

MITIGATING THE IMPACT OF CONCENTRATED FORECLOSURES ON NEIGHBORHOODS

RECOGNIZING THE PROBLEM

Foreclosures, like the subprime lending that precipitated them, have been heavily concentrated in the same vulnerable neighborhoods targeted by community development efforts over the last 20 years. The resulting vacant and abandoned properties threaten the property values of neighboring homeowners, invite crime and discourage future investment.

In 2007, Living Cities, a national philanthropic collaboration of 21 of the world’s largest foundations and financial institutions, recognized the urgency of finding promising approaches to address the realities of the foreclosure crisis.

FINDING INNOVATIVE APPROACHES

Recognizing that there was no “one-size-fits-all” solution to reclaiming vacant and foreclosed properties, Living Cities approached key coalitions in over a dozen markets to learn more about their work, their needs and how Living Cities might best be able to support this work. The goal was to support pilot programs in three types of markets—weak, moderate (or mixed) and strong.

Living Cities selected 10 projects from around the country that all had the potential to:

- Quickly begin operations
- Be replicated in other cities
- Work with hundreds of units over two to three years
- Marshal resources including capital, data and talent
- Provide a meaningful role for Living Cities funding

SUPPORTING INNOVATIVE APPROACHES

Since mid-2008, Living Cities has disbursed \$7 million in grants and loans to test the most promising local approaches for returning foreclosed properties to productive use. By providing various forms of support to the organizations that are running these programs, we are helping to ensure that locally based innovative solutions have the opportunity to inform emerging and future responses to the subprime mortgage crisis. (Funding for this initiative was provided by Living Cities and the Open Society Institute with additional contributions from the following Living Cities members: Ford Foundation, The Kresge Foundation, Deutsche Bank and The Annie E. Casey Foundation.)

Since the beginning of the effort, both the economic crisis and federal funding have presented both daunting challenges and exciting opportunities for Living Cities’ grantees. *See the chart on the back of this page for highlights on each program.*

LIVING CITIES MEMBERS

Living Cities’ members are not simply funders. They participate at the senior management level on our board of directors and contribute the time of more than 80 expert staff toward crafting and implementing our agenda. For 18 years, Living Cities’ members have co-invested more than \$500 million that has, in turn, leveraged over \$16 billion in tangible community assets.

LIVING CITIES MEMBERS

AARP Foundation
 AXA Community Investment Program
 Bank of America
 The Annie E. Casey Foundation
 Citi Foundation

J.P. Morgan Chase & Company
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 Ford Foundation
 Bill & Melinda Gates Foundation
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 The Kresge Foundation
 John D. and Catherine T. MacArthur Foundation
 The McKnight Foundation

MetLife, Inc.
 Prudential Financial
 The Rockefeller Foundation
 Surdna Foundation

AFFILIATE MEMBERS

The Cleveland Foundation
 The Skillman Foundation

LIVING CITIES GRANTEES

*MARKET	GEOGRAPHIC AREA SERVED	GRANTEE	POINT(S) OF INTEREST	GOALS (by end of 2009 unless otherwise noted)	CURRENT STATUS/RESULTS (As of late April 2009)
STRONG	New York	Center for NYC Neighborhoods	Citywide entity, Mission-driven brokerage	45 homes acquired, 75 clients served by broker	Acquisitions have begun; brokerage transitioning into implementation phase
	Washington, D.C.	CityFirst Enterprises	Shared equity, New Market Tax Credits	120 permanently affordable units financed	Financing has been delayed; expected to close in approximately 90 days
MIXED	Chicago	Chicago Neighborhood Stabilization Corporation (Mercy Portfolio Services in partnership with the city)	Citywide, public/private entity	2,000-2,500 properties acquired, reclaimed or demolished over 2-3 years	Finalizing management agreement with the city
	Dallas	EHOP-Dallas	Building on existing model for working with HUD-owned properties	To be determined (see current status note)	Reassessing production benchmarks and focusing on moving existing inventory due to regulatory and market issues
	Massachusetts	Massachusetts Housing Investment Corp.	Statewide fund, multi-city pilot	Acquire 185 units, rehab 160	Progress slowed by a delay in federal funding; activity will resume once funds have been received.
	Los Angeles	LA Neighborhood Housing Services	Acquisition, rehab or / brokerage model in West Coast market	Reclaim or broker sales of 380 units	Acquisition has been slow due to competition for resources and properties, brokerage is making progress
	Rhode Island	Community Housing Land Trust of Rhode Island	Land trust, working in a small city	Acquire/reclaim 20-25 properties, preserve affordability	Production targets reduced due to political and economic complication; currently working through these issues
	Twin Cities	Twin Cities LISC (Local Initiatives Support Corporation)	Statewide partnership, new financing products	4,500 properties statewide over 2-3 years	161 homes acquired, rehabbed, sold or demolished
WEAK	Cleveland	Neighborhood Progress, Inc.	Focus on neighborhood revitalization	Acquire 50 homes, demolish 100, prevent 100 foreclosures	26 properties acquired; an additional 46 demolished; new land-use plan developed
	Detroit	Detroit Office of Foreclosure Prevention and Response	New coordinating entity, long-term recovery focus; innovative data platform for capturing foreclosure data	Coordinate disjointed responses to crisis	Data platform in field-testing; federal funds will mostly be used for demolition in hardest-hit neighborhoods

PROVIDING ADDITIONAL SUPPORT

The Living Cities Catalyst Fund is investing \$1 million each in Opportunity Housing, LLC, which is affiliated with Neighborhood Progress in Cleveland, and the Neighborhood Stabilization Loan Fund, which is affiliated with the Massachusetts Housing Investment Corporation. The Catalyst Fund is a social investment vehicle that provides patient capital to outstanding not-for-profit organizations that create opportunities and make markets work better for low income residents of America's cities.

In order to help these 10 grantees succeed in their efforts, Living Cities has also provided the following forms of support.

- **TECHNICAL ASSISTANCE:** Living Cities created a technical assistance pool that allows each grantee to apply for up to \$10,000 in technical assistance in order to explore new innovations or to scale up existing programs.
- **KNOWLEDGE SHARING:** Living Cities creates opportunities both on- and offline for grantees to network and learn from one another's experiences, share documents, initiate forum discussions, study one another's work—including challenges, strategies and lessons learned—and learn from experts in the field.
- **PUBLICATIONS:** In addition to a detailed case study being published in 2009, Living Cities plans to publish a formal evaluation of grantees' work/the grant program in 2010.

FOR MORE INFORMATION, PLEASE CONTACT:

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