

# Matching Strategies to Neighborhood Conditions

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## What is a neighborhood stabilization program?

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- A neighborhood stabilization program is a program to restore stability to a neighborhood destabilized by foreclosures and vacant properties.
- In order to design such a program, one must begin by understanding what it means to be a **stable** neighborhood.



# What is a stable neighborhood?

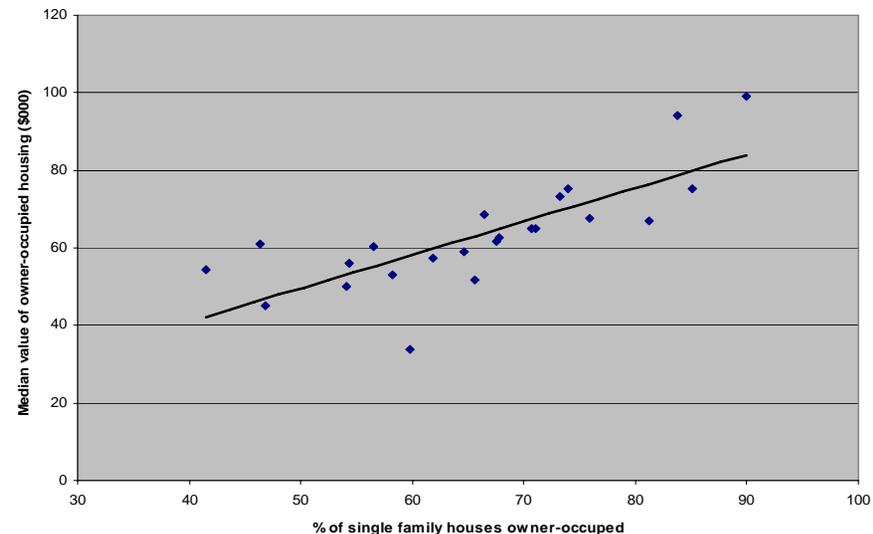
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- A stable neighborhood is one where residents and potential buyers feel confident that their investment – psychological as well as financial – is secure
- Key neighborhood variables contribute to neighborhood stability by preserving and enhancing residents' and buyers' confidence in their investment in the neighborhood.

# Key variables affecting stability

- Vacancy and abandonment
- Level of property investment
- Poverty concentration
- Homeownership rate
- Crime

Figure 4.3: The relationship between home ownership and house values in Trenton NJ





# How variables affect stability

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- Destabilization occurs when changes take place to reduce resident and buyer confidence in their neighborhood
- Negative changes in any of these variables can trigger neighborhood destabilization.
- **All of these variables are powerfully affected by foreclosures**



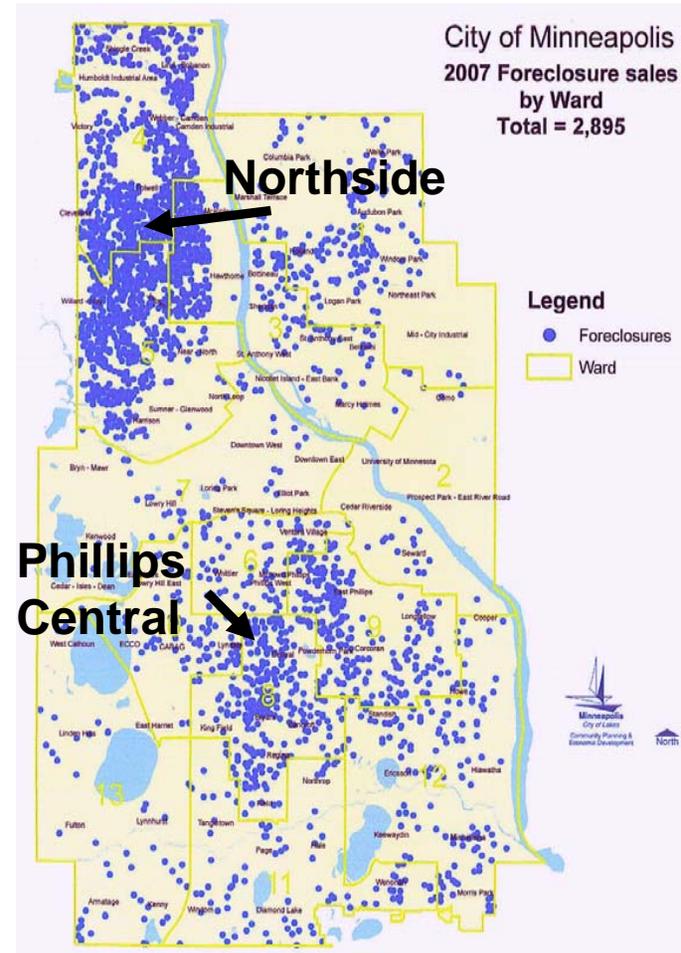
## Foreclosures destabilize cities and neighborhoods

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- Foreclosures significantly reduce the value of neighboring properties
- Increased foreclosures can lead to increases in violent crime in the vicinity
- Foreclosures impose significant costs on local governments
- **These effects are less the product of foreclosure as such, as the result of the link between foreclosures and vacancy.**

# Neighborhood effects of foreclosure are uneven

- Foreclosure effects are unevenly distributed geographically
- Foreclosure effects vary based on legal process and market conditions







## Impacts are greatest in weaker markets

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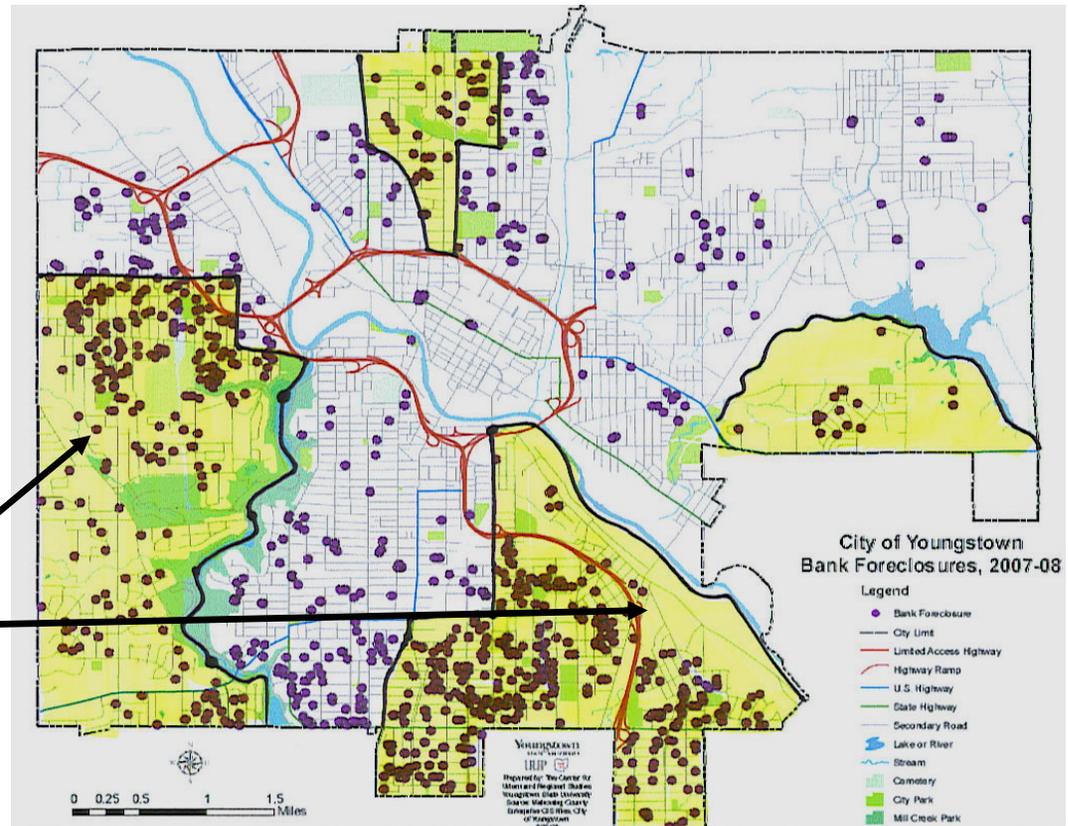
- Owners are most likely to leave before foreclosure sale
- Creditor is less concerned with preserving value of property
- Creditor may not even finalize foreclosure, leaving property in limbo.
- Vacant property is more likely to be stripped and vandalized.

# Effects on weak markets

## Youngstown OH foreclosures 2007-2008

The weakest market areas are not usually those most impacted by foreclosure

Areas with >2 home mortgages per 100 1-4 family structures in 2005 (HMDA)





# How to stabilize a neighborhood

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- Acquire and reuse vacant properties
- Reduce the link between foreclosures, disinvestment and vacancy
- Prevent future foreclosures
- Address other forces working to destabilize neighborhood – **build confidence and market demand**



## Using the NSP to stabilize neighborhoods

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- Target resources strategically
- Be sensitive to market conditions
- Prioritize around need, potential impact and delivery capacity
- Use NSP funds to leverage other resources
- Integrate NSP with other neighborhood stabilization and market-building efforts

# Let market conditions drive strategy

Market  
Correction

**Little or not acquisition - allow the market to correct itself**

Market  
Destabilization

**Acquisition to create opportunities for reuse and neighborhood stabilization**

Market Collapse

**Acquisition to land bank for future opportunities**

# Market conditions should drive strategy

Market Correction	Market Destabilization	Market Collapse
<ul style="list-style-type: none"><li>▪ Foreclosure prevention</li><li>▪ Code enforcement</li><li>▪ Homebuyer assistance</li></ul>	<ul style="list-style-type: none"><li>• Foreclosure prevention</li><li>• Code enforcement</li><li>• Rehabilitation for homeownership</li><li>• Selective demolition</li><li>• Infill development</li></ul>	<ul style="list-style-type: none"><li>• Selective rehabilitation for homeownership or rental</li><li>• Demolition</li><li>• Interim uses</li></ul>



## Other factors are critically important

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- **Target limited resources for meaningful impact**
  - Focus on areas where market conditions make impact realistic
  - Ensure that each targeted area receives enough investment to make impact possible
- **Build on capacity to implement strategy**
  - Capitalize on neighborhood-based resources: community organizations, CDCs, anchor institutions
  - Mobilize private sector resources – contractors, Realtors, lenders.



# Leverage other activities

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- Leverage other activities to promote stabilization and market demand
  - Crime prevention
  - Build neighborhood amenities and quality of life
  - Build stronger neighborhood social fabric
  - Build market demand



## Focus on outcomes

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In the end, neighborhood stabilization is not about the number of units acquired, rehabilitated or demolished – it is about **restoring stability**, in terms of healthy market conditions and resident/buyer confidence, to the city's neighborhoods.



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