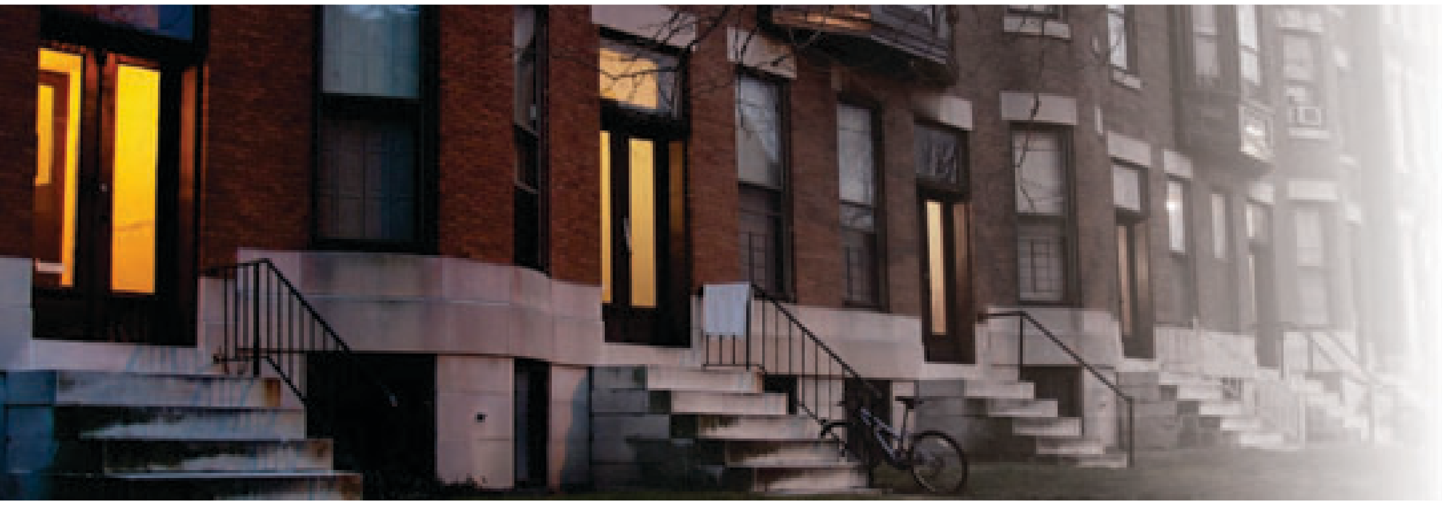
Bringing Back the Neighborhood

How does a solid, middle-class city neighborhood begin a decline into distress?

First, it starts taking longer for the "For Sale" signs to change their message to "Sold." As a result, more houses that were occupied by families become vacant. Eventually, the vacant houses sell – but not to new homeowners. Instead, investors purchase them and rent them. Now there are new residents in the neighborhood, with less commitment to staying for the long haul. What was once a neighborhood of homeowners becomes less attractive to new homeowners. When current homeowners decide to sell, their home appraisals come in lower, and values throughout the neighborhood begin a downward spiral.



Maintaining stable neighborhoods of homeowners was the mission of St. Ambrose Housing Aid Center when it was created in 1968. It remains the focus of St. Ambrose's attention today. In 1968, the destabilizing factor in Baltimore neighborhoods was racial tension. Today it is the tidal wave of foreclosures.

Now, as then, St. Ambrose works to preserve Baltimore neighborhoods for low- and moderate-income residents by rehabilitating vacant homes and selling them to new homeowners. This core activity helps shore up real estate values and maintains the residential character of neighborhoods that are under pressure from market forces. But as times have changed, St. Ambrose has adapted to new tools and new conditions to fulfill its mission.

ST. AMBROSE HOUSING AID CENTER

Dollar Houses

In 2000, St. Ambrose became the first nonprofit in Baltimore to participate in the U.S. Housing and Urban Development (HUD) "Dollar House" program. Faced with a huge inventory of unsold properties, HUD permitted nonprofit housing developers to purchase FHA-financed houses for one dollar, if the house had been on the market for more than six months. Over three years, St. Ambrose purchased 71 dollar houses, renovated them, and sold them to new homeowners. Many of these were in the Belair-Edison neighborhood.

Then a strange thing happened: The Baltimore real estate market got red hot. After 2003, there were literally no HUD homes that did not sell within six months.

Asset Control Program

But by late 2003, HUD had come up with a new approach called Asset Control Areas (ACAs). HUD offered to sell FHA-owned foreclosed properties in designated revitalization areas to local governments and non-profits, which would then rehabilitate the homes and sell them to low- and moderate-income families.

St. Ambrose competed successfully in October 2004 to become an asset controller – and in fact, was one of the first nonprofits to win the designation without a local government agency or foundation as a partner. There are fewer than 20 ACAs in the U.S., and the ACA in Baltimore managed by St. Ambrose is the only one in Maryland.

St. Ambrose could choose from a number of potential areas within the city that met the HUD criteria – low-income residents, low rates of homeownership, or a high rate of FHA foreclosure.

"We chose after considering our own criteria," says David Sann, Director of Housing Development for St. Ambrose. "First, is there a functioning real estate market now? Second, are the sale prices within the neighborhood now reasonable enough that we can sell our rehabbed homes to buyers without a subsidy? And finally, is there consistency in the housing stock?"

> "There is a limited amount you can make on these properties but no limits on how much you can lose."
>
> David Sann, Director of Housing Development, St. Ambrose Housing Aid Center

Using those factors as a guide, St. Ambrose first selected properties in the Northwood corridor, where it fixed and sold 75 homes. Later it concentrated on Belair-Edison, and most recently received permission to expand its ACA program into several Southwest Baltimore neighborhoods, including Morrell Park, Cherry Hill and Brooklyn-Curtis Bay. In four years, it has completed 145 houses.

Currently St. Ambrose is acquiring between 20 and 25 HUD houses annually. It has the capacity to do more, but the inventory of FHA foreclosures has dwindled. For many years, FHA loans accounted for 40 percent of the Baltimore housing market, but during the real estate boom early in this decade, that figure dwindled to 3 percent. Now the tide is turning back toward FHA financing, Sann says, and consequently he expects St. Ambrose to acquire a higher volume of homes in the ACA program in coming years.

The distorted real estate market has made the project challenging for St. Ambrose. "There is a limited amount you can make on these properties – 15 percent of the development cost – but no limits on how much you can lose," Sann notes. In a softening market, many houses could not be sold for as much as St. Ambrose invested in their purchase and repair. St. Ambrose has been able to use federal and state lead paint abatement grant subsidies to help offset losses.

St. Ambrose Housing Aid Center

has been working to prevent foreclosures for 30 years. St. Ambrose provides free counseling to homeowners, and its attorneys and default mortgage counselors represent homeowners in talking to lenders and finding a solution.

To learn more, call 410.366.8550 or visit our website at www.stambrosehousing.org.

New Federal Funds – Finally!

What the ACA program could not do was address the huge volume of foreclosures on mortgages that were not made through FHA. In 2008, Congress passed a law that will close that gap somewhat.

The Neighborhood Stabilization Program appropriated $3.92 billion nationally to cities and states to address foreclosures. Maryland received $28 million, the City of Baltimore $4.1 million, and Baltimore County $2.5 million. It is likely that a portion of the state's allocation will go to Baltimore. All the funds must assist buyers or renters with incomes at or below 120 percent of Area Median Income (or about $94,000 for a family of four), but 25 percent of the funds must help buyers or renters with incomes at or below 50 percent of the area median ($39,100 for a family of four).

"This is the first new money in a long time that has been available to the City for neighborhood-based, scattered site development."

The money, administered through the Community Development Block Grant program, can be spent to acquire and redevelop abandoned or foreclosed properties. City housing officials have contacted St. Ambrose about participating in many Baltimore neighborhoods. Sann says the money is likely to be available in February.

"This is the first new money in a long time that has been available to the City for neighborhood-based, scattered site development," Sann says. "It will make a difference. For St. Ambrose, it means we will probably see increased volume over the next four years that will complement our ACA program."

For neighborhoods, it means that foreclosures financed by conventional mortgages, not just by FHA, can be acquired and restored to the market. "We can have a larger impact on neighborhood stabilization because we can deal with all foreclosed properties," Sann says.

St. Ambrose has developed a strong following among real estate agents in areas where it is active, Sann says. "We have a good quality brand. People get good value for their money, including lower utility costs because of the insulation and weatherization we do routinely. People also know we deal fairly with buyers and agents."

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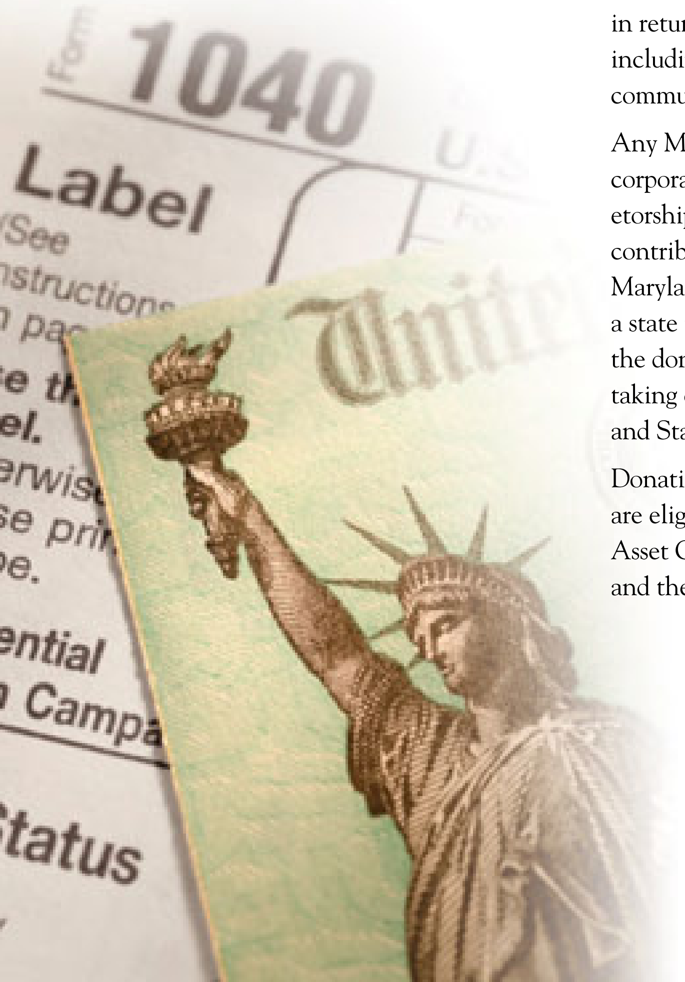

What if you could make a $1,000 donation and get $738 of it back in your pocket? Amazing as it seems, Maryland's Community Investment Tax Credit (CITC) lets businesses do exactly that in return for helping select nonprofits, including St. Ambrose, achieve essential community goals.

Any Maryland business (including S corporations, partnerships, sole proprietorships, LLCs and corporations) that contributes to an eligible project of a Maryland nonprofit organization receives a state tax credit equal to half the value of the donation. The credit is in addition to taking charitable deductions on Federal and State tax returns.

Donations to two St. Ambrose projects are eligible for CITC: expansion of the Asset Control Area (as explained above), and the foreclosure prevention program.

Here is an example: If your business chose to donate $1,000 to St. Ambrose, the savings would break out like this:

Cash donation	**$1,000**
Savings on Maryland taxes (7% rate)	**(70)**
Savings on Federal taxes (39% rate)	**(168)**
CITC award (50% of donation)	**(500)**
Net cash outlay by donor	**$ 262**

This is a great opportunity, especially for small businesses, to make targeted contributions to benefit the community, for a minimal cost. St. Ambrose would be grateful for your support through this great program.

For more information about helping St. Ambrose and taking advantage of the CITC program, contact Karen Griffin at 410-366-8550, extension 251, or kareng@stambros.org.