

The Neighborhood Stabilization Initiative

A Tool for Addressing Distressed Properties

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November 5, 2020

The Challenge

- Weak real estate markets in Gateway Cities and Rural Areas struggle with maintaining an aging housing stock
- Abandoned and blighted properties create a range of problems for the communities in which they are located
- Vacancy rates are at or near 10% in several Gateway Cities, including Pittsfield, Holyoke, and Springfield
- Many small-town centers also struggle with weak markets and vacancy

NSI as a Comprehensive Strategy

- The Neighborhood Stabilization Initiative is a multi-faceted approach for addressing vacant and distressed properties in weak market neighborhoods and communities statewide
- NSI aims to link local neighborhood efforts to State partners and resources

The Origins of NSI

- In late 2018, MassINC and MACDC convened two dozen leaders statewide for conversations on how to address the challenges faced by weak market neighborhoods
- We explored a range of revitalization strategies to address the social, economic, and physical challenges that blight inflicts on neighborhoods and those who live there

Report Laid Out a Blueprint

- In January 2019 we released a report: Building Communities of Promise and Possibility: State and Local Blueprints for Comprehensive Neighborhood Stabilization
- It identified local and statewide strategies (legislative, administrative, and budget) for addressing neighborhood stabilization needs

Legislation Introduced by Rep. Cabral and Sen. Crighton in January 2019

- Increase the Housing Development Incentive Program (HDIP) cap from \$10 million to \$20 million, for development of market rate housing in Gateway cities
- Establish a capacity-building initiative
- Establish a Spot Blight Rehabilitation Program
- Address the current inequity impacting the rehab of buildings in weak markets

Capacity-Building: State Budget Funding

- State FY 2020 Budget included \$750,000 for a neighborhood stabilization initiative to assist local governments and their nonprofit partners to implement strategic neighborhood revitalization initiatives
- Focus on identifying and implementing strategies for reclaiming vacant, abandoned, and blighted properties and on capacity-building at the local level

Capacity-Building: Establishment of the Hub

- With the \$750,000 in State funds, the Neighborhood Hub, a multi-agency partnership among the public and nonprofit sectors, was formed. It is administered and staffed by MassHousing
- The Hub's primary goal is to support cities with high rates of vacant, abandoned, and deteriorating homes, especially those facing increased strain due to the health and economic impacts of the COVID-19 pandemic
- Initially, the Neighborhood Hub seeks to partner with 5 Gateway Cities and their nonprofit partners for two years and provide technical assistance grants of up to \$100,000- to support planning services and activities that foster neighborhood stabilization

Spot Blight Legislation

- Eminent domain can be a useful tool in neighborhood stabilization for acquiring title to a distressed property when the property owner is unwilling or unable to address property blight.
- The current Statute (Chapter 121A) is not suitable for multiple smaller projects. The proposed legislation would enable a project sponsor to pursue multiple smaller properties, and makes other changes to the existing statute

Equity in Building Codes

- Current Massachusetts Architectural Access Board regulations require that if rehab amounts to 30% or more of the value of the building, the entire building is required to fully comply with AAB regulations.
- Rehab of a building in a weak market area is more likely than rehab of a building in comparable condition in a stronger market to exceed this 30% threshold.
- Establishment of a commission to address the current inequity impacting the rehab of buildings in weak markets, including a wide array of stakeholders

Economic Development Bill Has NSI Rehab \$

- In March, the Governor filed an Economic Development Bill, which included \$25 Million for neighborhood stabilization- for the costs associated with acquiring and rehabilitating distressed properties
- Both the House and Senate passed Economic Development legislation that includes more money for neighborhood stabilization- the bill is now in a House-Senate Conference Committee
- If enacted into law, actual spending depends on funding from the sale of bonds in the Governor's Capital Budget

The Impact of COVID-19

- Alan Mallach paper from June 2020 describes how the myriad impacts of the COVID-19 pandemic will fall most heavily on struggling cities, lower income neighborhoods, and communities of color.
- These impacts include high unemployment, unpaid rent leading to evictions and foreclosures, small business closings, and massive state and local budget shortfalls

The Way Forward

- The Neighborhood Hub will solicit and review applications from Gateway Cities for its technical assistance funding and support
- We will advocate for passage of the Economic Development bill, with neighborhood stabilization funding, and then advocate for the Governor to include such funding in his capital budget

More on The Way Forward

- In the next legislative session, we will advocate for passage of comprehensive neighborhood stabilization legislation, including the spot blight provisions and a commission to address inequity in building codes
- We will also advocate for additional funding for the Neighborhood Hub, so more communities can be assisted