Creating partnerships to achieve NSP goals and leverage NSP resources
Forming Effective NSP Partnerships

Presenters

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Case Studies:

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Forming Effective NSP Partnerships
Learning Objectives

1. Provide guidance on how partnerships can help stabilize communities impacted by the housing crisis and leverage NSP funding

2. Identify types of partnerships that grantees, sub-recipients and developers should explore to further NSP objectives

3. Provide specific case examples of how partnerships are working in other cities
Importance of Partnering

- Neighborhood stabilization requires partnering with local governments, regional and State governments, nonprofits, for-profits, housing authorities and other entities to implement a comprehensive strategy.

- Local partnerships ensure a greater concentration of resources and expertise that can increase the likelihood of success.

- Some localities made formation of local partnerships a competitive factor in applying for NSP funds.
Types of NSP Partnerships

NSP implementation has many components, including:
- acquisition,
- construction,
- marketing,
- sales, and
- mortgage lending, requiring a variety of partnerships to achieve NSP goals.
Importance of Partnerships

• Leverages NSP funding
• Helps achieve 50% AMI set-aside goals and maintains housing affordability over the long term
• Assists lower-income buyers purchase homes
• Stimulates mortgage and construction lending
• Addresses other neighborhood conditions such as safety and marketability
How Partnerships Work

Local Housing Authorities and Habitat for Humanity

• LHAs have become more entrepreneurial as developers

• LHAs allow qualified families to use Section 8 Vouchers to subsidize mortgage payments making homeownership a reality for low-income families

• Partnerships with Habitat can create homeownership opportunities for families with incomes below 50% AMI
How Partnerships Work

• **National Community Stabilization Trust** - public-private partnership agreement between HUD and NCST

• Collaboration with national servicers, FHA, Freddie Mac and financial institutions to access foreclosed and vacant property.

• The *First Look Program* allows community buyers to acquire foreclosed and vacant properties before they are listed for sale, resulting in:
  - Early and exclusive access to new REO at an adjusted purchase.
  - A “discount” price that reflects market conditions and the benefits of a quick sale.

• Other property purchase options, including existing REO and short sales.

• Access to REOMatch, the free NCST mapping and strategic planning tool.
How Partnerships Work

Land Bank and Redevelopment Authorities

- Land banks can facilitate both the short-term removal of excess property from market to support an increase in property values.
- Some states allow land banks to facilitate redevelopment over a 10-year period through the Land Banks’ ability to quiet title, access Brownfield tax credits, and leverage regional tax increment financing to maintain property and assemble land for future development.
- Grantees have outsourced NSP activities, including program administration, to Redevelopment Authorities who might have more experience or capacity to manage NSP activities.

State and Regional Government Partnerships

- Some grantees have partnered with States, Counties or other government agencies to administer NSP funds when staff resources are constrained or the grantees does not have the in-house expertise.
How Partnerships Work

Financial Institutions and CDFIs

• Grantees should engage Banks, Credit Unions and Community Development Financial Institutions in NSP activities

• NSP implementers can work directly with banks to strategically acquire properties in NSP target areas

• NSP funds can be used as credit enhancements to stimulate lending in distressed neighborhoods

• CDFIs such as LISC play a critical role providing working capital, construction loans and lines of credits to small contractors and CDCs
How Partnerships Work

Private Investors & Real Estate Brokers

- Well structured partnerships with private investors put properties in the hand of responsible owners
- Rental housing will help meet the 25% set-aside requirements
- Linking investors with Section 8 holders can provide stable tenants and rental income streams in troubled neighborhoods
- Grantees and their partners are effectively using Real Estate brokers to market and sell NSP assisted homes
- Brokers need to be educated on NSP: how it works, who qualifies and financial assistance available to help families purchase NSP homes

NSP funds can be used as incentives to attract responsible investor landlords
How Partnerships Work

Social Service Agencies
- Family Support Services
- Tenant Assistance
- Homebuyer Counseling

Local Government
- Police
- Public Works and Lighting
- Parks and Recreation

Neighborhood Associations
and CDCs
- Neighborhood Watch Groups
- Homebuyer Attraction and Marketing
- Clean-up and Beautification
Partnership Needs Tool

Goal:

• Acquire/rehab 25 homes for sale to families earning 50% AMI

• Identify partners for each stage of development process; look for partners who already have experience serving this target population

• Help sub-recipients develop partnerships
FORMING EFFECTIVE PARTNERSHIPS

Case Studies
Indianapolis, IN
Cincinnati, Ohio
Phoenix, AZ
Indianapolis Case Study

- City of Indianapolis strategy for $28 Million in NSP I is “high-stakes” approach adopted with broad community taskforce input
- NSP targeted to accomplish redevelopment goals
- NSP funds concentrated in four target areas that largely coincide with Great Indy Neighborhoods Quality of Life Plans
- Target areas are blighted but adjacent to market reinvestment and offering decent CDC capacity
Indianapolis Case Study

• Near-East neighborhood identified St. Clair Place as starting-point for single-family neighborhood redevelopment in Quality of Life plan due to very high foreclosure concentration but strategic location.

• LISC supported creation of district redevelopment plan that emphasizes resident retention, walkability, and green elements.

• City created Housing TIF for infrastructure costs.

• Restarted I-AD CDC leading effort with support of Super Bowl Legacy structure and access to development capital from State Farm.
Indianapolis Case Study

- I-AD and community center gained site-control on over 100 individual properties in district
- Largest NSP cluster in Indianapolis: $6 Million from City and State
- Multi-family rental housing developed on redeveloping commercial edge...one project designated homeownership incubator
- Center for Working Families linked to incubator and regional homeownership counselor
- Marketing Center opening early 2011
- Partnership with Board of Realtors in Centennial project creates below 50% AMI set-aside units
Indianapolis Case Study

• Super Bowl Legacy Initiative has generated over $100 Million in reinvestment near NSP district
• Green infrastructure now complete
• 32 scattered-site rentals on market early 2011
• First of 24 homeownership units to hit market spring of 2011.
• NSP remediating contaminated commercial site and stabilizing shop building on commercial boundary
• Marketing going live 1st quarter 2011 but no presales
Greater Cincinnati Case Study

• HURC is a CDC that has partnered with the City of Cincinnati, City of Covington, Hamilton County, NCST and LISC to work with foreclosures through the NSP funding

• HURC’s roles:
  – NSP sub-recipient for the City of Cincinnati
  – Contracts with NCST to broker REO’s to the 12 other Cincinnati CDC’s who are sub-recipients and are doing foreclosure work.
  – Contract with the City of Covington, NSP sub-recipient of the State of KY, to broker REO’s from NCST.
  – Contracts with 11 jurisdictions within Hamilton County to act as the CDC to purchase and rehab foreclosures
Greater Cincinnati Case Study

- City of Cincinnati and Hamilton County was able to significantly leveraged its NSP funds with diverse funding sources.

- HURC has lines of credit with LISC, the Cincinnati Development Fund and PNC Bank for acquisition and construction; LISC has issued similar lines of credit for construction leverage with 3 other city sub-recipients.

- Funding to continue to address foreclosures is a challenge. NSPI funds have been expended. County communities are waiting to sell properties to rehab more properties using program Income. City of Cincinnati’s NSP program income is returned to the City.
Greater Cincinnati Case Study

• HURC has begun discussions with the NCST to make changes to the Purchase Contracts to make them contingent on receiving funds. HURC plans to apply for HOME funds from the City of Cincinnati’s Single Family Support Fund.

• This model has served several municipal governments well as HURC not only has the experience but been nimble enough to work well with NCST.

• HURC’s model of independent contractors cuts administrative costs while bringing as needed experience to bear on projects: Banker, general contractor, lead abatement administrator, realtor experiences buying properties at sheriff sale, construction manager, former city administrators that have worked with CDC’s who can continue those connections.

• These connections have allowed HURC to move NCST properties into communities most effectively.
Coalition of Non-Profits Convened by Phoenix LISC

Providing qualified buyers for foreclosed properties – a consumer-based approach to NSP
Guiding principles for the coalition:

• Members agree to: common set of program standards, share information, work within coalition and serve general public (no income limits)

• Homebuyers are best served by education and counseling services prior to purchase of properties;

• Buyers deserve long-term affordable housing (in terms of location, energy efficiency and financing)

• Non-profits must be compensated for their work (standardized fee structure increased revenue for all)

• Minimize risk to non-profits: consumer focus meant no holding costs for properties acquired on spec
Coalition approach is consumer focused:

• Long-term strategy to promote non-profit sector using joint marketing, inter-agency referrals for service, database to document production;

• Increase capacity of existing non-profits and increase services across the region;

• Streamline and standardize program activities (counseling, rehab, reporting)

• Coalition wanted to respond on behalf of multiple members to RFPs that cities issued for NSP funds (this did not work, since coalition not legal entity)
Phoenix Case Study

Goals, Outcomes, Challenges

• 12 members: counseling agencies and CDCs - significant staff turnover was challenging

• Initial goal: connect 250 qualified buyers to properties (over 18 mo.) – actual data shows 520 transactions facilitated by SHOCO members (total to date: 824 buyers)

• Capacity of counseling agencies increased through monthly individual and group training - 12 new counselors certified and one new agency HUD approved

• Consumer model, where the buyer chooses the house to be acquired, was more successfully implemented than place-based NSP model - where single non-profit selected for acquisition of target properties with rehab distributed to member partners. Fees for developer vs. contractor became an issue. Everyone wanted to be a developer, but city only wanted one grantee.
Tips

• Most jurisdictions in AZ used NSP as down-payment assistance funds – finding buyers (consumers) was most critical function

• Non-profits must agree to work across geographic boundaries

• Peer agency as lead was good start because they knew consumer model

• Consultant coordinated effort in later stages

• Hard to get jurisdictions to agree to contract and compensate multiple agencies

• Most useful where there is abundance of foreclosed inventory for buyers to choose from (AZ has 3rd highest foreclosure rate in nation)

• Cooperation breaks down when there is competition for developer fees (acquisition/rehab/resale model)
Questions

Community Planning and Development
We would really like your feedback! Please take a moment and follow the link to provide your important feedback: