Contributing to Disposition Challenges *(continued)*

## **3. Home sales slowed & appraisal values fell**

- Tied up NSP funds further
- Larger funding gaps
- Reduced prospective program income for other projects

## **4. Energy Star requirements for rehabs increased development gap**

- More NSP had to be left in each home.



## Factors Contributing to Disposition Challenges *(continued)*

### **5. Buyers needed more assistance to afford the homes**

- CDA originally budgeted \$2K per home.
- A range of \$5K up to 10% of sale price is new policy based on buyer's need.

### **6. Some units converted to rental or lease-purchase**

- Construction loans will not be repaid in time to revolve funds for another project.



# Disposition Planning Methodology: A Good Database

1. Started with an existing, Excel-based, and highly detailed NSP tracking database derived from DRGR.
2. Housing Analysts reviewed every property to determine likelihood to move in development within NSP deadlines.
3. Properties unlikely to move forward were pulled out of overall database and put into a disposition planning database.



# Disposition Planning Methodology: Property-by-Property Analysis

For each property:

- How much NSP has been spent?
- Estimated TDC?
- Estimated Sale Price/Program income  
Projected Homebuyer Subsidy
- Project Gap
- General Disposition Plan
  - Sell/Convey for Residential Rehab
  - Demo/Convey for New Residential
  - Convey for Public Uses
  - Sell for Commercial Use



# Detailed Database of Properties

Over \$25K Expended	Ballpark of TDC or CDA Financing	Estimated Sale price or Program Income	Home-buyer Subsidy Gap	Estimated Gap	NSP Expende	Estimated Shortage in Gap Subsidy	Landbanked Properties Disposition Plan
Over \$25K	\$125,000	\$75,000	\$5,000	(\$55,000)	\$53,085	-\$1,915	Sell/Convey for Res. Rehab
Over \$25K	\$350,000	\$150,000	\$5,000	(\$205,000)	\$51,278	-\$153,722	Sell/Convey for Res. Rehab
Over \$25K	\$220,000	\$125,000	\$5,000	(\$100,000)	\$33,497	-\$66,503	Sell/Convey for Res. Rehab
Over \$25K	\$150,000	\$75,000	\$5,000	(\$80,000)	\$55,070	-\$24,930	Sell/Convey for Res. Rehab
Over \$25K	\$500,000	\$150,000	\$5,000	(\$355,000)	\$43,736	-\$311,264	Sell/Convey for Res. Rehab
Over \$25K	\$125,000	\$75,000	\$5,000	(\$55,000)	\$55,009	\$9	Sell/Convey for Res. Rehab
Over \$25K	\$250,000	\$75,000	\$5,000	(\$180,000)	\$26,904	-\$153,096	Sell/Convey for Res. Rehab
Over \$25K	\$200,000	\$100,000	\$5,000	(\$105,000)	\$28,817	-\$76,183	Sell/Convey for Res. Rehab
Over \$25K	\$250,000	\$100,000	\$5,000	(\$155,000)	\$59,059	-\$95,941	Sell/Convey for Res. Rehab
Over \$25K	\$150,000	\$75,000	\$5,000	(\$80,000)	\$25,610	-\$54,390	Sell/Convey for Res. Rehab
Over \$25K	\$800,000	\$350,000	\$5,000	(\$455,000)	\$61,860	-\$393,140	Convey for New Construction
Under 25K	no data			\$0	\$20,733		Sell/Convey for Res. Rehab
Under 25K	\$200,000	\$75,000	\$5,000	(\$130,000)	\$16,467	-\$113,533	Sell/Convey for Res. Rehab
Under 25K	\$280,000	\$60,000	\$5,000	(\$225,000)	\$12,216	-\$212,784	Sell/Convey for Res. Rehab
Under 25K	\$265,000	\$60,000	\$5,000	(\$210,000)	\$13,494	-\$196,506	Sell/Convey for Res. Rehab
Under 25K	\$280,000	\$80,000	\$5,000	(\$205,000)	\$16,539	-\$188,461	Sell/Convey for Res. Rehab
Under 25K	\$125,000	\$50,000	\$5,000	(\$80,000)	\$5,655	-\$74,345	Sell/Convey for Res. Rehab
Under 25K	no data			\$0	\$9,705		Convey for Public Parking
Under 25K	\$340,000	\$150,000	\$5,000	(\$195,000)	\$12,405	-\$182,595	Sell/Convey for Res. Rehab
Under 25K	\$200,000	\$125,000	\$5,000	(\$80,000)	\$6,205	-\$73,795	Sell/Convey for Res. Rehab



## Database Results

*Of the 49 landbank/disposition properties*

Amount of NSP Expended:

- 35 properties = <\$25K expended (71%)
- 14 properties = >\$25K expended (29%)

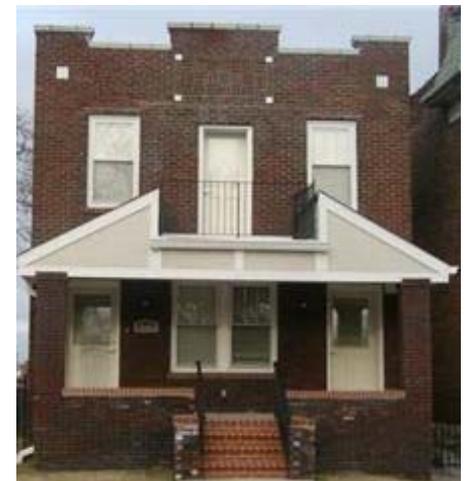
By Neighborhood

- 16 in Dutchtown
- 10 in Benton Park West
- 5 in Gravois Park
- 4 in Walnut Park West



# Disposition Strategy

- **Focus on rehab of clustered properties**
  - NSP Program Income
  - HOME
  - Leveraging other financing
- More general disposition approach for scattered properties.



## Disposition Options: WITH Meeting a National Objective

- **Landbanking**
  - Focus on clusters of properties
  - Focus on neighborhoods where market recovery is likely in 5-7 years.
  - Pursue rehab
- **Demolition for a handful of units**
  - Some emergencies will meet a national objective
  - Demolition & landbanking for future development



## Disposition Options: **WITHOUT Meeting a National Objective**

- **Disposition for Fair Market Value or for the amount of NSP invested.**
  - Requires repayment of NSP Funds.
  - Repaid NSP funds must be re-obligated to meet a national objective.
- **Explore removing some properties out of NSP Program** (*Safe harbor*)
  - If they have less than \$25K in NSP expended
  - Final decision will be made by HUD Field Office



# “Responsible Disposition” Guidelines

**St. Louis is establishing clear local guidelines for disposition, such as:**

1. Coordinate disposition with overall neighborhood revitalization plan.
2. Prioritize dispositions according to community priorities.
3. Assure property is conveyed with protections in place to ensure it does not become blighted (*deed restriction, reverter clause*).
4. Assure clear title with defined reuse conditions.



# “Responsible Disposition” Guidelines

## *Continued*

5. Convey and use property to the direct benefit of low/mod households wherever immediately feasible (conveyance of a side lot to an LMMI neighbor or to a community garden).
6. Convey and use property to the general benefit of the neighborhood, e.g. create buffers between commercial and residential, establish green areas, other public service uses.
7. Place priority on residential uses and uses that most directly benefit the immediate neighborhood.



# Overcoming Challenges

- Each NSP grantee is dealing with a unique set of conditions → not a one-size-fits-all situation.
- Important step is to recognize the challenge(s) you have to overcome. Know your properties by developing a profile of each building or lot.
- The profile will naturally lead in to a work plan disposition strategy.



# Developing a Strategy – Learning from St. Louis

- The process of understanding each site is critical to creating a strategy. Don't assume all the sites need the same approach.
1. Develop a profile for each building / lot
  2. Tailor strategy to make sense in the neighborhoods and local real estate conditions



# Changing Plans

- No plan is perfect. Conditions will change.
- Be prepared.
- If house or lot can't be sold, create alternatives.



# Questions?



## Resource:

<http://homesales.stablecommunities.org/introduction-welcome-guide>



# NSP Webinar Resource Links

## Resources on NSP and OneCPD Resource Exchanges

Search the OneCPD Resource Library	<a href="https://onecpd.info/resource-library/">https://onecpd.info/resource-library/</a>
Search the NSP FAQs	<a href="http://hudnsphelp.info/faqs">http://hudnsphelp.info/faqs</a>
View All Training Materials on the NSP Learning Center	<a href="http://hudnsphelp.info/learning">http://hudnsphelp.info/learning</a>
Submit a Policy Question via OneCPD Ask A Question	<a href="https://onecpd.info/ask-a-question/">https://onecpd.info/ask-a-question/</a>
Request NSP Technical Assistance	<a href="http://hudnsphelp.info/RequestTA">http://hudnsphelp.info/RequestTA</a>

## Connect with NSP

Join the OneCPD Mailing List	<a href="https://onecpd.info/maillinglist/">https://onecpd.info/maillinglist/</a>
Visit the NSP Flickr Gallery	<a href="http://flickr.com/photos/nspresourceexchange">http://flickr.com/photos/nspresourceexchange</a>
Visit the OneCPD YouTube Channel	<a href="http://youtube.com/onecpd">http://youtube.com/onecpd</a>



# Give us your Feedback

- Answer a few short questions
- Please click on the link and give us your feedback:
- <http://www.surveymonkey.com/s/6YD8C9N>

Your opinion is valuable!!!

THANK YOU

