

— portion of \$29^(50%) million to guarantee return to lender/investor. Can be subdivided also. Subsidy & a package of bouat to a developer

this needs \$10 million from City-

HomeAgain Indianapolis: Returning Vacant Properties to Life

Concept Summary

September 23, 2008

— Portion of \$29 million would not be used to guarantee NCSY but would be used for acquisition of other property in a redevelopment zone.

How much should go to traditional CDBG activities for CPC's? How much could be used in 18 months?

— In 30 days realistic idea of what CPC's could use: \$10 million

Program Objectives

- Develop a city-wide strategy to acquire vacant houses in areas of concentrated abandonment using existing government tools and a complementary private organization (with working name of HomeAgain).
- Position Indianapolis to receive foreclosed properties in targeted areas from the National Community Stabilization Trust.
- Leverage additional \$29 Million in CDBG funds (and possibly additional funds available through the State of Indiana) available through Title III of the Housing and Economic Recovery Act to its maximum impact on high concentrations of vacant properties.
- Aggressively acquire vacant property in targeted redevelopment areas identified through neighborhood-based public planning processes.
- Acquire clustered houses in sufficient numbers to transform neighborhood market dynamics, enabling redevelopment to be primarily market-financed.
- Create capacity and funding to hold and maintain properties responsibly until ready for redevelopment.
- Market property bundles to potential developers and investors by promoting the quality of life strategy unique to the real estate opportunities of specific neighborhoods.
- Transfer concentrated bundles of property to both non-profit and for-profit developers and assist in obtaining the financial and organizational support necessary for redevelopment.

Context:

Housing Abandonment is Increasing

Indianapolis is facing a growing wave of home abandonment that threatens to undermine decades of community development efforts with deflating home values, rising lawlessness, and a diminishing quality of life. The city currently contains approximately 10,000 vacant units, more than 80% of which are located in the old city limits. The number of currently-vacant homes in Indianapolis is rising rapidly due to the growing number of foreclosures. In 2007, 41% of home sales in Indianapolis were distressed properties. Many of the lending institutions who take ownership through foreclosure are finding it impossible to resell homes in neighborhoods that already suffer from high abandonment. These properties can sit empty for months while out-of-town lenders fail to find acceptable purchasers.

Vacant Homes Blight Neighborhoods

The presence of a significant number of vacant homes in a neighborhood dramatically reduces its quality of life and property values. Social and economic problems closely correlate to areas of high abandonment in several Indianapolis neighborhoods. Abandoned homes remove "eyes on the street" and result in pockets where no one is taking responsibility for keeping order. The accumulation of trash, lack of maintenance, and empty windows soon lead to vandalism, break-ins, stripping of valuable metals, squatting, fires, and criminal activity. The clustering of several vacant homes on a single block magnifies these problems, leaving remaining residents feeling like they are living under siege.

- LE would be a new creation. Maybe a redevelopment Authority.
- CPC'S want a bump in CDBG for traditional CDBG activities

The “Market” is not Solving Abandonment

Between the longstanding home vacancies (often the product of foreclosures over the past six years when Indiana led the country in foreclosure) and the growing wave of current foreclosures, local abandonment is likely to grow in the foreseeable future. Both national and local housing markets have weakened to record lows, which is reducing both sales prices and volumes. Given the fact that before this decline Indianapolis was already the nation’s most affordable housing market, it seems unlikely that we will experience any significant increase in home values or market demand in the next 2-3 years that could significantly reduce abandonment. There is no sign that the “market” will reverse any of these trends in urban abandonment in the foreseeable future.

Strategy:

Concentrated Assembly for Redevelopment

The crisis of urban home abandonment in Indianapolis can only be solved if we mobilize a large-scale, carefully coordinated response. There is no existing system or single organization capable of utilizing new Federal redevelopment tools to directly recycle enough homes to reverse the market dynamics that are causing abandonment. A team of civic leaders must set a clear vision for a solution, then assemble sufficient resources to acquire and recycle up to 3,000 abandoned houses. Thankfully, the lessons learned through the development of award-winning Fall Creek Place provide a template for concentrated homeownership investment in urban neighborhoods. Assembling the land necessary to implement such concentrated property redevelopment, however, can not be incorporated into any existing local organization without putting its current activities at extreme risk.

Creating a Single Land Assembly Entity

An organization (working title HomeAgain) must be constructed by a team of local community development leaders to assume the focused role of pursuing, acquiring, responsibly holding, marketing, and selling these homes to qualified redevelopers. This is particularly important in order for Indianapolis to obtain foreclosed properties from the National Community Stabilization Trust (NCST), a national entity being formed to facilitate the purchase of REO properties nationally. The NCST is being formed through negotiation between national community development organizations such as LISC, Enterprise Community Partners, and the National Partnership Network, Neighborworks America, and major investors in/servicers of REO/foreclosed properties such as Countrywide, Fannie Mae, and Wells Fargo. The NCST will facilitate the bulk purchase of foreclosed properties from these lenders at reduced rates by single local entities. In order to access these properties, Indianapolis must designate a single local entity such as HomeAgain that will have sufficient capacity to make offers based on real neighborhood values, purchase, and hold them until ready for redevelopment.

Utilizing Federal and Private Funds to Capitalize Land Assembly

HomeAgain would make REO property purchases from the NCST utilizing a combination of local private capital and the \$29 Million of CDBG funding available later this year through Title III of the Housing and Economic Recovery Act (HERA), and passed through the City of Indianapolis and possibly the State of Indiana. HERA funds could be used to cover interest costs and guarantee repayment of a larger pool of private capital made available from non-profit

intermediaries and from banks and corporations interested in neighborhood revitalization. By concentrating property assembly into a single organization, risk will be contained, expertise can be focused, and new Federal resources can be efficiently utilized to carry out this mission.

Targeting Land Assembly

The properties purchased by HomeAgain must be strategically located to have the greatest impact on restarting the urban housing market. To accomplish this market objective, vacant property assembly should be focused in a limited number of target areas that are characterized by both a high concentration of abandonment and a comprehensive redevelopment strategy that has prepared it to leverage reinvestment. Three neighborhoods that have among the highest concentrations of vacant homes in Indianapolis have already created comprehensive quality of life plans through the Great Indy Neighborhoods Initiative (GINI): the Near East Side, Southeast, and Near West. The Mid-north area is also mobilizing to create two different concentrated housing redevelopment strategies in Crown Hill and Mapleton-Fall Creek. What these four neighborhoods lack is an entity to gain control of the vacant homes that stifle redevelopment, and to hold them until redevelopment plans are ready to proceed. HomeAgain could enter into partnerships with neighborhood-based organizations to develop neighborhood-specific acquisition strategies driven by comprehensive neighborhood plan.

Transferring Assembled Properties to Neighborhood Developers

If a new partner organization such as HomeAgain with sufficient capital and expertise to assemble land in large clusters was created, these targeted urban neighborhoods could direct the assembly of real estate parcels that are large enough for the development market to profitably invest. HomeAgain would transfer ownership to a neighborhood developer once sufficient land was assembled and the developer was ready to proceed with redevelopment. Large-scale, concentrated redevelopment will create renewed neighborhood clusters that are appealing to consumers with multiple housing choices. Fall Creek Place demonstrated that concentrated reinvestment can fundamentally shift housing prices and attract buyers who would have otherwise purchased in the suburbs. The dramatic renewal of formerly-vacant and blighted neighborhoods will enable the old city to successfully compete for homeowners with suburban development options in surrounding counties when the regional housing market eventually recovers.

A Public/Private Partnership:

The high number of vacant homes in Indianapolis can only be dramatically reduced through the coordinated work of many partners. Indianapolis LISC has developed this initial concept and raised limited grant funding to seed organizational work, but HomeAgain must be formed robustly out of a high level public-private partnership if it is to be successful. This partnership must include the City of Indianapolis (both its neighborhood development and public safety entities), the Indianapolis Neighborhood Housing Partnership, Community Development Corporations and similar neighborhood non-profits, financial institutions, national loan servicers, local philanthropy, and the real estate development/sales community. The importance of this issue to the future of Indianapolis warrants the immediate gathering of this city's civic leaders to create a collaborative response to transforming abandoned homes into building blocks of vibrant urban neighborhoods.