
Improving Policy Design and Practice for Acquisition and Redevelopment of Foreclosed Residential Housing in Urban Communities

Michael P. Johnson, University of Massachusetts Boston
David Turcotte, University of Massachusetts Lowell
Felicia M. Sullivan and Rachel B. Drew
University of Massachusetts Boston

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Policy Context: Boston and Cleveland

	2008			2009		
	Total	Properties with Filings % of all housing units	Rank	Total	Properties with Filings % of all housing units	Rank
Ohio	113,570	2.25	7 out of 51	101,614	2.01	12 out of 51
Massachusetts	44,342	1.64	14 out of 51	36,119	1.33	22 out of 51
Cleveland metro	27,693	2.94	24 out of 100*	22,430	2.38	59 out of 203*
Boston metro	13,332	1.77	44 out of 100**	23,828	1.31	110 out of 203**

*Cleveland metro = 'Cleveland/Lorain/Elyria/Mentor, OH' in 2008 (2.088 M 2008 pop); 'Cleveland-Elyria-Mentor, OH' in 2008

** Boston metro: 'Boston/Quincy' in 2008 (1.88 M 2008 pop); 'Boston-Cambridge-Quincy, MA-NH' in 2009 (4.5 M 2008 pop)

Source: RealtyTrac.com

- Compared to Boston, Cleveland has a weaker housing market:
 - Vacancy rate
 - Housing price declines
 - Demolition rate
- But has developed a robust foreclosed housing policy and planning infrastructure:
 - Vacant Property Coordinating Council
 - NEO CANDO neighborhood information system
 - Revised land bank

Core research questions

- What are best practices of community-based organizations pursuing foreclosed housing acquisition and redevelopment for community stabilization and revitalization?
- How can decision modeling assist CDCs and municipalities to adapt scholarly research and acquire local data to assist mission-critical decision-making under resource constraints?

Case study: how do small-city CDCs pursue foreclosure redevelopment?

■ Purpose:

- Examine how Boston-area CDCs are developing and executing strategies emphasizing acquisition and redevelopment, in response to increasing foreclosures within local neighborhoods

■ Key questions:

- What acquisition strategies are CDCs employing to acquire and redevelop foreclosed housing?
- How effective are these strategies in achieving their overall goals to stabilize/revitalize local neighborhoods? What successes have they achieved?
- What are the key challenges encountered by CDCs during implementation of foreclosure acquisition and redevelopment strategies? How are CDCs responding to these challenges?

Case study data: Two Boston-area CDCs with a neighborhood focus

■ CDC #1 – Lowell, MA

- 100,000+ population; historic mill town, 4th largest city
- Owns/manages 380 affordable rental units
- Acquisition/demolition results: 2 properties, 15 units

■ CDC #2 – Chelsea, MA

- < 40,000 residents; gateway community adjacent to Boston
- Expansion to adjacent city
- 100 scattered site 2-3 unit rental housing
- Extensive community engagement complements real estate development
- Acquisition/demolition results: 7 properties, 21 units

Case study propositions

- Purchasing certain types of foreclosed housing from lenders and redeveloping it is an effective strategy to stabilize some neighborhoods and housing prices, while expanding the supply of affordable housing.
- CDCs are often key players due to their increasing sophistication and important partners with local and federal governments in redeveloping foreclosed housing and stabilizing/revitalizing neighborhoods in response to the negative impacts of foreclosures.
- Governmental policies at all levels are facilitating efforts by CDCs to acquire and redevelop foreclosed housing

What evidence will provide support for propositions?

- CDC success in acquiring and redeveloping foreclosed properties
- Impact of CDC foreclosure acquisition activity on stabilizing target neighbors and achieving other desired outcomes
- Level of sophistication to acquire and redevelop foreclosed properties
- Alternative acquisition strategies and their effectiveness
- Local and federal governments' efforts to assist CDCs
- Impact of government policy on CDCs' property acquisition and neighborhood stabilization goals

What have we learned so far?

- CDCs have had limited success in acquiring and redeveloping foreclosed properties
 - Competition with private developers
 - Funding requirements and restrictions
 - Lack of leverage with lenders
- Limited data on impacts of acquisition/redevelopment
- Organizational capacity is crucial, but acquisition/development models may differ
 - Lowell CDC – acquisitions limited by policy priorities and resources
 - Chelsea CDC – detailed neighborhood/property targeting and technical expertise has made it a recognized player
- Government policies have had mixed results in supporting CDCs acquisition efforts

A management science approach to foreclosed housing redevelopment

Acquiring and redeveloping foreclosed housing for community stabilization and redevelopment...

- ❑ Requires resources far beyond that available to local actors
- ❑ Addresses decisions made under uncertainty, to achieve multiple goals, and for multiple planning horizons
- ❑ Uses data beyond that typically available for real estate development

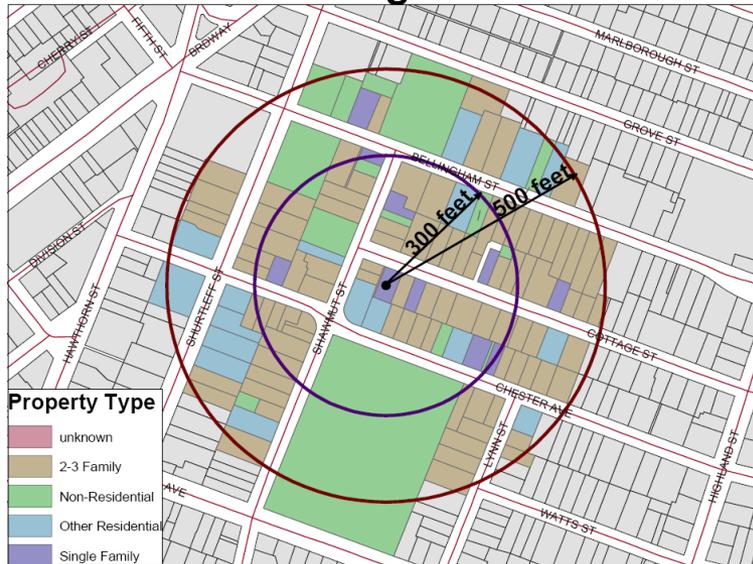
So, a structured modeling approach may be useful

What do we know about model-based approaches?

- There is a long literature on management science applications to housing and community development (Johnson 2010)
- Decision models for foreclosed housing can be *strategic* in nature or *tactical*
- Strategic modeling for portfolio design shows that multiple objectives, with relatively more weight on proximity of properties, can yield policy-relevant solutions (Johnson, Turcotte and Sullivan 2010)
- Focus of current work is short-term decision support

What can a tactical model for foreclosed development do?

7 Cottage Street



75 Marlboro Street



It can use data on impacts of housing acquisition, such as:

- Social benefits and costs (e.g. Harding, Rosenblatt and Yao 2009)
- Strategic value
- Level of project difficulty

to rank acquisition alternatives

How can we manage foreclosed housing data and support decisionmaking?

User Information

Please enter attributes to classify, sort and search the data-base for existing real estate property before utilizing the "decision model" tool. If candidate attributes are available regarding acquisition and redevelopment, please select "Development Attributes" (not required for a search).

User can use select as many attributes as needed to perform a search.

Main Menu
Decision Model



Data Entry - Primary Input

Locational Attributes

Street

City/Town

State

Zip Code

Property Attributes

Status

Property Type

Tenure Type

of Units

Market Attributes

Petition Date

Auction Date

Servicer

Owner

Locational Attributes				Property Attributes			
Address	City/Town	State	Zip Code	Status	Property Type	Tenure Type	# Units

New
Delete
Search
Save

Dynamic Attribute Input Form

Please enter property attributes for a new candidate for acquisition and redevelopment.

Social Cost \$

Social Benefit \$

Simulated Values

Strategic Value (ft.)

Likelihood of Project Success

OK
Cancel

Prototype Excel decision support system in Excel is under development

But we don't need another information system, and nobody on staff has MBAs!

- 'Software fatigue' is real, and resources are limited
- However, management science-like thinking can help CDCs:
 - Define and refine values/objectives/goals
 - Identify decision alternatives
 - Define and quantify decision attributes
 - Develop a decision-making strategy
 - Evaluate past decisions or propose new decisions

What's next?

- Case study:
 - Continue data collection and analysis of key propositions
 - Submit to a housing-focused peer-reviewed journal
- Decision models:
 - Develop social benefit and strategic value objectives
 - Use decision support system to evaluate CDC decisions
- Decision thinking:
 - Evaluate education potential among community practitioners
- More funding:
 - Increased support can enable development, implementation and outcomes evaluation of multiple decision models in practice contexts

Selected References

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