The authors of this report would like to acknowledge NSP grantees and developers for taking the time to share their experiences and stories, which are critical for sustaining and strengthening foreclosure response efforts. We would also like to thank HUD and Enterprise Community Partners staff for providing data and guidance that was essential for understanding the complexity of the response and stabilization efforts taking place in Northern California.
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The Neighborhood Stabilization Program (NSP) was established in 2008 to stabilize communities that suffered from foreclosures and abandoned homes. Since then, a total of three rounds of NSP funding (commonly known as NSP1, NSP2, and NSP3) were disbursed to contend with the foreclosure crisis that grew bigger and extended longer than many imagined. Four years later, the crisis is far from over, and communities disproportionately impacted by foreclosures will continue to feel its impact.

Purpose of this Evaluation

Enterprise Community Partners (ECP) created the Foreclosure Response Initiative to support and strengthen the foreclosure response and community stabilization efforts of their Northern California partners. In 2011, ECP engaged Harder+Company Community Research to evaluate the efforts of their partners in Contra Costa County, Sacramento, and San Jose. The goal of this evaluation is to better understand the overall impact of the Neighborhood Stabilization Program and tell the story of how these resources have been mobilized to stabilize neighborhoods in these regions.

Findings

Each region’s path to recovery has been, and will continue to be, heavily influenced by local social characteristics and market dynamics. The strength of the housing market, the age and condition of the housing stock, and the widespread impact of the recession have been critical in shaping the implementation and outcomes of NSP activities. Grantees and their partners faced the following major challenges during the implementation of their programs:

- **Fierce competition with investors.** Investor activity was strong in the three regions. Competition raised acquisition costs and made it difficult to concentrate response efforts in target neighborhoods.

- **Difficulty targeting neighborhoods with the most need.** Grantees and developers had difficulty responding to the shifting geography of foreclosures that hit new areas and intensified in others during NSP implementation. The rigidity of the targeting requirements compromised efforts to reach communities most in need.

- **High rehabilitation costs.** Older, foreclosed homes often suffered from years of insufficient maintenance. Homes required extensive rehabilitation to make them safe and healthy for families. High rehabilitation costs reduced the reach of limited NSP funds.

- **Short timeframe to expend funds.** The requirement to obligate and expend NSP funds quickly limited grantees’ ability to create innovative and strategic programs and to leverage funds.

NSP funds were essential for grantees and their partners to contend with foreclosures in the hardest hit communities. Grants, however, were not large enough to scale response efforts to meet the magnitude of the crisis. Despite numerous challenges and limited funding, the initiative as a whole has left a distinct mark on several communities. The following represent some major wins of NSP activities in the three regions.
- **Investment in low-income communities.** Resources and funds were mobilized and concentrated in communities suffering from years of neglect and disinvestment.

- **Provision of affordable, safe, healthy, and sustainable housing opportunities.** Individuals and families were given the opportunity to establish roots in their community through NSP. They were able to buy or rent high quality, energy-efficient, NSP homes at affordable prices.

- **Promotion of community development.** NSP activities reduced blight, improved homes, and added value to communities. Activities cultivated civic pride and motivated neighbors to make improvements to their own homes.

- **Support for local jobs.** NSP provided opportunities for small, local nonprofits and for-profit developers to be engaged in foreclosure response efforts. Jobs were created for local residents, and funds provided some relief for the construction industry that was hit particularly hard during the recession.

- **Promotion of partnerships and collaboration.** NSP catalyzed the development of collaborative relationships between neighboring municipalities, municipal departments, nonprofits and for-profit allies through the shared goal of mitigating the impact of foreclosures and creating affordable housing opportunities.

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**Moving Forward**

As the foreclosure crisis continues to unfold, the harmful effects will likely continue to accrue, particularly for low-income populations impacted by foreclosures. Municipalities will be called upon to continue to address the foreclosure problem in an uncertain environment with diminishing NSP program funds, the absence of state redevelopment agencies, and a pending decision on additional funding. Foreclosure recovery, consequently, will depend upon multiple entities, spanning the public, private, nonprofit and philanthropic sectors. Enterprise Community Partners can continue to play an important role in supporting efforts and promoting equitable outcomes by:

- **Advocating** for additional funding at the national level to build upon the momentum and knowledge developed through NSP.

- **Convening** intra- and inter-regional meetings among partners and facilitating conversations to capitalize upon the lessons learned and collaborations formed during NSP implementation.

- **Providing** technical assistance to help partners navigate the complexity of federal programs and constantly changing regulations.

- **Bridging** communication gaps and managing the flow of information between HUD and local entities.

- **Monitoring** long-term community outcomes and providing data that uncovers the best practices that emerged from NSP, which can be used to drive future response efforts.
Introduction

Background on the U.S. Foreclosure Crisis

Foreclosures in the United States took a dramatic leap upward in 2006 and intensified during a deep and prolonged recession. In response to this crisis, the Neighborhood Stabilization Program (NSP), which is administered by the U.S. Department of Housing and Urban Development (HUD), has been the federal government’s primary strategy to bring stability back to communities. Over the last several years, few communities have been untouched by the proliferation of foreclosures, and the subprime loans and predatory lending practices that led up to the crisis have left their heaviest mark on lower income communities.

Homeowners, families, and communities directly and indirectly exposed to foreclosures are vulnerable to a host of immediate and long-term negative effects. The loss of a home can threaten personal security and wellbeing, as well as hinder a family’s access to improved socio-economic opportunities. The impact also extends well beyond the realm of the homeowner and family; it has tremendous implications for surrounding communities. Foreclosed and abandoned properties left unabated are ripe for vandalism, crime, and other illicit activities. Foreclosures can diminish the value of adjacent homes, contribute to the distress of neighborhoods that often suffer from neglect and a history of disinvestment, and have the long term impact of diminishing general funds supported by property taxes.

While there have been indications that the housing market is gaining strength and foreclosures are slowing, communities impacted by the foreclosure crisis are still struggling to recover. High rates of unemployment and shrinking household incomes resulting from the recession have only exacerbated the problem. The costs of foreclosures have been and can be devastating for communities. Local jurisdictions, nonprofits, and their partners have used NSP as tool to mitigate the harmful effects of foreclosures and bring stability back to communities.

Purpose of this Evaluation

Enterprise Community Partners (ECP) created the Foreclosure Response Initiative to support and strengthen foreclosure response and community stabilization efforts of their Northern California partners, which includes local jurisdiction and nonprofit NSP grantees. ECP convenes ongoing peer-to-peer meetings with their partners to share information and provide technical assistance for the NSP. In 2011, ECP engaged Harder+Company Community Research, a consulting firm specializing in research and strategy for the social sector, to evaluate the efforts of their partners in three Northern California regions—Contra Costa County,
Sacramento County, and the City of San Jose (located in Santa Clara County)—all areas with communities that have suffered from high rates of foreclosures.

The NSP grantees are the jurisdictions of Contra Costa County, the City and County of Sacramento, and the City of San Jose, as well as the San Jose Consortium (which is composed of two nonprofits and the City of San Jose for NSP2). Grantees are at various stages of implementing their NSP programs, and they continue to fund and work with several developers and nonprofit partners to address foreclosures in their region. This evaluation examines both past and ongoing NSP activities.

The goal of this evaluation is to better understand the overall impact of the Neighborhood Stabilization Program and tell the story of how these resources have been mobilized to stabilize neighborhoods and provide affordable housing to low-, moderate-, and middle-income families. This report presents each grantee’s strategies, successes, and challenges from implementing early rounds of NSP funding. Lessons-learned and thoughts on moving forward are also included. These are particularly important, as the foreclosure crisis continues to unfold while local jurisdiction and stakeholders in the affordable housing arena operate in an environment with diminishing NSP funds, the absence of state redevelopment agencies, and a pending decision on Project Rebuild.1

The evaluation methods included a review of NSP documents (e.g., substantial amendments, quarterly reports and DRGR data) and interviews with key staff members from each grantee, affiliated developers, and a HUD NSP Specialist. The findings from that research provide the basis for this report, which is organized into three main sections:

- **Setting the Context**, which includes an overview of the Neighborhood Stabilization Program and a glance at the regional social and economic climate in which foreclosures and response efforts took place;
- **Evaluation Findings**, including a summary of NSP activities and accomplishments, as well as “snapshots” of efforts in Contra Costa and Sacramento counties and the City of San Jose; and
- **Looking Back, Looking Forward**, a summary of findings and recommendations for moving forward after NSP.

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1 Project Rebuild is being proposed as part of President Obama’s American Jobs Act. It is an additional round of funding designed to leverage the success of NSP.
Setting the Context

How does the NSP Work?

Between 2008 and 2010, HUD disbursed nearly $7 billion in three separate rounds of NSP funding (commonly known as NSP1, NSP2, and NSP3) to help stabilize communities that have been disproportionately impacted by foreclosures and abandoned homes. NSP funding was available for several eligible uses, including, but not limited to the following:

- Creating financing mechanisms (e.g., soft seconds, shared-equity loans) to aid the purchase and redevelopment of foreclosed homes and residential properties
- Acquisition and rehabilitation of abandoned or foreclosed homes and residential properties
- Creating land banks for foreclosed homes
- Demolishing blighted structures
- Redeveloping demolished or vacant properties

The primary goals of NSP1, 2 and 3 have stayed consistent. However, small changes were introduced in each round of funding. The following table (Exhibit 1) summarizes key elements of each round of funding.

<table>
<thead>
<tr>
<th>NSP1</th>
<th>NSP2</th>
<th>NSP3</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Established</strong></td>
<td>Year: 2008</td>
<td>Year: 2009</td>
</tr>
<tr>
<td>Established NSP under the Housing and Economic Recovery Act (HERA)</td>
<td>Authorized under the American Recovery and Reinvestment Act (ARRA)</td>
<td>Authorized under the Dodd-Frank Wall Street Reform and Consumer Protection Act</td>
</tr>
<tr>
<td><strong>Amount</strong></td>
<td>$3.92 billion</td>
<td>$1.93 billion ($50 million set-aside for NSP technical assistance programs)</td>
</tr>
<tr>
<td><strong>Eligible Grantees</strong></td>
<td>State and local governments</td>
<td>State and local governments, nonprofits, and consortia of nonprofit entities</td>
</tr>
<tr>
<td><strong>Award Methodology</strong></td>
<td>Formula basis</td>
<td>Competitive (grantees selected on the basis of foreclosure needs in their selected target areas, recent past experience, program design and compliance with NSP2 rules)</td>
</tr>
<tr>
<td><strong>Purchase Discount</strong></td>
<td>NSP-eligible properties must be purchased at a minimum 5 percent discount below appraised market value, and grantees must have an aggregate portfolio discount of 15 percent.</td>
<td>Minimum purchase discount changed to 1 percent for individual properties and the aggregate requirement was deleted.</td>
</tr>
<tr>
<td><strong>Expenditure Timeline</strong></td>
<td>18 months to obligate and 4 years to expend 100 percent of funds.</td>
<td>2 years to expend at least 50 percent of funds and 3 years to expend 100 percent of funds</td>
</tr>
<tr>
<td><strong>Grantees</strong></td>
<td>Total of 307 grantees nationwide, including 47 grantees in California</td>
<td>Total of 56 grantees nationwide, including 12 grantees in California</td>
</tr>
</tbody>
</table>

Prepared by Harder+Company Community Research for Enterprise Community Partners | July 2012
Targeting Resources
The Neighborhood Stabilization Program has three primary targeting requirements for grantees: one that specifies the geographic areas in which NSP activities should be targeted, and two that specify the income levels of NSP beneficiaries. In accordance with NSP statutes, grantees must prioritize funds for use in areas with the greatest need, as determined by:

- The greatest percentage of home foreclosures; or
- The greatest percentage of homes financed by subprime loans; or
- A likelihood of facing a significant rise in the rate of home foreclosures.

For each round of funding, HUD developed foreclosure risk scores to help grantees target neighborhoods in their region with the most need. The foreclosure risk scores reflect neighborhood characteristics that are associated with high rates of foreclosures, including the presence of high-cost or high-leveraged loans, change in home values and unemployment rates. This information was the foundation for determining areas of need for NSP2 and was available, but not required, for NSP1 grantees. Scores ranged from one to 20, with larger scores representing higher levels of risk.

The NSP2 foreclosure risk scores in Contra Costa, Sacramento, and Santa Clara counties are shown in Exhibit 2. As shown by this map, high concentrations of communities throughout Sacramento and Contra Costa counties are extremely vulnerable to foreclosures. Similar high-risk communities in Santa Clara County are found less frequently and in smaller concentrations in comparison to the other regions.

NSP regulations also state that all funds should serve individuals and families whose income does not
exceed 120 percent of the area median income (AMI). This income range is broader than the traditional “low- and moderate income” limit of HUD Community Development Block Grant (CDBG) programs and includes households whose incomes are 81 percent to 120 percent of AMI. HUD refers to this NSP income group as “low-, moderate-, and middle-income” (LMMI). To reach households at the deepest levels of affordability, grantees are also mandated to direct no less than 25 percent of their NSP funds to the purchase of foreclosed homes or residential properties for individuals or families whose incomes do not exceed 50 percent of AMI. (These households are referred to as “LH25” or “low-income” in this report.)

Administrative Requirements
Two NSP administrative requirements are notable for the way they impacted implementation of NSP funded-programs: expenditure timelines and purchase discounts. A critical part of the NSP administrative requirements are the deadlines to expend grant funds. In order to expedite response efforts and infuse local economies with public dollars, grantees are expected to obligate and expend their grants on short timelines, as outlined in Exhibit 1. The short timelines posed challenges to grantees and is discussed in greater detail in this report.

In addition, for all three NSP programs, grantees are required to purchase eligible properties for under appraised market values. The discount requirement was changed after NSP1 in response to grantee feedback, which described this requirement as inflexible and having the potential to negatively impact neighborhood home values. The five percent and 15 percent discount on individual and aggregate purchases, respectively, was changed to a one percent discount without an aggregate requirement. Despite these changes, the purchase discount requirement still posed challenges to grantees, particularly for those acquiring homes in a competitive market with all-cash buyers.
Regional Overview

The distinct social and economic landscapes of Contra Costa, Sacramento, and Santa Clara counties have shaped how the foreclosure crisis, response efforts, and outcomes developed in each region. The faces of the individuals and families that lost (or are still at risk of losing) their homes to foreclosure vary greatly across each region. Moreover, each region’s path to recovery and strategies for bringing stability to its communities has been, and will continue to be, heavily influenced by local social characteristics and market dynamics.

Using secondary data sources and information from key informant interviews, this section of the report provides detail on the local context in which the foreclosure crisis developed and grantees are operating.

Foreclosures and the Recession

The peak of the housing market, in mid-2006, was brought about in part by a wave of subprime mortgages and predatory lending practices. Ultimately, these brought down financial institutions, led the housing market into a foreclosure crisis, and pushed the economy into a severe downturn. Beginning in late 2006, foreclosures in all three regions increased rapidly, causing the foreclosure rate to grow exponentially in just a few years. In late-2008, a period when foreclosures were peaking in each region, there were approximately 5,700 foreclosures in Sacramento County, 3,700 in Contra Costa County, and 2,200 in Santa Clara County (Exhibit 3). At the same time, homeowners were seeing a precipitous decline in the value of their homes. Thousands of individuals and families, in a span of just a few years, had upside down mortgages (i.e., the value of the property was less than the amount owed) and were forced to walk away from their homes.

From the peak to the bottom of their respective markets, the median home sales price dropped in each region:

- Contra Costa County $585,000 → $220,000
- Sacramento County $385,000 → $165,000
- City of Sacramento $340,000 → $128,000
- Santa Clara County $680,000 → $416,000
- City of San Jose $660,000 → $375,000

Exhibit 3. Number of Foreclosures (Quarterly)

Exhibit 4. Median Home Sales Price (Quarterly)
The ripple effects caused by contractions in the housing market had serious economic implications. In December 2007, the nation officially entered a deep and prolonged recession, which exacerbated the foreclosure problem. Unemployment rates more than doubled in many regions, disconnecting individuals from the labor market and their primary source of income that was vital for paying mortgages and meeting other household necessities. The unemployment rate from December 2007 to January 2010 increased from 4.9 percent to 11.7 percent in Contra Costa County, 5.8 percent to 13.0 percent in Sacramento County, and 4.8 percent to 11.7 percent in Santa Clara County (Exhibit 5). Additionally, peak unemployment rates in the City of Sacramento (15.2 percent) and the City of San Jose (13.0 percent) were slightly higher than the rates found in their respective counties.

During this period, when foreclosures and unemployment were quickly on the rise, the first of the three NSP programs was authorized. While regions hardest hit by foreclosures received much needed funding, the impact of NSP funds would be tempered by the magnitude and length of the foreclosure epidemic and economic downturn. The sheer number of foreclosures and the ubiquity of the recession were the overarching challenges that grantees faced when they set out to implement their response efforts.

The Regional Housing Market
To varying degrees, the age and the cost of the housing stock in the Northern California region sets it apart from other areas across the United States. The earlier, more developed regions in Northern California have a large stock of older and smaller properties, many of which are home to low-income families. The Bay Area is also well known for its high housing costs, particularly in areas central and adjacent to the high-tech and information-based economies of the Silicon Valley and San Francisco. These two factors have been critical in shaping the implementation and outcomes of NSP activities.

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3 The National Bureau of Economic Research dates the national recession from December 2007 to June 2009.
Older housing stock. NSP activities in all three regions were targeted in established, low-income neighborhoods with older and smaller homes. Aging infrastructure and years of insufficient maintenance and neglect have left most of the foreclosed homes in unstable, unsafe, and unhealthy conditions. Not only were many of these older homes uninhabitable, they were often laden with code violations. Grantees had to expend considerable resources to make homes safe and healthy for families. The rehabilitation of properties often included replacing major systems (e.g., roofing, plumbing and electrical) and conducting extensive work to make homes sustainable and compliant with building code regulations. The smaller size of these homes also made them less desirable to potential homebuyers once they were rehabilitated and placed back on the market. The grantees faced conditions unlike those working in new growth areas with foreclosed, turn-key homes.

High home costs. The Bay Area is particularly known for its high cost of living and housing costs. As shown in Exhibit 4, the median home sales price was over $400,000 in Santa Clara County and approximately $375,000 in the City of San Jose, even at its lowest point in the market.\(^5\) For NSP grantees, high housing costs directly translated into higher acquisition costs and resource intensive activities, which limited the reach and impact of their NSP funds. Furthermore, a significant decline in home prices combined with a strong housing market made these areas susceptible to speculative activity by outside investors. Grantees, consequently, faced strong competition from all-cash buyers to acquire foreclosed properties, and communities faced the risk of losing their wealth and ownership to outside entities.

A Closer Look at the Three Regions

An overview of the demographic, economic and housing characteristics of each region is provided in this section. Although NSP activities took place in the cities of Sacramento and San Jose, county-level data is largely discussed to develop a broad context for understanding each region. Exhibit 6 outlines the characteristics for each region and provides the source from which the data was extracted.

Contra Costa County. Located northeast and across the bay from San Francisco, Contra Costa County is home to just over one million people. Almost half the county’s residents are White, a quarter are Latino, 15 percent are Asian, and 10 percent are African American. Relative to the state as a whole, the county has a larger representation of White and African American residents and a smaller representation of Latinos.

The median household income in the county is $74,000. This is 28 percent higher than the statewide median and 40 percent higher than Sacramento County, but 13 percent lower than Santa Clara County. From December 2007 to January 2010 unemployment in the county jumped from 4.9 percent to 11.7 percent.\(^6\) Since then, the rate has slowly tapered down to 9.0 percent, still leaving more than 47,000 workers without jobs.

Home sales prices in Contra Costa County took a severe dip during the three year period when foreclosures were most frequently occurring. From the peak of the county’s housing market in early-2006 to the bottom in

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\(^5\) DataQuick Quarterly Home Sales
\(^6\) U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics (LAUS)
early-2009, the median home sales price fell by more than half, declining from $585,000 to $220,000.\textsuperscript{7} Since the market bottomed out, the median home sales price bounced back to nearly $300,000 (as of the second quarter of 2012). Contra Costa County has the highest ratio of home owners to renters among the regions in this evaluation. About two-thirds of the housing units in the county are occupied by home owners. Given that rental units are often the default “affordable” housing option for most residents, the smaller supply of rental housing has implications for individuals and families that lose their home to foreclosure. Low supply of and increased demand for rental housing places upward pressure on rent prices. The median rent in Contra Costa County is approximately $1,200, just over 10 percent higher than the median rent statewide.

**Sacramento County.** Sacramento County is home to more than 1.4 million residents. The race/ethnic distribution of the county’s population is very similar to Contra Costa County. Almost half of the county’s residents are White, just over 20 percent are Latino, 15 percent are Asian, and 10 percent are African American. The population is slightly more diverse within the City of Sacramento, with larger shares of Latino, Asian, and African American residents.

As the home of the state’s capital, a sizeable portion (24 percent) of Sacramento County’s workforce is in the government sector.\textsuperscript{8} The notion that government jobs are relatively stable or “recession-proof” was debunked, as the state fell into (and continues to struggle with) a budget crisis that started at the onset of the recession. Government employees and workers across all sectors faced layoffs and furloughs that likely left them in tenuous financial situations. At the peak of the recession in early 2010, the unemployment rate in the county reached 13 percent, and it continues to be in the double-digits.\textsuperscript{9} (The May 2012 unemployment rate was 10.5

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**Exhibit 6. Regional Characteristics**

<table>
<thead>
<tr>
<th>Demographics</th>
<th>California</th>
<th>Contra Costa County</th>
<th>Sacramento County</th>
<th>Santa Clara County</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Race/Ethnicity\textsuperscript{2}</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>White</td>
<td>40%</td>
<td>48%</td>
<td>48%</td>
<td>35%</td>
</tr>
<tr>
<td>Hispanic/Latino</td>
<td>38%</td>
<td>24%</td>
<td>22%</td>
<td>27%</td>
</tr>
<tr>
<td>Asian</td>
<td>13%</td>
<td>14%</td>
<td>14%</td>
<td>18%</td>
</tr>
<tr>
<td>Black/African American</td>
<td>6%</td>
<td>9%</td>
<td>10%</td>
<td>14%</td>
</tr>
<tr>
<td>Other</td>
<td>4%</td>
<td>5%</td>
<td>6%</td>
<td>7%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Economic</th>
<th>California</th>
<th>Contra Costa County</th>
<th>Sacramento County</th>
<th>Santa Clara County</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Median Household Income\textsuperscript{2}</strong> (2010 Dollars)</td>
<td>$57,708</td>
<td>$73,721</td>
<td>$52,709</td>
<td>$46,731</td>
</tr>
<tr>
<td><strong>Unemployment (May 2012)\textsuperscript{3}</strong></td>
<td>10.4%</td>
<td>9.0%</td>
<td>10.5%</td>
<td>12.3%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Housing</th>
<th>California</th>
<th>Contra Costa County</th>
<th>Sacramento County</th>
<th>Santa Clara County</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Occupied Housing Units\textsuperscript{4}</strong></td>
<td>12,577,498</td>
<td>375,364</td>
<td>513,945</td>
<td>604,204</td>
</tr>
<tr>
<td>Owner-occupied</td>
<td>56%</td>
<td>67%</td>
<td>57%</td>
<td>49%</td>
</tr>
<tr>
<td>Renter-occupied</td>
<td>44%</td>
<td>33%</td>
<td>43%</td>
<td>51%</td>
</tr>
<tr>
<td><strong>Median Rent (2010 dollars)\textsuperscript{2}</strong></td>
<td>$1,066</td>
<td>$1,198</td>
<td>$865</td>
<td>$851</td>
</tr>
<tr>
<td><strong>Median Home Sale Price\textsuperscript{4}</strong> (2012-Q2)</td>
<td>Data not available</td>
<td>$299,000</td>
<td>$160,000</td>
<td>$525,000</td>
</tr>
</tbody>
</table>

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\textsuperscript{7} DataQuick Quarterly Home Sales
\textsuperscript{8} 2010 American Community Survey 1-Year Estimates
\textsuperscript{9} U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics (LAUS)

\textsuperscript{1} 2010 Census Summary File 1; \textsuperscript{2} 2010 American Community Survey 1-Year Estimates; \textsuperscript{3} U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics (LAUS); \textsuperscript{4} DataQuick Quarterly Home Sales
percent in the county and 12.3 percent in the city.) Relative to Contra Costa and Santa Clara counties, the City and County of Sacramento have the lowest median household incomes at under $47,000 and $53,000, respectively. This is more than 25 percent below the median household incomes found in the other regions.

The housing market in Sacramento County is very different than the markets in the other regions being examined, as characterized by median rents and home sales prices. The median rent in Sacramento County is $865, which is 28 percent and 36 percent less than those found in Contra Costa and Santa Clara counties. Similarly, the median home sales price in Sacramento is just over half of what it is in Contra Costa County and over three-times less than the median sales price in Santa Clara County. In the second quarter of 2012, the median home sales price in the county was $160,000 and $130,000 in the city.

Santa Clara County. Santa Clara County is home to the Silicon Valley—the hub of some of the world’s largest technology companies—and approximately 1.7 million residents. The region is diverse, with a strong representation of White (35 percent), Asian (32 percent) and Latino (27 percent) residents. The African American population, however, is very low in the region at only 2 percent. The high-tech, innovation-driven industries in Santa Clara County have shaped labor market outcomes in the region. Like most areas, the county was affected by the economic downturn, but it has fared somewhat better than others in climbing out of the depths of the recession. At the recession’s peak, unemployment levels were at 11.7 percent in the county. Since then, unemployment has declined to 8.2 percent. The comparatively high household incomes (median $85,000) also reflect the quality and skill level of jobs in the area, as well as the purchasing power of residents.

The economic vitality of the region, however, should not mask the reality that several communities struggle to find employment and earn income to meet household needs. Low-income households, which are largely concentrated in the eastern portion of the City of San Jose, face the many challenges of living in a high-cost area. The median rent in Santa Clara County and the City of San Jose hovers around $1,300, which can place a substantial burden on most low-income families. Furthermore, at the peak and at the bottom of the county’s housing market, the median home sold for $680,000 and $416,000, respectively. These prices are well outside the reach of low-income families, even at the lowest point in the market. The strong housing market in the greater San Jose area has several implications for its poorest residents beyond housing affordability levels. First, the drop in housing prices has created an environment ripe for speculative activities. On one hand, market forces are taking care of some foreclosed properties. On the other hand, ownership may no longer rest in the hands of community members, and speculators may choose to make poor quality improvements to homes or simply sit on properties without improving them. Turning a profit, rather than community development, becomes the main focus with this type of activity. Second, the local market has forced NSP grantees to compete with investors, who have the competitive advantage to buy homes with all-cash offers. This has increased acquisition costs, which effectively reduces the impact and reach of NSP funds. These challenges are a large part of the San Jose story.

10 U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics (LAUS)
11 DataQuick Quarterly Home Sales
Evaluation Findings

NSP Activities

This assessment gathered information on NSP activity in Contra Costa County, Sacramento, and San Jose. The following section summarizes how grantees used NSP funds and continue to mobilize resources in neighborhoods heavily impacted by foreclosures. Major NSP activities, the allocation of NSP funds, and overall accomplishments are outlined and briefly described for each of the three target jurisdictions.

Contra Costa County

Contra Costa County received a NSP1 grant for just over $6 million and a NSP3 grant for $1.8 million. As of March 2012, Contra Costa County was working with a combined NSP1 and NSP3 budget in excess of $9.7 million. This total includes original NSP grants, leveraged funds, and income generated from program activities. Exhibit 7 outlines the size of grants and total budgets, as well the allocation of budgets by NSP activities, for Contra Costa County.

NSP1 activities were largely focused on the acquisition, rehabilitation, and resale of foreclosed single-family homes in the county’s high priority target areas. Those areas included Bay Point, Oakley, Montalvin Manor/Tara Hills/Bayview, Rollingwood, North Richmond, Rodeo, and San Pablo. The acquisition and rehabilitation strategy for single-family homes was subdivided into two distinct programs:

- **Revolving Fund for Purchase and Rehabilitation.** Three developers were selected to acquire and rehabilitate foreclosed single-family homes in target areas that could be completed for under $250,000.

Exhibit 7. Summary of Contra Costa County NSP Activities

<table>
<thead>
<tr>
<th>NSP</th>
<th>Grantee</th>
<th>Award</th>
<th>Total Budget</th>
<th>Activity/Program</th>
<th>Description</th>
<th>Total Budget Allocation</th>
<th>Housing Type</th>
<th>Completed Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>NSP1</td>
<td>Contra Costa County</td>
<td>$6,019,051</td>
<td>$7,843,338</td>
<td>Administration</td>
<td>General program administration</td>
<td>$601,905 (8%)</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Homeownership Assistance</td>
<td>Provide down payment and/or silent second mortgage assistance to eligible homebuyers</td>
<td>$438,911 (6%)</td>
<td>Single-family</td>
<td>11</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Revolving Fund for Purchase and Self-help Rehabilitation</td>
<td>Acquisition of foreclosed homes and homebuyers will assist in the rehabilitation of their future homes.</td>
<td>$2,136,920 (27%)</td>
<td>Single-family</td>
<td>13</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Revolving Fund for Purchase and Rehabilitation</td>
<td>Purchase, rehabilitation, and sale of vacant foreclosed single family homes.</td>
<td>$4,665,602 (59%)</td>
<td>Single-family</td>
<td>22</td>
</tr>
<tr>
<td>NSP3</td>
<td>Contra Costa County</td>
<td>$1,871,294</td>
<td>$1,871,294</td>
<td>Administration</td>
<td>General program administration</td>
<td>$187,129 (11%)</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Multi-family Housing</td>
<td>Acquisition and rehabilitate of foreclosed apartment complexes for low-income households.</td>
<td>$1,545,000 (89%)</td>
<td>Multi-family</td>
<td>0</td>
</tr>
</tbody>
</table>

Notes: 1 HUD Quarterly Performance Report (QPR) Q1 2012; 2 HUD NSP Summary Report Q1 2012
About 60 percent of the NSP1 budget was allocated for this activity. Low-, moderate-, and middle-income (LMMI) homebuyers were targeted for the units completed under this program.

- **Revolving Fund for Purchase and Self-help Rehabilitation.** Habitat for Humanity East Bay was contracted to carry out this program, which targets low-income homebuyers. Habitat purchased foreclosed single-family homes and selected eligible homebuyers who would take part in the rehabilitation of their future homes. This unique model provided the homeowner with a “sweat equity” stake in the home, as well as valuable home maintenance skills.

Most recent reports show that a total of 22 units have been developed under the acquisition and rehabilitation programs, nine of which were set aside for low-income individuals and families.

A small share (six percent) of the NSP1 budget was allocated to the **Homeownership Assistance Program.** This program provided LMMI homebuyers with down payment and/or silent second shared appreciation mortgage assistance. Eligible homebuyers were required to contribute at least three percent of the purchase price from their own funds. Loans were 30-year, fixed interest, and limited to 15 percent of the purchase price of homes up to $400,000. As of March 2012, 11 homes had been purchased through this program.

The county is currently in the process of implementing NSP3 activities. Given the limited size of the grant, the county determined that it could generate the largest impact by focusing on the acquisition and rehabilitation of multi-family rental units. Priority was given to neighborhoods in Antioch, Pittsburg, and Concord, all areas that had potential sites for this type of development and could meet NSP3 community impact requirements. The grantee currently has a multi-family project in Concord and one pending in Pittsburg. But due to financing issues, the grantee may redirect some funds to a single-family project in Bay Point or San Pablo.

**Sacramento**

As one of the regions in California hardest hit by foreclosures, both the City of Sacramento and Sacramento County were awarded large NSP grants, totaling over $40 million. The City of Sacramento was awarded a $13.2 million NSP1 grant, and Sacramento County was awarded NSP1 and NSP3 grants for $18.6 million and $8.3 million, respectively. NSP activities for the city and county are centrally administered by the Sacramento Housing and Redevelopment Agency (SHRA). SHRA administers a total budget of $46.8 million, which includes original NSP grants, leveraging, and income generated from project activities (Exhibit 8).

The state’s capitol has a strong mix of old neighborhoods and new growth areas, which account for the county’s relatively large share of newer homes. Seventeen percent of the owner-occupied units in the region were built in 2000 or later, compared to 13 percent in Contra Costa County, 8 percent in Santa Clara County, and 13 percent statewide. While foreclosures were widespread, hitting both old and new growth neighborhoods, NSP efforts were focused in older, more challenging areas of the city and county. Foreclosed homes in these neighborhoods often suffer from years of neglect and quickly become a nuisance to the community. Additionally, unlike new growth areas with homes in better condition, market forces alone would not correct vacancy issues created by foreclosures in these challenging neighborhoods.

The Sacramento Housing and Redevelopment Agency used NSP1 and NSP3 grants from both the city and county to launch a three-pronged response effort to help stabilize areas hardest hit by foreclosures:

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12 2010 American Community Survey, 1-year estimates
• **Property Recycling Program (PRP).** Through strategic investments and partnerships, this program focuses on bringing stability back to neighborhoods by rehabilitating single- and multi-family homes, and demolishing and land banking properties. SHRA acquires the inventory of properties and works with government, nonprofit, and for-profit partners to accomplish these goals. The PRP was the largest of the three programs administered by SHRA. In total, $19.5 million (42 percent) of the budget was allocated to this program. Just under 70 percent of the PRP budget went to the acquisitions and rehabilitation of single-family homes, and nearly 30 percent went to multi-family developments. A small portion (3 percent) of the budget was used to acquire a foreclosed, vacant property so that it could be improved and incorporated into the adjacent park.

• **Vacant Property Program (VPP).** VPP establishes partnerships between the grantee and local developers to get homeowners back into vacant, foreclosed properties that have been rehabilitated. VPP provides incentive fees to developers after homes are acquired, rehabilitated, and sold. After developers purchase foreclosed properties and receive approval for their qualifications and scope of work, they are able to access a rehabilitation loan. The Vacant Property Program was the second largest program of Sacramento’s three major efforts. SHRA allocated a total of $14.1 million or 30 percent of the budget to this project, which focused entirely on the rehabilitation of single-family homes.

• **Block Acquisition Program (BAP).** The goal of this program is to stabilize very specific target areas that have been unduly impacted by high rates of foreclosures. It focuses on reducing vacancies and mitigating blight and other problems caused by foreclosures through the acquisition and rehabilitation of rental or for-sale properties. Demolition and redevelopment of properties and land banking are also possible activities under this program. Efforts are coordinated with other government departments, as well as developers. Low interest loans are provided to eligible developers that can demonstrate the capacity to acquire at least 50 percent of the properties in the defined area. The Block Acquisition Program received $8.2 million, or 18 percent, of the total budget to develop multi-family units for low-income individuals and families. Foreclosed four-plex units were targeted for acquisition and rehabilitation in defined areas in order to consolidate ownership and management.

The Sacramento Housing and Redevelopment Agency is presently in the early phases of rolling out NSP3 activities. A majority (70 percent) of the funding is allocated to the Property Recycling Program, and a smaller share of the funding (20 percent) is going to the Vacant Property Program. As of March 2012, a total of 235 housing units have been created in target areas throughout the county, 70 of which are for low-income individuals and families.
### Exhibit 8. Summary of Sacramento NSP Activities

<table>
<thead>
<tr>
<th>NSP</th>
<th>Grantee</th>
<th>Award</th>
<th>Total Budget</th>
<th>Activity/Project</th>
<th>Description</th>
<th>Total Budget Allocation</th>
<th>Housing Type</th>
<th>Completed Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>NSP 1</td>
<td>City of Sacramento (SHRA)</td>
<td>$1,261,893</td>
<td>$16,005,992</td>
<td>Administration</td>
<td>General program administration</td>
<td>$1,300,000 (8%)</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Disposition</td>
<td>Staff cost related to delivery of NSP units</td>
<td>$453,305 (3%)</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Block Acquisition Program</td>
<td>Acquisition and rehabilitation of foreclosed four-plex units to consolidate ownership and management; Units serve persons at the LMMI and low-income levels</td>
<td>$230,000 (1%)</td>
<td>Multi-family</td>
<td>66</td>
</tr>
<tr>
<td></td>
<td>Property Recycling Program</td>
<td></td>
<td></td>
<td></td>
<td>Single-family: Rehabilitation and reconstruction of residential structures to serve persons at the LMMI and low-income levels</td>
<td>$2,747,870 (18%)</td>
<td>Single-family</td>
<td>28</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Multi-family: Rehabilitation of multi-family residential complex to serve persons at the low-income level</td>
<td>$3,501,145 (22%)</td>
<td>Multi-family</td>
<td>140</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Public Facilities: Acquisition and reconstruction of public facilities</td>
<td>$455,569 (3%)</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td></td>
<td>Vacant Property Program</td>
<td></td>
<td></td>
<td></td>
<td>Rehabilitation and reconstruction of residential structures to serve persons at the LMMI and low-income levels</td>
<td>$7,318,103 (46%)</td>
<td>Single-family</td>
<td></td>
</tr>
<tr>
<td>NSP 2</td>
<td>Sacramento County (SHRA)</td>
<td>$1,605,450</td>
<td>$22,519,165</td>
<td>Administration</td>
<td>General program administration</td>
<td>$1,960,000 (9%)</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Disposition</td>
<td>Staff costs related to delivery of NSP units</td>
<td>$498,787 (2%)</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Block Acquisition Program</td>
<td>Acquisition and rehabilitation of foreclosed four-plex units to consolidate ownership and management; Units serve persons at the LMMI and low-income levels</td>
<td>$8,000,000 (36%)</td>
<td>Multi-family</td>
<td>98</td>
</tr>
<tr>
<td></td>
<td>Property Recycling Program</td>
<td></td>
<td></td>
<td></td>
<td>Single-family: Rehabilitation and reconstruction of residential structures to serve persons at the LMMI and low-income levels</td>
<td>$6,872,672 (30%)</td>
<td>Single-family</td>
<td>42</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Public Facilities: Acquisition of foreclosed, vacant property adjacent to a park. Property will be improved and incorporated into the park</td>
<td>$111,989 (&lt;1%)</td>
<td>NA</td>
<td>140</td>
</tr>
<tr>
<td></td>
<td>Vacant Property Program</td>
<td></td>
<td></td>
<td></td>
<td>Rehabilitation and reconstruction of residential structures to serve persons at the LMMI and low-income levels</td>
<td>$5,075,176 (23%)</td>
<td>Single-family</td>
<td></td>
</tr>
<tr>
<td>NSP 3</td>
<td>Sacramento County (SHRA)</td>
<td>$83,590,000</td>
<td>$1,709,482</td>
<td>Administration</td>
<td>General program administration</td>
<td>$835,799 (10%)</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td></td>
<td>Property Recycling Program</td>
<td></td>
<td></td>
<td></td>
<td>Single-family: Rehabilitation and reconstruction of residential structures to serve persons at the LMMI level</td>
<td>$3,732,701 (45%)</td>
<td>Single-family</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Multi-family: Rehabilitation of multi-family residential complex to serve persons at the low-income level</td>
<td>$2,089,500 (25%)</td>
<td>Multi-family</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Vacant Property Program</td>
<td></td>
<td></td>
<td></td>
<td>Rehabilitation and reconstruction of residential structures to serve persons at the LMMI level</td>
<td>$1,709,482 (20%)</td>
<td>Single-family</td>
<td></td>
</tr>
</tbody>
</table>

Notes: ¹ HUD Quarterly Performance Report (QPR) Q1 2012; ² HUD NSP Summary Report Q1 2012
San Jose

Foreclosure response efforts in the City of San Jose are supported by NSP1 and NSP2. The NSP1 award was $5.6 million and is being administered by the San Jose Department of Housing. For NSP2, three separate entities—the Housing Trust of Santa Clara County (HTSC), City of San Jose, and Neighborhood Housing Services Silicon Valley (NHSSV)—formed the San Jose Consortium and were awarded a sizable $25 million grant in this competitive round of funding. The two NSP programs have a combined total budget of $51 million, which includes original NSP grants, leveraging, and income generated from project activities (Exhibit 9).

NSP activities were largely targeted in low-income neighborhoods in the east and southeast portions of the city. In addition to identifying high-need neighborhoods most impacted by foreclosures, extra effort was taken to target NSP efforts in areas with existing programs and resources. NSP activities, when feasible, were targeted in neighborhoods that fell within the Strong Neighborhood Initiative (SNI) area. The Strong Neighborhoods Initiative is a joint effort of the City of San Jose, the San Jose Redevelopment Agency, and the community to reduce blight and build safe communities. The layering of these resources would help expand the reach and deepen the impact of limited NSP funds being used in some of the city’s most challenging neighborhoods.

### Exhibit 9. Summary of San Jose NSP Activities

<table>
<thead>
<tr>
<th>NSP</th>
<th>Grantee</th>
<th>Award</th>
<th>Total Budget</th>
<th>Activity/Project</th>
<th>Description</th>
<th>Total Budget Allocation</th>
<th>Housing Type</th>
<th>Completed Units2,3</th>
</tr>
</thead>
<tbody>
<tr>
<td>NSP 1</td>
<td>City of San Jose</td>
<td>$5,628,283</td>
<td>$8,058,828</td>
<td>Administration</td>
<td>General program administration</td>
<td>$422,211 (5%)</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Rental Housing Development Program</td>
<td>Acquisition and rehabilitation of four-plex properties.</td>
<td>$1,785,000 (22%)</td>
<td>Multi-family</td>
<td>0 8 8</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Homebuyer Acquisition and Rehabilitation Program</td>
<td>Acquisition, rehabilitation, and resale of single family</td>
<td>$5,851,614 (73%)</td>
<td>Single-family</td>
<td>14 9 23</td>
</tr>
<tr>
<td>NSP 2</td>
<td>Housing Trust of Santa Clara County (Consortium)</td>
<td>$25,000,000</td>
<td>$43,000,000</td>
<td>Administration</td>
<td>General program administration</td>
<td>$1,800,000 (4%)</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Purchase Assistance Loan (PAL) Program</td>
<td>Assist homebuyers to purchase foreclosed homes by providing down payment and/or closing cost assistance.</td>
<td>$4,100,000 (10%)</td>
<td>Single-family</td>
<td>42 6 48</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Development of Vacant Properties Program</td>
<td>Redevelopment of vacant properties to create affordable, permanent rental housing</td>
<td>$3,211,000 (7%)</td>
<td>Multi-family</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Acquisition and Rehabilitation Program</td>
<td>Acquisition, rehabilitation, and resale of foreclosed single-family homes in target areas</td>
<td>$28,639,000 (67%)</td>
<td>Single-family</td>
<td>16 0 16</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Acquisition and rehabilitation of foreclosed properties to create affordable, permanent rental housing.</td>
<td>$5,250,000 (12%)</td>
<td>Multi-family</td>
<td></td>
</tr>
</tbody>
</table>

Notes: 1 HUD Quarterly Performance Report (QPR) Q1 2012; 2 Accomplishments for NSP1 were not available in Summary Report Q1 2012; figures are estimated from QPR Q1 2012; 3 Accomplishments for NSP 3 are from HUD Summary Report Q1 2012
The City’s NSP1 funds were used for two programs: the **Homebuyer Acquisition and Rehabilitation Program** and the **Rental Housing Development Program**. The Homebuyer Program, the larger of the two programs, focuses on the acquisition, rehabilitation and resale of single family homes, and it receives $5.8 million or 73 percent of the NSP1 budget. As of March 2012, this program had produced a total of 23 units, nine of which are dedicated to low-income individuals and families. The Rental Housing Development Program was designed to maximize the creation of affordable rental units for low-income persons by acquiring and rehabilitating foreclosed four-plex units in highly-impacted neighborhood. The City acquired two four-plex units, which will be managed by a small nonprofit organization that also runs an employment program for homeless individuals.

The San Jose Consortium is well underway with the implementation of NSP2. HTSC is the lead agency and oversees the Purchase Assistance Loan program, which is described below. NHSSV, a HUD-certified housing counseling agency, provides homebuyer counseling to prospective buyers, and the city continues to spearhead the acquisition and rehabilitation of foreclosed properties. NSP2 foreclosure response activities are being focused in 35 target Census tracts via the following programs:

- **Acquisition and Rehabilitation Program.** The Consortium allocated a total of $33.8 million, or nearly 90 percent of its budget, to partner with nonprofit and responsible for-profit developers to acquire and rehabilitate foreclosed properties. Nearly 85 percent of this program’s budget ($28.6 million) is devoted to the development of single-family homes at the LMMI level. The remaining $5.2 million is allocated for the development of permanent, affordable rental housing for low-income individuals and families. As of March 2012, this program has produced 16 units, all at the LMMI level.

- **Purchase Assistance Loan (PAL) Program.** Ten percent, or $4.1 million, of the current budget is being allocated to the PAL Program. This program provides eligible homebuyers with down payment and/or closing cost assistance to purchase foreclosed homes. This comes in the form of a 30-year, interest deferred loan up to $50,000, or 20 percent of the purchase price of the home, whichever is less. While the program primarily targets persons at the LMMI level, a portion of it is dedicated to those at the low-income level. The PAL program has assisted a total of 48 households, six of which are low-income.

- **Development of Vacant Properties Program.** This program is a partnership with nonprofit developers to redevelop vacant properties in order to create permanent, affordable rental housing for low-income persons. Seven percent of the current budget ($3.2 million) is allocated for this program to provide loans to eligible developers. As of March 2012, a developer had been awarded the funds, and the project was pending approval of an additional HUD grant.
Mitigating the Effects of Foreclosures: A Small Nonprofit Developer’s Role

Snapshot of Contra Costa County

In Contra Costa County, the foreclosure crisis was driven primarily by the recession, unemployment, and rapid declines in property values. While the foreclosure crisis hit many parts of the county, neighborhoods with a large proportion of low-income families were hit the hardest. As one interviewee explained, “Property values have dropped much more precipitously in the lower income neighborhoods than they have in the more affluent neighborhoods.” In these poorer neighborhoods, property values have “fallen by so much that there are a lot of vacant homes.” Dilapidated, vacant, and abandoned homes only served to exacerbate these neighborhoods’ reputation for being “undesirable.”

Hearts and Hands of Compassion (Hearts and Hands), along with two other nonprofit housing developers, partnered with Contra Costa County to address the foreclosure crisis in the area. Established in 2009, Hearts and Hands is a nonprofit organization established to “help, house, and feed the less fortunate” in the communities of Contra Costa County. In particular, Hearts and Hands focuses its efforts in Bay Point, Concord, Oakley, and San Pablo, areas that have been most impacted by the foreclosure crisis. Hearts and Hands purchases foreclosed properties, which are rehabilitated and then sold to low-income families. With the help of funding from the Neighborhood Stabilization Fund (NSP), Hearts and Hands has been able to sustain its operations, accomplish its mission, and contribute to abating the effects of the foreclosure crisis in Contra Costa County.

Acquisitions
Contra Costa County primarily used the National Community Stabilization Trust (NCST)\(^\text{13}\) to gain access to foreclosed properties. NCST’s First Look program allowed the County’s developer partners to inspect and purchase foreclosed and abandoned properties prior to the marketing of those properties to other competing investors or buyers.

Challenges.
Interviewees described key challenges to acquiring foreclosed properties. Overall, property acquisition, as experienced by the County and its developer partners, was “much more difficult than ever thought” due to reasons such as competition from other investors and difficulty coordinating with banks.

- **Competition from other investors.** Nonprofit developers participating in NSP in Contra Costa County faced competition from investors who were snatching up foreclosed and abandoned homes at an increased rate. One interviewee noted, “The investors were grabbing everything. There were a lot of investors out there buying houses. [They] wanted to pay cash for houses.” Hearts and Hands also

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\(^{13}\) NCST is a national nonprofit organization that works with financial institutions, government agencies, and nonprofits. NCST facilitates the acquisition and transfer of foreclosed and abandoned properties between financial institutions and local housing providers. Under the First Look program, local housing providers are allowed to inspect and purchase foreclosed homes before financial institutions market them to other investors or buyers.
indicated that investors eyed newly rehabilitated NSP homes and made cash offers, not realizing that the homes were targeted for low-income families in the community.

- **Difficulty coordinating with banks.** For Hearts and Hands, a newly-established nonprofit housing development agency, acquisition was especially challenging because they had to quickly learn how to work with private banks and understand their process for accessing and purchasing foreclosed properties. The developer shared,

  > “In the beginning, it was hard to purchase homes. There was a learning curve in the first 6-8 months. There were a lot of foreclosed homes and we were learning how to work with banks [to] streamline [the process] and work through issues of getting access to the properties.”

Hearts and Hands interviewees emphasized the importance of developing “a good working relationship” with banks regarding the process for acquiring foreclosed properties.

- **Lack of partnerships or relationships with banks.** As mentioned above, having a relationship with private banks was integral to acquiring properties for rehabilitation. One interviewee reflected on the unexpected difficulties the County faced because it lacked a relationship with banks, stating, “Somehow, we thought we could just call up the banks and say, ‘We have cash to buy a house, can you help us?’” Referring to an “old boys’ network,” the interviewee explained that banks and listing agents preferred to work with buyers they already have a relationship with and “really didn’t want to work with a nonprofit [developer] they had never heard from before.”

Once a relationship was established with banks, NSP developers gained access to foreclosed property listings that were privately maintained by the banks. Hearts and Hands, for example, was successful in cultivating relationships with banks, who then made properties available to the organization before releasing them in the open market. Through this relationship, Hearts and Hands was included in banks’ direct email listings of properties and gained access to the banks’ private web portals listing foreclosed properties.

- **Difficulty with block acquisition of properties.** One of Contra Costa County’s initial goals was to acquire foreclosed homes in close proximity to one another in order to have a visible impact on a neighborhood. The purchase of multiple homes on the same block proved to be difficult primarily due to banks’ inconsistent foreclosure processes and timelines. Although a number of abandoned properties may have existed on one block, for example, it was difficult to ascertain the bank’s timeline for foreclosure and whether or not the property would be foreclosed at all, making the strategy of block acquisition essentially impossible.

**Property Rehabilitation**

The rehabilitation work that NSP developers undertook in Contra Costa County was held to a high standard such that homebuyers could be confident that they would not have to be concerned about major maintenance and repair issues for years to come. Developers focused on ensuring that each property’s foundation was sound, that the roof was in good condition, and that everything in the home was up to code. One Hearts and Hands interviewee explained, “A poor family does not have to worry about that.” Another interviewee noted:
“I think it’s very important, especially for the homes targeting the lowest income group. [The homes] need to be sold in a condition where [the homebuyers] are not going to have to put in anything for major maintenance and repairs for at least 5 years and preferably 10-15 years…[otherwise] we’ll just have deteriorated and dilapidated homes again.”

In addition, the County encouraged developers to incorporate “greening” practices in their rehab work, such as the use of low VOC paint and installation of recycled carpets, energy efficient appliances, and water-saving fixtures. A Hearts and Hands interviewee stated, “We tried to do everything so that it was energy efficient and the homeowner would not have to do anything for at least 15 years.” For Hearts and Hands, property rehabilitation cost between $40,000 and $60,000 dollars per single-family home.

Challenges. Interviewees shared a few challenges they faced with regards to property rehabilitation. First, the cost of rehabbing many of the foreclosed homes in Contra Costa County was high. The interviewee simply stated, “We haven’t broken even on any house. There’s been more development subsidy than we had anticipated.” This high cost was due, in part, to the poor condition of many homes, which consequently required a lot of work. As one interviewee noted, some homes contained numerous code violations or were in such poor condition that they were “barely habitable.” With the amount of rehab needed to bring the homes up to code and ensure safety, the challenge for developers was determining when it was sufficient to conclude the work. One Hearts and Hands interviewee reflected, “You find that all the work done previously was done incorrectly. Where will you stop?”

Hearts and Hands’ work in Contra Costa County has not gone unnoticed. Despite the challenges they faced with increased rehabilitation costs and homes in serious disrepair, Hearts and Hands reported that a waiting list currently exists for NSP homes. Hopeful homebuyers and real estate agents inquire about the rehabbed properties even before they are released on the open market. An interviewee shared, “Some of the real estate agents that had purchased [NSP homes] through us have called and said [they] have another client.” For communities in Contra Costa County greatly affected by the foreclosure crisis, the image of a line of families waiting to move into a home in the neighborhood is a welcome one.

Property Disposition
Hearts and Hands primarily relied on MLS14, word-of-mouth, and flyers to market their newly rehabilitated single-family homes. Hearts and Hands happily shared that offers were received for homes within a week on the market, with the longest wait for an offer being 4 to 6 weeks. One interviewee commented, “The houses are going so quickly. [Homes] are only on the market for a week and then we would have an offer.” The County agreed that property disposition was successful—“efficiently getting the properties sold so that income is coming in” to sustain the program.

Challenges. One location in Contra Costa County, however, was not as successful with regards to the disposition of newly rehbabed homes. NSP properties located in North Richmond did not sell as quickly as properties in other areas of the county. Some properties did not attract homebuyers at all. The County interviewee pointed out, “If all the homes had languished the way that the North Richmond homes did, it would be very hard to keep the [NSP] program going.”

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14 MLS stands for Multiple Listing Services. The service provides real estate information and an inventory of for sale properties for real estate brokers and agents.
As noted by interviewees, North Richmond was an “undesirable neighborhood to begin with.” The area claims the highest crime rate in the county and schools are considered to be poor-performing. Rehabbed homes in North Richmond were often trespassed and burglarized, resulting in the loss of appliances and fixtures before they could even be inhabited. One interviewee stated that “buyers are just not interested” in NSP properties in this neighborhood, whereas for-sale homes in other areas were on the market for a “matter of days.” Interviewees also discussed another barrier to property disposition – securing a lender for NSP homebuyers. Respondents explained that is was very challenging to find a lender willing to finance and coordinate with potential buyers throughout the long process that closing on NSP properties required.

Successes
Interviewees were asked to describe the impact of NSP activities on communities in Contra Costa County. Overall, interviewees thought that, as a result of NSP activities, neighborhoods were revitalized and employment opportunities increased in the communities they served. Hearts and Hands also discussed the direct impact of NSP on the organization’s sustainability and capacity to achieve its mission to provide housing for low-income families in Contra Costa County.

- **Neighborhood revitalization.** Interviewees shared stories of community members improving their properties—placing new landscapes, painting their homes, or installing a new roof—as a result of seeing newly rehabbed homes in their neighborhood. One resident of Oakley was compelled to paint her home after seeing the positive result of rehabilitation on a foreclosed property in her neighborhood. An interviewee shared,

  “In Oakley, one of the neighbors came out and talked to the developer and said, ‘Oh my gosh, that house was the worst house on this street. Now it’s the best house on the street.’”

  An integral part of revitalizing a neighborhood is having neighbors who feel invested in their homes and have hope for their communities. The interviewee proceeded to state, “Seeing properties turned around has given [homeowners] more confidence in their neighborhoods.” With regards to the rehabilitation work in impacted communities, one Hearts and Hands respondent added, “Hopefully it allows [neighbors] to want to stay in their property and invest in the neighborhood. They are excited that something is being done.”

- **Employment opportunities.** As a nonprofit developer participating in NSP, Hearts and Hands saw the direct impact of the program on the contractors they hired for rehabilitation projects. One interviewee explained that NSP activities in Contra Costa County resulted in employment opportunities, stating, “One of our main goals was to house and feed the poor. We were able to accomplish [our] goals by providing a source of work to so many people in our communities.” As the
interviewee continued to explain, employment opportunities lead to stability and investment in the community:

“There are some contractors who have lost their homes. That affected their employees too. Now they have made it through tough times. Now they are working [again]. They are putting money back into the community.”

- **Sustaining local nonprofit developers.** NSP funding has been a valuable resource for small, nonprofit developers who are committed to ensuring that the long-term affordable housing needs of their communities are met. In 2009, Hearts and Hands of Compassion was established as a nonprofit organization with the broad goal of “feeding and housing the poor.” With the availability of NSP funding, Hearts and Hands focused its strategies on housing development for low-income families. A Hearts and Hands interviewee commented, “We are thankful that the contract with the county has allowed us to be developers. We were new in 2009.” Another interviewee reiterated the important role of NSP in supporting their work, stating, “NSP funds [have] been a big blessing.” In the midst of profit-seeking real estate investors, NSP funding in Contra Costa County has allowed the work of mission-driven and community-focused developers such as Hearts and Hands to continue.

**Lessons Learned and Recommendations from the Field**

Interviewees were asked to discuss lessons learned and their recommendations related to NSP work in Contra Costa County. Areas related to project timeline and HUD guidance were discussed, as well as evaluation of properties, relationship with banks, and need for outcome data.

- **Extend the timeline.** Interviewees agreed that the timeline for implementing NSP activities was too short. For NSP1, grantees had 18 months to deploy funds and “quickly had to get the programs off the ground.”

- **Streamline HUD guidance.** Contra Costa County encountered a challenge related to HUD guidance on how NSP funds should be implemented, tracked, and reported. Interviewees noted that they continued to receive new guidance or updates even as NSP activities were being implemented. One respondent commented, “[A] huge challenge was just having to do something so quickly and getting the guidance after things had already been implemented.” Another interviewee expressed frustration with having to keep up with the changes: “[HUD] keeps updating things. It’s a moving target.” Interviewees suggested that HUD streamline and finalize NSP guidance prior to implementation of NSP activities.

- **Develop standard procedures for evaluating potential properties.** The Contra Costa County grantee identified having standard procedures for evaluating properties as a key lesson learned. For example, certain practices, such as using a sewer scope, should be standard practice because sewer scopes allow for better evaluation of properties’ sewage systems. The interviewee noted that property inspections “needed to be done right up front” and having the right tools and standard procedures ensures that properties are effectively evaluated.

- **Cultivate relationship with banks.** Having a good working relationship with banks was necessary to a successful NSP program. Hearts and Hands’ developer partners emphasized the importance of
cultivating relationships with banks to ensure that banks understood the NSP program and all the federal requirements expected of the program. Once a relationship with banks was established and they came to understand the nature of NSP work, both acquisition and disposition of properties became manageable. As stated by one of the developers, “I think that is something we had to work through with the banks – that these aren’t just delaying escrow closings, but federal requirements. And the banks ultimately work with us pretty well on that.”

- **Gather data to fully understand impact of NSP on communities.** The Contra Costa County grantee noted the need for outcome data to ascertain the full impact of NSP funds on communities and neighborhoods. While such data would be very useful, she acknowledged that quantifying the impact of NSP on stabilizing communities and neighborhoods would be difficult. As the interviewee highlighted earlier, seeing improvements on foreclosed properties gave homeowners “more confidence in their neighborhoods,” which she realized is “really hard to quantify.”
Extending the Reach of NSP: 
Addressing the Crisis in the State’s Capitol

Snapshot of Sacramento

Sacramento was once viewed as “recession proof” and immune to economic turmoil in California. On the contrary, Sacramento has suffered considerably from this most recent recession, in part because of the significant cutbacks in state and local government and involuntary furloughs for government workers. While furloughs were intended to save the state’s budget deficit, involuntary unpaid leave greatly affected workers’ wages and their ability to make ends meet, including reducing their means to pay rent or mortgages. In addition to the government sector, jobs in other industries such as construction have also “dried up significantly.” One interviewee commented, “Sacramento is primarily a government town and there’s no money in the state right now.”

The state government’s fiscal crisis and ensuing unemployment are the primary drivers of foreclosures in the region. Additionally, the housing bubble drove property values “through the roof” in mid-2000, only to bring values down dramatically when it burst. With declining property values, adjustable rate mortgages that modified to unsustainable levels, and unstable employment, many homeowners were left with no recourse but to abandon their homes. One interviewee who emphasized the need for jobs in the area commented, “Until [people] have stable work, I think we’re going to continue to see foreclosures.” Indeed, foreclosures have persisted in the area, as noted by one respondent, “The market [in Sacramento] is still very weak. We have very high unemployment so that is continuing the weekly [foreclosure] notices and [mortgage] defaults. We’re still seeing significant numbers of foreclosures and the problem doesn’t seem to be going away anytime soon.”

The foreclosure crisis in Sacramento impacted both “new growth areas” such as Natomas and Vineyard, and “old growth areas” such as Oak Park and Del Paso Heights. New growth areas are expected to easily counter the effects of foreclosures as investors “pick up properties” and new homeowners move into the neighborhoods. The housing stock in these areas is newer and foreclosed homes are in good condition and move-in ready. Old growth areas, on the other hand, have older housing stocks, and foreclosed homes are in poorer condition. According to one developer, foreclosed properties in old growth areas are “dilapidated and suffered from years and years of neglect.” Homes in these areas remain abandoned and become a source of neighborhood blight for longer periods. Attributing the crisis in old growth areas to predatory lenders, one interviewee explained, “[Homeowners] were really targeted by investors who were looking for a fix. They were targeted by predatory lenders. [This] is where we found the most inflation during the housing boom. And they just collapsed.”

The Neighborhood Stabilization Program in the City and County of Sacramento was administered by the Sacramento Housing and Redevelopment Agency (SHRA). There were three main goals for the program: 1) provide a stimulus for the construction and housing industry; 2) arrest the decline of the most challenged neighborhoods; and 3) stabilize areas that were most impacted by the foreclosure crisis.
Leveraging Funds
Sacramento’s NSP program was unique in that implementation of all activities was administered under SHRA. The SHRA interviewee explained, “Most of the resources to do the work are all under SHRA’s banner…So we administer NSP funds. We also administer Redevelopment funds and all other federal housing programs.” As a result, SHRA was able to leverage “a significant amount of NSP funds” and “do it all in-house.”

Leveraging NSP funds with Redevelopment monies extended the reach of NSP in Sacramento, but that was short-lived. With the dissolution of Redevelopment Agencies, the interviewee lamented, “There is still a response, but it’s going to be trickles of water. To make these programs work, there needs to be subsidy…We’ll have challenges leveraging funds.” He continued to discuss the impact of the elimination of Redevelopment on NSP and the agency as a whole, stating,

“With NSP3, we could have made our NSP funding go a lot further. We are going to lose staff that have been working on redevelopment and NSP projects. We’re losing experts on project delivery and program design. We have to shrink our organization which leads to lost capacity and the ability to not leverage…”

While layering funds with redevelopment monies and other federal resources was particularly successful, the SHRA interviewee felt that NSP funds were not leveraged to the full extent possible because of the project’s “hard and fast expenditure requirements.” Citing NSP3 as an example, he stated, “There isn’t a whole lot of benefit to leveraging your funds because the intent was to obligate the funds as quickly as possible… There aren’t a lot of incentives to leverage your program because you have hard and fast expenditure requirements.”

Acquisitions
Developers primarily coordinated with the National Community Stabilization Trust (NCST) to gain access to foreclosed and abandoned properties. Through NCST’s First Look Program, NSP developers had access to housing inventory before it was made available on the traditional market. Some developers also coordinated directly with banks administering their own First Look programs or purchased properties through MLS.

Interviewees reported mainly positive experiences with this aspect of the NSP program. SHRA noted particular success with the acquisition of multiple properties clustered on the same block or street as part of its Block Acquisition Program. Finally, developers discussed the importance of having a strong working relationship with banks for acquisitions to proceed easily and efficiently. One developer who highlighted his relationship with banks as a success, stated, “Overall, we had a good relationship [with banks] and we continue with that relationship.”
Challenges. Interviewees described key challenges to acquiring foreclosed properties. Overall, SHRA and its developer partners encountered few challenges with acquisition of properties as described below.

- **Difficult eligibility requirements and timelines.** One respondent commented that eligibility requirements for properties coupled with unrealistic timelines were burdensome for developers. He explained, “It hasn’t been helpful to have…such a long laundry list of eligibility requirements then tack on top of it difficult timelines. That is a major challenge and shows lack of understanding of how the market is really functioning. The bank will not give you the house.” Extensive eligibility requirements slow down the process and increase the risk of banks not selling properties to grantees.

- **Limited acquisition areas.** Developers observed that the areas impacted by foreclosures in Sacramento shifted over time. However, as one interviewee explained, it was impossible to alter NSP target areas once the program was implemented: “It was like pulling teeth to modify your [target] area. Foreclosure areas grew within two years, but there was lack of flexibility. It was not easy to change or modify or widen a [target area].” Another developer agreed that federal guidelines related to NSP target areas were limited and compromised their ability to compete with investors, stating, “The jurisdictions [are told] that they have to have smaller and smaller eligibility areas. They shrink down the areas where we can look. There are lists for us. For the [investor] who is paying cash, there is no list.”

- **Lack of consistent process between banks.** A drawback of NCST’s First Look Program, as identified by one respondent, is the lack of consistency between participating banks with regard to pricing properties and timeframe for closing a sale. The interviewee commented on having to deal with multiple banks with “their own approach” to selling properties. He stated, “Some banks were easier to deal with than others.”

**Property Rehabilitation**

SHRA established construction standards early in the program to ensure high quality rehabilitation that incorporated “greening” practices. One developer described the rehab work as “superior quality and slightly above what the market would bear.” Another developer added,

“We have been able to improve a lot of houses that were in bad shape. They were not safe places to live and they would have stayed vacant for a long time or they would not have been rehabbed appropriately.”

—NSP Developer

“We can address all the major structural and mechanical issues and we can still make sure the carpet and countertops are new and nice. The houses are in excellent shape. They look really good and will be a good investment for the owners.”
NSP homeowners, developers explained, will not have to worry about costly maintenance issues because the rehab work “looked at the major systems that get in trouble along the road,” such as the foundation, roof, plumbing, and electrical systems.

Aside from developing construction standards, SHRA also considered its’ new partnerships with Build It Green—a nonprofit in Berkeley, CA whose mission is to promote healthy, energy- and resource-efficient homes in California—and the Sacramento Municipal Utility District (SMUD), the City and County’s utility provider, as a noteworthy success. Both entities contributed to the program’s construction standards and implemented energy efficient measures for all NSP homes. Extolling its role in the project, SHRA commented, “[Build It Green] helped green-up our single family rehab standards for the homes.” SMUD instituted measures making NSP homes more energy efficient. Overall, NSP homes will be saving up to 30 percent in gas and electric bills as a result of the improvements that SMUD helped put into place. SHRA stated that homeowners will benefit from “close to $500 in annual cost savings as a result of the improvements that went into [NSP] homes.” One developer commented, “That [partnership] would not have happened without NSP funds. Making houses energy efficient, that’s a lasting effect.”

**Challenges.** The ballooning cost of rehab work was a major challenge for NSP developers in Sacramento. The cost of rebuilding homes, as experienced by one developer, “was exceeding the cost of the property and money was going really fast.” Interviewees noted that with older housing stock, it was difficult to work within a budget. One developer stated, “You’re dealing with an older housing stock that needed significant rehab to bring it up to code and to meet our rehab standards.”

Although construction standards were set by SHRA early on, during projects, developers were instructed to add additional work to the project scope, contributing to increased costs. A developer commented, “In the end, we overdid it on the remodel. A lot of it was because of opinion.” While the quality of the rehabilitation was high, he thought that some of the remodel was unnecessary, stating, “They wanted us to have real nice properties. But I think we went a little overboard. [These homes] have the best centralized heating in the area for example.” He suggested that less supervision from SHRA would allow developers to exercise better control over project costs: “Let us do our jobs as long as we do the main things.”

Similarly, another developer explained that he lacked the ability to make decisions autonomously, which was often necessary as project needs changed. He stated, “I can’t make the decision with my construction team about what to change. I have to go back to [SHRA] to approve it, and they are not really construction people.”
Property Disposition

SHRA and its partners encountered general success with disposition of newly-rehabbed properties. Interviewees noted that most NSP homes were only on the market between 20-30 days, and sometimes even less time. Partners conducted extensive outreach in communities to increase awareness about homeownership opportunities through NSP. One developer conducted open houses, offered home-buyer workshops at libraries, mailed postcards to residents, and placed numerous online (e.g., Craigslist, Facebook) and newspaper advertisements in the hopes of attracting potential eligible buyers. As part of a homeownership assistance center, another developer directly contacted clients the agency was already serving. This interviewee explained:

"Because we are a full-service homeownership center, we have folks coming in for education and one-on-one home purchase planning. They get connected with our realtor quite early. We are finding that we don't have to get [NSP homes] listed...We've got buyers lined up and eligible."

SHRA confirmed that the housing market within the $70,000-$140,000 range has been stable, stating, “We haven’t had problems finding buyers.” Through NSP, low-income homebuyers who have been searching the market for a long time for an affordable property can get in the door and compete with investors and cash-buyers. One developer shared,

“They may have been in a very frustrating cycle, making multiple offers for several different properties and not getting them. They come to our house and we don't take offers above the asking price and we don't sell to investors and we don't take cash offers. It really is a nice change for them."

Another interviewee concurred, “We had a number of people tell us that they have been looking for a number of months, making sometimes up to 20 different offers on properties before they found our NSP home.”

Challenges. Respondents identified three challenges with disposition through the NSP program. First, although developers were successful in finding eligible buyers, tighter mortgage lending standards have made it difficult to get them approved for loans. “It’s tough right now to get people approved,” one interviewee stated. Another articulated,

“Even outside of NSP, getting [buyers] approved for financing is taking a lot longer. Even in Sacramento where FHA is really good about it, there is a long escrow period because of lenders and buyers going through the ringer. That has been frustrating. It’s a combination of NSP requirements and a function of how difficult things are right now.”

One developer described this waiting period as a “real fragile time” because properties are at risk of being vandalized and broken into. He shared, “In some cases, there have been fixtures and appliances stolen. In other cases, people have broken in just to live there. They don’t steal anything, but they do damage breaking in.” Unfortunately, SHRA or developers “don’t have much control over making things go any faster.”

Second, developers described the long escrow period and administrative requirements typical of NSP homes as a major challenge. The administrative requirements pose a barrier for eligible buyers who are competing with investors who don’t have to follow a “laborious” and “cumbersome” sales process. A developer noted,
"There is always the challenge of working through bureaucracy and trying to figure it out. Our escrows take forever to close [and] that has to do with NSP approvals...We can go a lot faster and we can do more if only we didn’t have so many NSP rules to follow. The documentation is cumbersome."

Finally, some NSP homes were more difficult to sell because of location or small size. A property located on a corner lot with a bus stop in front of it, for example, failed to attract potential buyers. A smaller home (a 900 square feet two-bedroom unit) also did not sell as quickly as other NSP homes.

Impact
Interviewees were asked to describe the impact that NSP activities had on communities in the City and County of Sacramento. While most interviewees shared multiple ways that they thought NSP had an impact, one respondent observed NSP as having a “very small impact” in terms of the scale of foreclosures in Sacramento. He commented, “It was a drop in the bucket.” Nonetheless, other respondents emphasized the role of NSP on mitigating blight, increasing housing stability, and promoting job creation.

- **Blight mitigation.** Interviewees felt that rehabilitation of foreclosed and abandoned homes greatly improved neighborhoods in Sacramento. SHRA stated, “We have really targeted certain streets in Sacramento and seen a complete transformation of those streets.” One developer shared that it is common for people to approach him at a job site and state, “Finally someone’s doing something about that home,” indicating that community members approve efforts towards mitigating blight in their neighborhoods. While improving dilapidated homes and bringing in new homeowners affects the overall appearance of a neighborhood, interviewees were careful to note that it is uncertain whether NSP activities are stabilizing neighborhoods. SHRA explains that “whether or not we are really stabilizing neighborhoods through the program remains to be seen.”

- **Affordable homeownership.** NSP increased the affordable housing stock in Sacramento. It expanded opportunities for first-time homebuyers who would normally be priced out of the housing market. Moreover, homeowners can be confident that they bought a high-quality property and will not have to worry about major maintenance issues for years to come. One of the developers simply stated, “[Homeowners] don’t have to think the roof is going to leak next year.” Another developer shared, “Because of the falling home prices and interest rates, clients are getting homes for less than they would rent for. That’s been really important for us, to take advantage of the opportunity because it’s not going to be here forever.”

- **Job creation.** Both SHRA and its partners highlighted the impact of NSP on employment in the City and County of Sacramento. NSP provided an opportunity for small, local developers to participate in
the foreclosure response efforts, and they in turn, hired local people to work on construction projects. SHRA explained, “We engaged a significant number of businesses and contractors so we were able to spread the money around to different companies to do the work.” A developer discussed how NSP has spurred the local economy, articulating, “The subcontractors and contractors we work with are very grateful to get the work. Each home sale is a boost in the economy.”

Lessons Learned and Recommendations from the Field

Interviewees identified lessons learned and their recommendations related to their NSP work in the City and County of Sacramento.

- **Develop strategic approach to foreclosure response.** Interviewees discussed their desire for a more strategic response to the foreclosure crisis in Sacramento. With regards to how the project was implemented, one developer thought, “We’re reacting instead of planning.” After his experience with NSP, he concluded, “I wish the program was set up with a longer vision, more strategic thinking.” The SHRA interviewee shared a similar sentiment. While NSP was administered under SHRA, other City and County departments were also engaging in different efforts to mitigate the foreclosure crisis in Sacramento. He observed, “Different agencies were doing different things to address the crisis. It was a shotgun approach…We tried to do a team approach to dealing with the impact but it was not done on a very comprehensive level.” As part of a strategic approach to foreclosure response, the SHRA interviewee suggested it would have been beneficial if HUD provided guidance on targeting not only NSP funds to neighborhoods, but also other federal resources such as CDBG funds, in order to have a larger impact on resource-depleted communities that had been devastated by high numbers of abandoned and foreclosed properties. SHRA also noted that “no one owned the foreclosure crisis at the local level” and recommended a “champion” or leader who could bring different City and County departments and community partners together to address the crisis comprehensively.

- **Assist developers handle administrative requirements.** Developers expressed frustration with the extensive administrative requirements and paperwork needed to implement NSP activities. One interviewee commented, “Using federal funds…the paperwork…it’s a lot for smaller companies. You have to have a skeleton crew for administrative support. There’s a lot more paperwork.” Another developer concurred, “It just takes a huge amount of staff time for us to do one of these projects…the acquisition and resale procedures are cumbersome to us.” Developers suggested a need for administrative support in order to efficiently meet federal administrative requirements for NSP.

- **Extend timeline for meeting expenditure requirements.** Interviewees commented that the tight timelines for expending NSP funds impeded efforts to leverage funds and placed limits on developing a strategic and comprehensive response. SHRA explained that it had to “move very quickly to obligate [NSP] funds and put them in contract as soon as possible…Having to spend money right away limits the creativity and the ability to leverage the funds.” The interviewee recommended that expenditure timelines be flexible and consider the effort and time necessary to leverage funds. Further, grantees that have demonstrated success with leveraging funds and are clearly “getting money out there” into communities could be considered for a revised expenditure timeline.
- **Streamline HUD guidance.** Developers reported that HUD updated NSP guidance throughout the program making implementation difficult. One developer expressed frustration with “implementing a brand new program that hadn’t been fully fleshed out.” Another developer commented, “There were challenges with administering the program early on when there was a lot of different guidance coming out and rules being changed.” To ensure clarity around program requirements and rules for selecting eligible properties, HUD guidance should be streamlined and finalized prior to implementation.

- **Engage development experts.** SHRA discussed the importance of engaging development partners, such as private sector builders who have experience in flipping inventory quickly and efficiently. With the fast expenditure timeline that HUD established for NSP, SHRA found it helpful to work with developers who had the capacity to implement NSP activities immediately. SHRA shared that it was successful in providing incentives for the private development sector to engage in NSP work.
The San Jose Consortium: A New Collaborative Tackles Foreclosures
Snapshot of San Jose

Since 2000, the Housing Trust of Santa Clara County (“Housing Trust”) has provided more than 2,100 loans to help homebuyers finance their first home. Over the past few years, the Housing Trust noticed high numbers of these properties going into foreclosure. An interviewee representing the Housing Trust shared, “We saw something big was happening. [Foreclosures] were concentrated in certain areas.” East San Jose, for example, was an area heavily affected by foreclosures. Another interviewee observed, “On one of the streets, foreclosures seem to be clustered. They’re happening all over, but East San Jose has been hit the hardest.” Homeowners, many of whom were victims of predatory mortgage lending, struggled with ballooning mortgage payments as their home values drastically declined. Compounded by unemployment and an unstable economy, they had no choice but to walk away from their homes.

In an effort to combat the foreclosure crisis and maintain the affordable housing stock in San Jose, the San Jose Consortium was formed as a collaboration among the Housing Trust, the City of San Jose, and Neighborhood Housing Services Silicon Valley. Although all three agencies commonly focus on housing and homeownership services in San Jose, they had never before collaborated. The availability of NSP2 funding provided an impetus for them to coordinate efforts and respond to the crisis by reducing the number of foreclosed and abandoned homes in target areas of San Jose. As reported by one interviewee, the Consortium and the foreclosure response it has implemented in neighborhoods throughout San Jose is a “long-lasting benefit” of NSP.

Acquisitions
The city and its partners utilized both the NCST and MLS to acquire abandoned and foreclosed properties. One interviewee noted, however, that unlike MLS, NCST provided “another channel where we are not competing on the market.” NCST also provided “better prices” for properties, which helped developers. As stated by one, “We have parameters for how much we can spend on homes. We don’t want to buy houses where we [will have to put] too much into the house.”

Overall, interviewees experienced general success with property acquisition, which one developer attributed to existing partnerships with realtors who were knowledgeable about the areas targeted by NSP. Another developer partnered with mortgage lenders who were willing to learn about NSP and interested in participating. The developer stated, “I think it’s about getting people educated about the program.” In addition to the important partnerships forged with realtors and banks, interviewees also noted that the NSP program in San Jose was successful in clustering acquisitions in targeted neighborhoods. Developers were intent on finding abandoned and foreclosed homes that were in close proximity to each other with the aim of making a larger neighborhood impact. One interviewee explained their approach to block acquisitions: “If we knew we had another house on the block, then we would make that a priority purchase for us.” Another key

“We’re removing blight off streets and [providing] homes to families who are so grateful.”

– NSP Developer
advantage to block acquisitions, as mentioned by one interviewee, is that it is more likely that resources from different streams of funding can be funneled to these areas – the city can “help get those funds there” and impart a positive changes in the neighborhood.

**Challenges.** Interviewees described the following key challenges to acquiring foreclosed properties.

- **Expensive housing market.** The strong real estate market in San Jose was a major challenge for NSP developers who had limited funds for property acquisition. While foreclosed homes in other Northern California regions can range from $50,000-$150,000, developers observed that the lowest price for a foreclosed home in San Jose was about $300,000. In some instances, developers were forced to consider properties in the low-$400,000 range in order to compete with investors. One interviewee stated, “We couldn’t get the least expensive housing because it was getting snatched up…It forced us to go into higher-priced homes than anticipated.”

- **Competition from investors.** Interviewees agreed that competition from investors for abandoned and foreclosed homes has been challenging. One developer commented, “Investors are picking up these homes and turning them around and renting them out again. It’s been hard…Houses will get bid on and it ups the price.” Because the housing market is strong, one interviewee states, “Banks are not desperate to get rid of their properties here…They get multiple, all-cash offers and the price gets bid up.” Although the competition from investors is helping to decrease the number of abandoned and foreclosed homes and drive the housing market, developers are wary that these buyers are not improving the quality of the homes or investing in the surrounding communities. One respondent described the competition as “out-of-town investors, a lot of all-cash buyers, and a lot of buyers not really putting enough work into the homes.” He surmised that the high rental market is an indication to investors that the market is strong and that a property can be sold without improving on its quality. “[Investors] think they can put a family in there without doing anything for the local community.”

- **Limited acquisition areas.** One developer discussed the challenges with targeting NSP acquisition in a limited area. He expressed the need for flexibility when acquiring abandoned and foreclosed homes stating, “We would be driving around and [notice] homes that were clearly dilapidated, blighted, and a real drag on the neighborhood and streets. We wish we can make offers on those homes, but they aren’t [located] in the right Census tract. We couldn’t help those communities.”

- **Limitations with tenant protection regulations.** Federal laws require proof that a foreclosed property was not tenant-occupied at the time it went into foreclosure. If the property was tenant-occupied, federal laws require proper tenant notification. In order for a foreclosed property to be approved for NSP acquisition, HUD requires that banks have complied with this specific regulation. While the intent of the regulation is to protect tenants, interviewees found it to be “the most
challenging” and “very time consuming” with regard to NSP acquisition. One developer expressed, “It’s difficult to get the [bank] to verify that tenant protection laws were followed.” Another stated, “It is unrealistic to put the onus on small developers to force the bank to provide [documentation] for something they feel they don’t have to give us.” Suggesting the need for HUD to assess federal regulation as it applies to specific situations such as foreclosure response efforts, one interviewee stated, “I think this is one example where the federal government hasn’t been flexible enough with determining which type of rules apply to this program and which ones should be waived.”

Property Rehabilitation
Overall, interviewees characterized the property rehabilitation that NSP properties underwent as “good quality” or “high quality” with a level of craftsmanship that is “very good.” One developer commented, “We don’t want to do anything in a half-hearted manner. The quality is high...It is a balance between high quality and resiliency and budget.”

Interviewees noted differences in the rehabilitation strategy between NSP1 and NSP2. While NSP1 homes underwent full rehabilitation with a strong focus on energy efficiency and green solutions, a more conservative approach to rehabilitation was taken with NSP2 homes. One developer observed the decreased funds that went into NSP2 homes, stating, “We’re not spending as much money. Rehab [costs] went down about 20 percent to 30 percent.” The major structural systems (e.g., roof, heating, and plumbing) of NSP2 homes were assessed and as long as they were deemed structurally sound for at least five years or more, they were not replaced. One interviewee commented, “The homes may not look new and shiny, but the infrastructure is strong.” Many NSP1 homes, on the other hand, boasted new systems and upgraded fixtures and appliances. Interviewees explained that rehabilitation standards were scaled down for NSP2 in order to expand the reach of the foreclosure response effort and increase the number of properties acquired under NSP. As was hoped, NSP2 is on track to complete more units than expected.

Challenges. The older housing stock in San Jose was a major challenge for developers with regard to property rehabilitation. One developer observed 40-year-old homes, “many of which have not been maintained properly over the years.” He stated, “Most of the houses we go into need major work…You just never know what’s behind the walls – surprises like leaks and dry rot.” Managing the budget and the quality of rehabilitation work was a balancing act. One developer articulated, “Determining what level of rehab is appropriate because they are after all, for-sale homes, so you have to create opportunity for the buyers.”

For some developers, balancing HUD requirements and buyers’ expectations was also challenging. One interviewee shared, “Anytime you have homebuyers, you need to manage their expectations.” For example, HUD “does not like granite” and requires the use of alternative materials for kitchen counters; however, as explained by an interviewee, it would be “hard to sell something that was recently rehabbed without granite because that’s the customers’ expectations.”
Property Disposition
In general, NSP homes in San Jose encountered few problems on the market. Developers have been able “to get multiple offers on homes.” One interviewee shared,

“We didn’t have any problems selling the houses. There were a lot of people interested in the homes because they are getting such a great deal... Most sold within the first week they were on the market.”

Interviewees attributed their successful property disposition to the relationships they had with realtors who were familiar with the neighborhoods targeted by NSP. One developer, who promoted the use of “traditional channels” such as realtors to market NSP homes, suggested,

“Realtors making a commission on these houses make it more successful. They know the areas and they know the other realtors. They have time to talk to other realtors to tell them how the program works and get the word out... You’ve got to put it out there in the regular free market.”

Another developer spoke highly about his real estate partner and the importance of such relationships in attracting banks and potential homebuyers:

“He has proactively and personally called all of the brokers who are active. He has explained the program and how it works. The program can be intimidating if not presented properly.”

With regards to coordinating with the real estate community and informing it about NSP, one developer pointed out a “concerted effort to try to get the [information] to every possible group imaginable,” such as the Santa Clara Association of Realtors, Chinese American Realtor Association, and the Hispanic Realtor Association. One respondent also described reaching out to the lender community and marketing through various means such as placing advertisements in Spanish language media; sending postcards to all properties in the neighborhood; and posting flyers in the areas surrounding NSP homes. He commented, “We are very experienced real estate brokers... We have a multi-pronged sales and marketing strategy.”

Lastly, an interviewee highlighted the program’s down payment assistance as a key factor to the successful disposition of NSP properties in San Jose. He explained,

“People don’t have to do the down payment. That’s been key to our program. The down payment assistance is what wins it almost every time – why a person would choose an NSP property opposed to just another property on the market.”

“I think the neighbors have been very happy... the people buying the homes are delighted.”

– NSP Developer
**Challenges.** Interviewees identified few challenges to selling NSP homes. One respondent noted that the length of time required to close a sale is “taking a bit longer” because eligible homebuyers are unable to qualify for a loan. Another interviewee described the challenges encountered with identifying a nonprofit organization willing to lease two multi-unit properties. He surmised that for a nonprofit organization, “it would not be very efficient to manage a smaller development.” Nonetheless, after a period of time, the two multiplexes were leased for two years to an organization that operates an employment program for chronically homeless and homeless individuals.

A few interviewees discussed the shift in buyer interest between NSP1 and NSP2 homes. As discussed earlier, NSP1 homes were fully rehabbed while rehabilitation standards for NSP2 homes were scaled down. One respondent shared that realtors expressed concern over the change in rehabilitation standards and that it has had impact on the interest in NSP homes. He stated, “The [realtors] worry that the program is touted as total rehab, but it’s not.” Nonetheless, developers noted that NSP2 homes have been sold. One developer argued, “Realtors have said that NSP2 homes are not as nice as NSP1 homes, but it doesn’t seem like it’s affecting the sales.”

**Impact**

Interviewees were asked to describe the impact that NSP activities had on communities in San Jose. Their perspectives are highlighted below.

- **Neighborhood revitalization.** Interviewees agreed that NSP activities in targeted areas have greatly improved neighborhoods and revitalized community members’ interest in their own properties. One developer shared, “Neighbors next door to the houses we fix often thank us for fixing up the houses…we’re adding value to their properties as well. It strengthens the community.” One developer reported that in a show of support and pride in their communities, neighbors are keeping watch over newly-rehabbed NSP homes to prevent vandalism and burglary while it sits on the market. Another developer commented, “In some cases, where we have been able to cluster purchases in particular neighborhoods, we have had numerous neighbors thank us for taking up a really blighted property and turn it into a real beacon for that neighborhood.”

- **Coordinated efforts to improve homes and neighborhoods.** Through innovative partnerships with other city departments, grantees tried to maximize green and energy efficient practices within NSP homes. For example, one NSP property was rehabilitated into a “super high energy efficient home” and billed as a solar demonstration project with leveraged funds from the City’s Environmental Services Department. Open houses promoted the energy efficiency of the home and encouraged community members to take advantage of resources available to homeowners interested in implementing green and energy efficient upgrades to their own property. Flyers advertising the open house were posted throughout the neighborhood. At the event, “I think it makes the neighborhoods a lot stronger. The people that are buying the houses are proud homeowners. You see excited families going into these houses and I think this strengthens neighborhoods.”

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people learned about NSP as well as the city’s rehab program. Regarding these coordinated efforts to bring resources into neighborhoods heavily impacted by the foreclosure crisis, one interviewee stated, “We not only marketed NSP, but also our rehab program... We’re trying to link our efforts with our other work – whether it’s housing rehab or neighborhood improvements. We’re really trying to make a connection.”

- **New collaborations and increased capacity to respond.** The San Jose Consortium was established to implement NSP activities in San Jose. It was a new collaboration among three agencies that had not coordinated any previous efforts, although they were all focused on similar issues of affordable housing and homeownership in the city. Looking ahead, interviewees expressed confidence that with continued NSP funding and the collaboration, the response to the foreclosure crisis in San Jose can be better coordinated and comprehensive.

- **Affordable homeownership.** Interviewees emphasized the role of NSP in ensuring that affordable housing and homeownership opportunities continues to be available for low to moderate-income households in San Jose. One respondent who thought that new NSP homeowners were “very grateful and happy with the homes” articulated, “People who bought the homes were the ones that would have probably never bought a home and would have always been a renter. They’re the ones purchasing these homes. It’s wonderful.”

**Lessons Learned and Recommendations from the Field**
Interviewees identified some lessons learned and their recommendations related to their NSP work in San Jose, as discussed below:

- **Allow flexibility for developers to identify target areas.** A couple interviewees shared concerns about the limitations of targeted NSP areas. One developer expressed frustration with having to operate within defined target areas and explained the disadvantages of an inflexible acquisition strategy: “The drawback is that you’re potentially handicapping the people that really know the market...to execute the goal of the program, which is to stabilize neighborhoods and provide affordable housing.” It was recommended that HUD guidelines allow community developers to identify blighted properties for acquisition and to include their expertise in the process for targeting foreclosed homes and neighborhoods for NSP activity.

- **Bring in key partners.** Interviewees emphasized the importance of partnerships, such as The San Jose Consortium, in having a more concerted foreclosure response effort. At the implementation level, the Consortium brought in experienced developer partners who had already built successful relationships with realtors and the lender community. Partnerships helped move projects efficiently. An interviewee noted, “We partnered with folks that could bring all the services together.” Partnerships with real estate agents and banks were not the only relationships integral to NSP’s success. One respondent provided another example of a key partnership—one with the city’s code enforcement department—intended to expand the impact of NSP on neighborhoods. He shared, “We’re going back to code enforcement and asking them what their most problem properties are and we’ll try to purchase them. We’re not only addressing foreclosures, but really houses that are impacting the quality of life in neighborhoods.”
Streamline federal requirements and timelines. Interviewees felt that the federal guidelines and requirements for implementing NSP activities were challenging. For one developer, inconsistent instructions caused unexpected delays in acquisition and rehabilitation activities which ultimately led to his contractors being laid-off. He stated, "It makes it hard to keep people employed when things aren’t as consistent…It’s always challenging working with the government and all the constraints.” At the same time, one interviewee shared his frustration with the tight expenditure timelines imposed on the project. He commented, “HUD always stresses the importance of policies and procedures and documentation, but yet the requirements to implement were so rushed.” He added, however, that HUD provided sufficient technical assistance to grantees, which helped improve the process. He commented, “We have a complicated program. The fact that HUD had a lot of contact with grantees and tried to provide enough training as possible, I think that made the program more successful.”
Looking Back: A Synthesis

Contra Costa County, Sacramento, and San Jose received essential funding through NSP to contend with foreclosures in their hardest hit communities. The magnitude of the crisis, however, far outweighed available funding, and the impact of NSP funding was further tempered by an exceptionally challenging economic climate. Although response efforts never reached optimal scales and community stabilization was not fully achieved, the initiative as a whole and efforts made by grantees have left a distinct mark on several communities. The following represent some major wins of NSP activities in the three regions.

Overall Successes

- **NSP funds were invested in low-income neighborhoods.** Response activities were targeted in communities often suffering from neglect and disinvestment. A concerted effort was placed on mobilizing and concentrating resources in target neighborhoods to maximize community impact.

- **NSP activities promoted community development.** Funds were used to reduced blight, improved homes, and added value to communities. Homebuyers, as well as neighbors, could take pride in the properties that were acquired and rehabilitated through NSP. In some areas, this activity cultivated civic pride and motivated neighbors to make improvements to their own homes. Community impact was most strongly felt in neighborhoods where properties could be clustered and where additional services and funding could be layered.

- **Jurisdictions and their partners created affordable, safe, healthy, and sustainable homes for individuals and families.** Persons, who under most conditions would not be able achieve homeownership, were given the opportunity to establish roots in their community through NSP. They were able to tap into homes that were hazard-free, upgraded with energy efficient systems, and grounded with sound infrastructure. The replacement of major systems and the addition of green technologies contributed to the sustainability of homes, which reduce overall home ownership costs for individuals and families operating on limited budgets. Affordable rental units were also created to provide low-income individuals and families with quality housing opportunities.

- **NSP funds supported local jobs.** NSP provided opportunities for small, local nonprofits and for-profit developers to be engaged in foreclosure response efforts. Jobs were created for local residents, and funds provided some relief for the construction industry that was hit particularly hard during the recession.

“NSP was great at building partnerships and relationships and getting us to work together and communicate.”

—HUD NSP Specialist
The initiative promoted partnerships and collaboration. NSP catalyzed the development of collaborative relationships between neighboring municipalities, municipal departments, nonprofits and for-profit allies under the goal of mitigating the impact of foreclosures and creating affordable housing opportunities.

Grantees identified a wide range of lessons regarding their attempts to generate the greatest neighborhood impact with their limited funding. Major barriers, facilitators, and other lessons during the implementation of NSP activities are presented in the following four categories.

Insights: Acquisition of Foreclosed Properties

- Grantees faced fierce competition with investors. They were, and still are, operating in a market full of opportunistic investors with unrestricted capital and spending requirements. Grantees were at a competitive disadvantage to investors who could expedite transactions with attractive all-cash offers. Strong competition also raised acquisition costs, and it made it difficult for grantees to acquire contiguous properties or properties in close proximity to each other to concentrate activities.

- Grantees and developers had difficulty targeting neighborhoods with the most need. They observed the foreclosure problem shifting throughout their region, hitting new areas and intensifying in others throughout the course of their grant period. Although target areas could be modified, the process was cited as being too difficult to warrant a change. The rigidity of the targeting requirement was thought to have compromised efforts to reach communities most in need.

- Developing strong relationships with banks was integral to successfully acquiring foreclosed properties. Processes across banks often varied, and banks, at times, were perceived to be reluctant to release foreclosed properties to grantees. Developing relationships with banks and coordinating processes helped facilitate the acquisition process.

- The National Community Stabilization Trust (NCST) was a valuable resource for acquiring properties. NCST’s housing inventory and streamlined processes helped grantees access foreclosed and abandoned properties.

Insights: Rehabilitation of Properties

- High rehabilitation costs added pressure on tight budgets. Foreclosed properties were often insufficiently maintained and required major rehabilitation. With time and experience, grantees and developers adjusted their level of rehabilitation to carefully balance three important factors: (1) creating a sustainable home with sound infrastructure; (2) creating a home with enough appeal to compete on the market; and (3) conserving funds to acquire and rehabilitate more properties. Developers and grantees suggested creating rehabilitation guidelines as one way to help maintain this balance.

- Layering NSP activities with other community development activities deepened the impact of response efforts. Grantees were able to capitalize on activities being conducted by other municipal departments and local organizations in target neighborhoods. Collaborative efforts helped bring energy efficient systems into rehabilitated properties, increased their reach in neighborhoods, and brought visibility to their work.
Insights: Disposition of Properties

- **The initiative strategically targeted neighborhoods to increase community impact and sustain program resources.** Grantees targeted high-need communities and were generally very successful in getting individuals and families back into rehabilitated homes even in challenging neighborhoods. There were, however, some setbacks with homes being on the market for long periods of time in tougher, less desirable neighborhoods. While these communities tend to have the highest need, it is vital to have adequate levels of demand in neighborhoods targeted for NSP activities. Vacant homes are susceptible to vandalism and crime, which increases overall rehabilitation costs. Moreover, program income generated from home sales is critical for sustaining the program and having a greater impact in neighborhoods.

- **Grantees worked closely with experienced partners who understood the local market.** They collaborated with a number of experienced developers and partners that were knowledgeable about and well-connected in the local housing market. These partners had the capacity to implement NSP activities and were critical to filling homes quickly.

Insights: NSP Administration

- **The short timeframe to obligate and expend NSP funds was a major challenge for grantees.** Although a quick response was needed, it came at the cost of limiting creative and innovative program design and the strategic use of funds. The short timeline also inhibited leveraging, as doing so takes additional time and coordination.

- **Administrative requirements were cumbersome and negatively impacted program implementation.** Administrative requirements, which are often extensive in federal programs, were cited as being overly burdensome in this case. Documentation and other administrative requirements impacted the timeliness of projects and reduced response times in a market where grantees and developers needed to move quickly. Program requirements also frequently changed, which exacerbated feelings of frustration and confusion with program administration. HUD trainings were viewed as being very informative, but they were typically offered too late, which diminished their usefulness during early phases of program implementation.

- **Grantees were generally well equipped to implement NSP programs despite challenges encountered with program administration.** Grantees often had high capacity, sophisticated staff with extensive experience in the field. Even though grantees had less experience with single-family, scattered-site properties, they were able to move forward with their programs. The primary challenge with staffing came in the form of staff transitions or a loss in staff (some of which was associated to the dissolution of redevelopment agencies).

- **The immediate impact of the dissolution of state redevelopment agencies on current NSP activities has been relatively moderate.** Grantees discussed its impact on staffing and delays on projects leveraged with redevelopment funds. Despite delays, projects supported by redevelopment funds will continue, as these funds were already secured. The loss of redevelopment agencies will, however, have severe implications on future projects. A valuable source of leveraging and staff expertise has been lost.
- **Coordination with multiple entities across sectors strengthened response efforts.** Coordination among municipal departments, nonprofits, and for-profit allies was difficult at times, but it strengthened overall response efforts. New relationships were established and existing relationships were strengthened under the common goal of stabilizing communities and expanding affordable housing opportunities for residents.

**Moving Forward**

The foreclosure crisis has had harmful effects on many communities, and it will continue to unfold for some time to come. Individuals and families with homes tied up in the foreclosure process may be forced to walk away from their properties, and many other households are still precariously holding onto their homes while the economy slowly recovers from the recession. Municipalities and their affordable housing partners will be call upon to continue to address the foreclosure problem and expand opportunities for affordable housing. As it currently stands, however, these efforts will take place in an uncertain environment with diminishing NSP program funds, the absence of state redevelopment agencies, and a pending decision on a federal program designed to leverage the successes of the NSP program.

Foreclosure recovery is dependent upon multiple entities, spanning the public, private, nonprofit and philanthropic sectors. Enterprise Community Partners and their allies can continue to play an important role in supporting efforts and promoting equitable outcomes. Grantees and developers provided the following recommendation on how ECP can continue to support their work:

- **Advocate for additional funding.** ECP can play an important role in advocating at the national level for funding to build upon the momentum and knowledge developed through NSP. Assisting local nonprofits with accessing capital to implement new programs was also identified as an area of need.

- **Convene peers and facilitate conversations.** ECP’s role as a convener was noted as particularly important for developing knowledge and fostering collaboration. Convening intra- and inter-regional meetings among peers to share practices, learn from other’s experiences, and develop shared knowledge was viewed as being important to sustaining response efforts. This was believed to be one way to capitalize upon the lessons learned and collaborations formed during NSP implementation.

- **Provide technical assistance.** The complexity of federal programs and constantly changing regulations raised concern for grantees and their partners. Consequently, technical assistance is highly valued and welcomed by grantees. This can include model documents and assistance with program design, as well as mock audits that identify areas of vulnerability in program administration.

- **Bridge communication gaps between HUD.** ECP’s expertise in HUD programs and presence at the federal level is helpful in bridging the communication gap between HUD and local entities. ECP can keep stakeholders abreast of HUD activities and help manage the flow of information to local sites.

Lastly, grantees and developers highlighted the need to further **monitor and gather data** on the impacts of NSP. The number of foreclosed properties that were acquired, rehabilitated, and resold or rented to income eligible households are being tracked. Anecdotal stories of community improvement are also being shared among partners. Beyond these figures and stories, the larger impact of NSP efforts on stabilizing communities...
is still in question, leaving grantees and others wondering about the effectiveness of NSP activities. While the impact at the household level was great, the shared impact at the community-level is still unclear. Over time, grantees would like to see additional data and studies on the impact of their activities on community outcomes. The exploration of these outcomes will help uncover the best practices that emerged from the Neighborhood Stabilization Program and can be used to drive future response efforts.
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