

# Neighborhood Stabilization in Massachusetts

Bay State communities have worked hard to overcome foreclosures but their job is not done



Ever since the foreclosure crisis began to take hold in 2006, local officials have been scrambling to find resources to stabilize distressed properties. In many cases, they have used federal Neighborhood Stabilization Program funds (NSP) to keep neighborhoods from sliding into decay. This has been especially true in Boston, Brockton, Chelsea, Fitchburg, Lawrence, New Bedford, Revere, Springfield, Taunton and Worcester.

Despite saving hundreds of homes, the work of saving neighborhoods is far from done as foreclosures will continue to plague Massachusetts for years to come. Given this reality, Massachusetts must continue to find ways to financially support local efforts to keep neighborhoods strong.

Why is the foreclosure problem persisting? According to recent analysis of Warren Group data by the Massachusetts Housing Partnership (MHP), banks have begun to ramp up their foreclosure activities after months of relative inactivity due to legal challenges. MHP reported in October 2011 that while foreclosures were down from the previous year, they had shot up 67 percent since May. This rise is expected to continue in 2012.

MHP also found that more than half of all properties in foreclosure in the third quarter of 2011 became bank-owned, an indication that third-party buyers have little appetite for foreclosed properties. Why does this matter? In order for our state's real estate market to fully recover, these foreclosed properties must be acquired, fixed, and sold to new owners.

Since 2008, Massachusetts has utilized federal NSP funds to stabilize neighborhoods hard-hit by foreclosure. NSP funds have:

- Helped community-based organizations and small businesses acquire properties
- Helped municipalities monitor health code issues through property inspection

- Funded improvements and repairs to properties
- Supported the resale of stabilized properties to responsible landlords and working families.

All told, NSP funds have been used to purchase and rehabilitate 1,323 units. This has had a ripple effect as each property acquired serves to stabilize neighborhood property values. CHAPA has played a major leadership role by running The Foreclosed Properties Initiative. This program serves as a clearinghouse, connecting banks that own foreclosed properties with community-based developers so that they have a chance to buy the properties and keep them away from the speculative market. This program has facilitated many difficult transactions due in part to NSP funds made available through the state Department of Housing and Community Development, Massachusetts Housing Investment Corporation, MHP and local governments.

Two factors threaten to curtail these efforts. First, there are still at least 29,500 foreclosed properties in Massachusetts. Second, Congress has stopped funding NSP. Without new funding, community-based development organizations—working in well-established partnerships with municipalities—will have to curtail or cease acquiring and rehabilitating foreclosed properties by the spring of 2012.

**AHTF Supplemental Appropriations Request:** The Commonwealth needs between \$10 and \$12 million to continue foreclosed property neighborhood stabilization work throughout 2012 and into 2013. Without these funds, neighborhoods will suffer more foreclosures and the Commonwealth will find itself in a deeper hole as real estate values plunge in many areas. The Affordable Housing Trust Fund (AHTF) is an existing program that has the flexibility necessary to continue activities such as foreclosed property acquisition and rehabilitation, property inspection, and limited infrastructure improvements surrounding the foreclosed properties. We request that the Commonwealth advance an economic development proposal that includes a transfer of between \$10 and \$12 million to the AHTF to continue these activities.

**To learn more, please read the following success stories. For more information, contact Sean Caron, [scaron@chapa.org](mailto:scaron@chapa.org) or (617) 742-0820 x103.**

## Success story: New Bedford

**Location:** 43 Holly Street

**Significance:** 4-story apartment building at key intersection in city's North End.

**History:** Property vacant for six years and in foreclosure. Vandals targeted property for copper theft.

**Action plan:** City's inspectional services, planning and community development offices coordinated efforts with state attorney general's office to petition housing court to appoint a temporary receiver to stabilize the property. Housing court turned property over to The Resource Inc., the nonprofit administrator of the city's efforts to stabilize neighborhoods.

**Outcome:** Using federal NSP funds and other public and private funds, TRI acquired and fixed the building, rented all six apartments and sold it to SEMCOA, a nonprofit housing and service agency. SEMCOA will manage the six residential apartments and operate a job-training laundry facility out of the first floor commercial space.

**Quote:** "You go through hundreds of buildings to find that ones that are appropriate for receivership but the goal isn't receivership, it's to encourage owners to make necessary repairs," said Mike Galasso of TRI. "All told, we've stabilized 25 to 30 properties in New Bedford, many of them by getting the landlords to bring their buildings up to code. We tried to focus on one area because when you do that, people notice and start fixing up their own properties."



Before



Mike Galasso-TRI



After

## Success story: Boston



Before



After

**Location:** Hendry Street, Coleman Street, and Clarkson Street, Dorchester

**Significance:** In 2008, the Boston Herald dubbed this neighborhood "Foreclosure Ground Zero". At that time, 13 properties on these three small tight-knit streets were boarded up and in various stages of foreclosure.

**History:** Targeted by community activist Georgette Watson during her anti-drug crusade of the 1980s, this neighborhood has been known for its drug and gang activity. The neighborhood's problems were exacerbated by speculators who bought properties and flipped them into condominiums. By 2008, many properties were boarded up, in foreclosure or falling into disrepair.

**Action plan:** Working with the City of Boston, the Dorchester Bay Economic Development Corporation (DBEDC) utilized NSP and other private and public funding sources to acquire and rehabilitate 16 properties for sale to homebuyers. Homebuyers often received NSP rehabilitation loans and other funds from the City of Boston to fix properties.

**Outcome:** Many formerly boarded up buildings are now owner-occupied. Residents say the neighborhood is much safer and they aren't afraid to go outside. In the summer of 2011, the neighborhood held an outdoor block party to mark the neighborhood's comeback.

**Quote:** "This area had a history of crime and lawlessness," said Jeanne DuBois, Dorchester Bay's executive director. "Little by little, homeowners are taking the neighborhood back."



Nahant Ave., before



Nahant Ave., after



Walden House, after

## Success story: Revere

**Location:** 14-16 Nahant Avenue and 13 Walden Street

**Significance:** Key properties in city's priority investment neighborhood.

**History:** These buildings are located on side streets off Shirley Avenue, a major road connecting Rt. 1A with Revere Beach. This was a thriving residential neighborhood that has gradually deteriorated. A recent study found that much of the neighborhood's housing is aging and the quantity of affordable housing relative to need is lacking.

**Action plan:** In 2009, the City of Revere targeted this area for revitalization and began working on a strategy with Revere Neighborhood Developers (RND), a nonprofit affiliate of Chelsea Neighborhood Developers. Revitalization efforts included addressing foreclosed properties.

**Outcome:** Using federal NSP funds, RND acquired and rehabilitated Nahant Avenue into six units of rental housing for families. After this success, RND acquired and is completing the rehabilitation of a vacant fire station on nearby Walden Street into seven units of elderly rental housing. Both properties are near the beach, stores and public transit. RND has also invested NSP funds to build new sidewalks and plant trees in the Shirley Avenue neighborhood.

**Quote:** "Change happens one step at a time and these are important first steps," said Ann Houston, RND's executive director. "We are looking forward to continuing to work with residents on issues that are important to them."



Garcia/Torres Family



After

## Success story: Lynn

**Location:** 5 Ames Street

**Significance:** Neighborhood Development Associates (NDA), a nonprofit affiliate of the Lynn Housing Authority, bought this foreclosed vacant West Lynn property from a bank and sold it to a first-time homebuyer. NSP funds were used to fix the property.

**History:** Property is a poster child for real estate bubble. It was sold four times between 1991 and 2009 and its sale price went from \$104,000 in 1991 to \$297,000 in 2009. Soon after, it went into foreclosure.

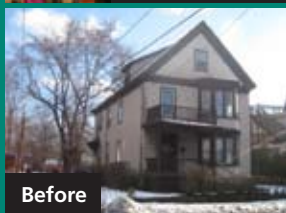
**Action plan:** NDA was effective in using NSP funds to stabilize neighborhoods and provide owner-occupied homeownership opportunities for lower-income families. As it did numerous times, NDA purchased 5 Ames St. for \$160,000 through CHAPA's NSP-funded "first look" program, which provided qualified community-based purchasers access to foreclosed properties before they went on the market.

**Outcome:** NDA then sold it to Yessenia Torres and Albert Garcia for \$130,000. The Garcia/Torres family—previously living in public housing—received financing through the Massachusetts Housing Partnership's Fund for Fixer-Uppers Program, which combined mortgage financing from its SoftSecond Loan Program with NSP grant funds to fix the property and make it livable.

**Quote:** "NSP has been a valuable resource in stabilizing neighborhoods," said MHP Executive Director Clark Ziegler. "As the foreclosure crisis persists, we need to keep these stabilization efforts going."



Gomez Family



Before



After

## Success story: Lawrence

**Location:** 166 Parker Street

**Significance:** Home is on Rt. 114, one of the major roads into the city from Rt. 495. Property had become rundown and was a major eyesore for commuters coming into and leaving the city.

**History:** Foreclosed two-family property owned by Fannie Mae.

**Action plan:** Working with Lawrence CommunityWorks and the Massachusetts Housing Partnership, the City of Lawrence acquired this property from Fannie Mae, redeveloped it and sold it to a lower-income first-time homebuyer. Homebuyers received a SoftSecond loan from Citizen's Bank and NSP funds were used to rehabilitate the property.

**Outcome:** This former eyesore is now completely rehabilitated and owner-occupied. Pablo Gomez, who works at Logan Airport, now lives in a spacious second-floor apartment with his wife Mary and daughter Mariel. The rent that they get from their first floor tenants is enough to pay their mortgage.

**Quote:** "As we were preparing to buy this house, I saw it go through a tremendous transformation," said Pablo Gomez. "As the work was being done, people walking down the street would stop and ask me if the house was for sale or if there was an apartment for rent. The benefits of owning a two-family home are great. I'm paying less than I was when I was renting and Mariel has her own room where she can play."