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South Florida benefits from Neighborhood Stabilization Program

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With whole neighborhoods in distress after a tsunami of foreclosures hit South Florida, the federal government's quarter-billion dollar fix-it program is now beginning to pick up steam, just as crucial deadlines loom around the corner.

The Neighborhood Stabilization Program, originally launched as part of the 2008 Housing and Economic Recovery Act, was designed to combat the side-effects of rampant foreclosures by propping up neighborhoods left in disrepair after the housing market collapse.

The strategy: Buy up foreclosed properties to renovate and resell or rent, hopefully encouraging low- and middle-income residents to settle into areas known for abandonment and blight.

"NSP was kind of like a 'stop the bleeding' [effort] for the foreclosure crisis," said Matthew Martin, planning specialist for the Kirwan Institute at Ohio State University, and co-author of a recent study on NSP's impact in Florida. "It wasn't intended to completely turn things around, but to simply stabilize things."

But even as local program administrators wield more than \$250 million in federal funding, they are staring at a foreclosure crisis that dwarfs the size and capabilities of NSP. When the program kicked off, South Florida was already home to nearly 100,000 foreclosure filings. That number has more than doubled since, with thousands of additional filings still pending in courts. The impact of rampant foreclosures can be seen in half-empty neighborhoods from Homestead to Coral Springs. Vacant homes, vandalism and vagrants tarnish communities and drag down the property values of surrounding homes.

Still, administering this first-of-its-kind, strictly-regulated program in a still-shifting housing market has been a challenge for the municipalities and nonprofit organizations tasked with using the money for neighborhood-level revitalization.

The Kirwan Institute report, released in July, found that only 53.5 percent of Florida's NSP funds had been committed to projects, with only four months before the spending deadline. In the months since, local governments participating in NSP's first round of funding have ramped up spending and retooled strategies in advance of early September deadlines, when all funds in NSP 1 must be allocated to projects.

The second round of the program, part of the 2009 federal stimulus package, is beginning to move from design to implementation, with local nonprofit Neighborhood Housing Services of

South Florida overseeing \$89.4 million in local grant-money.

“Because all of us in the consortium are neighborhood developers, we want to make a change, to have a positive impact in the neighborhoods that we care about,” said Arden Shank, president and chief executive of NHSSF. The organization was one of 56 grantees nationwide for the NSP’s second round, and leads a group of six nonprofits and one municipality in a 70-square-mile revitalization effort covering Broward and Miami-Dade counties. Its grant was the sixth-largest in the nation. Add in \$9.3 million in local grant money awarded to Habitat for Humanity, and upwards of \$100 million will go to fix-up troubled South Florida neighborhoods in NSP 2.

The consortium’s strategy -- formed in part by examining the experiences of local governments during the program’s first round -- hinges on micro-level neighborhood impact in areas plagued by deteriorating properties and urban blight.

Shank acknowledged that if the consortium does not spend the \$89 million strategically, individual homes may be fixed-up but the concept of neighborhood-level revitalization will be lost in the process.

The organization has hired urban planner Benji Powers to map out an action plan for specific neighborhoods, incorporating not only property renovation, but also community building efforts and services.

Powers, who has a master’s degree in city planning, said areas like Liberty City, Overtown, and Little Haiti are high on the program’s priority list. They’ve been targeted because they serve as part of Miami’s “urban core,” and many of them were in disrepair even before the housing meltdown, Powers said.

“Right now this crisis has, unfortunately, the opportunity to really tank some neighborhoods,” he said.

NSP 2’s first project, a garden-style apartment complex in Overtown, will bring 26 modern, affordable rental units to the area, replacing a currently empty building on a struggling city block.

The complex, at 1410 NW First Ave., is one of a handful of distressed buildings that are planned to be made over and brought back to life in the coming months with NSP money. The City of Miami partnered with NHSSF on the project, using money from NSP’s first round to help pay for the acquisition. Second-round money will be used to renovate and modernize the building.

CLOCK TICKING

NSP’s first round -- which granted local South Florida governments a total of \$161.5 million back in 2008 -- has less than a month left to obligate all of its funds, or hand unspent money back to the federal government.

Some local governments have struggled to find uses for the money, with at least \$22 million still uncommitted as of July. Only one-fourth of the \$161.5 million has actually been spent in the first 18 months of NSP 1, records from the U.S. Department of Housing and Urban

Development show.

Since the program was new, and the foreclosure crisis so gargantuan, it was difficult to rally banks, real estate professionals and government officials in the early stages, said Alfredo Duran, deputy director of Miami's Department of Community Development.

"At the time, a lot of the parties were not ready," Duran said. "The banks were overwhelmed with delinquencies and with foreclosures, so that took a little bit of time."

Miami-Dade County looked to be in danger of having to forfeit a large chunk of its nation-leading \$62.2 million grant earlier this year, before changing its strategy to focus on larger, more expensive projects.

The county shifted funds from its defunct down-payment and closing cost assistance initiative and invested in several affordable housing projects. With the market still in flux, and investors and banks often standing between low-income buyers and low-priced foreclosures, there weren't enough qualified buyers to sustain the initiative, county reports show.

Over the summer, Miami-Dade County, the City of Miami, and other local municipalities changed course, eyeing foreclosed and abandoned garden apartments and townhome complexes as more reliable ways to spend unused cash quickly.

AFFORDABLE RENTALS

The plan is to turn those into affordable rental communities, offering hundreds of units to low-income renters. One of HUD's requirements is that at least 25 percent of NSP money must serve individuals who earn less than 50 percent of the area's median income, or \$35,150 for a family of four in Miami-Dade County.

"Neighborhood stabilization certainly includes these multifamily sites," Brown said. "When you have a site that has fallen into disrepair, and that is in foreclosure, all of these things are negative impacts on a community."

Miami-Dade County's NSP strategy includes snapping up at least five of these multifamily buildings in areas ranging from Opa-locka to Little Havana, creating units for thousands of renters. The county will also be funding construction of brand new rental communities, partnering with local developers over the next two years.

With NSP's first deadline approaching, some worry that the idea of stabilizing neighborhoods is being lost in the spending frenzy, as local officials scramble for new ways to use the money before September 30.

But even if all of the money is used, the foreclosure-fighting fund remains just a drop in a huge bucket of distress. And while more than 2,500 NSP housing units will be completed by the time the program sunsets in 2013, the impact during the height of foreclosure crisis has been limited.

Eighteen months after the first round of NSP funding was released, only a few local families have been able to purchase and move into renovated homes.

Many of the rental projects haven't begun renovations yet, and won't be completed until 2012, HUD reports show.

While spending has been generally behind schedule with NSP 1, there are success stories. The city of Tamarac is leading all South Florida grantees in spending its NSP funds. Focusing primarily on down-payment assistance, it has helped 53 homeowners buy foreclosures, spending more than 80 percent of its \$4.8 million grant as of July.

RENOVATED EYESORE

One home had been an eyesore in an otherwise stable neighborhood in the Sunflower subdivision in Tamarac before Jennifer Morello used NSP funds to purchase and renovate it last year.

"All of my neighbors have been in the neighborhood for 10 years but I heard stories about [my] house," said Morello, who will not have to pay for new roof, windows and doors if she stays in the home for 20 years. "It went through so many owners and it was empty for more than two years."

Staci Gullett was able to purchase a two-bedroom, two-bath home in Tamarac using the city's NSP funds last year. NSP also helped her pay for nearly \$60,000 in renovations, revamping the home with a new kitchen, remodeled bathroom and fresh paint job.

"I basically have a brand new home," said Gullett, who was living with her parents before she bought the home. "Without the NSP, I probably would've been in a smaller condo type of set up."

DELAYED EFFECT

However, in municipalities like the city of Miami, where the soft second mortgage program flopped, NSP money will not have widespread community impact until multi-family projects are completed in 2011 and 2012.

NSP 2 grant-recipients, all nonprofits, hope to get projects off the ground more quickly than local governments did. Habitat for Humanity, which is directing \$9.3 million of its HUD grant towards Liberty City, said it has already begun construction on some of the homes, and is under contract to buy 17 foreclosures.

The nonprofit plans to purchase or build about 165 homes in Liberty City over the next two years, said Joseph McDaniels, spokesman for Habitat's local branch.

Duran defended Miami's NSP record, noting that while there were challenges early on, the city was able to adapt, and has already committed all of its neighborhood stabilization money in advance of the September deadline.

"A lot of these properties, the condition that they're in, they need some redevelopment," he said. "And redevelopment doesn't happen overnight."