

Nia, daughter of NSP Homebuyer



DEKALB COUNTY

NEIGHBORHOOD STABILIZATION PROGRAM

IMPACT ON FAMILIES & COMMUNITIES

ABOUT THIS REPORT

The purpose of this report is to provide a comprehensive overview of the DeKalb County Neighborhood Stabilization Program (NSP). The report includes an analysis of data from the DeKalb County Tax Assessor's Office to measure the impact of home rehab investments made by the County on overall neighborhood values in foreclosure-impacted DeKalb communities. It was commissioned by the Community Development Department to analyze the impact of the NSP 1 & 3 collective investment and to seek guidance on future investment of NSP funds in DeKalb County. The department engaged Atlanta Neighborhood Development Partnership (ANDP) to prepare the report based on ANDP's experience in conducting a similar analysis for Douglas County. ANDP is a 26-year nonprofit organization focused on addressing the foreclosure crisis and recovery throughout the metro area. As a nonprofit developer partner of the NSP program, ANDP has worked with five local metro jurisdictions, including DeKalb County, to repopulate foreclosed homes with families who are income eligible and ready for homeownership.

Allen Mitchell, Director of Community Development and Barry Williams, Manager, NSP with the DeKalb County Community Development Department; Brian Jennings, Deputy Chief, Residential Property Appraisal with the DeKalb County Tax Assessor's Office; Marilyn Robinson, Principal Financial Officer of DeKalb County and Stacy Gear, Director of DeKalb County GIS Department provided extensive information, property data and support for this report. In addition, Bryan Diacetis, a graduate student in the Georgia Institute of Technology Regional and City Planning Department, compiled the data analysis section to quantify the impact of the County's NSP investment in acquiring, rehabbing and selling vacant single-family homes.

Our special thanks to Barry Williams for his leadership role in the coordination of this report from inception to final product. He provided thoughtful input at every stage of the process.

This report is dedicated in memory of David Wu, former DeKalb Planning and Neighborhood Services Manager. David passed in July 2014. His contributions were immeasurable.

TABLE OF CONTENTS

HOUSING CRISIS:

DeKalb Among Hardest Hit in the Country	4
---	---

FEDERAL RESPONSE:

Neighborhood Stabilization Program.....	6
---	---

THE DEKALB COUNTY NSP PROGRAM:

\$28.3 M in Federal Funds to Stabilize Neighborhoods.....	8
---	---

THE IMPACT:

DeKalb NSP At-a-Glance.....	3
-----------------------------	---

Eradicating Blight and Creating Quality Rental Housing For Low-Income Families	12
---	----

Lifting Property Values in Distressed, Underwater Neighborhoods.....	16
--	----

Meet the Impacted Families.....	20
---------------------------------	----

Generating Jobs, Stimulating the Local Economy	25
--	----

OBSERVATIONS & RECOMMENDATIONS:

Future Use of Federal Funding	26
-------------------------------------	----

Staff Reflection.....	27
-----------------------	----

DEKALB NSP IMPACT AT-A-GLANCE

2010 - 2016

OVERVIEW

\$23.7M
TOTAL NSP FUNDS RECEIVED

\$ 28.3M
TOTAL DEKALB EXPENDITURES TO DATE

\$ 8.6M
PROGRAM INCOME GENERATED

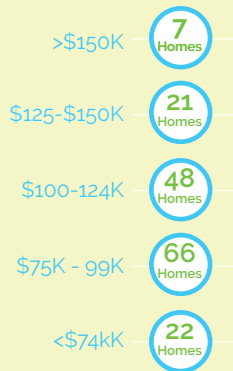
164 HOMES REHABBED/SOLD

168 RENTAL UNITS RESTORED

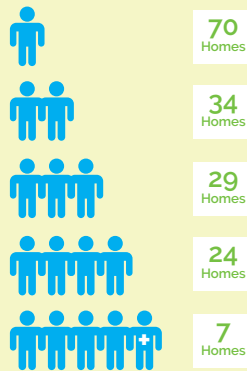
12 ACRES OF BLIGHT REMOVED

BUYER INFO

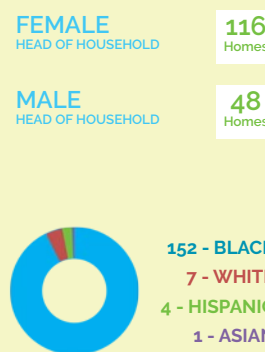
UNIT COUNT BY SALES PRICES



UNIT COUNT BY # IN HOME



UNIT COUNT BY DEMOGRAPHICS



BY THE NUMBERS

AVG FAMILY INCOME
\$39,853

AVG HOME PRICE
\$100,416

AVG # IN HOME
2.17

AVG DPA AMOUNT
\$19,926

ECONOMIC IMPACT

\$7.4M LOCAL INCOME GENERATED

\$625K TAXES/REVENUE GENERATED

114 JOBS CREATED

\$4.9M IN MULTIFAMILY REDEVELOPMENT

\$635K IN BLIGHT REMEDIATION

\$8.9M
IN SINGLE-FAMILY HOME REHAB IMPROVEMENTS



\$141M
INCREASE IN VALUES FOR SURROUNDING PROPERTIES

FOR EVERY \$1 SPENT IN REHABBING SINGLE-FAMILY HOMES IN DISTRESSED NEIGHBORHOODS, VALUES OF NEIGHBORING HOMES WERE LIFTED BY NEARLY \$16.



THE HOUSING CRISIS

DEKALB COUNTY AMONG HARDEST HIT IN METRO ATLANTA



Metro Atlanta's housing crisis started in the region's core urban neighborhoods and spread rapidly to inner and outer-ring suburbs. Fueled by a toxic mix of mortgage fraud, predatory lending, investor speculation and stagnant job growth, foreclosures exploded in late 2007 and 2008. During the peak of the crisis, Georgia consistently ranked in the top five states for overall foreclosure activity. In 2010, metro Atlanta ranked third among metro areas with the highest rate of reported foreclosures, according to RealtyTrac. By January of 2012, metro Atlanta had the highest inventory of government-backed real estate owned (REO) properties in the country.

Metro Atlanta's DeKalb County was particularly devastated by the crisis. In 2008, DeKalb County was second in the state for foreclosures, preceded only by Fulton County. Before being hit hard by foreclosures and abandonment, the county was a large target for mortgage fraud and predatory lending. Nearly 50% of all loans originated in 2006 in the hardest-hit zip codes in DeKalb were high-cost, sub-prime loans, and 45% of these loans targeted households earning less than 50% of the area median income, according to the Home Mortgage Disclosure Act of 2006 (HMDA).

Forty-two percent of foreclosure filings in the 10-county metro area were located in Fulton or DeKalb, according to Equity Depot. A large majority (84.1%) of these foreclosures were in 10 zip codes (30058, 30032, 30034, 30038, 30083, 30087, 30088, 30316, 30294, 30035), including the communities of Stone Mountain, Candler-McAfee, Panthersville, Redan, Lithonia, Gresham Park and Atlanta.

These zip codes, consisting predominantly of single-family detached home neighborhoods, are more than 81% African American with an average household

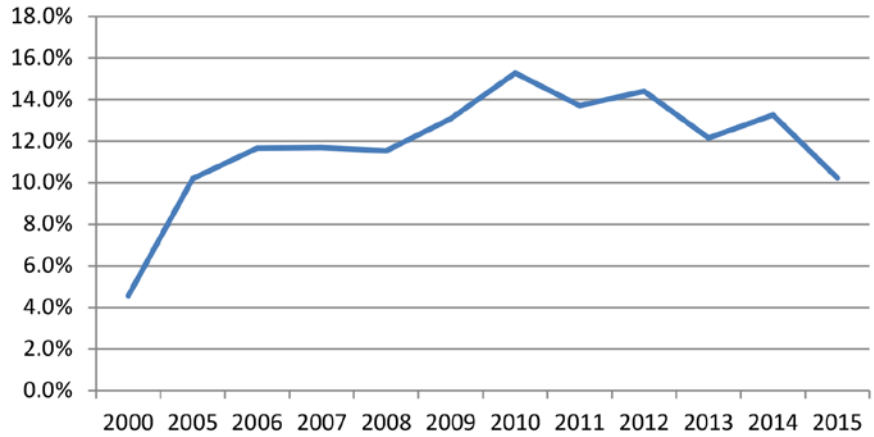
income of \$47,876, below the county average (ACS 2015). From 2001 to 2008, these counties experienced 55,950 foreclosures, and when paired with the next ten most impacted zip codes, these 20 communities accounted for nearly 97% of the advertised foreclosures in the county (U.S. Census).

Suburban communities in South DeKalb were particularly hard-hit. Subdivisions throughout South DeKalb were stalled and many were left partially built, sitting vacant and overgrown for up to seven years in some cases. Non-violent crime in the county peaked in 2008 as vacant and abandoned homes became incubators for illicit activities like drugs and prostitution and posed a threat to neighborhood safety (Georgia Bureau of Investigation). The county's vacancy rate hit a high in 2010 at 15.3 % (U.S.Census).

Metro Atlanta's DeKalb County was particularly devastated by the crisis. In 2008, DeKalb County was second in the state for foreclosures, preceded only by Fulton County.

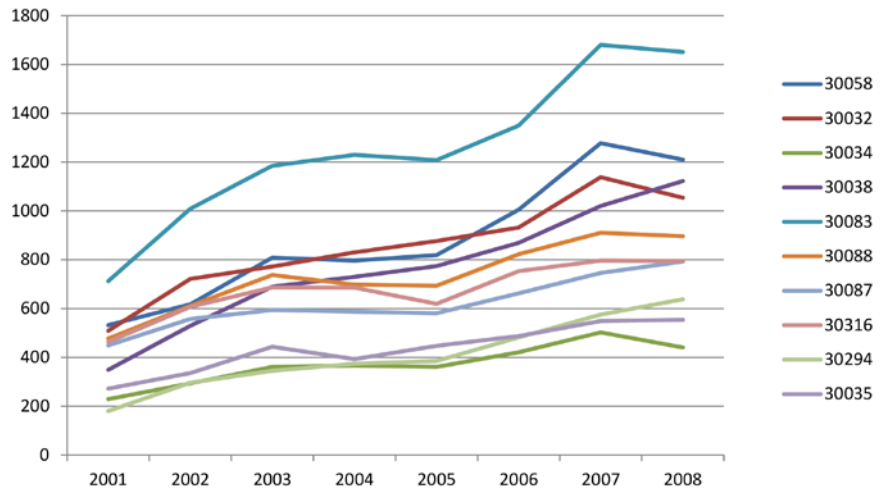
DEKALB VACANCY RATE

(Source: U.S. Census Bureau)



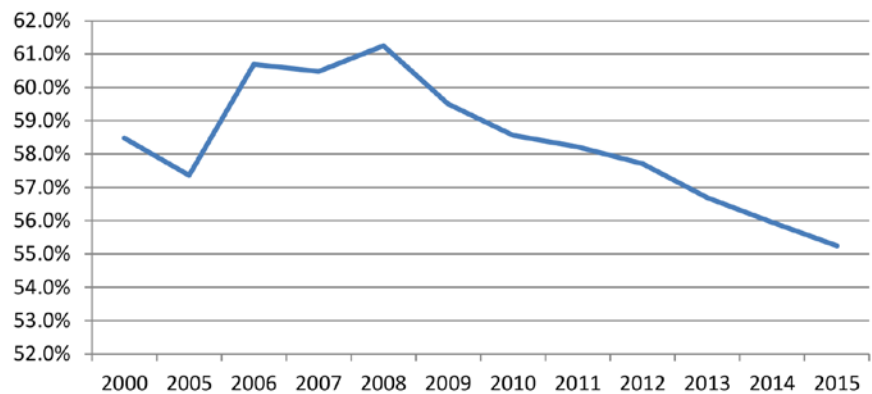
DEKALB FORECLOSURE FILINGS

(Source: U.S. Census Bureau)



DEKALB OWNER OCCUPIED UNITS

(Source: U.S. Census Bureau)





FEDERAL RESPONSE

NEIGHBORHOOD STABILIZATION PROGRAM (NSP)



A foreclosure is not only devastating to an individual family, but it can have a negative spillover effect that completely erodes the health and stability of a neighborhood. Foreclosures lead to blight, vacancies and a dramatic decline in surrounding home values. For most families, their home is their largest asset and source of personal wealth. When home values plummet, family wealth is stripped.

Foreclosures also lead to an increase in personal and property crime, including arson, which puts neighborhoods at risk and strains the resources of local police and code enforcement. In addition, reductions in property tax revenue compromise the ability of local governments to provide critically needed services. In short, foreclosures can trigger a series of events that leads to the collapse of entire neighborhoods.

As foreclosures across the country reached crisis levels, Congress created the Neighborhood Stabilization Program (NSP), which provided targeted emergency assistance through grants to state and local governments to help reduce the number of foreclosed and abandoned properties and restore depressed local housing markets.

The first phase of the program, NSP1, was authorized by the Housing and Economic Recovery Act of 2008 (HERA), which provided \$3.92 billion in funding to

The NSP investments were designed to reduce blight; bolster neighboring home values; create jobs; and produce affordable housing.

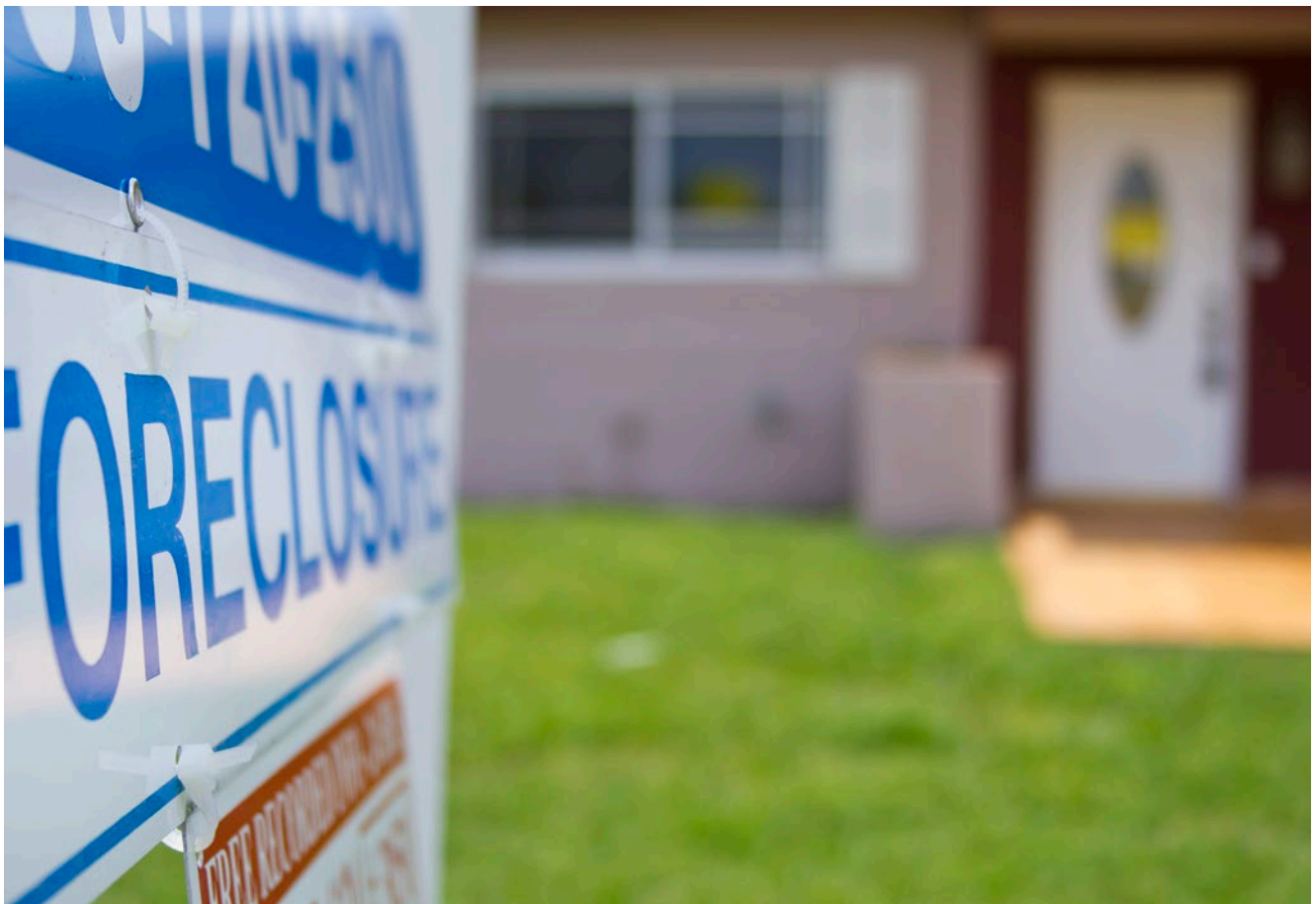
state and local governments on a formula basis that factored percentages of home foreclosures, homes financed by subprime mortgages, and delinquencies. NSP2 was authorized under the American Recovery and Reinvestment Act of 2009 and provided grants to states, local governments, nonprofits and other entities on a competitive basis. The final round, NSP3, was authorized in 2010 under the Dodd-Frank Wall Street Reform and Consumer Protection Act and provided \$1 billion to state and local governments under the same funding formula as NSP1.

In total, between 2008 and 2010, Congress authorized \$6.9 billion in emergency funding to reverse the effects of the housing crisis in areas with high foreclosure activity. The NSP program is administered by the US Department of Housing and Urban Development (HUD) through its existing Community Development Block Grant (CDBG) program.

The NSP investments were designed to reduce blight, bolster neighboring home values, create jobs and produce affordable housing.

Under the program, state and local governments could use their NSP funds to acquire land and foreclosed or abandoned property; to demolish or rehabilitate abandoned properties; to establish land banks; and/or to offer down payment and closing cost assistance to low- to moderate-income homebuyers (up to 120% of Area Median Income (AMI)). The NSP program also required that grantees set-aside a subset of funds to serve lower-income households earning less than 50% of AMI.

Within these guidelines, grantees were given wide latitude to develop their own NSP programs and funding priorities to most effectively meet the unique needs of their communities.



DEKALB COUNTY NSP

\$23.7 MILLION IN FEDERAL FUNDS



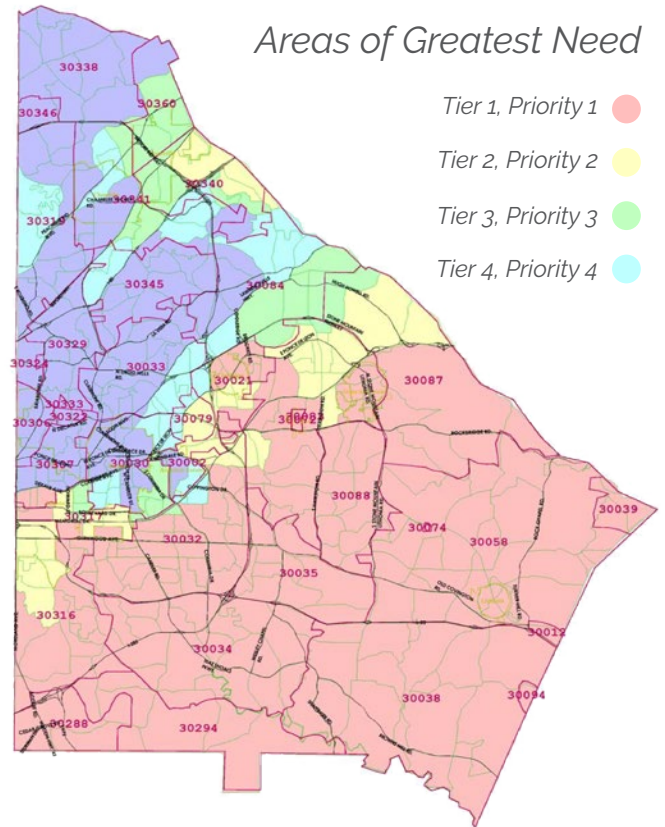
DeKalb County received \$23.7 million in NSP funding - \$18.5 million in NSP1 and \$5.2 million in NSP3. Georgia did not receive funding under NSP2.

Given the extreme severity of DeKalb's housing crisis, the County was tasked with maximizing valuable, but limited, federal resources to stabilize communities in peril. The task was even larger considering that NSP was an unprecedented, "first of its kind" federal program with rapid deadlines mandated by HUD. HUD required that NSP1 funds be used within 18 months of their receipt. For NSP3, grantees had to spend 50% of their funding within two years of receipt and 100% of funding within three years.

With the support of the DeKalb County Board of Commissioners, DeKalb County's Community Development Department (CDD) established a broad network of public and private partners to develop and implement a comprehensive plan to invest NSP funding to stabilize vulnerable neighborhoods, create affordable housing and generate local jobs.

To determine the most effective targeting of NSP funds, the County conducted an exhaustive analysis of data provided by HUD along with data from multiple other sources, including: the DeKalb Tax Commissioner's office; RealtyTrac; and listings of advertised foreclosures in the county by zip code from 2001 to 2008.

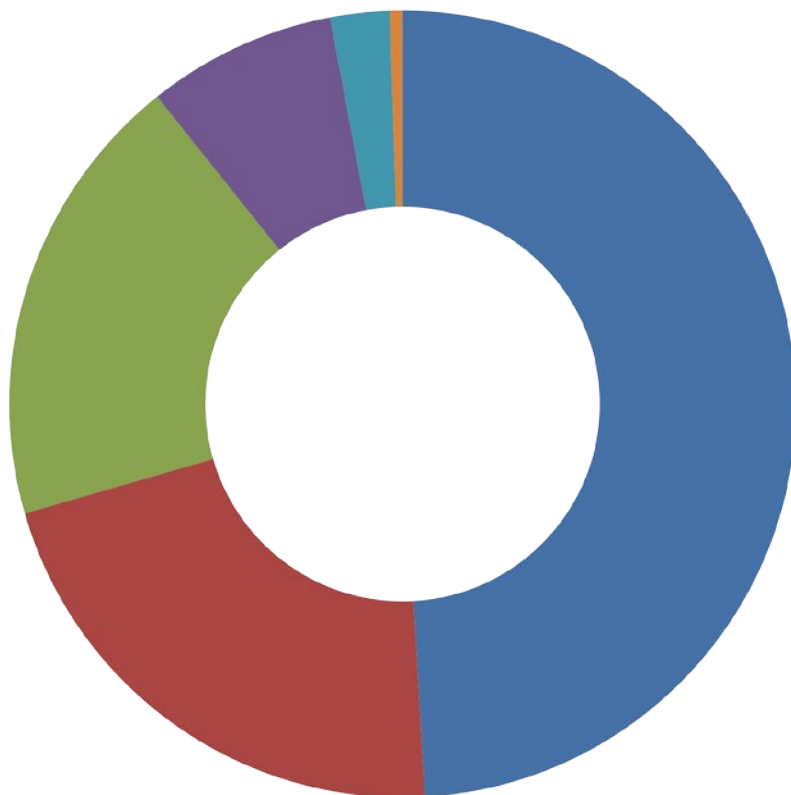
DeKalb CDD identified the top 20 zip codes most impacted by foreclosure as the NSP target area. The top 20 zip codes accounted for nearly 97% of the advertised foreclosures in the county. In fact, more than 84% of foreclosures in DeKalb were concentrated in just 10 zip codes.



Given the extreme severity of DeKalb's housing crisis, the County was tasked with maximizing valuable, but limited, federal resources to stabilize communities in peril.



DISTRIBUTION OF DEKALB NSP 1 FUNDS



49.1% - Purchase, Rehab and Sale of Foreclosed, Single-Family Homes
\$12,805,962

21.4% - Financing for Homebuyers
\$5,583,129

18.8% - NSP Loan for Redevelopment of Multifamily
\$4,890,512

7.8% - Administration of Program
\$2,027,287

2.4% - Demolition of Blighted Multifamily
\$634,591

0.5% - Establishment of Land Bank
\$135,803

DEKALB NSP PROGRAM HIGHLIGHTS

Revitalizing Foreclosed Homes:

The cornerstone of the DeKalb NSP program is an initiative to acquire, rehab and sell vacant, foreclosed properties in the target area. DeKalb CDD selected four nonprofit and private-sector partners to acquire foreclosed homes and fully renovate them to a high quality, “move-in ready” standard. The rehab process included a focus on improving the energy efficiency of the properties to make them more affordable for homeowners to maintain and operate. The goal was to improve the overall quality of the single-family housing stock in distressed neighborhoods while offering affordable homeownership opportunities to low and moderate-income families.

Newly rehabbed homes were offered for sale to income-eligible buyers (with overall household incomes at or below 120% of AMI). Eligible homebuyers had to qualify for a mortgage with an approved lender. The DeKalb NSP program provided buyers with subsidy in the form of a 0% soft-second mortgage loan of up to \$25,000 for down payment assistance, closing costs and/or principal reduction. The second mortgage, which requires no monthly payment, is fully forgiven over a five- or ten-year period, depending upon the amount borrowed, as long as the buyer continues to occupy the home. To ensure sustainable homeownership, DeKalb NSP buyers were required to complete a comprehensive eight-hour homebuyer education course offered by a HUD-approved counseling agency.

Homebuyer Financing:

DeKalb was unique from other metro Atlanta jurisdictions in offering an NSP option that allowed prospective, income-eligible homebuyers to find a foreclosed home in one of six targeted zip codes and get assistance to do the renovations themselves. The DeKalb NSP Second Mortgage Program included a set-aside of funds to help DeKalb police officers and first responders purchase an affordable home in the county as part of the “Officer Next Door” initiative.

Under the DeKalb NSP Second Mortgage Program, eligible buyers, with household incomes at or below 120% of AMI, could receive up to \$25,000 in the form of a 0% soft-second loan, requiring no monthly payment, for principal reduction and minor repairs associated

with the purchase of a foreclosed, single-family home in one of six targeted zip codes. The second mortgage, which is fully forgiven over a five- or ten-year period, is paid back to DeKalb County if the homebuyer sells the home, refinances or no longer occupies the property as a primary residence, during the affordability period. Homebuyer education was required and twenty-seven families achieved homeownership under the DeKalb NSP Second Mortgage program.

Creation of DeKalb Land Bank:

After consultation with national experts from the Center for Community Progress, DeKalb County invested \$135,000 in NSP funds to establish a land bank. While initially restricted to NSP-related activities, the land bank has authority to assemble and/or demolish vacant, abandoned and derelict property, including tax delinquent properties. The overall goal of the land bank is to promote economic growth in DeKalb by returning non-revenue generating, non-tax producing properties to productive use.

Holistic Pilot in East Lake Terrace:

The DeKalb CDD recognizes that there are many factors that impact the health of communities and active neighborhood engagement is essential to achieving long-term neighborhood stabilization. The DeKalb CDD worked with other county departments and public and private sector partners on a pilot project in the East Lake Terrace neighborhood in Decatur. While East Lake Terrace benefited from a high level of resident engagement in the community, it suffered from some of the highest foreclosure rates in the county.

“The DeKalb CDD always believed that East Lake Terrace had great potential but simply needed some help,” said DeKalb NSP Program Manager Barry Williams. “We were confident that reinvestment efforts in this community would yield great results,” he added. Williams offered a specific example, noting that the county acquired a foreclosed property in East Lake Terrace for \$23,750 in 2010. After extensive rehab, the home was sold to an NSP eligible buyer for \$92,000. The same property was resold in 2017 for \$199,900. “This dramatic increase in property values has had a profound impact on the neighborhood and significantly advanced stabilization efforts. Vision is everything,” Williams said.

DeKalb Foreclosure Registry:

To protect neighborhoods from blight, DeKalb County established a Foreclosure Registry in 2011. In DeKalb, creditors or mortgagees who foreclose on a property are required by law to register the property with DeKalb County and pay a fee of \$100 as well as designate a local property agent. Failure to comply with the law results in fines of up to \$1,000 per violation. DeKalb's Foreclosure Registry was recognized as a best practice in the region.

NSP3 Focus on Hidden Hills Neighborhood:

Under the NSP3 program, HUD required grantees to target NSP activities even more narrowly in a single neighborhood impacted by foreclosures. HUD also required that the neighborhood have the benefit of a strong resident association already working to improve the community. DeKalb CDD partnered with Dr. Michael Rich of Emory University's Office of University and Community Partnerships to conduct a local market analysis. The analysis identified Hidden Hills, a once thriving neighborhood of 1,650 homes in unincorporated Stone Mountain, as the ideal focus for NSP3 funds. The County's development partners - ANDP, REAL, and the DeKalb Housing Authority - purchased, fully renovated and sold 42 vacant homes in Hidden Hills. In addition, 17 of the homes were set-aside for home buyers with household incomes at or below 50% of AMI.

Eradicating Blight and Creating Quality Rental Housing:

DeKalb's NSP program included the demolition of two blighted and deteriorating apartment developments. One property was repurposed as a seven-acre park with attractive community features. The other demolished property was converted into a pocket park.

To create quality, affordable rental housing in the City of Clarkston, a community with a high percentage of rent-burdened families, DeKalb worked with Cortland Partners to invest NSP funds in the transformation of a formerly foreclosed and partially vacant deteriorating apartment complex into a 168-unit, fully rehabbed rental community.

I spent a lot of time looking. The challenge was finding the right home at the right price that needs the least amount of renovation. I'm very happy with this home and this neighborhood. It's peaceful. It's beautiful and I have great neighbors!

**Officer Hooker,
DeKalb NSP Participant,
with her son.**



IMPACT

ERADICATING BLIGHT AND CREATING QUALITY RENTAL HOUSING FOR LOW-INCOME FAMILIES



Vacant and abandoned apartment complexes are not only visible eyesores in a community, they are a breeding ground for crime. Decaying properties drain valuable municipal resources and create a hazard for surrounding neighborhoods. Removing the blight and restoring the properties to productive reuse is critical to protecting the safety and property values of the neighboring community.

DeKalb County allocated \$630,000 in NSP1 funding to demolish two deteriorating multifamily apartment developments that had become obsolete and unsafe. Located on the eastern edge of I-285, the vacant Brookside Apartment complex was a dumping ground for trash and tires. Demolition of the apartments made room for the new Brookside Park, dedicated in May of 2016. Today, the seven-acre park includes a playground, walking trails and a community garden. NSP funding also supported the demolition of Delano Place Apartments, a 50-unit abandoned structure in Decatur that had become occupied by squatters. The land was greened and developed into a pocket park.

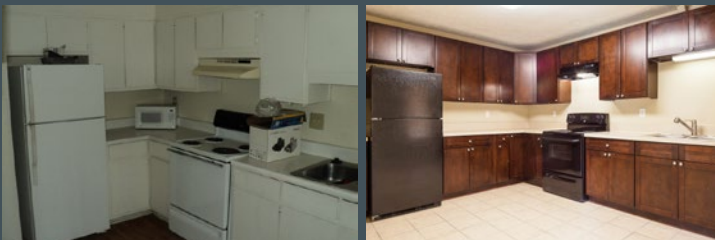
Through its research partner Emory University, DeKalb County identified specific communities with high numbers of severely cost-burdened renters, or households with housing expenses that exceed 50% of their monthly income. DeKalb's goal was to target NSP investments in rental housing to the areas of greatest need. Spearheaded by Melvia Richards, DeKalb's Housing Program Manager, the County provided a \$4.8 million NSP1 loan to Cortland Partners, a private developer partner, to acquire and rehab affordable housing in the City of Clarkston.

Cortland acquired the Cedar Pines Apartments at foreclosure. Cedar Pines was a downtrodden 168-unit complex that was only partially occupied and scarred by fire and water damage. With NSP funding from DeKalb and a construction loan from State Bank and Trust Company, Cortland completely transformed the property with exterior renovations, new cabinets, appliances, floors and finishes. The clubhouse was renovated and expanded, the pool was redone and a playground was added. Total development costs for the project were \$9.7 million.

Renamed Avalon on Montreal, the newly revitalized community includes large two, three- and four-bedroom units that are ideally suited for families. Eighty-six of the units are reserved for families with household incomes at or below 50% of AMI, fulfilling NSP requirements that 25% of NSP1 funds be dedicated to housing for low-income residents.

DEKALB'S MULTIFAMILY NSP STRATEGY

BLIGHTED CEDAR PINES REBORN AS AVALON, BROOKSIDE BECOMES A PARK



AVALON: Approximately \$4.8 million of NSP funds were utilized to help redevelop 168 affordable rental units.

BROOKSIDE: Seven acres of blighted Brookside Apartments were converted to a community park.



ALFIYA and her husband moved into Avalon on Montreal in June of 2011 when she was pregnant with her daughter. “She’s an Avalon baby!” she laughs. Now that baby is five-years-old and a pre-kindergarten student at the local elementary school.

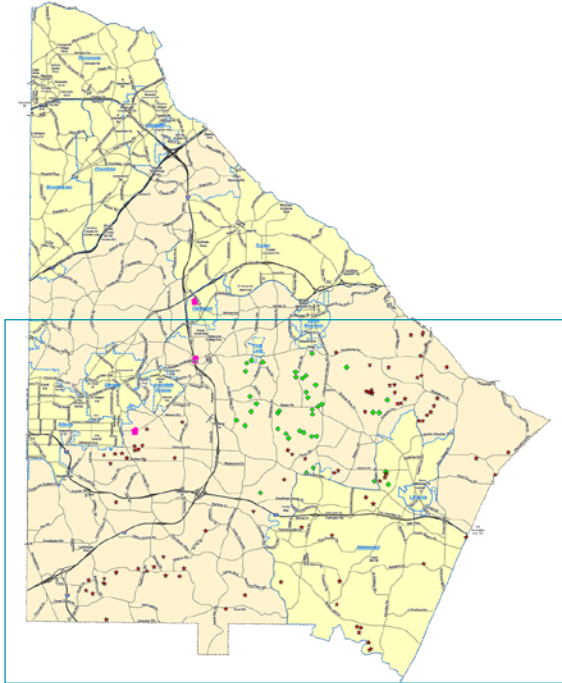
Alifya loves her spacious three-bedroom apartment at Avalon. She values the safety and security of the community along with its convenient location, proximity to shopping and plentiful parking. She appreciates the diversity of Avalon and knows neighbors from Mexico, Sudan, Somalia, Ethiopia and Columbia, among other countries. Her daughter learned to swim last summer at the Avalon pool and she enjoys playing at the community playground with her friends. For Alifya and her family, Avalon has been a wonderful and happy place to call home.

She’s an Avalon baby!

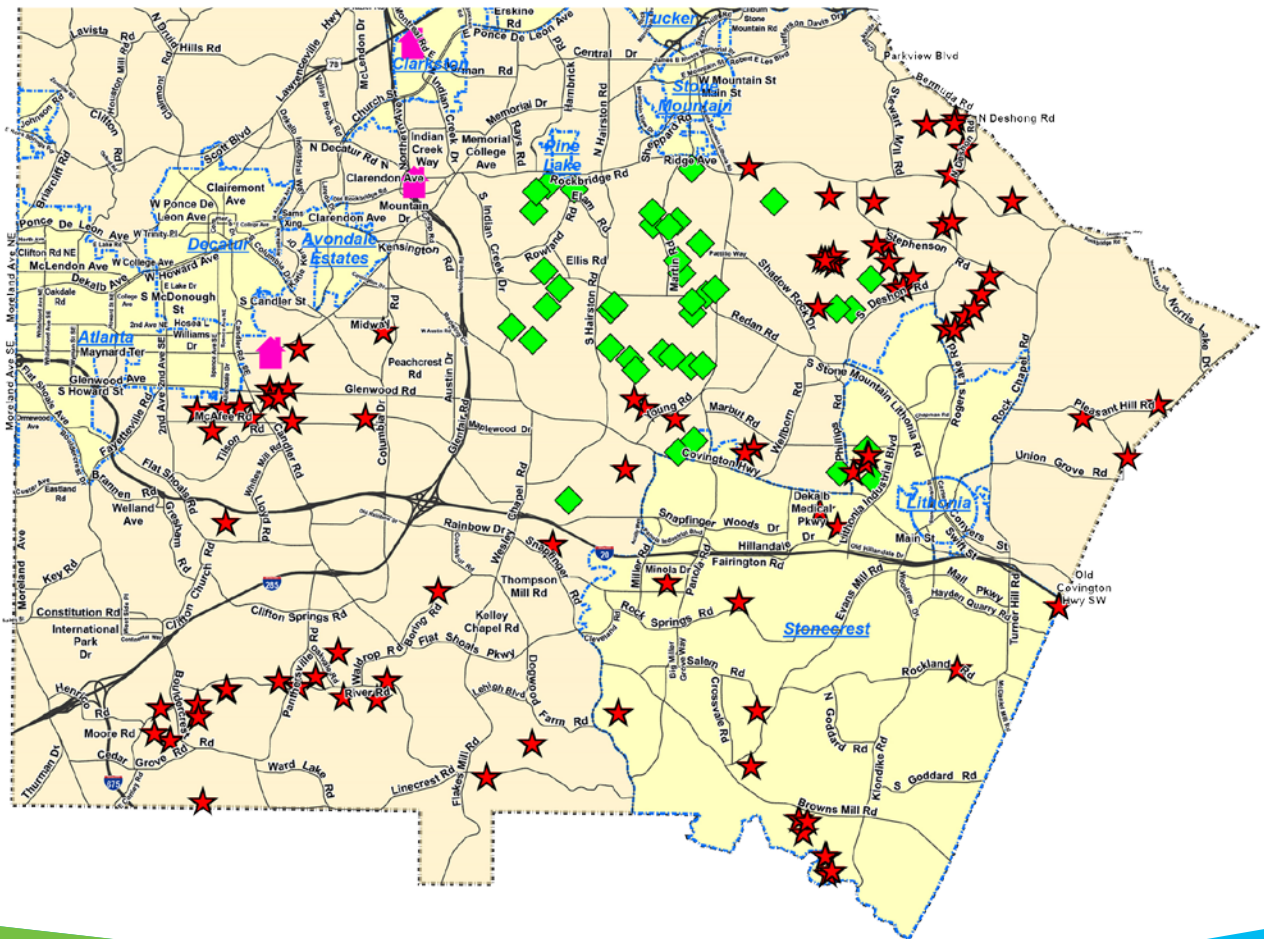
*Proud Mother Alfiya, Avalon Resident,
pictured with her daughter.*

DEKALB NSP PROPERTY

NSP 1 & NSP 3 SINGLE FAMILY AND MULTIFAMILY PROPERTIES



- Legend**
- ★ NSP 1 Property
 - ◆ NSP 3 Property
 - ▲ Multi-Family Property
 - Interstate / Freeway; Ramp
 - Collector; Major / Minor Arterial; Minor Arterial
 - Municipal Boundary
 - Unincorporated DeKalb
 - County Boundary



THE IMPACT

LIFTING PROPERTY VALUES IN DISTRESSED, UNDERWATER NEIGHBORHOODS

According to this analysis, DeKalb County's investment of \$8.9 million in home rehab improvements resulted in a \$141 million increase in values for surrounding properties, a multiplying increase of more than 15 to 1.

NSP sales have a direct impact on the lives of individual low- and moderate-income families who purchase quality, affordable homes under the program. But how does the NSP impact extend beyond individual home buyers to lift overall home values and stimulate recovery in communities like DeKalb? How did DeKalb effectively leverage this limited federal resource to make a difference in hard-hit local neighborhoods?

An analysis of the Douglas County NSP program - conducted in 2015 by ANDP, Georgia Tech's Epic Intentions, and the Douglas County Tax Assessor's Office - showed that \$2.3 million in NSP rehab investment in 53 homes over four years lifted values by \$14.6 million in 30 high-foreclosure Douglas neighborhoods. ANDP worked with Georgia Tech Regional and City Planning graduate student Bryan Diacetis to apply the methodology used for the Douglas analysis to assess the impact of NSP on surrounding home values in DeKalb County.

From 2010 to 2016, DeKalb County and its partners acquired, fully renovated and resold 137 scattered-site single-family homes to owner-occupant families across 47 DeKalb neighborhoods damaged by the foreclosure crisis. DeKalb's NSP investment of \$8.9 million in rehabilitation costs for foreclosed, vacant homes led to a total increase in value of \$141 million across all homes in the targeted neighborhoods, a multiplying increase of more than 15 to one. (Note: \$8.9 million in rehabilitation costs does not include \$5.5 million invested in homebuyer financing.)

Table 1

Year	N ^h oods w/NSP Sales	Qualified Home Sales in N ^h oods	Total NSP Home Sales	Avg Sales Price of All Qualified Sales	Avg Sales Price of Non-NSP Sales	Avg Sales Price of NSP Sales	Avg Differential: NSP vs Other	NSP Market Share	Avg Price Increase Per Household	Avg % Increase Per Home	# of Homes in NSP Sales N ^h oods	Projected Value Increase Across All NSP N ^h ood Homes	NSP RehabCost	NSP Leveraging Ratio
2010	15	475	29	\$93,157	\$92,336	\$107,466	\$15,130	6.11%	\$924	1.00%	21,364	\$19,734,704	\$1,383,072	14.27
2011	20	229	29	\$73,038	\$67,719	\$111,888	\$44,169	12.66%	\$5,593	8.26%	23,251	\$130,053,137	\$1,607,932	80.88
2012	9	125	17	\$63,314	\$59,894	\$85,041	\$25,148	13.60%	\$3,420	5.71%	9,978	\$34,125,560	\$841,038	40.58
2013	22	219	30	\$68,541	\$64,940	\$91,231	\$26,291	13.70%	\$3,602	5.55%	27,650	\$99,581,604	\$2,378,082	41.87
2014	5	50	10	\$100,508	\$94,540	\$124,380	\$29,840	20.00%	\$5,968	6.31%	6,926	\$41,334,576	\$772,150	53.53
2015	6	53	9	\$70,433	\$67,033	\$87,056	\$20,023	16.98%	\$3,400	5.07%	11,456	\$38,951,844	\$785,002	49.62
2016	6	62	13	\$78,160	\$75,222	\$89,231	\$14,008	20.97%	\$2,937	3.90%	6,982	\$20,507,729	\$1,148,067	16.86
Final	47	1,213	137	\$80,383	\$77,960	\$100,228	\$22,268	11.29%	\$2,515	3.23%	56,368	\$141,766,000	\$8,915,342	15.90

Underwater DeKalb

The economic recession beginning in 2007 caused a collapse in the US housing market. In metro Atlanta, the foreclosure crisis initiated in the region’s urban core neighborhoods, but it spread quickly and at large scale to infect inner and outer-ring counties. DeKalb County was particularly hard-hit by the housing crisis, ranking second only to Fulton County as the most foreclosure devastated area in the state.

Since the peak of the crisis in 2011, some high-performing metro neighborhoods have rebounded. But, many communities – particularly areas located near or south of I-20 --- continue to struggle. In 2013, 35 percent of metro Atlanta homes were underwater (homeowners owing more on their mortgage than their homes are worth), the highest rate nationwide. Seven of the nation’s top 20 underwater zip codes were located in DeKalb County. Three DeKalb zip codes ranked among the top 10 most impacted areas in the country (Haas Institute 2014).

Unable to participate in the recovery happening elsewhere, underwater homeowners are forced to hold on to their properties until prices stabilize. Negative equity erodes wealth and neighborhood stability. And, given that home equity accounts for 92 percent of the net worth for the typical African American household, the problem is particularly acute in minority neighborhoods (Center for Global Policy Solutions 2014).

Homeowners with high loan-to-value (LTV) ratios are seven times more likely to go into foreclosure, leading to a vicious cycle of neighborhood disinvestment. Underwater homeowners spend dramatically less on home maintenance, resulting in neighborhood decline, and often don’t pay property taxes, negatively impacting local governments, services and schools.

According to RealtyTrac, the median sales price of a foreclosed home is 65 percent lower than a non-distressed

home sale in metro Atlanta, representing a significant loss in value. In impacted neighborhoods, most sales are for vacant, deteriorating foreclosures or short sales where the home has not been properly maintained. Rehab improvements by institutional investors are not included as market comparable sales by private appraisers unless the home is later sold in an open market and not included in a bulk sale. Values plummeted 30 to 60 percent in foreclosure-impacted neighborhoods. These neighborhoods had very few sales of quality, non-distressed, rehabbed or new construction homes to spark new market sales activity and lift overall home values back to pre-Recession levels.

Targeting recovery in areas like DeKalb, where large segments of the county were impacted, presents a unique set of challenges. DeKalb appropriately focused on recovery at the neighborhood level and at the systemic level. The results of this comparative study show NSP’s impact in lifting values across the large portion of DeKalb significantly impacted by the foreclosure crisis and residual underwater crisis. In addition, the study showed positive results when NSP3 funds were concentrated in a highly impacted neighborhood.

Neighborhood Stabilization Program

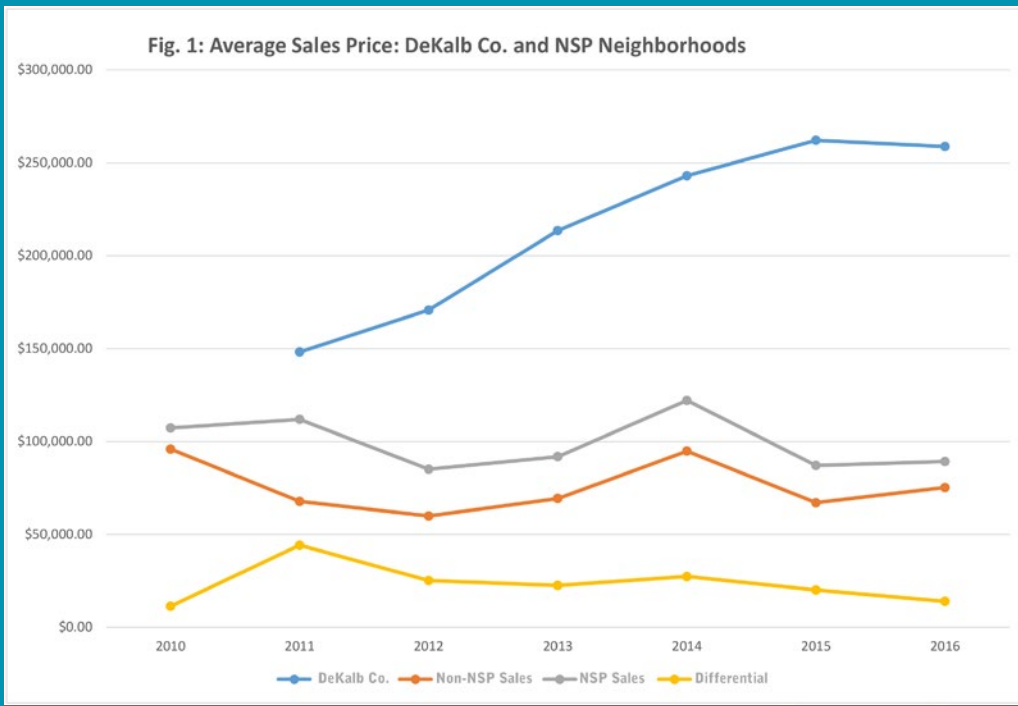
The Neighborhood Stabilization Program (NSP), initially funded by the federal Housing and Economic Recovery Act, was designed to support local efforts to reverse the effects of the foreclosure crisis. DeKalb County received a total of \$23.7 million in NSP funding through phases one and three.

Between 2010 and 2016, DeKalb County and its partners invested \$18.8 million of NSP funding to acquire and rehabilitate 137 single-family residential properties across 47 neighborhoods hit hardest by the housing crisis. These completely renovated properties were resold to low- and moderate-income families earning up to 120% of AMI. A limited number of homes were targeted to families earning 50% or less of AMI.

DeKalb Co. Bank Sales in NSP Neighborhoods

	2011	2012	2013	2014	2015	2016
Bank Sales:	119	41	19	11	5	2
Total Sales:	199	107	150	46	43	48
% Bank Sales:	59.80%	38.32%	12.67%	23.91%	11.63%	4.17%

This table illustrates the high percentage of foreclosure (or bank) sales at the peak of the crisis in 2011 and the gradual decline in these sales, as a percentage of the overall market, from 2012 to 2016.



Home values in North DeKalb, Decatur and other submarkets are significantly higher than NSP neighborhoods. Though sales values in NSP neighborhoods remain below DeKalb County averages, the overall effect of NSP rehabilitation and sales activity is positive. Non-NSP qualified sales in NSP neighborhoods saw an increase of 11% from 2011 to 2016.

Figure 1 shows that DeKalb County’s average sales price far outpaced sales values in NSP neighborhoods as the county-wide housing market improved. All sales values

increased as the market improved from 2012 to 2014.

However, Figure 1 also shows a marked decline in 2015. This is explained by the County’s shift, under NSP3 funding, to more tightly focus NSP activity in the Hidden Hills neighborhood, one of the hardest hit communities in the county. This concentrated effort was also successful in lifting non-NSP sales prices in the Hidden Hills neighborhood.

On the whole, markets within NSP neighborhoods have strengthened. NSP sales values remained above non-NSP sales, with an average differential of \$22,268. We can, nonetheless, begin to see a convergence of sales values between 2014 and 2016. The average differential between NSP and non-NSP home sales steadily declined over the five-year period as average non-NSP sales prices rose to \$75,522 and NSP sales averaged \$89,231. This suggests values were progressively lifted in neighborhoods with NSP activity.

METHODOLOGY

The methodology used in this report was initially developed by ANDP and Epic Intentions, a Georgia Tech undergraduate, volunteer consulting group, in conjunction with the Douglas County Tax Assessor to analyze NSP activities in Douglas County. The methodology builds off of standard public and private appraisal practices and uses qualified sales prices as a proxy for average market value in targeted neighborhoods.

Generally, acquiring foreclosed vacant property does not increase market values. However, site improvements including demolition and home rehabilitation do improve values. These investments are best leveraged to increase neighborhood values when the improved home is sold to create a new high quality value comparable sale.

DeKalb’s investment of \$8.9 million in single-family rehab improvement costs was significantly leveraged to increase values in foreclosure-impacted neighborhoods by \$141 million. The utilized methodology analyzes results for seven distinct annual periods. It does not capture accumulating year-over-year gains due to DeKalb’s NSP investment and thus may be a conservative measure of the actual impacts.

DeKalb Home Values

Local government tax assessors and private appraisal companies rely on qualified homes sales, over a 12-month period in a targeted nearby geography to establish values for all neighborhood homes. When sales are disproportionately distressed homes, overall values lag. When quality, maintained, rehabbed or new construction homes are sold, values rise. At the start of the foreclosure crisis, the vast majority of home sales were distressed properties. DeKalb NSP homes, however, were fully renovated, move-in ready and sold at a premium when compared to the residential market as a whole.

Two main data sources are used in this analysis. The first, provided by DeKalb County Department of Community Development, are detailed reports of NSP 1 and NSP 3 properties. These spreadsheets included property addresses; a breakdown of NSP expenditures per property; the acquisition and sales price; rehabilitation and related development and soft costs and the before and after full market value of each property. It also includes basic demographic data for NSP homebuyers.

The second data set was provided by the DeKalb County Tax Assessor's Office. It includes sales ratio reports of qualified home sales from 2010-2016. These reports include property addresses, sales price, neighborhood IDs and other data. The Tax Assessor's online database was also consulted on a limited basis to cross-check data. Due to a change in software used by DeKalb County, the 2010 sales ratio data was only available in PDF format. The researcher pulled necessary data for analysis, but it was not practical to collect all of the data to do a more complete analysis of the 2010 market.

The neighborhood IDs used in this report are the official neighborhood designations used by the DeKalb County Tax Assessor. In standard appraisal practice, properties are compared to similar properties (comps) up to a mile from the study property. This methodology uses official neighborhood designations as a proxy for the market appraisal method. It should be noted, however, that there is variation in neighborhood size and average values, but in most cases, this is negligible. Furthermore, most of the 47 neighborhoods did not see NSP rehabilitation activity every year or in consecutive years. Therefore, comparing results across years should be done carefully.

The NSP properties were cross-referenced with the sales ratio reports to obtain their neighborhood ID. The neighborhood ID was, in turn, used to match NSP properties with all other qualified sales in their respective neighborhoods, which were then culled from the larger sales ratio reports. The NSP properties and non-NSP properties were isolated by year and then compared, as can be seen in Table 1. Another data set, provided by the Tax Assessor, was used to subtract vacant parcels from each neighborhood to give us the “# of Homes in NSP Sales Neighborhoods.”

This methodology uses annual averages to project a market lift across all homes in NSP neighborhoods. It does this by finding the differential between NSP and non-NSP sales prices. The differential is used to estimate a market value increase by multiplying it by NSP's market share. That value increase is then applied to all homes

in the neighborhoods that saw NSP activity in that year. A leverage ratio was also calculated to demonstrate the per dollar impact of NSP rehabilitation activity. The DeKalb leverage ratios are substantially higher than those calculated for Douglas. This is to be expected as DeKalb's NSP neighborhoods were more heavily impacted by the foreclosure crisis. DeKalb's hard-hit foreclosure neighborhoods had far fewer sales per 1,000 homes and a higher percentage of homes were distressed sales. DeKalb's housing stock is also older.

Finally, the “Final” row in Table 1 is a mix of weighted averages and sums and appropriate calculations based on those figures. For instance, average sales prices are weighted averages and the differential (\$22,268) is calculated directly from those numbers, as opposed to an average of annual differentials.

It should be noted that this methodology does not give a fine-grained analysis of the impact individual NSP properties have had in their neighborhoods—it works off of averages, and so is meant to give a broad picture of NSP impact. Moreover, it does not account for larger market forces. More detailed and complex methodologies exist if stakeholders wish to pursue a more rigorous analysis of DeKalb County's NSP program. On the whole, however, the methodology succeeds in demonstrating NSP's impact.

DeKalb may want to separately consider the positive impact of the NSP program in generating local government revenue for critical school, county and municipal services. Tax estimate calculations are impacted by changes in homestead exemption rates, foreclosure value declines and NSP impacts in lifting home values. Given a millage rate of 44 mills, each \$100,000 of increased value could provide up to \$1,760 in combined tax revenue. According to our estimates based on millage rate, the program could have added up to \$1.4 million in tax revenues (not including homestead exemptions) over the study period.

MEET THE FAMILIES

IMPACTED BY DEKALB NSP

“I have three college degrees but I knew nothing about being a homeowner. The homebuyer education class taught me very important life lessons. There is no way I could have purchased this home without NSP.” -Autumn, Teacher, DeKalb NSP Participant

WHEN Autumn began looking for her first home, she was focused on condos. As a single person, she thought a condo would be the best choice for her lifestyle, but her mortgage broker urged her to reconsider. The broker had just become aware of the DeKalb NSP program and thought that Autumn should also explore single-family homes. When Autumn’s real estate agent showed her a house in Stone Mountain, she knew instantly that it was right. She loved the neighborhood and the roomy home offered space for her recently widowed mother and her grandmother to visit. “This house grounded me,” says Autumn. Within a year of purchase, she met her husband Wayne. Fast forward several years, and Autumn and Wayne are the proud parents of a two-year old girl with a second baby on the way. Autumn is a middle-school robotics teacher and Wayne is a school bus driver so their summers are free for home projects. They recently fenced in the backyard and installed a playset for their toddler. Autumn remains grateful for the homeownership education course she took as a requirement of the NSP program. “I have three college degrees but I knew nothing about being a homeowner,” she says. “The class taught me very important life lessons. There is no way I could have purchased this home without NSP,” she added.



*Pictured Right:
Nia, daughter of NSP Homebuyer*



It was perfect for me!

”

Gregory, Logistics Worker, DeKalb NSP Participant

OVER a one year period beginning in November 2015, Gregory lived at three different addresses. Exhausted from moving and ready to put down roots, Gregory was encouraged by friends at his church to contact a mortgage loan officer and begin searching for a home of his own. The loan officer told him about the Neighborhood Stabilization Program. Gregory found a three-bedroom, two-bath home in a peaceful Stone Mountain neighborhood. “It was perfect for me,” he said. A self-professed workaholic, Gregory appreciates that his new home offers a quiet and comfortable place for him to study. While working full-time at a warehouse, he is also pursuing his associates degree in operations management.

He is only four courses shy of graduation. His ultimate goal is to complete his MBA. With a home purchase price of \$65,000, Gregory’s monthly mortgage payment is \$503. Previously, he had rented a bedroom for \$400 per month in a home shared by three people. Now, he pays only \$100 per month more for a home of his own and an opportunity to build wealth for his future. With Gregory’s strong work ethic and dedicated personality, his future is looking very bright.



*Tiffany, Hospitality Worker,
DeKalb NSP Participant*

Tiffany loves the quiet, family-friendly neighborhood and the park nearby where her son can play.

TIFFANY had just had a baby boy when she began looking for a home of her own. She had flipped houses with her father for a while, and was currently living with a relative and ready for her own place to raise her son. Knowing she would not have time to make repairs and improvements, Tiffany was determined to find a home that was in top condition. Unfortunately, the first few homes she saw were anything but move-in ready so she was thrilled when her real-estate agent introduced her to the NSP program and the opportunity to purchase a newly renovated home. Walking into her Stone Mountain house, she saw a solid structure and a high-quality finish that she could easily make her own. The mission-driven nature of the NSP

program is what she valued most, as she encountered a water-line issue when she first moved in and appreciated the time and care the program took to rectify that issue at no cost to her. Soon after, Tiffany was fully moved in and adding her unique flair to all parts of the home. Her son now has his very own room as well as a spare room that Tiffany has turned into his at-home classroom. Tiffany loves the quiet family-friendly neighborhood and the park nearby where her son can play. She moved in almost a year ago and has truly turned her house into a home.

MARCELLA was tired of renting. He was tired of paying \$1,500 per month for a mold-infested house with electrical problems and a leaky roof. After a lifetime of renting, he wanted more for his family. Marcella grew up in public housing in Atlanta, but he hoped to raise his five children, ages 3 to 13, in a home of their own. The dream seemed unattainable. “Never in my lifetime did I believe that I would be able to afford a house,” said Marcella. But, he and his wife were determined. They reached out to a loan officer and Marcella was thrilled to learn that he was pre-approved for a mortgage loan on his income as a flooring installation contractor. He also learned that he was eligible for the Neighborhood Stabilization Program. The family immediately started looking at homes. Before he even set foot in the house he owns today, Marcella knew it was right. “Kids,” he said, gazing from the car at the house and big fenced-in yard. “I think this is going to be your new home.” After the frustrations of living in a poor quality rental home, Marcella wanted to make sure his home would be in excellent condition. The rigorous rehab standards required by the NSP program gave him confidence that his house was of the highest quality. He and his wife both cried when their offer was accepted and they learned the home would be theirs. Now instead of spending \$1500 a month on rent to a landlord, Marcella pays \$456 per month on his mortgage payment – a long-term, wealth building investment for the future and a home for his family.

NOW instead of spending \$1,500 a month on rent to a landlord, Marcella pays \$456 per month on his mortgage payment – a long-term, wealth building investment for the future and a home for his family.



Marcella & Family, Flooring Contractor, DeKalb NSP Participant

With down payment assistance through NSP, Christopher, a forklift operator with a shipping and receiving company, was able to purchase a three-bedroom home on a quiet cul-de-sac where his son Joziah can ride his bike.



***Christopher, Forklift Operator,
DeKalb NSP Participant***

CHRISTOPHER is a proud new homeowner in Stone Mountain. Until recently, Christopher, a single dad, and his nine-year old son Joziah shared an apartment in Lithonia with a cousin. They lived in a second floor apartment and Joziah had to be very careful when he played inside so he didn't disturb the downstairs tenants. Christopher knew they needed more space. He began working with a real estate agent, and she told him about the DeKalb NSP program. "I jumped on it," Christopher said. "It was a great experience." With downpayment assistance through NSP, Christopher, a forklift operator with a shipping and receiving company, was able to purchase a three-bedroom

home on a quiet cul-de-sac where Joziah can ride his bike. While Joziah had struggled in his old school, he is now thriving as a third-grader. His father couldn't be happier. And with his own bedroom, a backyard, and plenty of space, Joziah doesn't have to worry anymore about making too much noise when he plays.

THE IMPACT

GENERATING JOBS; STIMULATING THE ECONOMY

2010 - 2016

The collapse of the housing market resulted in significant job losses in the residential construction sector. This had a devastating impact in metro Atlanta where the building industry was a strong driver of the local economy. From 2008 to 2011, Atlanta lost 60,000 jobs in construction and real estate, representing about 25% of overall job losses during that period, according to an analysis of Labor Department data by IHS Global Insight. Across the rest of the country, construction and real estate jobs were only about 15% of total positions lost.

In addition to creating affordable housing opportunities, Neighborhood Stabilization Program funding in DeKalb helped generate local jobs in the decimated construction and real estate sector.

LOCAL JOBS created through DeKalb's NSP program:

- General Rehab contractors
- Home Builders
- Painters
- Plumbers
- Electricians
- Flooring specialists
- Landscapers
- Code inspectors
- Home inspectors
- Real estate professionals
- Loan officers
- Loan processors
- Title officers
- Housing counselors
- Appraisers
- Insurance agents



ECONOMIC IMPACT BY THE NUMBERS

114 TOTAL JOBS CREATED

.78 JOBS PER \$100,000 IN REMODELING COSTS*

\$7.4M LOCAL INCOME GENERATED

\$69,000 IN LOCAL INCOME PER \$100,000 IN REMODELING COSTS*

\$625 K TAXES/REVENUE GENERATED

\$5,770 IN TAXES, PERMITS AND OTHER REVENUE FOR LOCAL GOVERNMENTS PER \$100,000 IN REMODELING COSTS*

* National Homebuilders Association Economic Multiplier Data

OBSERVATIONS & RECOMMENDATIONS



To date, DeKalb County has invested more than \$28 million in Neighborhood Stabilization Program funds in the counties hardest hit by the foreclosure crisis. This investment has resulted in the complete rehabilitation and sale of nearly 140 formerly foreclosed single-family homes to low- and moderate-income families; the preservation and improvement of 168 rental units affordable to families at or below 50% of AMI; and the removal of 12 acres of blighted, obsolete apartments to make room for community parks. Importantly, the impact of DeKalb's NSP investment extends well beyond those 308 units of quality, affordable housing to the more than 50,000 surrounding single family homes in NSP target neighborhoods. DeKalb's investment in NSP single-family rehab yielded an increase in values totaling more than \$141 million for surrounding properties, an increase that helped restore wealth to "underwater" households and increase the County's property tax digest.

DeKalb County like much of metro Atlanta, is facing a two-pronged affordable housing crisis. The majority of the region's housing stock is single family and homeownership rates in the extensive portions of DeKalb impacted by the foreclosure crisis have fallen significantly. This decline has negatively impacted family and community wealth, student turnover rates and dampened private sector investment. Despite the fact that a large number of DeKalb families live in neighborhoods where home price values are well below their 2007 peak, rental rates for multifamily apartments and single family homes are up significantly in DeKalb and throughout the region. DeKalb is facing a growing affordability crisis even as it continues to be challenged by the lingering impacts of foreclosure and negative equity. Affordability challenges are especially acute in communities of opportunity near jobs, in strong school districts and areas walkable to transit.

DeKalb's stewardship of NSP funds has allowed the County to recirculate program income from eligible home sales to successfully extend the program's life and impact. Today, DeKalb has a remaining balance of \$4.8 million in NSP funding to invest in County neighborhoods.

In light of the large 15 to 1 multiplier impact of DeKalb's NSP rehab investment in single family homes, DeKalb should put a priority on leveraging its federal housing funds (NSP, HOME and potentially CDBG) to continue this work in underwater neighborhoods at increased scale. Several zip codes in South DeKalb – 30032, 30034, 30035, 30038, and 30058 – continue to struggle with underwater rates hovering at 30%, a rate that is two to three times the national average. In fact, these zip codes rank among the top 25 most underwater zip codes in the metro area.

Single family homes are undervalued and multifamily values in many submarkets have increased. Public subsidy on a per-unit basis is often lower for rehabilitation of a single family home than for new construction of a smaller multifamily rental unit. Subsidy needs per unit (which vary by submarket) should be weighed when prioritizing future funding.

To effectively meet the needs of low-income families at or below 50% of AMI, DeKalb should consider leveraging NSP funds with 4% Low Income Housing Tax Credits (LIHTC) with bonds, an underutilized resource for affordable housing. Georgia does not fully utilize its bond allocation for these projects. Investments in these projects bring new and critically needed subsidy dollars into the state of Georgia and DeKalb. Federal dollars are well leveraged with this program.

PARTNERS IN THE DEKALB NSP PROGRAM

STAFF REFLECTIONS

The impact on home buyers and renters has been tremendously positive as individuals are paying less for affordable housing, appraised values have risen, neighborhoods have seen positive change and more buyers are experiencing the 'American dream'. The impact on County neighborhoods has been broad and pervasive from a real estate perspective. Fewer vacant and abandoned homes in various communities result in increased property values. Median sales prices have continued to climb year over year since 2013 as result of these investments.

The NSP investments have had a very positive result in a number of DeKalb County neighborhoods. Having helped to acquire 164 foreclosed homes to rehabilitate and sell to eligible low-to-moderate income individuals with down payment assistance is a fabulous story. Additionally, this process is perpetual in that all program income derived from the sale of NSP homes is reinvested in the same or new neighborhoods. Our program income received for NSP 1 and 3 is in excess of \$8.6 million. I am proud to have been a key player, leader, and partner in this exciting endeavor.

-Allen Mitchell, DeKalb County's Community Development Director

WHY HOMEOWNERSHIP?

Homeownership is not the right choice for everyone, but for those families who are ready and willing to become homeowners, it offers unique and special benefits. Homeownership builds a foundation to lift families out of the cycle of poverty. For most buyers, homeownership leads to wealth creation. As a family's home equity grows, they enjoy better living conditions overall. In today's market, monthly mortgage payments are substantially less than monthly rental payments for similar homes or units. When a family moves into an affordable home of their own, their quality of life often improves in a myriad of ways.

- **Stable Neighborhoods:** Homeowners move far less frequently than renters so they become part of a neighborhood for a longer period of time enabling them to build strong social connections and cohesion.
- **Educational Achievement:** The children of homeowners are significantly more likely to remain in school until the age of 17 than the children of renters, especially in low-income households. Children of homeowners are twice as likely to pursue post-secondary education, as reported in a study published by the Federal Reserve Bank of New York.
- **Health Benefits:** There is a strong correlation between quality housing conditions and reduced rates of childhood asthma and other physical illnesses.
- **Civic Participation:** Homeowners have a greater financial stake in their neighborhoods than renters, and as a result, they tend to be more involved in their communities.

Atlanta Neighborhood Development Partnership

APD Solutions

The Center for Pan Asian Community Services

Cortland Partners

D&E Group, Inc.

DeKalb County Board of Commissioners

DeKalb County Board of Health

DeKalb County Code Enforcement Division

DeKalb County Community Development Department

DeKalb County GIS Department

DeKalb Housing Authority

DeKalb Office of Neighborhood Empowerment

DeKalb Police Department

Emory University Office of University and Community Partnerships
Dr. Michael Rich

Green Forest CDC

Habitat DeKalb

Moringstar Urban Development, Inc.

National Property Institute

Neighborhood Works, Inc.

ONE DeKalb Office of Neighborhood Empowerment

Real Estate Alliance Partners/
Pellerin and Saloman Real Estate Services

Resources for Residents & Communities

Urban League of Greater Atlanta

ATLANTA NEIGHBORHOOD
DEVELOPMENT PARTNERSHIP, INC.



229 Peachtree St NE Ste 705
Atlanta, GA 30303



404-522-2637 - Main
404-420-1600 - Housing Hotline



www.ANDPI.org
www.ANDPHomes.org
comments@andpi.org

DEKALB COUNTY
COMMUNITY DEVELOPMENT DEPARTMENT

3486 Covington Hwy
Decatur, GA 30032

404-371-2727

www.DeKalbCountyGA.gov
info@dekalbcountyga.gov