



AN ISSUE BRIEF BY METROPOLITAN HOUSING COALITION



# Neighborhood Stabilization Program Investment In Louisville

**T**HE NEIGHBORHOOD STABILIZATION PROGRAM (NSP), administered by the U.S. Department of Housing and Urban Development (HUD) in conjunction with state and local agencies and nonprofit organizations, is a component of the Community Development Block Grant Program (CDBG) that works to stabilize neighborhoods that have suffered from high rates of foreclosure and abandonment. The first round of NSP funding (NSP-1) was created by Congress as part of the Housing and Economic Recovery Act of 2008 and concludes in 2013. The program is directed at foreclosed and abandoned properties by enabling funded entities to: establish financing mechanisms for redevelopment, purchase and rehabilitate foreclosed and abandoned properties; demolish blighted structures; and redevelop demolished or vacant properties. Louisville Metro is working with River City Housing, New Directions Housing Corporation, REBOUND, Inc., YouthBuild Louisville, and Habitat for Humanity to target neighborhoods that are considered “Areas of Greatest Need” in Jefferson County. These areas include 14 census tracts across five neighborhoods: the Shawnee neighborhood, Park DuValle, Portland, Newburg, Smoketown, and Shelby Park. In total, Louisville Metro received \$6,973,721 to invest in these target areas. As of June 2012, \$4,390,322.35 has been spent.

## NSP Area Characteristics

The estimated foreclosure rates for these census tracts range from 5.7 percent to 11.7 percent, with an average of 9.0 percent, more than twice the estimated rate of 4.2 percent for Jefferson County as a whole. The estimated vacancy rate, based on U.S. Postal Service Data for the second quarter of 2012, is 11 percent, compared to 3.6 percent for the county as a whole. In addition, over half of the mortgages issued between 2004 and

2006 leading up to the housing crash were high-cost mortgages (52.6 percent), compared to 23.3 percent in Jefferson County as a whole (U.S. Department of Housing and Urban Development, 2012). These high-cost mortgages are responsible for a large number of foreclosures and resulting vacancies in Louisville and across the U.S. These characteristics, considered in conjunction with other demographics showing continued housing segregation by income, race/ethnicity, and gender, present a strong case for public investment to help stabilize these neighborhoods.

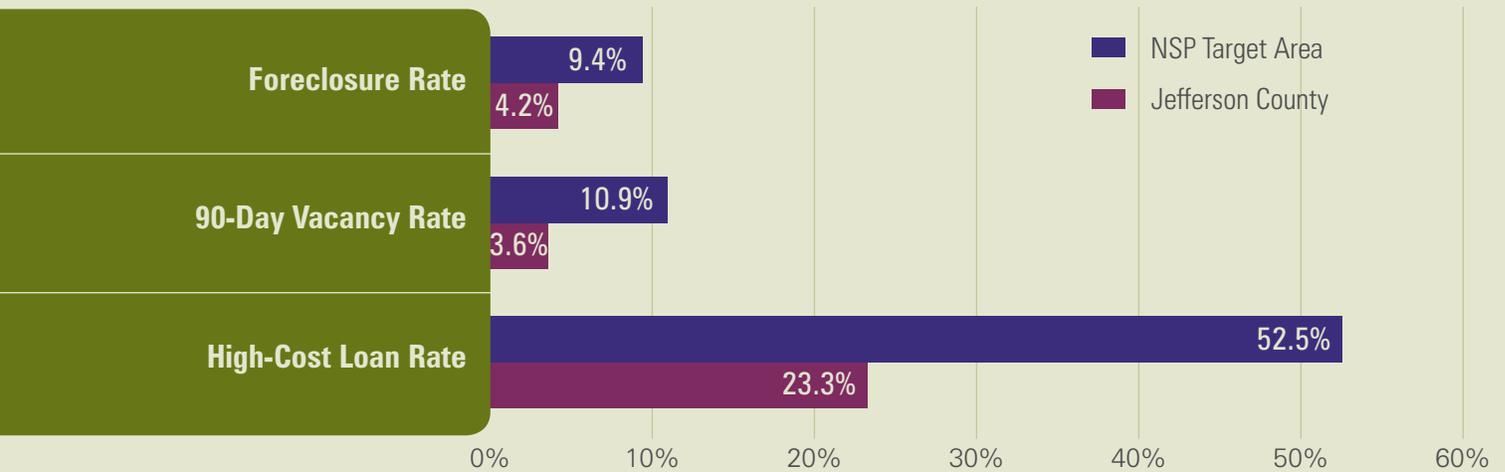
## NSP Funded Developments and Economic Impact

NSP funding allocated to Louisville Metro has thus far developed 17 for-purchase housing units, nine single-family rental units, and two public facilities in the target areas. According to the National Association of Home Builders, the economic impact of the construction of the 17 for-purchase housing units is calculated to produce \$1,530,000 in total government revenue, including \$1,139,000 in federal taxes and \$391,000 in state and local taxes. The construction is also calculated to produce 51 jobs, including 25.5 in the construction industry (National Association of Home Builders, 2012). Proceeds from the sale of NSP funded homes will be reinvested in the NSP target neighborhoods by the partnering non-profits. These investments are important in that research has demonstrated that higher rates of owner-occupied homes in a neighborhood increase neighborhood stability and surrounding property values (Ellen, Schill, Schwartz, and Susin, 2002; Rohe and Stewart, 1996), as well as reduce crime (Glaeser and Sacerdote, 1999). The construction of nine single-family rental units also comes after Louisville Metro has lost over 1,000 public housing units since 2004 – including numerous larger family units.

*The preparation of this report was funded in part by the Louisville/Jefferson County Metro Government through its Neighborhood Stabilization Program (NSP-1) grant.*

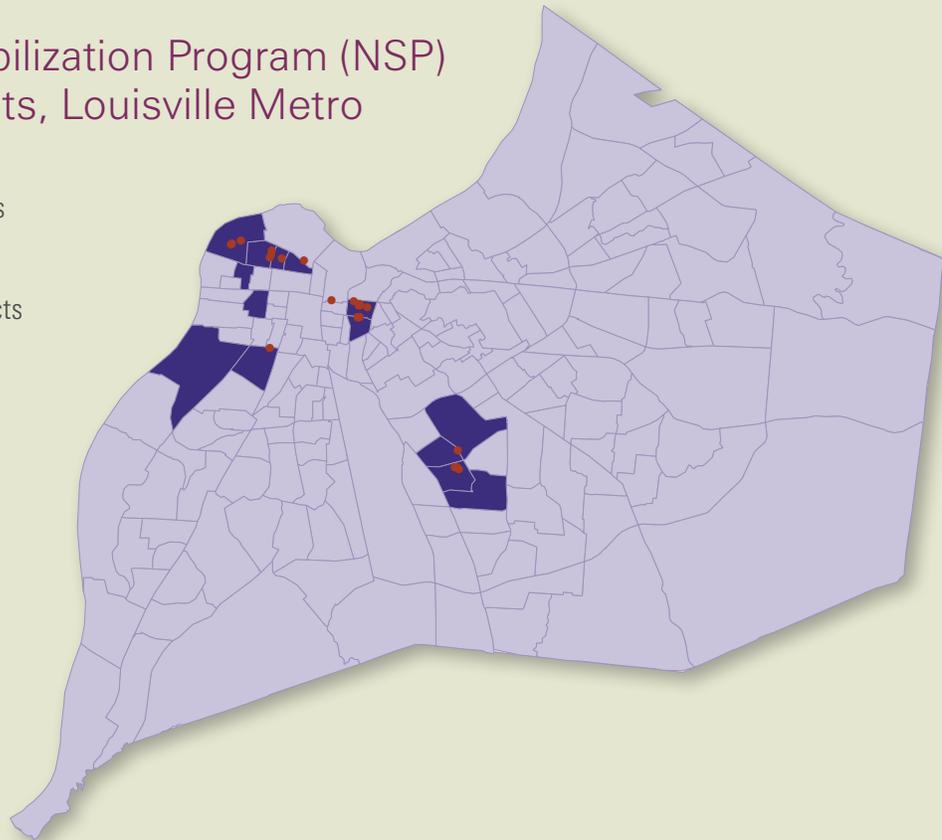


## Characteristics of NSP Target Areas vs. Jefferson County as a Whole



## Neighborhood Stabilization Program (NSP) Target Census Tracts, Louisville Metro

- NSP Funded Developments
- NSP Priority Census Tracts
- Louisville Metro Census Tracts



Two public facilities have been developed for YouthBuild and Habitat for Humanity; NSP funding to these community organizations expands their capacity to provide needed services to the community. The YouthBuild facility, located in the Smoketown neighborhood, provides GED completion courses and training in the construction trade for young adults, amongst other services. With the NSP funding, YouthBuild expects to double the number of persons served in their programs, and plans to begin training in green construction techniques. The facility was constructed using sustainable building practices, and reduces the organization’s use of resources by providing a

more centralized location for operations. The facility for Habitat for Humanity in the Portland neighborhood serves as a centralized headquarters for their operations, reducing their overall financial and time expenditures. This reduction in costs is projected to increase revenues that will be used to construct 300 new family homes by 2019 (Louisville Metro Department of Community Services and Revitalization, 2012). Habitat for Humanity has also engaged Network Center for Community Change (NC3) to complete neighborhood maps for the surrounding area and is planning to develop a neighborhood reinvestment strategy to use both land and existing housing to support its client base.



## East St. Catherine Street Development in the Shelby Park Neighborhood

*NSP funding allowed New Directions Housing Corporation to acquire property and construct five new single-family homes in the Shelby Park Neighborhood. The homes were sold to NSP-eligible low- and moderate-income buyers. Four of these homes are Energy Star Qualified homes, and the fifth has Energy Star appliances. While sustainable construction practices such as these were suggested in the NSP1 and NSP2 grants, NSP3 funds will include a mandate that all newly-constructed and rehabilitated homes be Energy Star Qualified. Energy efficiency makes the homes more environmentally sustainable, as well as financially sustainable for both buyers and renters, since lower utility bills and maintenance make them more affordable long-term (M. Gardner, New Directions Housing Corporation, personal communication, November 14, 2012).*

*“The New Directions-powered residential development along East St. Catherine Street has generated interest in the Shelby Park Neighborhood. Although it was quite an accomplishment to plan, construct, and sell single-family owned homes in a recession, the neighborhood and New Directions learned that Shelby Park could garner the attention of potential home buyers because of its central location in the downtown area.”*

*— Chip Rogalinski, President, Shelby Park Neighborhood Association*



Before NSP funding: Vacant homes on East St. Catherine Street in the Shelby Park Neighborhood.



After NSP funding: Completed homes on East St. Catherine Street built by New Directions Housing Corporation.



In addition to Louisville Metro’s NSP funds, \$3,502,275 in state NSP allocations were also applied in Louisville Metro to aid in areas called Neighborhood Investment Clusters (NICs). The Commonwealth of Kentucky applied funding to two NICs along the western edge of Jefferson County. The program treated 81 properties: the construction of 45 new homes by The Housing Partnership, Inc. (HPI), rehabilitation of seven homes, and the land banking of 29 properties on Boxelder Road by NSP (not the Louisville Metro Landbank Authority). Louisville Metro

Government and HPI plan to make these 29 buildable lots available to other developers with a goal to completely build out the Boxelder Crossing site within five years. In addition, the State of Indiana applied funding to one NIC in New Albany for five properties: the construction of two homes, the rehabilitation of two homes, and the construction of one public facility. The NSP investment appears to have stabilized and improved home values in NIC1 in Jefferson County, compared to other similar areas of the county where no NSP investment occurred (see table).

**Home Price Characteristics for Neighborhood Stabilization Program (NSP) Neighborhood Investment Cluster 1 (NIC 1) vs. Comparable Areas, Louisville Metro, 2006–2011**

	NSP NIC 1	Comparable Area A	Comparable Area B	Comparable Area C
Home Price Appreciation 2006-2008 (pre housing crash)	-26.95%	-24.47%	-21.02%	5.36%
Home Price Appreciation 2006-2008 (after housing crash and NSP investment)	-16.69%	-40.72%	-53.13%	-49.15%
Median Home Sales Price 2008	\$57,562	\$52,000	\$48,000	\$59,000
Median Home Sales Price 2011	\$47,952	\$30,825	\$22,500	\$30,000
Median Home Sales Price Change 2008-2011	-\$9,610	-\$21,175	-\$25,500	-\$29,000
Number of NSP Investments	74	0	0	0

## Acknowledgements

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