

Twin Cities LISC Disposition Strategies Workshop Summary
Held January 15, 2009

INTRODUCTION

As part of the ongoing work of the Minnesota Foreclosure Partners Council, Twin Cities LISC convened approximately 40 people at a workshop to discuss and develop strategies related to the disposition of foreclosed properties. A diverse group of community-based organizations, community organizing groups, intermediaries, culturally-based organizations, city departments, public housing authorities, and independent individuals were represented.

Participants were charged with identifying, in workgroups of 6 to 8 people, one or two high leverage strategies for the disposition of foreclosed properties. High leverage was defined as strategies which: 1) participants have a high ability to influence; and 2) have high returns.

Participants were unanimous in their view of the current set of decisions and actions being aimed at the foreclosure crisis. All expressed limited confidence that these would produce the desired outcome of neighborhood recovery. All also agreed that the situation cannot be addressed with “business as usual” strategies.

In small groups, participants provided examples to support their lack of confidence. They were then asked to explore their anecdotal evidence more fully - what is the desired outcome of these activities? The result of this exercise was a list of potentially high leverage strategies. The ideas were explored more fully and prioritized: what problem does this idea solve? What resources would be needed? What is the role for community-based organizations? Who else could/should be involved in implementing the strategy?

Many of the groups represented at the workshop are already taking an innovative approach to the disposition of foreclosed properties and are implementing creative strategies. The workshop provided an opportunity for individuals representing a variety of professional and community perspectives to share ideas and strategies and build on their collective work in this area.

A summary of the notable outcomes and final set of high leverage strategies is described below.

NOTABLE OUTCOMES

In addition to the individual strategies identified, there were a number of notable themes/outcomes that came out of the workshop.

Vacuum areas: The strategies selected as high priority by participants tended to fall in areas where little attention is currently being paid.

Low cost: Most of the strategies are relatively low cost and/or make alternative use of existing resources.

New roles: Community-based organizations saw themselves as applying their expertise and skills in new ways to solve current problems within an evolving economic and neighborhood context.

Willingness to pitch in and make things happen: At the end of the workshop, participants were asked which if any strategies they would be willing to continue to work on. Approximately 30 people volunteered to continue to develop the strategies identified.

Built from experience: The strategies were grounded in a strong sense of what is actually working, and what is not, on the ground.

Maximizing potential: Many of the strategies solve more than one problem (e.g., lack of jobs and maintenance of vacant homes) and/or provided solutions for the short-term as well as the long-term.

HIGH LEVERAGE STRATEGIES

Participants reported out twelve strategies they considered to be high leverage. Those being considered for follow-up work are described more fully in the next section.

1. Activate and support block clubs
2. Gap financing strategies
3. Conduit/resources for mortgage financing as CDFI
4. Landlord resources center
5. Rental rehab loans
6. Code enforcement through point of sale requirements
7. REO holding company
8. Scattered site rental at scale
9. Acquisition
10. Community outreach/education
11. Lease purchase/contract for deed to scale
12. Home maintenance and neighborhood jobs

PRIORITY STRATEGIES AND POSSIBLE NEXT STEPS

Based on the interest expressed by participants, as well as an initial review by LISC staff regarding the resources required to pursue various strategies and the benefits of each, the following next steps are proposed for discussion. While four strategies are highlighted below, workshop participants and others are encouraged to convene and develop additional strategies as interested.

Scattered Site Rental at Scale

Why: Given the high volume of vacant homes and the lack of credit, more and more families will be looking for rental housing. A critical reuse strategy will be scattered site rental housing owned by nonprofit organizations.

Possible lead/partners: Three potential lead organizations were identified in the workshop. These organizations include both intermediary and community-based organizations. Shared leadership responsibilities could be an effective approach. An additional fourteen workshop participants volunteered to work on the development of this strategy. The Public Housing Authorities and CDCs with scattered site rental experience are important partners.

LISC role: Reach out to the organizations that offered to lead the strategy development and support their activities as appropriate.

Possible next steps: 1. Lead partner(s) convene a “workshop” of agencies, local as well as national, to share their experiences in scattered site rental. 2. Develop standardized development and operating proformas based on realistic numbers. 3. Educate potential champions and partners on the benefits and outcomes of such a strategy.

Code Enforcement Through Point of Sale Ordinances

Why: It is imperative to facilitate home sales to good buyers, and code enforcement practices are proving problematic in this regard. This strategy is considered high leverage because it could have a sizeable impact for very little cost.

Possible leads/partners: One workshop participant volunteered to take the lead on strategy development. An additional eight workshop participants volunteered to work on the strategy. Possible partners include the cities of Minneapolis and St. Paul, and community-based organizations.

LISC role: Initiate this process by convening the initial workgroup, providing group facilitation support, and securing a lead for the strategy. Support workgroup activities as appropriate.

Possible next steps: 1. Develop a clear outline of how code enforcement practices are impeding/slowing home sales in priority cities of interest. 2. Attempt a cost analysis of how the inspections could be done more efficiently by skilled community-based organizations or others. 3. Determine what political and legal steps must be taken to put in place alternative practices for code enforcement.

Lease Purchase and Contract for Deeds to Scale

Why: A pool of ready buyers is needed to stabilize housing markets. Two specific challenges are the credit ratings of existing buyers and difficulty with making sound home appraisals. Rent-to-own opportunities present qualified potential buyers with a homeownership option that allows them to move in to a home in the short-term while they work on improving their credit. Furthermore, it is likely that the future housing market will benefit from rent-to-own opportunities.

Possible lead/partners: Seven workshop participants volunteered to work on this further, two of whom volunteered to take the lead. There exists among CDCs a body of expertise about what works, and doesn't, in rent-to-own purchase contracts. MN Housing and Community banks will be key partners.

LISC role: Initiate this process by convening the initial workgroup, providing group facilitation support, and securing a lead for the strategy. Support workgroup activities as appropriate.

Possible next steps: 1. Convene those with experience in executing and managing rent-to-own products, to compile the best body of knowledge about what works and doesn't. 2. Develop standardized contracts that banks could use, as well as an alternative credit rating system appropriate for rent-to-own products. 3. Convene a group of community banks to determine under what conditions they would be willing to enter into such contracts and/or provide the loans to CDCs. 4. Discuss with MN Housing the possibility of guaranteeing, in some way, these contracts. 5. Determine whether there is the need for legislation that could facilitate the uptake of such contracts.

Home Maintenance and Neighborhood Jobs

Why: In some communities, the sheer number of vacant homes quickly gives way to blight, nuisance and crime and ultimately demolition. The homes create enormous maintenance costs for cities at a time when their budgets are extremely strained. At the same time, people are losing their jobs. Home maintenance strategies could provide jobs and training for neighborhood residents, reduce costs for cities, and lead to improved individual and neighborhood outcomes because residents have the greatest vested interest in the maintenance of their neighborhood.

Possible lead: Three workshop participants volunteered to work on this further, one of whom volunteered to take the lead. All of the organizations that volunteered have experience in this type of job/neighborhood maintenance program.

LISC role: Initiate this process by convening the initial workgroup, providing group facilitation support, and securing a lead for the strategy. Support workgroup activities as appropriate.

Possible next steps: 1. Convene those with experience in executing and managing job/neighborhood maintenance programs. 2. Attempt to conduct an analysis of the level of maintenance currently being done, how much it costs, and how it is repaid to understand what money is “in” the system. 3. Develop an alternative plan for maintaining homes based on neighborhood involvement. 4. Identify the political and/or legal hurdles to enacting such a program.

CONCLUSION

The workshop conversation was very dynamic; providing an opportunity for community development practitioners to share their expertise and ideas with one another in the development of strategies related to the disposition of foreclosed properties. LISC is excited about the energy generated at the workshop and hopes to keep the momentum going. While LISC will be tracking the high priority strategies outlined above most closely, workshop participants and others are encouraged to explore other opportunities as well. If you are interested in learning more about the workshop or participating in one of the four strategy workgroups, please contact Tina Homstad at LISC at khomstad@lisc.org.