Case Study: Regional NSP Application for the Metropolitan Washington D.C. Area Consortium
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The Urban Institute

In July 2009, the Metropolitan Washington Council of Governments (COG) led a consortium of its member jurisdictions in applying for funding through the second and competitive round of the Neighborhood Stabilization Program (NSP2). The Metropolitan Washington Area Consortium[1] consists of six jurisdictions: the city of Alexandria, Va.; the city of Bowie, Md.; Fairfax County, Va.; the city of Gaithersburg, Md.; Prince George's County, Md. and Prince William County, Va.. Prince George's County and Prince William County contain some of the hardest hit neighborhoods in the region. The District of Columbia did not participate in the Consortium but also submitted their own NSP2 application. Combined, the Consortium members represent more than half of the total population in the Washington D.C. metropolitan area.

According to the NSP2 Notice of Funding Availability (NOFA) put out by the U.S. Department of Housing and Urban Development (HUD), applicants had to target NSP2 funding to specific census tracts that had high foreclosure risk (as defined by HUD). Due to the size of the jurisdictions involved in the Consortium, there were hundreds of census tracts that qualified. In order to narrow down and identify tracts to target specifically with NSP2 dollars, the Consortium concentrated on selecting "tipping point" neighborhoods: those that were facing serious foreclosure problems and could benefit the most from assistance that NSP2 funds could provide. The Consortium discussed which contextual factors, such as transportation or employment, should be considered most important and also applied the considerations outlined in a strategic framework developed by the Urban Institute in a report[2] on the impacts of foreclosures on families and communities for the Open Society Institute and referenced on Foreclosure-Response.org[3]. The strategic framework compares the foreclosure risk of an area with its housing market strength and suggests how the policy response might differ according to how these factors play out. For example, a strategy of acquisition and rehabilitation of foreclosed properties is likely to be the most efficient use of resources in an area with a high foreclosure risk or volume but an intermediate housing market because there is still demand for housing in the area and the purchase and rapid resale of a relatively small number of houses could prevent the neighborhood from deteriorating further.

The Urban Institute, acting in its capacity as NeighborhoodInfo DC[4], provided data and analytical support to the Consortium to complete the framework and assess contextual factors. NeighborhoodInfo DC is a member of the National Neighborhood Indicators Partnership[5] and a

[1] http://www.mwcog.org/publications/recovery/nsp2.asp
[2] http://www.urban.org/publications/411909.html
[3] http://www.foreclosure-response.org/policy_guide/coordinated_response.html?tierid=282#2
[4] http://www.neighborhoodinfodc.org/
[5] http://www.foreclosure-response.org/policy_guide/coordinated_response.html?tierid=282#1
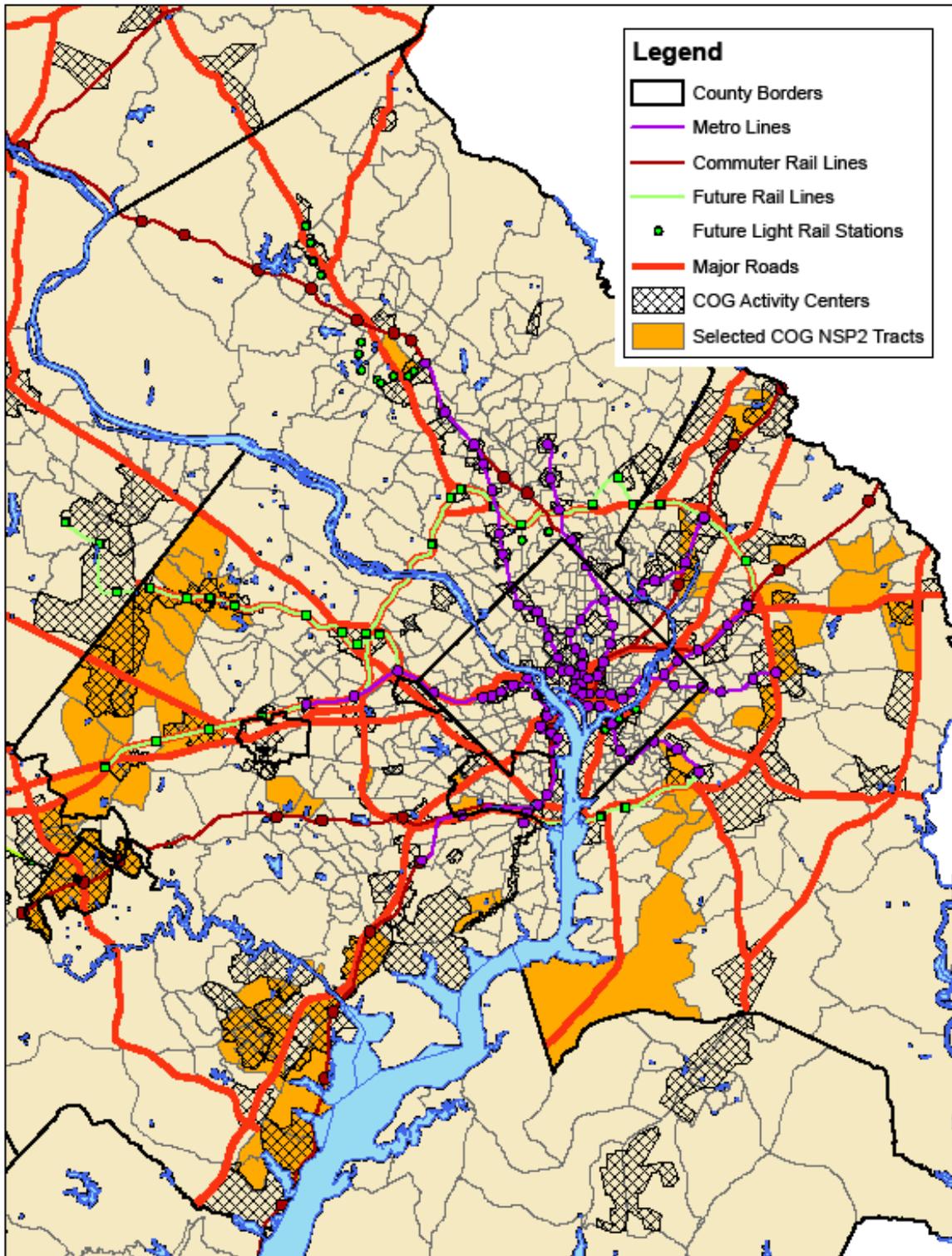
local data intermediary that works to facilitate the use of data in community building and policy-making, especially to improve the quality of distressed neighborhoods. Having obtained commercial data from LPS Analytics on the foreclosure inventory and delinquencies in the Washington region, as well as data from the Metropolitan Regional Information System on home sales, the Urban Institute was able to provide the Consortium with an analysis of how their high

foreclosure risk neighborhoods fit into the strategic framework for a coordinated foreclosure response system (see sidebar) and help them target neighborhoods that had strong or intermediate housing markets. These types of markets were prioritized because the Consortium members intend to pursue two activities primarily if funded: a) acquisition and rehabilitation of foreclosed properties, and b) homebuyer assistance. Additional factors used to target neighborhoods for intervention included distance to public transit and major roads/freeways, proximity to major employment centers, recipient of recent significant public/private investment, and nearness to other neighborhoods with strong housing markets. The Urban Institute will continue to update and monitor these indicators if the Consortium's application is funded by HUD. The map below displays the final tracts selected by Consortium members in orange and displays public transit routes and employment or activity centers (cross-hatched areas).

Notably, the Consortium also took advantage of its regional nature and outlined in the proposal steps to acquire foreclosed properties in bulk for the region, possibly in partnership with the National Community Stabilization Trust, rather than solely in a piecemeal fashion, jurisdiction by jurisdiction. Their NSP2 application also proposes to leverage any NSP2 award by developing a regional loan fund for development groups, including non-profits, to acquire foreclosed properties. A portion of the NSP2 funds would be used as the loan loss reserve for the loan fund.

What indicators were used in the Metropolitan Washington Area Consortium's strategic framework to identify neighborhoods for intervention?

The indicator used to define market strength was the number of homes on the market in March 2009 divided by the number of sales in March 2009, in other words, the number of months needed to clear the excess sales inventory. All ZIP codes in the region were ranked on this indicator and then the third with the highest number of months (0-33rd percentile) were labeled as weak markets, the middle third (33rd-67th percentile) as intermediate markets and the third with the fewest number of months to clear the inventory (67th to 100th percentile) were labeled as the strong markets.

The application defined high actual foreclosure density as those ZIP codes with the highest share of loans currently in foreclosure and ranked in the top third of the region on this indicator. High risk of high foreclosure density was defined as those ZIP codes with the highest share of loans that were severely (90 days or more) delinquent (but not in foreclosure) and ranked in the top third of the region on this indicator. Finally, low risk of high foreclosure density was made up of ZIP codes ranking in the bottom two-thirds for the share of delinquent loans.

Legend

- County Borders
- Metro Lines
- Commuter Rail Lines
- Future Rail Lines
- Future Light Rail Stations
- Major Roads
- COG Activity Centers
- Selected COG NSP2 Tracts

Source: NeighborhoodInfoDC and The Metropolitan Washington Council of Governments   1 inch equals 6 miles