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Federal Neighborhood Stabilization Policy Deployment in Select Florida Jurisdictions

Kevin Carl Mccarthy
University of South Florida, kcmccart@mail.usf.edu

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Federal Neighborhood Stabilization Policy Deployment in Select Florida Jurisdictions

by

Kevin C. McCarthy

A thesis submitted in partial fulfillment of the requirements for the degree of Master of Urban and Regional Planning
Department of Geography, Environment, and Planning College of Arts and Sciences

Major Professor: Elizabeth Strom, Ph.D.
Ambe Njoh, Ph.D.
Robin Jones, M.P.S and M.B.A.

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Abstract

In 2008 the Federal government enacted a Neighborhood Stabilization Program (NSP) to address the neighborhood effects of the late-2000s foreclosure crisis. Congress subsequently funded a second and third NSP. This research employs mixed methods to examine the effectiveness of the first round of the NSP in three Florida jurisdictions. The results are analyzed within the larger context of substantive housing theory and federal housing policy. The success of the program is evaluated using a mixed-scanning procedural planning theoretical framework.
Chapter 1: Introduction

Federal efforts to address the foreclosure crisis at the community level have had mixed results. The current foreclosure crisis impacts households, neighborhoods, and the national economy. At the neighborhood level, a concentration of foreclosures can cause a deterioration of neighboring home values and increase vacancies. High vacancy rates and disinvestment in a neighborhood undermine its vitality and create a vicious cycle of decline. This process is called the contagion effect of foreclosure.

In 2008, the federal government enacted the Neighborhood Stabilization Program (NSP) to address the contagion effect of foreclosure. The program was implemented through local governments. Supporters of the program claim that over three years the three rounds of the Neighborhood Stabilization Program have created 88,000 jobs, and handled 33,000 properties.

This research examines whether the NSP effectively alleviates the neighborhood impacts of foreclosure. It also examines the relationship between the goals of federal housing policy, and the realities of local implementation. Hopefully this exploration of a particular policy relating to neighborhood level community development will aid practitioners in future policy implementation, aide policy makers crafting empirically grounded policy, and indicate opportunities for more robust scholarly treatment of the NSP.
In the next chapter, I summarize the existing literature on the neighborhood stabilization program and point to the contribution this research will make to that body of literature. The first part of the literature review follows an historical chronology. In order to provide the context of the NSP the chapter begins with an overview of the economic and financial conditions that created the foreclosure crisis. The background leads to the financial crisis of 2007 and the collapse of the secondary mortgage market. At that point the literature review narrows, segueing through the rapid rise in foreclosure triggered by the market correction into a more substantive discussion of the neighborhood effects of concentrated foreclosure. The contagion effect of foreclosure is a catchall term that encompasses the cumulative spatial, economic, and social effects of foreclosure. I survey five specific effects indicated in the literature: magnified declines in home values, increased crime, effects on education and families, a diminished tax base, and aggregate societal cost. Following the outline of the foreclosure deluge and its origin in the financial markets I describe the various policies designed to respond to the crisis, specifically the NSP and its implementation. The literature review concludes with an acknowledgment of alternative policy proposals intended to address the neighborhood effects of foreclosure, vacancy, and abandonment.

Identifying a procedural-planning theory provides the necessary evaluative tools to understand the substantive neighborhood policies examined here. Chapter Three outlines the theoretical framework used to analyze and interpret the examination of the NSP. It begins with a review of the rational planning model, also known as synoptic planning, articulated by Edward Banfield. Even as Banfield described the process of planning and policy implementation, Charles Lindblom asserted that agents of public
policy were constrained by the political process and must cast off any delusions of comprehensiveness instead opting to “muddle through” a series of small incremental movements. After discussing Lindblom’s incrementalist alternative to synoptic planning, Chapter Three introduces the further refinement of procedural planning theory by Emi Etzioni, mixed-scanning. A variant of mixed-scanning is adopted as the analytical structure for this work. The balance of the chapter discusses broad substantive housing policy over the last half century before narrowing the focus on the rationale for the NSP.

Chapter Four reviews the technical administration of the Neighborhood Stabilization Program in Florida. Although Congress and the administration allowed grantees wide discretion to choose techniques for implementation, there are programmatic prescriptions and prohibitions. Many of the programmatic constraints are adopted through the primary funding mechanism, the Community Development Block Grant (CDBG). The Department of Housing and Urban Development (HUD) has guidelines in place for CDBG grantees, most of which apply to NSP grantees. In Florida, NSP grantees have chosen a variety of strategies for implementation that go beyond the purchase, renovation and resale of distressed single family homes. The variety of technical practices employed by Florida jurisdictions reflects differing staff capacities, local real estate market conditions, and diverse local political cultures. The chapter concludes with a discussion of the most technically challenging aspect of the NSP, the congressional directive that 25% of the initial funds and all programmatic income benefit low-income households.

The research design is in Chapter Five. The chapter begins with the research question, whether the NSP has effectively mitigated the contagion effect of foreclosure.
The question is followed by the working hypothesis, that the NSP has modestly contained price declines and that it has not contained other contagion effects. The chapter also identifies the challenge of defining and operationalizing foreclosure. Most of Chapter Five outlines the study area and the data sources employed in this research. The chapter also includes the methods used to collect and treat quantitative and qualitative data.

The quantitative analysis is in Chapter Six. The Chapter begins by further elaborating on the methodology introduced in Chapter Five. Then the observations are presented for three neighborhoods receiving NSP funds, and three similar neighborhoods not receiving NSP funds. In each neighborhood, distressed and non-distressed homes are identified. First, the baseline pre-crisis average value for each home is identified. Then, the relationship between the appraised values of the distressed properties, and appraised values of the non-distressed properties, is measured using the mean ratio of difference of intrinsic value. Post crisis observations are taken on the same property using 2011 appraisals. These data are then treated with regression analysis using Statistical Package for the Social Sciences (SPSS) software. The results indicate that the limited sample is not statistically significant, implying that the findings within the sampled neighborhoods may not reflect the general trend in the entire universe of NSP neighborhoods. Within the examined neighborhoods, there is no clear relationship between NSP spending and losses of intrinsic home values. Moreover, the descriptive data imply that there may not even be a deleterious contagion effect of foreclosure measurable as a decline in appraised property values. In at least two of the neighborhoods examined here, non-distressed home owners actually experienced increases in relative value when their neighbors experienced foreclosure.
Chapter Seven consists of case studies of ten neighborhoods, the six included in the qualitative analysis and four others. The neighborhoods are located in three counties in different regions of Florida. Each county is presented as a section within the chapter with an overview of the local cultural and economic context. Each neighborhood is introduced with a summary of its demography, household tenure, and housing stock. These figures are then illustrated with personal observations of the neighborhood condition and the state of the housing stock with particular focus on properties in close proximity to NSP purchased housing units.

The final chapter consists of conclusions about the effectiveness of the Neighborhood Stabilization Program. The chapter contains three parts. In the first section, I acknowledge the limitations of this research, specifically the elements of the research design that limit the generalizability of the findings. In the second section I summarize and synthesize the findings of this research linking them to the theoretical framework outlined in Chapter Three. The final section includes policy implications. The policy implications discussion points out some of the strengths and weaknesses of NSP implementation in Florida and indicates some of the lessons that might inform future neighborhood policy and planning practice.
Chapter 2: Literature Review

The federal government has implemented several policy responses to address the ongoing foreclosure crisis in the United States. They fall into three broad categories. First, are macro-level policies aimed at preventing further high-risk lending, this category includes the re-regulation of the secondary mortgage market. Second, are micro-level foreclosure prevention programs like the Home Affordable Modification Program (HAMP) which help homeowners facing financial hardships keep their homes. Finally, there are programs that seek to deal with the impacts of foreclosure on communities and correct the negative externalities of foreclosure. The Neighborhood Stabilization Program (NSP) is in this category. The rationale for enacting the NSP is grounded in the proposition that there is a ‘contagion effect’ of foreclosure. The contagion effect is the increased likelihood of mortgage default and other negative indicators of neighborhood health that occur around a foreclosed or abandoned property.

Florida, one of the states hardest hit by the crisis, provides an excellent opportunity to observe the efficacy of federal policy interventions to solve neighborhood level problems. In May 2009, news reports indicated that 11% of Florida mortgages were in some stage of foreclosure, making the most severely affected state in the nation at the time (Howley, 2009). In the past three years California, Nevada, and Florida have alternated the title of most foreclosed. This research will focus on the deployment of the NSP in select Florida jurisdictions. The results will demonstrate whether the program has effectively mitigated the contagion effect.
Since 2007, the United States has experienced a foreclosure crisis. A sharp rise in foreclosure rates and an attendant decline in real estate values characterize the crisis. In response, the federal government has enacted a host of policy interventions in housing and financial markets. This chapter examines the scholarly literature treating one aspect of the policy response, neighborhood stabilization. The literature review has eight parts. First, it identifies the two divergent trends in the literature. Then, it examines the origin of the foreclosure crisis as it is presented in the literature. After introducing the crisis, it explains the academic consensus regarding the existence of the contagion effect of foreclosure, and the disagreements over its size and scope. Then the literature review introduces reports of the government’s policy responses to the crisis, and places neighborhood stabilization within a larger administrative framework. Specifically, it examines the current state of research on the Neighborhood Stabilization Program (NSP) and its efficacy. Then it examines scholarly treatment of the Obama Administration’s macro-level deployment of the policy as well critical views from within the academy. Finally, it specifies opportunities for research.

The Financial Crisis The mid 2000’s housing bubble is just one of two high-risk mortgage bubbles in as many decades (Immergluck, 2009a). The first subprime boom and bust occurred during the mid-to-late 1990s. A global savings surplus drove both bubbles, as well as the tech-bubble sandwiched between them (Bernanke, 2005; Immergluck, 2009c). Between 1993 and 1998, the total value of Residential Mortgage Backed Securities (RMBSs) grew from $35 billion to $150 billion (Immergluck, 2009a; Schwartz, 2010). Investor demand for RMBSs reversed the traditional asymmetries in the lending relationship – in which the borrower sought to conform to the lenders
conservative underwriting requirements – and incentivized the marketing of easy credit to homeowners (Schwartz, 2010). Although the period saw the standardization of ‘subprime’ lending, this first bubble focused primarily on stripping equity from existing homeowners whose valuations were based on ordinary appreciation and paying down their original purchase-money loans.

One of the chief characteristics of the expansion of sub-prime mortgage finance is the entry of non-bank originators into the market (Immergluck, 2009a). Because these institutions did not accept deposits, they were not subject to the Community Reinvestment Act (CRA) and other regulations that require fair lending terms and prohibit targeting particular neighborhoods for more expensive financial products (Immergluck, 2009c; Schwartz, 2010). As a result, certain households and communities disproportionately experienced the individual and community impacts of predatory subprime defaults. For example, by 1998, 51% of home loan refinancing in Black majority communities was subprime. In White majority neighborhoods, subprime lenders accounted for only 9% of refinancing (Immergluck, 2009c).

The racial disparity in the first sub-prime boom (1990s) is enormous. According to Immergluck, 9% market share in White neighborhoods amounted to a major increase in the incidence of subprime lending. The growth of subprime terms in minority neighborhoods, more than five times the high levels experienced in White neighborhoods, marks a major shift in retail home-loan finance market. As financial markets devised techniques for spreading risk and repackaging subprime financial products, the change would have wide-ranging implications for secondary markets, non-minority neighborhoods, and the global economy. Immergluck does not disaggregate the
statistics for White neighborhoods, but other research indicates that the victims of predatory lending are frequently drawn from the poor, the elderly, and those with low educational attainment (Martin, 2010). Taken together, it is likely that society’s most vulnerable groups, spatially segregated minorities, the poor, the aged, and the poorly educated formed a market niche for subprime loan originators throughout the 1990’s.

As the economic growth of the 1990’s slowed, sub-prime default rose steadily (Immergluck, 2009c). However, because real estate prices did not fall, and the broader society did not immediately feel its effects; the first wave of subprime defaults did not trigger a national economic crisis. Surprisingly, the losses from default did not reduce investor appetite for securities based on sub-prime mortgages.

In the mid-2000’s, subprime residential financing went mainstream. After 2002 the growing oversupply of money from global capital markets surged into U.S. residential mortgage origination. Larger loans with “exotic” terms expanded consumer buying-power (Immergluck, 2009c). This greater buying power led to a speculative rise in real estate prices. The result was a “virtuous cycle” of sharply rising home values (Immergluck, 2009c, p.342). Households needed to borrow more money to purchase a home, and could purchase more-expensive homes because they were able to borrow more money. Many entered the housing market in a rush fearing they would be priced out of the market if they did not act quickly (Schwartz, 2010). Put simply, consumers borrowed more, and more often. There was much greater demographic and spatial diversity in the second wave of subprime lending than in the first.

Residential Mortgage Backed Securities (RMBSs) convert individual home loans into tradable investments. In order to market the product, investment brokers – far
removed from mortgage origination – needed to find the right mix of sub-prime loans (which boast highly profitable cash flows), and prime loans (which offer security but lower returns). In order to avoid the risks presented by an RMBS carrying too many sub-prime loans, brokers developed the Collateralized Debt Obligation (CDO). In the unregulated private market, CDOs contained a mix of high and low risk RMBSs. These investments were rated and priced through a technique called “tranching” (Schwartz, 2010, p.71). The phrase is derived from the French word tranche, meaning trench, slice, or portion. A tranche is a random sample of the mortgages that comprise an RMBS or CDO. The entire instrument is then rated and priced based on the sample (Immergluck, 2009c; Schwartz, 2010). In this way, high-risk mortgages are offset by lower risk mortgages. Brokers then price and sell the entire package according to the market value of the low-risk mortgages. The availability of Credit Default Swaps (CDS) further obscured the risks of default by the actual homeowners, who provided the cash flows that gave these investments their face value (Immergluck, 2009c).

A Credit Default Swap is an insurance agreement in which the buyer pays a “premium” to the seller in exchange for a guarantee that the seller will pay the buyer the full face value of the insured asset when an “event” occurs. In this case, the event is the massive default by the mortgagors whose loans are part of an RMBS/CDO. Credit Default Swaps were entirely unregulated in the United States from their inception in the mid 1990’s until the 2007 financial crisis. Apparently, sellers are not required to keep cash reserves to validate their obligations (requiring the Federal Reserve to inject the largest seller of Credit Default Swaps with $85 billion of cash in 2008). The most puzzling feature of CDS is that the buyer is not required to own an interest in the insured
asset. In other words, an investor can “bet” that investments held by other individuals and institutions will decline in value. Together, all of these innovations encouraged the investment of the world’s surplus savings in instruments ultimately collateralized by the United States housing market (Immergluck, 2009c; Bernanke, 2005).

Through CDOs, subprime loans spread their toxicity throughout the world of housing finance. As street level origination moved away from the conservative underwriting requirements of traditional lenders to high-pressure sales offices at non-bank (i.e. unregulated) institutions, banks feared a loss of market share (Immergluck, 2009a). Many banks and financial institutions, too conservative to involve themselves directly in the high-risk market, created Structured Investment Vehicles (SIVs) to purchase and hold CDOs (Schwartz, 2010). According to Schwartz, parent institutions funded these entities with short-term loans, which were repaid from the CDOs’ regular cash flows (2010, p.78). The flow of money stopped abruptly once the default rate spiked in 2007. The Government Sponsored Entities (GSEs) – Fannie Mae and Freddie Mac – also purchased CDOs in order to add a greater portion of low-income homeowners to their portfolios. The availability of easy credit through subprime lending greatly diminished low-income homebuyer demand for conforming loans. As a result, Fannie Mae needed to purchase high-risk CDOs to meet its congressional mandates to expand working class homeownership (Schwartz, 2010).

In 2007, massive mortgage defaults triggered a sudden revision of CDO credit ratings (Immergluck, 2009a; Schwartz, 2010). Consequently, the financial markets revalued the investments. The devaluation wreaked havoc on the global financial system and led to the failure of CDS schemes as well as the injection of government money into
financial markets. At the other end of the pipeline, borrowers who intended to refinance out of the unrealistic terms of their mortgages could no longer access easy credit. Moreover, plummeting home values and rising unemployment exacerbated the problem and led to a wave of “strategic defaults” (Guiso et al., 2009). As loan servicers began to foreclose upon defaulting mortgagors, it quickly became apparent that the real estate collateralizing a substantial portion of the world’s financial-capital was no longer worth the debtors’ obligations. Institutional losses reached several billion dollars as the American economy entered recession in 2007.

**The Foreclosure Crisis** Since 2007, the nation has faced a sharp increase in foreclosure filings. While the collapse of the housing market triggered a larger economic downturn across the nation (and around the world), the foreclosure crisis is largely localized. The flurry of market activity in the mid-2000’s triggered a boom in new construction which led to severe oversupply in certain parts of the country. The collapse of the housing market largely mirrors this trend. Just five states (California, Florida, Arizona, Illinois and Michigan) account for more than 50% of the nation’s foreclosures (Harding et al, 2009; Kingsley et al, 2009; Realty Trac, 2011). Even within these states, the incidence of foreclosure is unevenly distributed, most severely affecting poor neighborhoods and newly built areas (Strom & Reader, 2011). The national foreclosure rate peaked in October of 2009 (Schwartz, 2010). Nonetheless, communities are still dealing with the aftermath of the crisis.

**The Contagion Effect of Foreclosure** According to Kai-Yan Lee, former senior research associate at the Federal Reserve Bank of Boston, foreclosure affects neighborhoods in three ways: 1) supply; 2) valuation; and 3) blight (Lee, 2008). The
impact of supply is obvious; in the idiom of economics, supply exceeds demand leading to lower price equilibrium. Blight refers to qualitative decline that flows from deferred maintenance and the opportunities for criminality that come from vacant and neglected homes (Kingsley et al, 2009; Lee, 2008). Valuation denotes the practice of determining the sale price and taxable value of a property based on recent nearby sales, or “comparables” (Lee, 2008). Research reveals that the market substantially discounts distressed homes (Wassmer, 2010). This discount infects the neighboring non-distressed homes, causing homes in close proximity to a foreclosure to experience a decline in value greater than the average decline in value for similar homes in the same market (Lauria, 1998; Lee, 2008; Wassmer, 2010; Immergluck & Smith, 2006).

A single distressed property is oncogenic and infectious. The aggregate effect of a concentration of distressed properties renders a neighborhood unhealthy and diseased. Much of the literature describes the community effects of foreclosure in epidemiological terms. This is not new; researchers have observed the “community contagion effect” since at least the mid-1990s (Lauria, 1998). In fact, Ben Bernanke, the Princeton economist turned Federal Reserve chairman, observed in 1983 that credit defaults (including mortgage loans) during the early years of the Great Depression led to more defaults and prolonged the economic crisis of the 1930s (Bernanke, 1983).

*Ceteris paribus*, a single foreclosure will lead to a reduction in the value of neighboring properties. Additionally, the current crisis appears to have amplified the effect of foreclosure on neighborhood property values (Wassmer, 2010). Since 2007, the loss per non-distressed household has increased. In other words, the current contagion effect is larger than in a normally functioning market (Wassmer, 2010, p. 23-24).
Wassmer found that it is several times larger, while others have found more modest increases. Although there is considerable disagreement over the size of the contagion effect, researchers consistently find that, 1) it exists; and 2) its observed impact is greater than normal in the date range of 2006-2011 (Wassmer, 2010; Immergluck & Smith, 2006; Schuetz, Been, & Ellen, 2008). Wassmer found that the sale of a single distressed property led to an aggregate “$1.1012 billion reduction in the price of non-REOs over [an] 18 month period observed in the Sacramento area” (2010, p. 23). Real Estate Owned (REO) is a commonly used abbreviation to denote properties owned by financial institutions. An REO sale occurs when a homebuyer purchases a bank-owned home.

While there is an academic consensus distressed homes are contagious, it is difficult to determine how far reaching their effects are (Harding et al, 2009). Many researchers have found that a foreclosure adversely affects the value of immediately neighboring properties. While there are other negative externalities flowing from foreclosed and abandoned homes, the decline in property values is most easily quantifiable and formed a major part of the rationale for enactment of the NSP in public discourse.

**Home Values** Harding, Rosenblatt, and Yao, tested the assertion that foreclosure depresses neighboring home values. They found that there was a significant correlation between foreclosure and the decline in the value of immediately neighboring properties. Moreover, Harding et al found that the effect lingered for up to two years after the REO sale. Although they found that the data supported the federal intervention in the housing market, they noted that “a million additional foreclosures would significantly affect three to five million homes not the forty million that has been estimated using earlier estimates
of contagion effects” (Harding et al, p. 178). However, Harding et al limited their analysis to the impact on the market value of neighboring properties and not the comprehensive community effects of foreclosure.

Vacant properties alter neighborhoods in other ways (Immergluck, 2011; Kingsley et al, 2009). These include crime, a reduced tax base, educational performance, demographic change, the destruction of neighborhood social networks, and declining incomes (Kingsley et al, 2009; Lauria, 1998; Immergluck, 2009a). In contrast to property values, these effects are difficult to measure and are arguably less amenable to policy intervention. Some of the literature, particularly that written by planners, reflects a normative view that the chief rationale for a policy of neighborhood stabilization is to achieve social justice and reform the market based allocation of housing resources. These writers focus on the contagion effects that are more difficult to quantify. The contributions of economists, on the other hand, displays a normative preference for concrete measurable such as home values, unemployment numbers, sales volumes and new housing starts.

**Crime** Crime is one of the most compelling and measurable non-financial impacts of foreclosure. In Mecklenburg County, North Carolina, crime analyst Michael Bess found that neighborhoods with high foreclosure rates experienced increases in violent crime three times greater than other neighborhoods (2008). In Chicago, Smith and Immergluck found a positive correlation between the foreclosure rate and the crime rate (2006). Specifically, they found that a 1% increase in the foreclosure rate corresponds to more than 2.3% increase in violent crime (2006, p. 862). Naturally, spikes in foreclosure also lead to increased neighborhood turnover (Kingsley et al, 2009).
vacant homes and a sense of impermanence may create an atmosphere of criminality and threaten neighborhood order (Kingsley et al, 2009). Other research confirms that there is a clear relationship between foreclosure and violent crime (Martin, 2010).

**Education & Families** Foreclosure affects education. According to Anne Martin of the University of California, Berkely, “children [whose families experience foreclosure, have] difficulties concentrating in school, affecting classroom dynamics in their new schools” (Martin, 2010, p. 7). In this way, the effects of foreclosure move from one neighborhood to another. In addition, Martin found that in California, state licensed home based childcare providers were going out of business because their households faced foreclosure (2010, p. 13). Reduced opportunities for affordable childcare in a community negatively impacts families who may not themselves face foreclosure.

**Diminished Tax Base** Falling home values result in a diminished property tax base, as well as abandonment and slow payment by banks who take possession of foreclosed properties. Local governments depend on property taxes to fund essential services like trash collection and police protection (Immergluck & Smith, 2006). Consequently, declining property tax revenue leads to a reduction of services that affects all households in a jurisdiction (Wassmer, 2010). Foreclosures also cause local governments to spend more (Kingsley et al, 2009). Many communities have entered a vicious cycle of decline in which falling home values force a reduction of services that in turn leads to further reductions in value. Ultimately, institutions and investors decide to wait out the market and hold the vacant property in their portfolio indefinitely with minimal maintenance, or else abandon the property all together. Unable to police the neighborhood, remove trash, or enforce building and safety codes, local governments
repeat the pattern of abandonment. Consequently, homeowners who are only marginally able to pay their mortgages become discouraged and default. In this way, foreclosures reproduce themselves.

**Societal Cost** The total cost of a single foreclosure is staggering. In a study funded by the Homeownership Preservation Foundation, William Apgar and Mark Duda of the Harvard Joint Center for Housing Studies, found that each foreclosure costs local government up to $19,229 (2005). Based on these figures Kingsley, Smith, and Price calculated an average societal cost of $79,443 for every foreclosure (2009). In addition to the cost to local government, this figure includes the loss to the homeowner, the legal and administrative costs to the bank, and the costs to adjacent homeowners (Kingsley et al, 2009).

The Kingsley et al assessment may actually underestimate the per foreclosure cost. They rely on Smith and Immergluck’s 2006 determination that the contagion effect amounts to 0.9% depreciation in immediately neighboring home values. In their analysis, Smith and Immergluck employ data from a relatively healthy housing market, Chicago in the late 1990s. More recent research shows a far greater effect on property values, especially in severely impacted markets. Wassmer found that between January 2008 and June 2009 non-distressed homes in Sacramento suffered a 31.9% loss in value because of nearby distressed home sales (2010). Others have found much less astounding contagion effects, rarely exceeding 10% (Lee, 2008; Schuetz et al, 2008). Nonetheless, their findings confirm that the current contagion effect is larger than Smith and Immergluck observed in Chicago in the 1990s.
Martin describes the foreclosure crisis as a social catastrophe (2010). She compares it to a mass displacement and a graphic illustration of social inequality. According to Martin, the crisis has an impact on communities comparable to a natural disaster and the public policy response should reflect the severity of the situation (2010, p. 13).

Policy Responses

The federal government has deployed three forms of intervention to respond to the foreclosure crisis (Wassmer, 2010, p. 25). The interventions’ policy goals are: 1) reduce the likelihood of further defaults and forfeitures \( \text{ex ante} \); 2) reform the markets for housing and housing finance to prevent a reiteration of the crisis; and 3) intercede \( \text{ex post} \) to ease the effects of foreclosures that have already occurred (Immergluck, 2008; Kingsley et al, 2009). This final goal – alleviating the effects of foreclosure after the forfeiture has occurred – has two prongs: a) assistance to households directly affected by foreclosure; and b) mitigating the neighborhood and community effects of foreclosure and abandonment.

Between 2008 and 2009, the federal government enacted a far-reaching package of new programs and reforms to address each goal. In response to the first goal – stemming the flood of defaults – the government created the Home Affordable Modification Program (HAMP). Market reform – the second goal – is underway as part of the Dodd-Frank Wall Street Reform and Consumer Protection Act, specifically title fourteen of the law, the Mortgage Reform and Anti-Predatory Lending Act (Securities and Exchange Commission, 2010).
To address the impacts on households directly impacted by the crisis, congress enacted several new laws. First, the Mortgage Forgiveness Debt Relief Act allows homeowners who have had substantial mortgage debt forgiven after a foreclosure, short-sale, or deed-in-lieu transaction, to avoid paying income tax on the forgiven debt (Internal Revenue Service, 2011). Second, congress enacted the Protecting Tenants at Foreclosure Act of 2009, which supersedes state laws and modifies federal law to require successors-in-interest (e.g. foreclosing banks and investors) to honor the terms of an existing lease agreement until the expiration of its term (Federal Reserve Bank, 2009).

To mitigate the effects of foreclosure on communities, Congress created, and then expanded, the Neighborhood Stabilization Program (Turner, 2010).

The NSPs

The Neighborhood Stabilization Program (NSP) is designed to mitigate the negative externalities of foreclose. There are actually three NSPs. Congress enacted the first, referred to as NSP1, as part of the Housing and Economic Recovery Act (HERA) in July 2008 (Immergluck, 2009b; Carr & Mulcahy, 2010). The Department of Housing and Urban Development (HUD) disbursed the funds through Community Development Block Grants (CDBG). The Department of Housing and Urban Development used a formula to award grants to states and local governments ensuring that every state received some part of the funding.

The federal government authorized the second program, NSP2, as part of the American Recovery and Reinvestment Act (ARRA) in early 2009 (Carr & Mulcahy, 2010; Immergluck, 2009b). The ARRA is often referred to as ‘The Stimulus’ in popular discourse. Unlike NSP1, HUD awards NSP2 on a competitive basis. In addition, non-
profits and associations of non-profits became eligible for direct funding under NSP2 (Immergluck, 2009b). Previously such entities could only participate as contractors for local governments. This provision directed funds to organizations experienced in the provision of low-income housing. Grantees can only use the funds in tracts especially hard hit by the foreclosure crisis (Deng & Freeman, 2011).

Congress allocated an additional $1 billion to neighborhood stabilization as part of the Dodd-Frank Wall Street Reform and Consumer protection Act of 2010 (US Department of Housing and Urban Development, 2010). This third wave of funding is referred to as NSP3. The third iteration of NSP automatically increased every state grant below $5 million to that amount. In addition, it increased the minimum grant to $1 million.

Congress made clear its intent that the funds be narrowly targeted to the neighborhoods with the greatest need. Many feared that if the money was spread thinly across many communities it would have little effect. To award the funds, HUD used a predictive formula to identify census tracts of greatest need. The formula used unemployment change, the rate of highly leveraged loans (with different weights based on the frequency of high cost terms), vacancy rates, and the fall of home values in the local real estate market (US Department of Housing and Urban Development, 2010). The unemployment information must come from the Bureau of Labor Statistics (BLS); vacancy rates come from the United States Postal Service (USPS); the loan information is derived from the Federal Reserve Board’s catalog of Home Mortgage Disclosure Act (HMDA) data; the information on property valuation is based on Federal Housing Finance Agency (FHFA) information about metro area housing markets (US Department
of Housing and Urban Development, 2010). Funds were then allocated to the highest need jurisdictions with the most properties “at risk of becoming Real Estate Owned” based on the location’s share of the state’s foreclosure starts. All these factors are weighted and indexed to a 0-20 score. A score of 20 indicates a neighborhood severely affected by foreclosure. Every neighborhood examined here has a score of 18-20.

**Policy Deployment**

The goal of the NSP is mitigation of the neighborhood effects of foreclosure through rapid deployment of federal funds to local government. Enactment of the NSPs clearly signals a change in course from the ideological attachment to laissez-faire economic policy over the past two decades. Margery Austin Turner, resident scholar and Vice President for Research at the Urban Institute, echoes the sentiments of many planning scholars when she writes that the passage of NSP2 reflects the Obama Administration’s renewed focus on urban policy, as well as a “commitment to evidence based policy making” (Turner, 2010, p. 34).

In addition to focusing the federal government on community affairs, the NSP also acknowledges the hometown expertise of local governments and offers a great deal of flexibility in deployment. Grantees can use the funds to demolish properties, land bank properties, purchase homes for community land trusts, directly purchase and manage real estate, or assist investors and homebuyers to purchase properties. Policy implementation has been uneven, with some jurisdictions rapidly deploying the funds, others encountering procedural roadblocks, and still others simply failing to act (Strom, 2010).
**Alternative Policy Proposals** In his book *Sunburnt Cities*, Justin Hollander explains how the collapse of the real estate bubble affected the Sunbelt. Hollander compared Sunbelt cities in crisis with Rustbelt cities that experienced de-industrialization in previous decades. He compiled the planning techniques used to respond to the decline to see which worked and which did not. Most importantly, Hollander formulated a predictive model of the physical effects of population decline.

Hollander found that vacancy and abandonment occurs in a discernible pattern. Ultimately, he suggests that sprawling low-density communities embrace what he calls “shrinkage” and decline gracefully. Essentially, Hollander proposes that local governments use a combination of direct and indirect interventions to decrease densities in peripheral neighborhoods. The technique outlined in *Sunburnt Cities* is to purchase and demolish vacant homes then offer the lots for sale to adjacent property owners at low or no cost provided they agree to a Land Use Restriction Agreement (LURA) that prohibits the construction of new improvements or subdivision of the property. Meanwhile, Hollander suggests that planners incentivize development in the urban center and use the opportunity of the foreclosure crisis to channel private enterprise into a more sustainable pattern of development. Neighborhood Stabilization Program guidelines allow grantees to use up to 10% of their NSP funding for demolition. Therefore, it is possible that communities could choose to adopt this two pronged strategy by demolishing the vacant homes in peripheral neighborhoods and concentrate other funds for renovation and acquisition in the central city.

*Sunburnt Cities* provides concrete examples of the techniques planners can use to respond to the foreclosure crisis. Although the book focuses on communities
experiencing population decline, which is not occurring evenly throughout Florida, it offers insight into how any community can respond to crisis. Hollander also shows that the negative impacts of foreclosure are predictable and correlate to a number of known variables. Neighborhood stabilization funds are allocated using a similar formula and Hollander’s explanation provides insight into the why and how of the formula’s predicative capability.
Chapter 3: Theoretical Framework

This chapter outlines a theoretical framework to analyze the effective implementation of a specific federal housing policy, the NSP. I begin by introducing the policy in question, and summarize the challenges that such an analysis presents. Then, I proceeds in four sections. The first section scrutinizes rational planning and its applicability to housing policy implementation. The second section examines incrementalism, an alternative procedural planning theory. The third section refines the rationalist-incrementalist dialectic by exploring mixed-scanning, a third approach that proposes to mediate between rationalism and incrementalism. The final section concludes with the summary of a theoretical model with which to analyze the federal program. The final section also includes a discussion of the specific challenges to systematic study of federal housing policy, tailoring the framework to the specific characteristics of NSP 1, and the cultural and political idiosyncrasies of the communities studied.

The Root Synoptic planning – or the Rational Planning Model (RPM) – was the first fully articulated procedural planning theory (Hudson, 1979). The RPM is planning in the common meaning of the word (Banfield, 1959, p. 361). The model asks where the actor in any given situation wants to go and how she intends to get there. As an evaluative tool, the RPM asks whether the actor arrived at the desired end, or at least whether she is
closer than when she began. Charles Lindblom, in a critical analysis of the RPM, describes rational decision making as a “root,” referring to its linearity (Lindblom, 1959, 80). Synoptic planning is grounded in the modern Western tradition of rational decision-making and relies upon binary propositions of good and not good. Barclay Hudson attributes the analytical power of the RPM to its simplicity and adaptability to a broad range of problems (Hudson, 1979, p. 389).

Edward C. Banfield was one of the great expositors of synoptic planning. In a 1959 article entitled “Ends and Means in Planning” Banfield outlined the general framework of the RPM and described its limitations. The article is an excellent point of departure for any discussion of procedural planning models.

The critics of synoptic planning overstate its deficiencies. Banfield acknowledges that “no choice can ever be perfectly rational” (1959, p. 362). Nonetheless, he contends that the inability of real human beings to consider every possible consequence and draft a fully comprehensive plan to attain a desired end, does not negate the utility of rational decision-making. Given this reality, Banfield defines a rational decision as “one in which alternatives and consequences are considered as fully as the decision maker, given the time and other resources available to him, can afford to consider them” (1959, p. 362). Therefore, the exclusive criteria for evaluating a means employed to attain any given policy goal are 1) whether the actors involved considered all the alternative and consequences they were able to; and 2) whether the means ultimately achieve the desired end.

From Banfield’s point of view, “it is by the process of rational choice that the best adaptation of means to ends is likely to be achieved;” and it is through the calculating
process of rational choice that they are to be evaluated (1959, p. 361). With characteristically pre-1960 confidence, he posits, “good planning” is “likely to attain the ends or maximize the chances of their attainment” (Banfield, 1959, p. 361). Presumably, the rational binary reduces any plan that does not achieve the desired end to not good.

The persuasive power of Banfield’s argument is its candid recognition of the lack of planning in public policy. Banfield makes the counterintuitive observation that a lack of planning characterized the United States even at the height of its industrial and geopolitical power. Banfield bemoans the narrowness and shortsightedness of private sector planning and the absence of planning altogether in the public sector. The little planning that was evident in public projects was anything but rational, according to Banfield (1959, p. 363). Instead, it reflected various conflicting means and ends haphazardly formulated in the disjointed power centers of the American political process.

The saga of the Chicago Public Housing Authority illustrates the point (Banfield, 1959, p. 364-366). First, a set of national goals and prescribed means directed the Authority; then the state government exercised its own influence. Afterwards, the ethnic politics of that balkanized city entangled the administrators tasked with implementation of the policy. Banfield bemoans the fact that building sites were chosen not for their amenability to the fundamental purposes for which they were built, but rather on the basis of whether the alderman who represented the district supported its construction (1959, 365). Finally, a change in the political climate culminated in directives to address racial segregation in Chicago. Banfield observes in frustration that “before the buildings [were] occupied,” the Housing Authority became “an instrument for the reform of race relations” (1959, p. 365). The Authority, with scarce resources, was tasked with the
provision of low-income housing, slum clearance, and limiting residential segregation. Obviously, the most effective means to accomplish one of these goals may not work for the others (Banfield, 1959, p. 365). It may indeed work against the others. Furthermore, resource constraints may leave the Authority unable to achieve the goals simultaneously, even if they were complimentary. According to Banfield, the absence of rational decision making in public planning results in a costly trip to nowhere.

The rational planning model attempts to bring cohesion and purpose to planning. Clear definition of ends and means gives focus to a plan and an evaluative measure of the means: do they achieve the desired ends? Furthermore, deliberate planning allows for comprehensiveness and the consideration of unintended consequences. Banfield insists that a lack of political realism is not a failing of rational planning, but rather an occasion to point out opportunities for greater efficiency and effectiveness (1959, 368).

![Diagram](image)

Figure 1 – NSP analysis using a synoptic framework.
The Branch The RPM requires an unrealistic knowledge and ability to foresee the future consequences of policy decisions. The distinction between means and ends is not precise in real social decision-making and the comprehensiveness required for truly rational policymaking is not possible (Etzioni, 1967, p. 386). In the same year Banfield refined the RPM, another scholar, Charles Lindblom, proposed an alternative planning paradigm.

In a pluralistic society, opposing factions frequently converge upon a consensus. That consensus is in a constant incremental state of flux, changing imperceptibly day-by-day, but unrecognizable after a century. Lindblom calls this process of consensus building “mutual adjustment” and it is an essential element of incrementalism (1979, p. 522-523). Mutual adjustment provides a useful paradigm for policy analysis (Lindblom, 1979, p. 524). It explains why a proposition that is mildly unpleasant to all parties is tolerable to the whole. The details of any single policy do not represent a total win–lose situation for any party to the debate (Lindblom, 1979). This situation leads to greater willingness to compromise during the creation of policy and greater tolerance of its politically unpalatable aspects during implementation.

Lindblom posits that planners and other public managers should dispense with the pretense of comprehensiveness. The spectrum of alternative policies should instead be limited to those that are politically feasible. Similarly, incrementalism only considers crucial consequences within the planner’s control. The incrementalist planner, by limiting the continuum of policy alternatives and consequences to her own range of efficacy, is able to constantly reassess and change direction (Etzioni, 1967, p.387). In this way, the
partisans for and against a social policy (as well as effected third-parties) go through the continuous process of “mutual adjustment” whereby the comprehensive policy emerges – and changes – from the long term evolution of its constituent parts (Lindblom, 1959, p. 85). In “The Science of Muddling Through,” Lindblom points to income redistribution in the United States to illustrate the emergence of a general policy emerging through the evolution of specific policies over time (1959, p.85). The pieces of the puzzle that are overlooked in one part of the process become the primary focus somewhere else (Lindblom, 1959).

![Diagram of National Policy Implementation Incremental Model](image)

**Figure 2 - NSP analysis using an incrementalist framework**

**Mixed Methods Scanning** Incrementalism leaves little room to consider alternatives to the *status quo*. For this reason, Amitai Etzioni describes it as conservative (1967, p. 385). The shortcoming of incrementalism, according to Etzioni, is its
nearsightedness. While incrementalism speaks to the unworkability of the Rational Planning Model in real life, it tends to throw the baby out with the bath water. Incrementalism leaves no room for new solutions to far-reaching social problems. The focus on immediacy is therefore limiting according to Etzioni. In his view, decision making in small increments risks going nowhere, it is like a man walking in circles.

Lindblom offered incrementalism as an alternative to unactionable rationalistic planning. For Etzioni, incrementalism went too far and amounted to “acting without direction” (Etzioni, 1967, p.388). Moreover, Etzioni observes, mutual adjustment fails to account for the reality that different groups have unequal access to power. The “underprivileged and politically unorganized” are unable to stage a multipronged and extended effort to shape the evolution of policy (Etzioni, 1967, p.387).

Etzioni posits that a third alternative is possible, mixed scanning. Etzioni joins in Lindblom’s rejection of the modernist project – the paradigm of methodical rationality within which apolitical technocrats design and implement policy in linear fashion – however, he stops short of Lindblom’s incrementalism. Instead, he posits that a less flexible paradigm of decision-making and analysis is practicable. The model consists of a two-level approach to gathering information (mixed-scanning), a semi-normative basis for evaluation, and contextualization qualified by “morphological factors” (Etzioni, 1967, p. 389-392).

In the abstract, mixed scanning combines a non-comprehensive view of the macro environment with a detailed view of the micro level environment. Etzioni employs the metaphor of a weather mapping system that keeps a detailed focus on the specific service area, but also maintains a lower resolution view of a larger area (1967, p. 389). Since
1967, academics have elaborated on the theoretical model and practitioners have demonstrated its utility (Etzioni, 1986, p. 8). In 1986 Etzioni revisited mixed scanning in an aptly titled article “Mixed Scanning Revisited.” Again, Etzioni provides instances of mixed scanning. Two notable examples include a reference to U.S. Cold War foreign policy, and a description of an early computerized geographic information system called Decision Information Discipline System (DIDS). The macro level decision to contain the expansion of Soviet influence immediately after World War II became the overriding principle that guided micro level incremental decisions for several decades. Without reference to the larger more comprehensive decision (containment) the incremental decisions (preemptive intervention in unaligned countries) would not make sense (Etzioni, 1986, p. 8). In the case of the DIDs, a regional level analysis confirmed a general trend in population growth, while a focused micro level trend revealed aberrations correlated to incremental policy decisions (Etzioni, 1986, p. 8-9).

In the 1967 article, Etzioni articulated an evaluative framework to assess policy implementation. First, define the primary goal of the policy (Etzioni, 1967, p. 387-390). If multiple goals are implied, decide by rank order. In the case that there are two or more major policy goals (Etzioni uses the example of a teaching hospital with equal mission to teach, research, and treat patients), the analyst will consider the extent to which the policy achieves each goal (Etzioni, 1967, p. 390). In such cases the analyst may additionally rely upon informal ranking processes (Etzioni suggests, for instance, that professors may value research over teaching). Decide whether the implementation is realizing the goal(s). If the current implementation meets this evaluative benchmark, the policy is good (Etzioni, 1967, p. 390). All the while, the analyst should note the policy’s effect on
secondary goals. This process of “zooming out” to see whether the implementation is leading in the general direction of the policy goal, gives purpose to incremental street-level decisions.

It is easy to see how such an evaluative framework mediates between rationalism and incrementalism. The framework provides a degree of comprehensiveness and linearity, but only after the goals have been defined by a consensus grounded in political reality. The evaluative criteria is not whether a grand plan has been achieved, but whether the incremental steps of planners and other actors comport with a policy’s stated goal. In effect, it gives existential meaning to the work of the incrementalist planner.

The dichotomy implies a deeper philosophical question about democratic legitimacy: whether planners and public managers should row or steer the “ship of the state” (Holzer, 2004, p.53). On the part of Lindblom and his intellectual heirs, it is also a matter of efficacy couched in the straightforward observation that in a liberal-state, private-sector managers have much greater control over the inputs of production than planners (Holzer, 2004, p. 53). Ironically, the synoptic-rationalist disregards this reality in pursuit of comprehensiveness. The disconnect results in plans that stand as aspirational civic statements never to be actualized (Long, 1959).
Figure 3 - NSP analysis using mixed-scanning techniques. The primary focus is on micro level implementation, the macro level should be obscured, however, for formatting purposes it is not possible to express that here.

**Application to Federal Housing Policy** Federal policy is inconsistent. In “Swimming against the Tide” Alice O’Connor provides an exhaustive history of federal policy in poor communities (1999). Nonetheless, O’Connor’s observations and analysis of community level federal policy interventions can be generalized to communities that are not necessarily poor. Writing in the late 1990s, O’Connor saw the tide of federal policy as consistently receding from poor communities, especially racially defined urban neighborhoods. From O’Connor’s point of view, the high tide of federal policy was passage of the Great Society programs during the Johnson administration. Even during the 1960’s however, policy goals were obfuscated in the implementation process (O’Connor, 1999). Changes in the national political climate reshaped the goals of federal
programs even as they were implemented. As the tide turned and fiscal conservatism
drove federal policy, funding was in a constant state of flux leaving administrators and
beneficiaries in a state of perpetual uncertainty. The result is that it is nearly impossible to
analyze the effectiveness or best practices of a single poverty intervention, because its
purpose and procedures, even its very existence, is likely to change.

The tide has shifted again. Since 2008, the federal government has taken a role in
regulating markets and investing in communities that would have seemed impossible just
a few years ago. The NSP is a product of this process. Each of the three versions of the
program was created as part of a larger legislative package. Each program was enacted to
achieve different ends and permitted local governments to use different means.

The overall goals of federal policy have shifted wildly since NSP1 was enacted in
2008. Unless there is a fourth round of NSP funding, the NSP is a one-off event that does
not fit into any cohesive community development policy. Consequently, examining the
effectiveness of NSP grantees is complicated by the differing goals and means of each
NSP, as well as the lack of a single overriding national goal.

**Neighborhood Stabilization** Analysis of the NSP should proceed using mixed-
scanning. The advantage of mixed-scanning is that it takes on the realism and flexibility
of incrementalism without abandoning the rational grounding of the rational planning
model. In this way, the research can focus on street level adjustments in ends and means
within local community development agencies. This level of analysis matches the high
resolution local weather satellite in Etzioni’s illustration. The community level
implementation of the NSP will uncover the process of “muddling through” local social
and political realities.
At the same time, researcher can retain some sense of the program’s technical purpose: to mitigate the contagion effect of foreclosure and stop neighborhood deterioration. This broader level of analysis is akin to the low-resolution wide-view lens. However these concepts are operationalized, the two-level approach allows for a comprehensive, yet focused inquiry. It also allows for a falsifiable conclusion that the program has or has not achieved a normative goal.

The stated goal of NSP is to stabilize “communities that have suffered from foreclosures and abandonment [through] the purchase and redevelopment of foreclosed and abandoned homes and residential properties” (U.S. Department of Housing and Urban Development, 2010). Furthermore, congress indicated that 25% of every grant should benefit households earning less than 50% of Area Median Income (AMI) and that all funds should benefit households earning less than 120% of AMI. Local administrative costs should not exceed 10% of the grant amount. Congress directed HUD to allocate the funds according to particular criteria, but left wide latitude for counties and municipalities to determine the particular means of fulfilling the mandate (U.S. Department of Housing and Urban Development, 2008).

Within the mixed scanning framework, the success of NSP implementation will be gauged by how well the incremental responses to real-world social and political conditions accomplish the stated national goal. Accomplishing the goal is not a matter of hard metrics, like the number of families housed or vacant properties demolished. Instead, success is a question of how well the outcome resembles the image of the overriding principle of “neighborhood stabilization” situated in the particular context of a specific neighborhood. For instance, in one community the demolition of vacant housing
and reduction of density may result in successful stabilization. In another community the construction of new multi-family housing and an increase of density may be the measure of success. In yet another neighborhood simply performing long-deferred maintenance and reselling a few homes at market value will accomplish stabilization. The next chapter examines the incremental tools used by NSP grantees throughout the state of Florida to achieve the congressional mandate to stabilize distressed neighborhoods. The chapters that follow afterwards examine the outcomes of three specific jurisdictions.
Chapter 4: Implementation of the Neighborhood Stabilization Program in Florida

Florida is a primary recipient of NSP funds. This is largely attributable to the fact that the foreclosure crisis severely affected the state. As a result, federal policies designed to address neighborhood level problems of foreclosure have disproportionately benefited Florida. The state accounts for 49 of the 307 local governments nationwide awarded NSP 1 funds, and 13.81% of all funds expended by the end of the third quarter of 2011 (U.S. Department of Housing & Urban Development, 2011). As a result, Florida is a great place to examine NSP implementation.

Program Constraints The Department of Housing and Urban Development administers the Neighborhood Stabilization Program (Department of Housing and Urban Development, 2010b). Grantees are given wide latitude to devise innovative ways to spend the money. Nonetheless, there are several key limitations. For example, no grantee can spend more than 10% of its NSP funds on program administration (Department of Housing and Urban Development, 2010). Additionally, demolition cannot exceed 10% of the budget (Department of Housing and Urban Development, 2010). Although blight clearance is not an approved use of NSP funds unless it furthers the goal of mitigating the effect of foreclosure, any properties to be demolished must be blighted. Consequently, counties and municipalities must give a definition of the term blight when applying for an NSP grant. This prevents the use of NSP funds to supplement local slum and blight.
removal activities unrelated to foreclosure. It also prevent the destruction of useable housing stock.

Grantees must also comply with the *vicinity hiring* requirement in place for all CDBG funds (Department of Housing and Urban Development, 2011). This condition, “to the maximum extent feasible, provide for the hiring of employees who reside in the vicinity,” is the primary economic development tool of the NSP (Department of Housing and Urban Development, 2011). Grantees must also make reasonable provision for environmentally friendly and energy efficient building practices (Department of Housing and Urban Development, 2010). In addition, NSP recipients must make an effort to gather citizen input when drafting their action plans. The core allocation requirement is that benefits of the program must flow to a particular range of income classes.

The provision of low-income housing is one of the national objectives of the NSP. Every grantee must set aside 25% of its total funding for families at or below 50% of the median household income (AMI) (Kirwin Institute, 2010). Many Florida grantees are eager to use existing homebuyer assistance programs to implement NSP. Consequently, the focus is often on homeownership rather than rental properties. The result is that most of the action plans submitted by Florida counties and cities – and approved by HUD – include plans to expand homeownership for families earning less than 50% of AMI. The 25% requirement produces a very low income-ceiling. For example, a one person household in Sarasota County can earn no more than $21,780. Sarasota County has developed a novel solution to this challenge by drastically reducing the cost of housing (see discussion of affordability below). Most grantees, however, simply state their intention to provide down-payment assistance and sell renovated homes to households
below the low-income ceiling. The families must qualify for a market rate purchase money loan. The remaining 65% of funds can be used for low, moderate, and middle income households: families who earn less than 120% of AMI.

**Allowable Uses** Allowable expenses under NSP fall into eight broad categories; 1) acquisition, 2) clearance, 3) homeownership, 4) land banking, 5) public facilities & economic development, 6) residential new construction, 7) residential rehab, and 8) administrative costs. Funds must be obligated within 18 months of action plan approval by HUD (U.S. Department of Housing and Urban Development, 2010). All of NSP1 funds must be spent within four years (Kirwin Institute, 2010; U.S. Department of Housing and Urban Development, 2010). As a result, the majority of NSP 1 programs funds awarded to Florida grantees will be spent by the end of 2013. In reality, most have already been expended as of February 2012 or continued through subsequent NSP2 and NSP3 grants.

Municipalities may choose to acquire properties and place them in a land bank for up to ten years while they maintain the property and clear it of blight conditions (Department of Housing and Urban Development, 2010b). Nonetheless, any property acquired with NSP funds and placed in a land bank must ultimately be used for an NSP eligible purpose. As mentioned before, clearance cannot exceed 10% of an NSP grant (many Rustbelt cities have used the funds to supplement larger efforts to reduce density in residential neighborhoods). Throughout the nation – as shown in the chart below – residential rehab is the most popular use of NSP funds.

**Affordability** Affordability is one of the goals of the neighborhood stabilization program. Communities in Florida have adopted a variety of techniques to ensure that low
to middle-income households can continue to benefit from the government’s investment in housing for years to come. One such tool is the Land Use Restriction Agreement (LURA). Another is the Community Land Trust (CLT). Perhaps the most common is the “soft mortgage.” Another popular tool is the Shared Appreciation Mortgage (SAM).

A LURA is a contractual restriction on the use of a particular piece of real property. A few Florida NSP grantees are using LURAs to ensure the long-term affordability of rental housing. In this way a municipality can purchase and rehabilitate multi-family housing and sell it to a private entity. The LURA imposes income qualifications on the new landlord’s tenants and a formula for determining a fair rent. In some cases, LURAs are also being used to ensure that a homebuyer remains an owner occupant for several years, thereby stabilizing the neighborhood (Town of Davie Housing and Community Development, 2010).

Community Land Trusts are a means of keeping property perpetually affordable. A land trust – also known as a Community Housing trust (CHT) – resembles a housing cooperative corporation (Co-op) in that ownership of land resides in an independent entity, generally a non-profit corporation. The land trust continues to own the land, and sells the structures that sit upon it to homebuyers, with a ‘perpetual’ lease. Conceptually, this keeps the property affordable, as the homebuyer does not own the underlying land. In the case of single-family detached housing, the land can represent 30% or more of the sale price. Limiting the market purchase price to only the improvements drastically reduces the cost of purchasing a home.

Community Land Trusts with provisions that ensure continued affordability are somewhat more complicated. Generally, these take the form of deed restrictions. The
homebuyers must be of low to moderate income, usually defined by reference to AMI. Usually the maximum income falls somewhere between 80% and 120% of AMI. In addition, the CLT limits the amount of positive equity a homeowner can realize from the property. Sometimes this is an outright cap of resale price. Other times the CLT requires any amount above a predetermined amount to be shared with the CLT to expand and support its efforts.

The Sarasota Community Housing Trust (SCHT) predates NSP. However, funding from NSP is transforming the entity. The SCHT is quite flexible and allows the trust to sell the land after twenty years (Sarasota Office of Housing and Community Development, 2011). Conceptually this prevents a short-term solution to affordability from causing long-term problems of alienability. It also focuses its efforts on households earning less than 100% of AMI. A few properties are restricted to households earning less than 80% of AMI. Properties enter the trust as qualified families elect to use NSP funds to purchase a distressed home and offer the underlying land to the SCHT. The Sarasota Office of Housing and Community Development then subsidizes the purchase using NSP funds. If the trust later sells the property back into the unrestricted market, the Trust can elect to either a) repay the subsidy with interest; or b) use the proceeds to purchase additional affordable housing (Sarasota Office of Housing and Community Development, 2011).

A soft second mortgage is a blanket term. Generally, it refers to a loan with delayed repayment and minimal interest (Benjamin, Rubin, & Zielenbach, 2004). Soft seconds are usually part of down payment assistance programs for first time homebuyers (Benjamin, Rubin, & Zielenbach, 2004). The loans often cover not only the down
payment, but also closing costs allowing households of limited means to become homeowners. Many Florida NSP grantees are ensuring affordability through soft second mortgages. The loans are arranged through the HOME down payment assistance program. Low-income homebuyers must attend a HUD approved class covering topics such as homeownership, credit worthiness, and real estate transactions. They must also qualify for a conventional mortgage. The city or county will then sell them a home acquired and renovated using NSP funds. In many cases the buyer will never have to make payments on the second mortgage. If they do, repayment is structured to be affordable.

A SAM is a mortgage-secured purchase money loan structured more like an equity investment than a debt instrument (Caplin et al, 2008). The homebuyer exchanges the mortgage for use of public (or publicly guaranteed) money. The mortgagee is either the municipality or a financial institution that works closely with local housing officials. The borrower must repay the principle and a portion of the appreciation on the property upon sale or discharge of the primary mortgage (Caplin, 2007). The appreciation is based upon the amount of the original purchase price subsidized by local government. The proceeds are used to discount the purchase price to the next buyer, thus ensuring long-term affordability even if the home is priced in an inflating real estate market (Caplin et al, 2008).

The affordability requirement creates a short-term technical and ethical challenge, as well as a long term opportunity to provide affordable housing. There is a tension between the competing programmatic goals of price stabilization in middle-income neighborhoods on the one hand, and provision of housing options for low-income
households on the other hand. Grantees are faced with a choice of working against the overall imperative of the NSP – containing the contagion effects of foreclosure – or confirming price declines by placing units in the low-income market. As mentioned above, Sarasota County has chosen to do this by removing land-value from market valuation through a community land trust. This provides a permanent supply of low-income housing but undermines the character of the neighborhood. Alternatively, grantees can take the path of least resistance and further the spatial concentration of poverty by targeting all low-income housing funds to existing low-income neighborhoods. Marion County, discussed in Chapter Seven, has chosen this practice. The county purchased and renovated rental properties in West Ocala, a neighborhood already defined by concentrated poverty. The housing is only available to households earning less than 50% of AMI. The resale and rental of properties acquired through NSP generates income for local governments. Grantees may use program income to continue funding activities that serve the housing needs of households earning less than 50% of AMI. In this way communities that are NSP grantees benefit from a legacy funding mechanism.
Chapter 5: Methods

This research employs mixed quantitative and qualitative methods. Conceptually the benefit of this approach is that it enjoys the flexibility and context of descriptive data and personal observation couched in a firm quantitative metric. Unfortunately, as will be shown, the results of the quantitative analysis imply that the contagion effect upon which this research is premised may not be as predictable or universal as the literature suggests. At the very least the neighborhoods examined here may not be representative of the general trend throughout Florida and the United States.

This chapter broadly outlines the research design. The research question and the working hypothesis are stated below. In the course of research operationalizing foreclosure proved to be a more difficult task than expected. This chapter includes a brief discussion of two measures researchers can use to count foreclosure in Florida. It is a challenging issue and draws into question the statements of researchers, public officials, and journalists claiming that a certain number or rate of foreclosures exists within any given geography. Moreover, any statement that foreclosure correlates with any other phenomenon is a dubious claim without a succinct statement of what exactly the word foreclosure means.

After the section defining foreclosure, this chapter introduces the study area. There are a total of ten neighborhoods examined here. The neighborhoods are located in three different counties each representative of a different region of the state. Six of these
neighborhoods are treated in the quantitative analysis; all of them are included in the qualitative study. Finally, the data sources are identified. The methods with which the data were treated are briefly introduced. The quantitative methods used in this research are most easily discussed with real examples to illustrate the relationship between appraised values of properties in close proximity to one another. As a result, in-depth discussion of the quantitative methodology is found in Chapter Six.

**Research Question** Has the Neighborhood Stabilization Program (NSP) effectively mitigated the contagion effect of foreclosure in select Florida census tracts as measured by home values and other metrics of neighborhood wellbeing?

**Working Hypothesis** (1) The Neighborhood Stabilization Program (NSP) has effectively mitigated the contagion effect of foreclosure as measured by home values. (2) Because the NSP involves government intervention as a market participant, there will be little or no discernible effect of neighborhood wellbeing as measured by personal observation and public records.

**Defining Foreclosure** A persistent challenge for researchers has been to define and identify distressed properties. In Florida, when a mortgagee begins to foreclose upon its lien as a result of non-payment by the mortgagor, a *lis pendens* is recorded with the clerk of court to put interested parties on notice that there is pending legal action associated with the property. Recording the *lis pendens* indicates that the property has entered the foreclosure process. However, the mere filing of a *lis pendens* does not tell the whole story.

Very often the foreclosure process is stalled or avoided. This can happen for a number of reasons, the parties can reach an agreement to modify the
mortgage, the case be dismissed for procedural reasons; the property owner can sell the property; the parties can agree to a deed-in-lieu of foreclosure; or the plaintiff-mortgagee can allow the mortgagor to pay its arrearage and resume payment on the associated note, or simply abandon its claim altogether. Consequently, researchers examining the impacts of foreclosure cannot simply rely on *lis pendens* to identify foreclosed homes.

At the end of a foreclosure process, after a judgment is entered and the debtor’s right to redemption has expired, a court ordered sale of the property will take place. The foreclosing lien holder can bid up to the amount that it is owed and take possession of the property; or, if another party bids a greater amount the purchaser takes possession and the proceeds are applied to satisfy the lien-holder. In either scenario, title is conveyed by a certificate of title which is duly recorded by the clerk of court. Therefore, a search of public records for certificates of title associated with foreclosure actions will indicate properties that actually went all the way through the foreclosure process.

Researchers are faced with a decision point, whether to focus on *foreclosed* homes, or *distressed* homes. The mere filing of a *lis pendens* indicates default on a loan and financial trouble. Even in situations where there is a sale, loan modification, or deed-in-lieu that prevents forcible dispossession of the owners, there may be abandonment or lack of upkeep that impacts the neighborhood and exacerbates property value declines. On the other hand, in spite of the historic high in foreclosure, actual forced sales remain rare, the neighborhood impacts on home values and the implications for the larger
economy are much more severe when parties complete the foreclosure process and a lien-holder must take possession, manage, and market a property in order to recover its investment. Real Estate Owned (REO) consistently sells for less than non-REO property, primarily because banks lack the expertise and local knowledge to market property and prefer liquid funds to holding a portfolio of real property (Pennington-Cross, 2006, p. 211-212). In the current market, sales by owners before the foreclosure process is complete are often “short-sales,” that is a sale approved by the lien-holder for less than is owed. Research indicates that lien holders lose 50% of their investment from REO, compared to as little as 34% from short-sales (Pennington-Cross, 2010).

In either event, the properties will be used as comparables to appraise future sale prices of similar nearby properties. The measurable consequences for neighborhoods where multiple foreclosures have occurred are much greater than neighborhoods that merely have many distressed properties.

The formula for allocating NSP dollars relies on *lis pendens* and technical defaults. Therefore, I follow that pattern of focusing on *distressed* rather than *foreclosed* properties. Nonetheless, it is important to note that a neighborhood could have had many distressed properties in mid-2009 that never actually completed the foreclosure process. This is especially true in areas affected by the loss of employment in the building trades and automatic adjustments in variable-rate-mortgages. In these areas the market may self-correct without undermining neighborhood integrity, though it may be painful for individual households. In other neighborhoods, especially those defined by historic racial exclusion (e.g.
West Ocala) or persistent disinvestment and class stratification (e.g. Central Rockledge) the recent financial crisis can have devastating neighborhood effects. Therefore, in the qualitative section of this research I consider concentrations of homes that have actually gone through the foreclosure process.

**Study Area** Country Club Estates is a neighborhood in the city of Rockledge. Brevard County used NSP funds to stabilize the neighborhood. Central Rockledge is another neighborhood in the City of Rockledge. Brevard County did not target the neighborhood for stabilization with NSP funds.

Rainbow Park is a failed development in rural Marion County. The County used NSP funds to purchase properties in the development. West Ocala is an urban neighborhood in the City of Ocala. Marion County selected the neighborhood to receive NSP intervention. Marion Oaks is a master planned community in unincorporated Marion County. The community is located south of Ocala near the Sumter County border. Marion County targeted a large portion of its NSP grant to Marion Oaks. Silver Springs Shores is a housing development in eastern Marion County near the Ocala National Forest. The neighborhood also received a large share of the County’s NSP funds. Turning Point is the largest housing development in the census tracts east and north of Marion Oaks. The area did not receive NSP funds.

Naples Park is a neighborhood in Collier County north of Naples. Although the neighborhood has experienced a high rate of foreclosure, Collier County did not spend NSP funds in the community. Golden Gate City is a neighborhood in unincorporated Collier County. It is east of Naples. The
neighborhood received substantial investment through the NSP. Golden Gate Estates is north and east of Golden Gate City. It too received significant investment through the Collier County NSP.

Table 1- Neighborhoods in Quantitative & Qualitative Sections

<table>
<thead>
<tr>
<th>Jurisdiction</th>
<th>NSP Neighborhood</th>
<th>Tract</th>
<th>Non-NSP</th>
<th>Tract</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marion</td>
<td>Marion Oak</td>
<td>0010.02</td>
<td>Turning Point</td>
<td>0009.01</td>
</tr>
<tr>
<td>Collier</td>
<td>Golden Gate Estates</td>
<td>0112.02</td>
<td>Naples Park</td>
<td>0101.04</td>
</tr>
<tr>
<td>Brevard-Rockledge</td>
<td>Country Club Estates</td>
<td>0629</td>
<td>Central Rockledge</td>
<td>0631.01</td>
</tr>
</tbody>
</table>

Table 2 - Neighborhoods only in Qualitative Section

<table>
<thead>
<tr>
<th>Jurisdiction</th>
<th>NSP Neighborhood</th>
<th>Census Tract</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marion</td>
<td>West Ocala</td>
<td>0017, 0018</td>
</tr>
<tr>
<td></td>
<td>Rainbow Park</td>
<td>0026.01</td>
</tr>
<tr>
<td></td>
<td>Silver Springs Shores</td>
<td>0012.04</td>
</tr>
<tr>
<td>Collier</td>
<td>Golden Gate City</td>
<td>0104.09, 0104.11</td>
</tr>
</tbody>
</table>
Figure 4 - Country Club Estates

Figure 5 - Central Rockledge
Figure 6 - West Ocala

Figure 7 - Rainbow Park
Figure 8 - Marion Oaks

Figure 9 - Naples Park
Figure 10 - Golden Gate City

Figure 11 - Golden Gate Estates
Methodology and Procedure

Quantitative Sources of Data

Property Appraiser Data In the course of this research I relied heavily on the online databases maintained by the elected property appraisers of Brevard, Collier, and Marion counties. In particular, I used these sources for information about assessed property values, ownership information, the years that improvements were built, and parcel identification numbers. Some of the property appraisers in Florida maintain very user-friendly online databases with GIS mapping, assessments from multiple years, and links to Tax Collector TRIM notices, code enforcement documents, building sketches, and clerk of court conveyance documents. Some even allow the user to identify the same information for nearby parcels with a single mouse-click. Unfortunately, none of the counties in the study areas are this user-friendly. Gathering information about the parcels required consultation of other public records.
**Tax Collector** In addition to property appraiser data, I consulted the databases maintained by the elected tax collectors for each of the three jurisdictions. Tax collector data was particularly useful for determining past appraisal values for properties in Rockledge.

**Clerk of Court** The clerk of court for each of the 67 counties in Florida maintains a public record of documents relating to interests in real property. I consulted these records to identify distressed properties. As mentioned below, I also used public records to uncover trends within neighborhoods relating to code violations.

**Qualitative Data Sources**

**Professional Literature** In 2010, the Kiriwin Institute analyzed the implementation of NSP 1 and 2 in Florida. The Institute’s efforts culminated in ‘Recovering from Crisis, A Review of Neighborhood Stabilization in Florida’s Economic Recovery.” To date it is the only comprehensive scholarly examination of the NSP program in Florida that focuses on technical implementation. Although the emphasis of that work was economic stimulus and racial access to housing, its procedural framework and methodology were a major influence on this research. Additionally, I consulted a 2006 HUD publication for practitioners entitled “Best Practices for Effecting the Rehabilitation of Affordable Housing.” The HUD document identified important sources and an approach to information necessary to examine housing policies.

**NSP Resource Exchange** The primary source of substantive information for this research is HUD’s NSP Resource Exchange website. The site is an invaluable resource for anyone interested in the Neighborhood Stabilization Program. It contains all of the governing documents for all three NSP programs.
**Action Plans and Quarterly Reports** In addition to general information about the NSP, the Resource Exchange includes downloadable action plans, amended action plans, and quarterly reports from every grantee in the country. The Department of Housing and Urban Development provides “snapshots” and summary reports about the program generally, and the performance of specific grantees.

**Online Mapping Application** The Resource Exchange includes an interactive mapping tool with tract scores and the component statistics that are used in the greatest-need-formula. Additionally, there is raw data available for download that can be manipulated using geographic information systems (GIS) or statistical analysis software. The Department of Housing and Urban Development (HUD) also maintains hyperlinks to multimedia collections located at YouTube and Flickr. A wealth of material related to best practices is available on the Resource Exchange in the form of webinars, training manuals, white papers, and scholarly articles.

**Electronic Sources and Grantee Documents** I also utilized information maintained by the grantees themselves. Often, these resources included information about internal decision making processes (e.g. promotional materials, maps, neighborhood descriptions). This information was supplemented by real estate listings, county tax collector databases, county property appraiser databases, and public records maintained by county clerks of court.

**Code Enforcement** Collier County maintains a searchable database of code enforcement actions accessible to the public via the internet. The database is accessible at
the Collier County Growth Management Division – Planning and Regulation website (Collier County, 2012). I searched the Collier County code enforcement database for parcel IDs of distressed properties. I then searched for addresses on the same street to determine if the presence of distressed properties created conditions that led to more frequent citations.

The city of Rockledge does not maintain a similar database. It does, however, file liens against properties with unpaid fines. Rockledge also takes a lien against properties that have been abandoned. The City must secure the property and cut the grass and uses a lien against title to ensure that the city will someday be reimbursed for the expense. Code enforcement liens are recorded with the clerk of court and can be found through a search of public records. I searched Brevard County public records for liens where the city was named as a party within the relevant range of dates and a partial legal description of a known distressed property. The results roughly approximated neighborhoods because the properties shared section and subdivision information. Brevard County public records are accessible at the Brevard Clerk of Court website (Brevard Clerk of Court, 2012). I used the same technique in Marion County searching for instances when Marion County Code Enforcement was the listed lien holder. Marion County official records are accessible at the Marion County Clerk of Court website (Marion County Clerk of Court, 2012).

Crime Information about crime was collected from a number of sources. For crime in Marion County I consulted the archives of the Ocala Star-Banner “police and community briefs,” a section in the daily paper that reports recent arrests and criminal incidents (Ocala Star-Banner, 2012). The Collier County Sherriff’s Department maintains an interactive crime map that displays the type and location of crime along with the day
and time a deputy arrived. In addition, the crime map indicates the reason a deputy responded, whether there was an anonymous tip or a call for service (Collier County Sheriff’s Department, 2012). Unfortunately, neither the Rockledge Police Department, nor the Brevard County Sheriff’s department maintains a searchable database of crime that associates incidents with specific addresses. The only data available are annual statistics about Rockledge as whole.

**Education** Information about school performance came from the Florida Department of Education (FLDOE) 2010-2011 school accountability report. The report is available for download in excel format at the FLDOE website (Florida Department of Education, 2011). Additionally, information about which schools in the FLDOE report serve each neighborhood came from the school board websites of Brevard, Collier, and Marion.

**Google Alerts** Knowing that the large-scale investment of federal funds is contentious and noteworthy, I expected local news outlets to report on the NSP resource allocation and policy implementation. Accordingly, I used a Google alert with the keywords “NSP,” and “Florida” from mid-August 2011 to the present. From the results, I was able to create a small bank of local newspaper, public radio, and television news articles related to the Neighborhood Stabilization Program. This information proved to be an invaluable insight into local opposition to some NSP activity, corruption in the implementation of NSP 1, and the comments of local officials to journalists that cannot be found in official action plans and quarterly reports.

**Direct Observations** I personally visited each of the neighborhoods examined in this research. During the visits I walked the neighborhood and observed the housing
stock and the state of the neighborhood. In the NSP neighborhoods I visited homes purchased and renovated through the program as well as neighboring properties. Upon arriving in a neighborhood I located a home I knew to be distressed. I observed the distressed home and its neighbors and began to walk as much of the neighborhood as possible using the distressed properties as a starting point. Specifically, I looked for indicators of neighborhood decline such as unkempt lawns, visible disrepair, signs of vandalism or graffiti, vacant homes, heaps of refuse, and signs indicating that homes were being sold at a discount (e.g. “short sale”). In addition, I looked for signs of neighborhood vitality, such as residents socializing with each other, well maintained properties, indications of neighborhood organization, and signs and advertisements emphasizing the construction quality and location of available properties rather than their bargain prices. I visited Marion County on January 6th and 7th of 2012; Collier County on January 20th; and Rockledge on February 4th.
Chapter 6: The effect of NSP expenditure on home values

This Chapter begins by further elaborating on the methodology introduced in Chapter Five. Then the observations are presented for three neighborhoods receiving NSP funds, and three similar neighborhoods not receiving NSP funds. In each neighborhood, distressed and non-distressed homes are identified. First, the baseline pre-crisis average value for each home is identified. Then, the relationship between the appraised values of the distressed properties and appraised values of the non-distressed properties is measured using the mean ratio of difference of intrinsic value. Post crisis observations are taken on the same property using 2011 appraisals. These data are then treated with regression analysis using Statistical Package for the Social Sciences (SPSS) software. The results indicate that the limited sample is not statistically significant, implying that the findings within the sampled neighborhoods may not reflect the general trend in the entire universe of NSP neighborhoods. Within the examined neighborhoods, there is no clear relationship between NSP spending and losses of intrinsic homes values. Moreover, the descriptive data imply that there may not even be a deleterious contagion effect of foreclosure measurable as a decline in appraised property values. In at least two of the neighborhoods examined here, non-distressed home owners actually experienced increases in relative value when their neighbors experienced foreclosure.

Foreclosure causes a decline in value to nearby properties. The following hypothetical situation illustrates how the contagion effect of foreclosure can be measured.
by comparing the appraised values of neighboring properties. The property located at 123 Elm Street is valued at $200,000. Down the street, the house at 129 Elm Street is valued at $220,000. Although the values rise and fall according to market trends, the difference in value between the two homes remains fairly constant, all else being equal. In other words, the difference in intrinsic value between the two homes is 10%.

Unfortunately, local real estate values fall by fifty percent. The family living at 129 Elm Street – in every other way equal to the family down the street – is $10,000 richer than the neighbors. All this changes when the family at 123 Elm Street experiences a foreclosure. Six months after the foreclosure, the home sells for $90,000. The foreclosure has several negative externalities. Taken together these spillover effects constitute the contagion effect of foreclosure. Among these is the loss of wealth in the form of home equity held by middle class families. All else being equal, the historic trend would indicate that the home at 129 Elm Street will appraise for 110% of the appraised value of 123 Elm, $99,000. In reality, however, the home is likely to appraise for 105% of the neighboring value the year after the sale and 102% or less the year after. If, thirty months after the foreclosure, 123 Elm appraises for $85,000, 129 Elm is likely to appraise for $86,700 instead of $93,500. In other words, the household at 129 Elm is $6,800 less wealthy because of the nearby foreclosure. This effect is amplified by the overlapping effects of concentrated foreclosures that characterizes the current crisis, and exacerbated by the other negative indicators or neighborhood wellbeing associated with foreclosure. The cumulative effect is a massive loss of wealth to middle class families.

The federal government enacted the NSP, in part to contain this evaporation of home values. The quantitative element of this research attempted to measure how
effectively the NSP mitigated the erosion of neighboring home values. The steps of this process are explained below.

**Pre-crisis**

**Property and Baseline Identified** The first step to prepare for the analysis was to isolate distressed properties, and nearby non-distressed properties. This was done by identifying the *lis pendens* filed in each tract between 2007 and 2009, and choosing its closest non-distressed neighbor. This was complicated by the fact that in every neighborhood examined in this research distressed homes were clustered together. Consequently the housing pairs are as close together as possible, although many are on different streets.

Once the properties were identified I established a baseline difference in value. Using county property appraiser valuations for the years 2000-2006 I determined the consistent difference in value between the paired homes. The mean ratios of difference of intrinsic value (MDIV) were determined by 1) averaging the appraised values of each for the three years; and then 2) dividing the three-year-average appraised value of the non-distressed home by the appraised value of the distressed home. This ratio should reflect the intrinsic difference in value between the two properties assuming there are no major improvements and there is normal depreciation.

**Mean Ratios of Difference of Intrinsic Value** In the Collier County NSP census tract the baseline MRDIV for the period of 2000-2006 was 1.1 (\[.88+1.06+1.16+1.27+1.13+1.48+1.31+1.07+.995+1.15+.98+1.07.5+.998]/13=1.12221). In the non-NSP census tract the baseline MRDIV for the period of 2000-
2006 was 0.92 ([.89+.76+1.25+1.23+.64+1.08+.93+.58+.87+.996]/10=0.922908078).

In the Marion County NSP census tract the baseline MRDIV for the period of 2000-2006 was 1.24 ([1.06+1.998+.82+1.37+.76+1.20+2.49+.85+1.13+.77]/10=1.244419469). In the non-NSP census tracts the baseline MRDIV for the period of 2000-2006 was 1.26 ([1.16+1.43+.96+1.21+.93+1.86]/6=1.258002955).

In the Rockledge NSP census tract the baseline MRDIV for the period of 2000-2006 was approximately 1.03 ([1.12+.90+.88+1.41+1.83+.52+1.28+.81+.66+.84]/10=1.025029944). In the non-NSP census tract the baseline MRDIV for the period of 2000-2006 was 0.94 ([.35+.75+.60+1.64+2.20+.61+.85+.41+.94+1.04]/10=0.940062313).

Table 3 - Collier NSP Tract 2000-2006 Average Value

<table>
<thead>
<tr>
<th>Distressed</th>
<th>Non-Distressed</th>
<th>2000-2006 average % of Distressed neighbor</th>
</tr>
</thead>
<tbody>
<tr>
<td>50,050</td>
<td>44,492 (88)</td>
<td>88%</td>
</tr>
<tr>
<td>43,700</td>
<td>46,392 (1.06)</td>
<td>106%</td>
</tr>
<tr>
<td>43,700</td>
<td>50,825 (116)</td>
<td>116%</td>
</tr>
<tr>
<td>44,492</td>
<td>56,683 (127)</td>
<td>127%</td>
</tr>
<tr>
<td>53,042</td>
<td>60,060 (113)</td>
<td>113%</td>
</tr>
<tr>
<td>55,575</td>
<td>82,444 (148)</td>
<td>148%</td>
</tr>
<tr>
<td>49,940</td>
<td>65,400 (131)</td>
<td>131%</td>
</tr>
<tr>
<td>Distressed Average Value</td>
<td>Non-Distressed Average Value</td>
<td>2000-2006 Average % of Distressed neighbor</td>
</tr>
<tr>
<td>--------------------------</td>
<td>------------------------------</td>
<td>------------------------------------------</td>
</tr>
<tr>
<td>96,388</td>
<td>103,494 (107)</td>
<td>107%</td>
</tr>
<tr>
<td>143,299</td>
<td>142,602 (99.5)</td>
<td>100%</td>
</tr>
<tr>
<td>140,396</td>
<td>161,235 (115)</td>
<td>115%</td>
</tr>
<tr>
<td>186,269</td>
<td>183,432 (98)</td>
<td>98%</td>
</tr>
<tr>
<td>178,189</td>
<td>191,558 (107.5)</td>
<td>108%</td>
</tr>
<tr>
<td>18,525</td>
<td>18,500 (99.8)</td>
<td>100%</td>
</tr>
</tbody>
</table>

Table 4 - Collier Non-NSP Tract 2000-2006 Average Value

Collier Non-NSP Tract 2000-2006 Average Value

<table>
<thead>
<tr>
<th>Distressed</th>
<th>Non-Distressed</th>
<th>2000-2006 average % of Distressed neighbor</th>
</tr>
</thead>
<tbody>
<tr>
<td>184,998</td>
<td>164,005 (89)</td>
<td>89%</td>
</tr>
<tr>
<td>166,581</td>
<td>126,104 (76)</td>
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</tr>
<tr>
<td>136,152</td>
<td>170,351 (125)</td>
<td>125%</td>
</tr>
<tr>
<td>153,788</td>
<td>189,814 (123)</td>
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</tr>
<tr>
<td>318,475</td>
<td>203,120 (64)</td>
<td>64%</td>
</tr>
<tr>
<td>205,748</td>
<td>222,370 (108)</td>
<td>108%</td>
</tr>
<tr>
<td>194,280</td>
<td>181,584 (93)</td>
<td>93%</td>
</tr>
<tr>
<td>303,790</td>
<td>176,104 (58)</td>
<td>58%</td>
</tr>
<tr>
<td>176,712</td>
<td>153,826 (87)</td>
<td>87%</td>
</tr>
<tr>
<td>184,998</td>
<td>184,391 (99.6)</td>
<td>100%</td>
</tr>
<tr>
<td>Distressed</td>
<td>Non-Distressed</td>
<td>2000-2006 average % of Distressed neighbor</td>
</tr>
<tr>
<td>------------</td>
<td>----------------</td>
<td>-------------------------------------------</td>
</tr>
<tr>
<td>59509</td>
<td>63205 (106)</td>
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<td>29563</td>
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</tr>
<tr>
<td>63495</td>
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<td>63495</td>
<td>86706 (137)</td>
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</tr>
<tr>
<td>72349</td>
<td>54797 (76)</td>
<td>76%</td>
</tr>
<tr>
<td>47462</td>
<td>57089 (120)</td>
<td>120%</td>
</tr>
<tr>
<td>42528</td>
<td>106024 (249)</td>
<td>249%</td>
</tr>
<tr>
<td>58750</td>
<td>49981 (85)</td>
<td>85%</td>
</tr>
<tr>
<td>48220</td>
<td>54581 (113)</td>
<td>113%</td>
</tr>
<tr>
<td>91651</td>
<td>70194 (77)</td>
<td>77%</td>
</tr>
</tbody>
</table>
### Table 6 - Marion Non-NSP Tract 2000-2006 Average Value

<table>
<thead>
<tr>
<th>Distressed</th>
<th>Non-Distressed</th>
<th>2000-2006 average % of Distressed neighbor</th>
</tr>
</thead>
<tbody>
<tr>
<td>78642</td>
<td>91331 (116)</td>
<td>116%</td>
</tr>
<tr>
<td>85527</td>
<td>122723 (143)</td>
<td>143%</td>
</tr>
<tr>
<td>68234</td>
<td>65169 (96)</td>
<td>96%</td>
</tr>
<tr>
<td>66344</td>
<td>80031 (121)</td>
<td>121%</td>
</tr>
<tr>
<td>66765</td>
<td>62328 (93)</td>
<td>93%</td>
</tr>
<tr>
<td>136469</td>
<td>253399 (186)</td>
<td>186%</td>
</tr>
</tbody>
</table>

### Table 7 - Rockledge NSP Tract 2000-2006 Average Value

<table>
<thead>
<tr>
<th>Distressed</th>
<th>Non-Distressed</th>
<th>2000-2006 average % of Distressed neighbor</th>
</tr>
</thead>
<tbody>
<tr>
<td>73517</td>
<td>82240 (112)</td>
<td>112%</td>
</tr>
<tr>
<td>100990</td>
<td>91333 (90)</td>
<td>90%</td>
</tr>
<tr>
<td>117583</td>
<td>103080 (88)</td>
<td>88%</td>
</tr>
<tr>
<td>77463</td>
<td>109330 (141)</td>
<td>141%</td>
</tr>
<tr>
<td>66927</td>
<td>122317 (183)</td>
<td>183%</td>
</tr>
<tr>
<td>102313</td>
<td>53470 (52)</td>
<td>52%</td>
</tr>
<tr>
<td>81740</td>
<td>104560 (128)</td>
<td>128%</td>
</tr>
<tr>
<td>60793</td>
<td>49237 (81)</td>
<td>81%</td>
</tr>
<tr>
<td>105023</td>
<td>69033 (66)</td>
<td>66%</td>
</tr>
</tbody>
</table>
Table 8 - Rockledge Non-NSP Tract 2000-2006 Average Value

<table>
<thead>
<tr>
<th>Distressed</th>
<th>Non-Distressed</th>
<th>2000-2006 average % of Distressed neighbor</th>
</tr>
</thead>
<tbody>
<tr>
<td>62617</td>
<td>21713 (35)</td>
<td>35%</td>
</tr>
<tr>
<td>67257</td>
<td>50340 (75)</td>
<td>75%</td>
</tr>
<tr>
<td>99763</td>
<td>59657 (60)</td>
<td>60%</td>
</tr>
<tr>
<td>45770</td>
<td>75203 (164)</td>
<td>164%</td>
</tr>
<tr>
<td>55860</td>
<td>123167 (220)</td>
<td>220%</td>
</tr>
<tr>
<td>87873</td>
<td>53490 (61)</td>
<td>61%</td>
</tr>
<tr>
<td>66290</td>
<td>56593 (85)</td>
<td>85%</td>
</tr>
<tr>
<td>147960</td>
<td>60867 (41)</td>
<td>41%</td>
</tr>
<tr>
<td>63400</td>
<td>59793 (94)</td>
<td>94%</td>
</tr>
<tr>
<td>65590</td>
<td>68377 (104)</td>
<td>104%</td>
</tr>
</tbody>
</table>
Post-crisis

Test-year Mean Ratios of Difference of Intrinsic Value & Change in Mean Ratios of Difference of Intrinsic Value After determining the baseline MRDIV for each tract, I calculated the MRDIV for each tract for the year 2011, as well as the change (Δ) in MRDIV for each tract. In the Collier County NSP census tract the 2011 MRDIV was 1.1 ([.65+.63+.70+1.27+.77+2.04+1.30+1.08+.99+1.31+.81+1.06+1.67]/13=1.12221). The NSP tract Δ MRDIV was 0.02316. In the non-NSP census tract the 2011 MRDIV was approximately 0.9 ([1.06+.72+1.23+1.06+1.03+1+.87+.50+.62+.89]/10=0.899886883). The non-NSP tract Δ MRDIV was 0.023021195.

In the Marion County NSP census tract the 2011 MRDIV was 1.3 ([1.69+1.92+.94+1.45+.73+1.06+2.37+.90+1.23+.77]/10 = 1.311347594). The NSP tract Δ MRDIV was -0.066928126. The NSP tract Δ MRDIV was -0.064274806. In the non-NSP census tracts the 2011 MRDIV was approximately 1.27 ([1.04+1.48+1.03+1.20+1.07+1.78]/6=1.267406515). The non-NSP tract Δ MRDIV was -0.00940356.

In the Rockledge NSP census tract the 2011 MRDIV was approximately 1.09 ([.54+.89+.88+1.95+1.49+.51+1.52+1.15+.67+1.29]/10=1.08930475). In the non-NSP census tract the 2011 MRDIV was 1.03 ([.26+.76+.85+2.46+1.96+.87+1.11+.40+.82+.84]/10=1.032250393). The non-NSP tract Δ MRDIV was -0.09218808.
Table 9 - Collier NSP Tract 2011 Values

<table>
<thead>
<tr>
<th>Distressed</th>
<th>Non-Distressed</th>
<th>2011 average % of Distressed neighbor</th>
</tr>
</thead>
<tbody>
<tr>
<td>19,110</td>
<td>12,476 (65)</td>
<td>65%</td>
</tr>
<tr>
<td>20,424</td>
<td>13,009 (63)</td>
<td>63%</td>
</tr>
<tr>
<td>204,24</td>
<td>14,252 (70)</td>
<td>70%</td>
</tr>
<tr>
<td>12,476</td>
<td>15,895 (127)</td>
<td>127%</td>
</tr>
<tr>
<td>24,790</td>
<td>19,110 (77)</td>
<td>77%</td>
</tr>
<tr>
<td>25,974</td>
<td>53,079 (204)</td>
<td>204%</td>
</tr>
<tr>
<td>15,890</td>
<td>20,646 (130)</td>
<td>130%</td>
</tr>
<tr>
<td>63,319</td>
<td>68,485 (108)</td>
<td>108%</td>
</tr>
<tr>
<td>91,791</td>
<td>90,541 (99)</td>
<td>99%</td>
</tr>
<tr>
<td>87,191</td>
<td>114,196 (131)</td>
<td>131%</td>
</tr>
<tr>
<td>114,697</td>
<td>92,763 (81)</td>
<td>81%</td>
</tr>
<tr>
<td>96,767</td>
<td>102,494 (106)</td>
<td>106%</td>
</tr>
<tr>
<td>5,195</td>
<td>8,658 (167)</td>
<td>167%</td>
</tr>
</tbody>
</table>
Table 10 - Collier Non-NSP Tract 2011 Values

<table>
<thead>
<tr>
<th>Distressed</th>
<th>Non-Distressed</th>
<th>2011 average % of Distressed neighbor</th>
</tr>
</thead>
<tbody>
<tr>
<td>131943</td>
<td>140516 (106)</td>
<td>106%</td>
</tr>
<tr>
<td>145380</td>
<td>105331 (72)</td>
<td>72%</td>
</tr>
<tr>
<td>94277</td>
<td>116307 (123)</td>
<td>123%</td>
</tr>
<tr>
<td>131577</td>
<td>139727(106)</td>
<td>106%</td>
</tr>
<tr>
<td>159842</td>
<td>165409 (103)</td>
<td>103%</td>
</tr>
<tr>
<td>167887</td>
<td>168301 (100)</td>
<td>100%</td>
</tr>
<tr>
<td>134883</td>
<td>116876 (87)</td>
<td>87%</td>
</tr>
<tr>
<td>263158</td>
<td>132530 (50)</td>
<td>50%</td>
</tr>
<tr>
<td>130560</td>
<td>80946 (62)</td>
<td>62%</td>
</tr>
<tr>
<td>131943</td>
<td>116949 (89)</td>
<td>89%</td>
</tr>
</tbody>
</table>
Table 11- Marion NSP Tract 2011 Values

<table>
<thead>
<tr>
<th>Distressed</th>
<th>Non-Distressed</th>
<th>2011 average % of Distressed neighbor</th>
</tr>
</thead>
<tbody>
<tr>
<td>41,417</td>
<td>70,380 (170)</td>
<td>170%</td>
</tr>
<tr>
<td>22,400</td>
<td>43,076 (192)</td>
<td>192%</td>
</tr>
<tr>
<td>47,951</td>
<td>45,304 (94)</td>
<td>94%</td>
</tr>
<tr>
<td>47,951</td>
<td>70,003 (146)</td>
<td>146%</td>
</tr>
<tr>
<td>59,910</td>
<td>43,866 (73)</td>
<td>73%</td>
</tr>
<tr>
<td>37,059</td>
<td>39,442 (106)</td>
<td>106%</td>
</tr>
<tr>
<td>34,072</td>
<td>81,067 (283)</td>
<td>238%</td>
</tr>
<tr>
<td>40,056</td>
<td>36,136 (90)</td>
<td>90%</td>
</tr>
<tr>
<td>39,289</td>
<td>48,419 (123)</td>
<td>123%</td>
</tr>
<tr>
<td>84,110</td>
<td>65,282 (78)</td>
<td>78%</td>
</tr>
</tbody>
</table>
### Table 12 - Marion Non-NSP Tract 2011 Values

<table>
<thead>
<tr>
<th>Distressed</th>
<th>Non-Distressed</th>
<th>2011 average % of Distressed neighbor</th>
</tr>
</thead>
<tbody>
<tr>
<td>87,461</td>
<td>90,763</td>
<td>104%</td>
</tr>
<tr>
<td>99,402</td>
<td>146,660</td>
<td>148%</td>
</tr>
<tr>
<td>75,150</td>
<td>77,773</td>
<td>103%</td>
</tr>
<tr>
<td>77,723</td>
<td>93,556</td>
<td>120%</td>
</tr>
<tr>
<td>84,968</td>
<td>90,765</td>
<td>107%</td>
</tr>
<tr>
<td>158,611</td>
<td>283,029</td>
<td>178%</td>
</tr>
</tbody>
</table>

### Table 13 - Rockledge NSP Tract 2011 Values

<table>
<thead>
<tr>
<th>Distressed</th>
<th>Non-Distressed</th>
<th>2011 average % of Distressed neighbor</th>
</tr>
</thead>
<tbody>
<tr>
<td>87461</td>
<td>90763</td>
<td>104%</td>
</tr>
<tr>
<td>99402</td>
<td>146660</td>
<td>148%</td>
</tr>
<tr>
<td>75150</td>
<td>77773</td>
<td>103%</td>
</tr>
<tr>
<td>77723</td>
<td>93556</td>
<td>120%</td>
</tr>
<tr>
<td>84968</td>
<td>90765</td>
<td>107%</td>
</tr>
<tr>
<td>158611</td>
<td>283029</td>
<td>178%</td>
</tr>
<tr>
<td>87461</td>
<td>90763</td>
<td>104%</td>
</tr>
<tr>
<td>99402</td>
<td>146660</td>
<td>148%</td>
</tr>
</tbody>
</table>
Table 14 - Rockledge Non-NSP Tract 2011 Values

<table>
<thead>
<tr>
<th>Distressed</th>
<th>Non-Distressed</th>
<th>2011 average % of Distressed neighbor</th>
</tr>
</thead>
<tbody>
<tr>
<td>58980</td>
<td>15100</td>
<td>26%</td>
</tr>
<tr>
<td>70820</td>
<td>53590</td>
<td>76%</td>
</tr>
<tr>
<td>81790</td>
<td>69240</td>
<td>85%</td>
</tr>
<tr>
<td>36270</td>
<td>89250</td>
<td>246%</td>
</tr>
<tr>
<td>60460</td>
<td>118760</td>
<td>196%</td>
</tr>
<tr>
<td>65860</td>
<td>57170</td>
<td>87%</td>
</tr>
<tr>
<td>55610</td>
<td>61550</td>
<td>111%</td>
</tr>
<tr>
<td>147620</td>
<td>58950</td>
<td>40%</td>
</tr>
<tr>
<td>75860</td>
<td>62540</td>
<td>82%</td>
</tr>
<tr>
<td>85420</td>
<td>71720</td>
<td>84%</td>
</tr>
</tbody>
</table>

**Regression** Deeper analysis of how effectively NSP investments eased the impact of foreclosure on neighboring home values required the use of linear regression. The following linear regression was executed to determine the extent of the relationship between NSP dollars spent and the Δ MRDIV: \( Y = a + bX \); where X= NSP Expenditure
(IV) and \( Y = \Delta \text{MRDIV} \) (DV) using \( \text{Slope}(b) = \frac{\Sigma \text{XY} - [\Sigma X(\Sigma Y)/n]}{\Sigma X^2 - [\Sigma X]^2/n} \)

The results returned a Beta coefficient of \( .854 \) that was not statistically significant (sig = \( .348 \)). The adjusted R-squared is 0.43, indicating that a substantial part of the variance in \( \Delta \text{MRDIV} \) within the NSP neighborhoods could be attributable to NSP expenditure. If the sample better reflected the population (in this case neighborhoods with NSP expenditure) one dollar of NSP spending could be expected to cause a \( .85 \) change in \( \Delta \text{MRDIV} \). The level of statistical significance is so far outside of acceptable range, however, the regression yields little useful information to analyze the efficacy of NSP expenditure.

Appendix one contains a copy of the SPSS regression results.

Table 15 - Regression Variables

<table>
<thead>
<tr>
<th>NSP Expenditure* (X)</th>
<th>( \Delta \text{MRDIV}^{**} ) (Y)</th>
</tr>
</thead>
<tbody>
<tr>
<td>37.8</td>
<td>0.02316</td>
</tr>
<tr>
<td>23.93</td>
<td>-0.066928126</td>
</tr>
<tr>
<td>10.2</td>
<td>-0.064274806</td>
</tr>
</tbody>
</table>

\( \bar{x} = 23.97667 \) \( \bar{y} = 0.073334 \)
Table 16 - Estimates

<table>
<thead>
<tr>
<th>NSP Expenditure* (X)</th>
<th>Δ MRDIV** (Y)</th>
<th>Y*X</th>
<th>X*X</th>
</tr>
</thead>
<tbody>
<tr>
<td>37.8</td>
<td>0.08880</td>
<td>3.35664</td>
<td>1428.84</td>
</tr>
<tr>
<td>23.93</td>
<td>0.066928126</td>
<td>1.601590055</td>
<td>572.6449</td>
</tr>
<tr>
<td>10.2</td>
<td>0.064274806</td>
<td>0.655603021</td>
<td>104.04</td>
</tr>
<tr>
<td>ΣX = $ 71.93</td>
<td>ΣY = 0.220002932</td>
<td>ΣXY = $ 5.613833</td>
<td>ΣX² = 2105.525</td>
</tr>
</tbody>
</table>

* hundreds of thousands of dollars

** absolute value

Discussion This research began with the assumption that foreclosure adversely affected the relative value of nearby properties. The contagion effect of foreclosure has been documented by numerous researchers in planning and economics (Wassmer, 2010; Wodka, 2009; Lee 2008; Lauria, 1998). The most concrete measurement of the contagion effect was the decline in relative value of non-distressed homes as a result of neighborhood discounting flowing from concentrated foreclosures. As a result, I asked how well the NSP mitigated this effect. The data, however, do not reveal a contagion effect. Moreover, in the one neighborhood-pair where there was a clear property value related contagion effect, non-distressed homeowners in the NSP neighborhood (Golden Gate Estates) experienced greater loss of relative value than non-distressed owners in the non-NSP neighborhood (Naples Park). In Marion Oaks, Turning Point, Central Rockledge, and Country Club Estates, non-distressed property owners experienced an increase in appraised value relative to their distressed neighbors.
Golden Gate Estates homeowners experienced a loss of relative value related to the contagion effect of foreclosure. The $\Delta$ MRDIV was about 2.3% dropping from a baseline average of 1.12 to 1.09 in 2011. A hypothetical home in Golden Gate Estates is worth $100,000; the home next door is worth $112,000. The first home goes through foreclosure. During the same time period there is a 30% decline in property values overall. Considering the $\Delta$ MRDIV the predicted value of the neighboring property would be approximately $76,933 instead of $78,554. Therefore, the neighboring household has lost $1,611 as a result of the contagion effect of foreclosure.

Naples Park homeowners experienced a loss of relative value related to the contagion effect of foreclosure. The $\Delta$ MRDIV was also about 2.3% dropping from a baseline average of .922 to .899 in 2011. A hypothetical home in Naples Park is worth $100,000; the home next door is worth $92,200. The first home goes through foreclosure. During the same time period there is a 30% decline in property values overall. Considering the $\Delta$ MRDIV the predicted value of the neighboring property would be approximately $44,950 instead of $46,100. Therefore, the neighboring household has lost $1,150 as a result of the contagion effect of foreclosure.

Owners of non-distressed homes in Marion Oaks experienced an increase of relative value in spite of their proximity to a concentration of foreclosures. The $\Delta$ MRDIV was about -6.7% climbing from a baseline average of 1.244 to 1.311 in 2011. A hypothetical home in Marion Oaks is worth $100,000; the home next door is worth $124,441. The first home goes through foreclosure. During the same time period there is a 30% decline in property values overall. Considering the $\Delta$ MRDIV the predicted value of the neighboring property would be approximately $65,550 instead of $62,205.
Therefore, the neighboring household has gained $3,345 of value relative to the value of the neighboring property.

Turning Point non-distressed homeowners experienced an increase of relative value at a time of high foreclosure rates. The Δ MRDIV was practically infinitesimal, approximately -.009% rising from a baseline average of 1.258 to 1.267 in 2011. A hypothetical home in Turning Point Estates is worth $100,000; the home next door is worth $124,441. The first home goes through foreclosure. During the same time period there is a 30% decline in property values overall. Considering the Δ MRDIV the predicted value of the neighboring property would be approximately $126,700 instead of $125,800. Therefore, the neighboring household has gained $900 of value relative to the value of the neighboring property. These data indicate a high degree of neighborhood stability.

Country Club Estates non-distressed property owners benefited from relative property value increases when neighboring properties were affected by foreclosure. The Δ MRDIV was approximately -6.4% rising slightly from a baseline average of 1.025 to 1.089 in 2011. A hypothetical home in Country Club Estates is worth $100,000; the home next door is worth $102,503. The first home goes through foreclosure. During the same time period there is a 30% decline in property values overall. Considering the Δ MRDIV the predicted value of the neighboring property would be approximately $54,450 instead of $51,250. Therefore, the neighboring household has gained $3,200 of value relative to the value of the neighboring property.

Central Rockledge non-distressed property owners also saw their property values increase when their neighbors went through foreclosure. The Δ MRDIV was
approximately -9.2% rising considerably from a baseline average of .94 to 1.032 in 2011. A hypothetical home in Central Rockledge is worth $100,000; the home next door is worth $94,000. The first home goes through foreclosure. During the same time period there is a 30% decline in property values overall. Considering the Δ MRDIV the predicted value of the neighboring property would be approximately $51,600 instead of $47,000. Therefore, the neighboring household has gained $4,600 of value relative to the value of the neighboring property.

In “Neighborhood Effects of Concentrated Mortgage Foreclosures” Scheutz, Been, and Ellen indicate that real estate dynamics in New York City neighborhoods are idiosyncratic and the observed effect of clustered foreclosures may not be generalizable to other communities (Schuetz, et al, 2008). Local distinctiveness is not unique to New York City. The home values of all neighborhoods are shaped by the economic and cultural context of a broader community. It is likely that the contagion effect of foreclosure exists and is measurable in terms of relative home value.

The specific market parameters of Country Club Estates and Marion Oaks deviate from the overall trend. Moreover, the lack of statistical significance and the limited sample size support the inference that a larger universe of properties, in a greater number of neighborhoods would reveal trends that conform to the findings of previous researchers. Unfortunately, in spite of the time and effort invested in the collection, handling, and analysis of these data, they do not support any conclusive inferences regarding how well the NSP reduces the loss of value to homes in neighborhoods with high foreclosure rates.
Chapter 7: Case Studies of Florida Jurisdictions Implementing NSP

Marion County Overview Marion County applied for and received a $6,324,055 NSP 1 grant (Marion County Community Services, 2009). More than 78% of that money was spent on acquisition. Most of the balance was spent on residential renovation. The program has generated substantial income, recovering more than 10% of the grant amount in the end of the third quarter of 2011. This income has already been reinvested into new acquisition and rehabilitation.

Marion County allocated funds to four areas: West Ocala, Marion Oaks, Rainbow Park, and Silver Springs. West Ocala is an urban neighborhood immediately west of downtown Ocala. Marion Oaks is a large master-planned community in the southern portion of the county near the border of Sumter County. Rainbow Park is located in the rural western portion of the county. Silver Springs is east of Ocala, adjacent to the Ocala National Forest.

Under HUD guidelines, NSP grantees can outsource the implementation of the program to partners with expertise in real estate acquisition, renovation, and property management. Marion County elected to partner with a Gainesville based non-profit, the Neighborhood Housing & Development Corporation (NHDC), as well as Habitat for Humanity of Marion County, and another governmental entity, the Ocala Housing Authority. Together, these entities acquired sixty-seven homes. Of those, the NHDC
acquired and renovated forty-five (Marion County Community Services, 2009; Thompson, 2011).

Located near the center of the state, Marion County is the focus of the equestrian industry in Florida. Ocala is the county seat and largest city. Although only 16% of the county’s population lives within the corporate boundaries of Ocala, my personal observations and interactions with long-time residents indicates that the majority of Marion County residents identify with the city.

Two factors collude to create the rural character of Ocala and Marion County. First, the eastern portion of the county is dedicated to Ocala National Forest, creating a permanent barrier to development and nurturing an economy based on nature-tourism. Second, the predominate agricultural enterprise in the area, horse breeding, produces high value agricultural land uses that create a markedly different dynamic than other parts of the state.

The importance of the horse to the economy, culture and identity of Marion County cannot be overstated. Throughout the area there are numerous public and private displays of the community’s adoration for the animal. The downtown area is filled with sculptures of horses funded by the Marion Cultural Alliance and the Florida Thoroughbred Breeders’ and Owners Association (FTBOA) (Rogers, 2009). Citing a 2005 study by the American Horse Council, the FTBOA reports that 431 farms operate 70,000 acres in Marion County (Florida Thoroughbred Breeders' and Owners' Association, 2011). Collectively, these enterprises, along with hobbyists, own a stock of at least 35,300 horses. The horse farms and related industries (e.g. feed suppliers, training centers, blacksmiths, etc.) have an annual economic impact on the county in excess of 1.3
billion dollars, and have investments of $3.5 billion in land, equipment, supplies, and livestock. Several championship racehorses were reared in Marion County. Each year, horse enthusiasts from across the nation travel to Ocala for horse auctions, shows, and competitions. According to the USDA census of agriculture, Marion County boasts the largest inventory of “horses and ponies” in the United States and the second highest market value for all livestock (United States Department of Agriculture, 2007). Additionally, hay and other forage grown in Marion County have the second highest market value in the United States. Moreover, Ocala is the center of an equestrian agglomeration, as horse related businesses benefit from locating near each other. Equestrian activity is concentrated in the areas of the county west and north of Ocala. Even at the height of the mid-2000s housing bubble, these land uses resisted market pressures to use land for housing and exurban development. During the same time period other parts of the state experienced market values for farm and pasture land well below the market value for housing creating pressure to develop at the periphery.

Another important factor influences the development pattern in Marion County, its proximity to The Villages. Located immediately to the south of Marion County, The Villages is a master planned retirement community with 51,442 residents (United States Census Bureau, 2011a). The entire community is age restricted, with a median age of 69.8. Residents of the Villages are middle-class to affluent retirees most of whom are recent transplants from the Northeast and Midwest. According to the Census Bureau, 92.5% of the population of The Villages was born outside Florida; 11% of residents in 2010 did not reside in The Villages in 2009. The Census identifies 98.5% as White and reports that 73.8% live in husband-wife households without children (2011). With mean
incomes of $62,100 (21,755 from Social Security) the people of The Villages have money to spend. For the most part, however, the workforce that serves The Villages cannot reside within the community, and must commute. Estimates for the number of workers commuting from southern Marion County to the Villages range from 1,043 – 8,000 (Lake-Sumter Metropitain Planning Organization, 2011; Skolnik, 2011). Consequently, the housing developments at the southern edge of Marion County function as bedroom communities for the service industry in The Villages.

Figure 13 – Typical West Ocala Housing Stock

**West Ocala** West Ocala is a neighborhood immediately west of downtown Ocala. Two compact census tracts are entirely within the neighborhood. Tract 17 is the western portion of West Ocala and tract 18 is the eastern portion of the neighborhood, bounded by downtown Ocala. Demographic, economic, and housing stock data from each tract are presented here separately. The reason for this choice is that aggregating and averaging the data obscures the difference in degree of racial segregation and poverty in the different sections of the neighborhood.
In census tract 17, non-Hispanic Whites comprise 14.8% of the population, Hispanics of all races are 23.8% of the population, and a solid majority are Black or African American at 59.5% of the population. According to the Census Bureau, the median income is 22,484. Nearly one-third (31.4%) of the population earns less than $15,000 per year. Owner-occupied homes account for 32.5% of households in tract 17. Most of the homes were built after 1960, and 32.9% have been built since 2000. Of the owner-occupied homes, 67.0% have a mortgage. Among renters, 57.9% of households pay at least 35% of their monthly income for rent, while 44.5% of owner-occupied households pay more than 35% of their monthly income for their mortgage payments. Turnover is very high in census tract 17; 53.4% of residents moved into their homes after 2005. More than one out of five (20.6%) homes in census tract 17 is vacant.

In census tract 18, non-Hispanic Whites comprise 4.3% of the population, Hispanics of all races are 2.8% of the population, Black or African American accounts for nearly all of the census tract’s population at 91.7% of the population. According to the Census, the median income is $15,938. The median figure obscures the depth of West Ocala’s poverty. Fully one-third (33.7%) of the households in census tract 18 earn less than $10,000 per year. Owner-occupied homes account for 52.4% of households in tract 18. A majority of the housing stock (79.7% of homes) was built between 1940 and 1969. Of the owner-occupied homes, 43.4% have a mortgage. The monthly costs of living in the neighborhood as a portion of monthly income split markedly between owners and renters. Among renters, 70.5% of households pay at least 35% of their monthly income for rent. Only 12.6% of owner-occupied households allocate the same portion of their monthly income to their mortgage payments. According to the American Community
Survey (ACS), the median rent in the census tract is $510 per month, which is 61.22% of the approximate gross monthly income of a family earning $10,000 per year. Turnover is high, although it is less than half that of tract 17; 25.0% of residents moved into their homes after 2005. The vacancy rate is 15.0%.

The vitality of West Ocala is hindered by the accumulated effects of systemic racism. The neighborhood generally and census tract 18 specifically, is by far the least diverse area examined in this research. It is also a place of vivid physical poverty. Much of the building stock is substandard. When I visited the neighborhood, many if not most of the homes I observed seemed subjectively unfit for habitation. Every roof shows evidence of leaks; there are holes in exterior walls covered with corrugated metal and plastic. Piles of building debris and household garbage fill lots between homes. There is indoor furniture outside of nearly every home. The best maintained homes are secured with burglar bars and perimeter fences. The elementary school that serves the area received a grade of F from FLDOE. The High School received a C; the middle school an A. Incidents of property crime in the neighborhood are numerous and correlate less frequently to vacancy than in the other neighborhoods examined in this research.
The history of West Ocala is a tragic. In 1860 the majority of Marion County’s population was comprised of African-American slaves, according to the City of Ocala Historic Preservation office. Upon emancipation, a group of freedman settled in what is now West Ocala when a former slave owner donated the land and funds to start a school for children of freed slaves (City of Ocala, 2012). Over time, the Black majority grew. During reconstruction a class of Black politicians and businessmen established themselves as the city’s leadership. A black militia was organized to protect the community during Reconstruction.

By 1872, Blacks comprised 65% of voters, and 73% of the population Marion County (City of Ocala, 2012). The end of Reconstruction opened the door for the gradual marginalization of the Black community in Ocala. Intimidation and de jure segregation forced the Black community to retreat into West Ocala. The last Black city councilman before the civil rights movement was elected in 1903 (Rawls, 2007). By 1936 only 500
Blacks were registered to vote in Marion County. At the same time, steady population growth led to a shift in the demographics of Ocala. By 1900 the proportion of Marion County residents who were Black fell to 61%, falling to 49% in 1930 (City of Ocala, 2012). Today, concentrated poverty characterizes West Ocala. The post-integration suburbanization of upwardly mobile Black families to neighborhoods like Marion Oaks is evaporating the human capital that remains in West Ocala.

Marion County’s NSP investment in West Ocala consists primarily of multi-family low income housing. Satisfying the low income housing requirement and navigating local social and political realities appear to be the goals of the investment in West Ocala. Containing the effects of foreclosure seems to be of secondary importance in West Ocala, a neighborhood that by any objective measure struggled even before the foreclosure crisis.

The real estate market in West Ocala does not function properly. Instead of allocating land and money to the socially beneficial use, the market dynamic within the neighborhood results in the continuous reproduction of an exploitative extraction of wealth. The sharp contrast between the monthly housing costs of homeowners and renters in West Ocala, combined with the poor state of the housing stock and the relatively low proportion of owner-occupied homes secured by a mortgage, indicates that outside property owners extract revenue from the neighborhood while investing little. Homeowners likely have limited access to credit, and cannot invest in their properties. Renters in the neighborhood likely have similar limited access to credit and therefore cannot become homeowners. As a result, they must devote a large share of their monthly income to rent. The market rents in West Ocala are similar to parts of Marion County
which enjoy far superior housing stock reflecting a level of investment that justifies the rental rate. Any increase in the rate of homeownership in the neighborhood would likely interrupt the rent cash-flow out of the neighborhood. Interestingly, Marion County has directed its NSP funds in Marion County to income qualified rental housing. Therefore, NSP investment is likely to exacerbate the underlying problem: a lack of capital held by West Ocala households.

**Figure 15 - Fire damaged house in Marion Oaks**

**Marion Oaks** Marion Oaks is a neighborhood in southern Marion County, close to The Villages. The neighborhood if fairly diverse, with non-Hispanic Whites comprising 47.3% of the population, Hispanics of all races 32.3%, and Black or African American accounting for 19.7%. The median annual household income is $39,164. There are 5,429 housing units in the neighborhood, 1,110 (20.4%) of which were vacant in 2010. Owner-occupied homes account for 73.1% of households in Marion Oaks. More
than half (51.2%) of the homes were built between 1980 and 1999. Of the owner-occupied homes, 72.2% have a mortgage. Just under half (48.9%) of renter households and a little over one-third (36.1%) of owner households apportion at least 35% of their monthly income to rent or mortgage payments. Neighborhood turnover is high in Marion Oaks; 39.8% of residents moved into their homes after 2005.

Marion Oaks consists primarily of single-family housing. The neighborhood is visibly diverse and a large percentage of property records for the neighborhood have Hispanic surnames. Evidently the developer originally planned to build multi-family housing as well. At present, however, there is only one small multi-family building in Marion Oaks which is far removed from the rest of the development. The streets have sidewalks and lighting. Bicycle lanes are located on the primary collector streets. The homes are block construction.
Although many properties show the signs of deferred maintenance, pride of ownership is visible throughout the neighborhood. Many properties are visibly vacant and agent of mortgage-loan servicers have boarded up properties and posted documents expressing their intent to secure the property. Property crime has increased dramatically in recent years. When I visited I observed two homes on the same block badly damaged by fire. The Star-Banner reports that a juvenile was arrested for arson in connection with one of the fires. On another occasion there were fourteen burglaries in a two week period. Although the targeted properties were not vacant, the rise in vacancy creates a lack of “eyes in the street” watching vulnerable properties. The elementary school that serves the neighborhood has fallen from a ‘B’ to a ‘C’ while the high school has risen from a ‘C’ to a ‘B’ and the middle school has remained constant as a ‘C’ school.

Figure 17 - 150th Terrace Road, Rainbow Park, Marion County
Rainbow Park Rainbow Park is a platted subdivision in the western portion of Marion County, near Rainbow Spring State Park. Approximately 30 homes have been built there. The plat recorded with the Marion County Clerk of Court and satellite imagery show a complex system of streets radiating out from two center points at diagonal lines. In reality, however, the best of these roads is improved with loose gravel and most are merely paths created by car tires across wooded land. Oddly, these tracks all have signage as if they were urban streets. There are even stop signs where the paths intersect. Clearly the developer anticipated high demand for residential lots. The demand never materialized and faded signs advertising lots for sale are obscured by trees. Many of the “streets” are now impassible due to lack of traffic. Three Rainbow Park homes have been purchased through the Neighborhood Stabilization Program. This investment represents a significant portion of the housing stock in Rainbow Park.
Rainbow Park is more than twenty miles from Ocala. Apart from a small convenience store, there are no retail businesses nearby. The development is bounded on all sides by working farms and equestrian facilities such as the Wavetree Stables, Meadow Run Farms, Cayote Crossing Farms, Vanner Valley Farms, Ocala West Training Facility, Nelson Jones Training Facility, and the Classic Mile Racetrack. These businesses deal in the breeding, care, and training of show horses and race horses. The market value for one of these animals exceeds that of the homes in Rainbow Park. In fact, some of these enterprises have produced champion race horses whose single year earnings exceed the NSP investment in the neighborhood. Consequently, there is little incentive to allocate land in the area to the commercial uses necessary to support a community of several thousand people. For this reason, Rainbow Park is likely to remain
a neighborhood only on paper. Although it is an interesting place, observations from Rainbow Park are only generalizable to a few areas where premium agricultural land uses prevail over competing uses. Therefore, studying the neighborhood at length will add little to our understanding of the neighborhood impacts of foreclosure or federal housing policy.

**Silver Springs Shores** Silver Springs Shores is a neighborhood in eastern Marion County, bordering Ocala National Forest. The neighborhood is racially and ethnically diverse, with non-Hispanic Whites comprising 47.8% of the population, Hispanics of all races 16.3%, and Black or African American accounting for 35.1%. The demography of Silver Springs Shores stands out from other NSP neighborhoods in several ways that are worth noting. First, fully 3% identify as two or more races, and 4.4% identify as “some other race.” In addition, while the median age is fairly young (44.1) and 30.2% of households include minor children, 42.4% of households have senior citizens present. More than one-third of the households in the neighborhood, 36.8%, are non-families. Among the families, 13.3% are headed by single parents. Among those households, about one-third are male householder families with no wife present, with children under 18. In many ways Silver Springs Shores provides a glimpse of what demographers presage the typical American neighborhood will look like by the next decennial census.

In terms of income, Silver Springs Shores is more homogeneous; the median annual household income is $35,103. Fifty percent of households in the neighborhood earn between $25,000 and $75,000 per year. There are 3,449 housing units in the neighborhood, 781 (22.6%) of which were vacant in 2010. Owner-occupied homes
account for 68.9% of households in Silver Springs Shores. Most (81%) of the homes were built between 1970 and 1989. Almost all are 3 bedroom homes. Of the owner-occupied homes, 66.8% have a mortgage. Just over half (51.8%) of renter households, and more than half (50.3%) of owner households allocate at least 35% of their monthly income to rent or mortgage payments. Neighborhood turnover is high in Silver Springs Shores; 33.1% of residents moved into their homes after 2005.

Silver Springs Shores appears to be a healthy neighborhood. Apparently, however, most households in the neighborhood simply cannot afford to live there. This is especially true considering the average commute is 38 minutes and there is no public transportation in the area. Nonetheless, a visitor to the neighborhood would not detect the reality depicted in the statistics above. In spite of the affordability problem, residents take pride in their homes and take an active interest in the wellbeing of the neighborhood.

When I visited the neighborhood I could find little evidence of the foreclosure crisis. Homes for sale promoted their location and quality construction, not bargain prices. While every other Marion County neighborhood had piles of discarded trash and building materials dumped in vacant lots, I could find none in Silver Springs Shores. Perhaps most telling, Silver Springs Shores is the only neighborhood I visited where adults took notice of me visiting vacant and unsecured homes. Apart from a few instances of trespassing and vandalism, I could not identify any increase in foreclosure related crime in Silver Springs Shores. The schools that serve the neighborhood earn consistent ‘A’ and ‘B’ grades. The vacant NSP purchased homes were the only ones that appeared in need of maintenance.
**Turning Point** Census tract 009.01 is in southern Marion County, close to Marion Oaks. It includes a development called Turning Point, and many single-family homes scattered over a semi-rural area. The neighborhood if relatively homogenous with regard to race and ethnicity, non-Hispanic Whites account for 74.8% of the population, Hispanics of all races 15.3%, and Black or African American are 8.4%. The median annual household income is $30,376. In terms of income, the Turning Point census tract is the most heterogeneous examined in this research. The modal income category is households earning less than $10,000 per year (15.5%). In the same area, 12.9% of households earn between $50,000 and $74,000. The distribution is fairly flat, with very few household earning more than $75,000.

There are 3,098 housing units in the neighborhood, 420 (13.6%) of which were vacant in 2010. Owner-occupied homes account for 77.8% of households in the Turning Point tract. A majority (59.9%) of the homes were built between 1980 and 1999. Of the owner-occupied homes, a notably low percentage, 48% have a mortgage. More than half (54.0%) of renter households and 45.3% of owner households spend at least 35% of their monthly income to rent or mortgage payments. Neighborhood turnover is high, 31.4% of residents moved into their homes after 2005.

There has been some controversy surrounding Marion County’s implementation of NSP1. When the Marion County Commission voted to apply for an NSP3 grant, they refused to re-contract with NHDC. Apparently Marion County paid NHDC more than $7,000 in fees for every home it renovated and sold. In addition, the contractor paid more than $35,000 per home for renovations (Thompson, 2011). The other major contractor for Marion County, Habitat for Humanity, spent only $2,600 on each house
(Thompson, 2011). The NHDC handled most of Marion County’s NSP 1 transactions. The per unit fee structure would raise the net administrative costs above 10%, which is prohibited under NSP guidelines. It is unclear whether HUD will seek to recapture any NSP1 funds from Marion County.

**Collier County Overview** Collier County applied for and received a $7,306,755 NSP 1 grant (Collier County Housing & Human Services, 2010). More than 85% of that money has been spent on acquisition, renovation, and land banking. The program generated income of $738,243 by the end of the third quarter of 2011. To date, Collier County has failed to fully fund the Low Income Housing element of its action plan, spending only 22.8% of all funds on housing for those earning 50% or less of AMI (Collier County Housing & Human Services, 2011).

Collier County is located in Southwest Florida. Naples, the principal city in Collier County, is an extremely affluent community. The economy is based largely on tourism, retail, construction, and healthcare. In addition, agriculture drives the economy of the eastern portion of the county especially around the town of Immokalee. A substantial portion of the county’s total area is undevelopable environmentally sensitive land. Portions of the county are within the Corkscrew Regional Ecosystem Watershed, the Florida Panther National Wildlife Refuge, Picayune Strand State Forest, Collier Seminole State Forest, Fakahatchee Strand State Preserve Park, Big Cypress National Preserve, and Everglades National Park. Marco Island is a secondary community south of Naples; it is a prosperous resort town. The tiny island towns of Chokoloskee and Everglades City are located in the southern portion of the county. The two communities are completely surrounded by environmentally sensitive land and waterways.
Locals colloquially refer to most of the populated area of the county as ‘Naples’ despite the fact that the actual City of Naples is fairly compact. All of the Collier County neighborhoods examined here are in the unincorporated county. Although they all have mailing addresses of ‘Naples’ and are referred to as such by those who live there, they are not part of Naples. In fact, parts of Golden Gate Estates are thirty miles from downtown Naples.

East of Naples is a development called Golden Gate City, which despite its name is located in unincorporated Collier County. The neighborhood, home to a large portion of the county’s workforce, has experienced an ethnic shift over the last two decades. In 2000, Hispanics of all races accounted for 37.1% of the population of Golden Gate City, Black or African American accounted for only 10.2% of the population, and non-Hispanic Whites comprised 49.6% of the population (United States Census Bureau, 2011d). In 2010 those numbers were 58.5%, 17.2%, and 24.2% respectively (United States Census Bureau, 2011). Development began in the 1970’s, and the area was built out by the late 1990’s. In the 2000s, development shifted north and east into an area known as Golden Gate Estates, a sprawling 80 square mile plat, much of which is not buildable due to seasonal flooding.

East of Golden Gate Estates is land still held by Barron Collier Companies (BCC) named for its founder Barron G. Collier, the developer for whom Collier County is also named. Part of that land includes 25,000 acres currently being developed in conjunction with businessman and philanthropist Tom Monaghan, founder of Domino’s Pizza and Ave Maria University.
In 2004 Monaghan and BCC announced their plans to build a new town centered around a catholic university, law school, and seminary. Monaghan committed $400 million dollars to the project and the Colliers committed the 25,000 acres including a substantial conservation easement as well as promises to provide necessary infrastructure (Sollitto, 2004, p. 68; Meadows, 2006). The developers projected construction of 5,120 homes between 2007 and 2012. As of February 2012, only 374 have been built (Freeman, 2012). In 2006 Monaghan proposed that Ave Maria would eventually have 11,000 homes and local business leaders expected the development to trigger growth throughout eastern Collier County (Meadows, 2006). For several years the buzz around Ave Maria drove speculation in Golden Gate Estates, situated between Naples and Ave Maria, inflating home and land values.

The County experienced tremendous growth in the first decade of the Twenty-First Century. The population grew from 246,589 in 2000 to 321,520 in 2010 (United States Census Bureau, 2011c; United States Census Bureau, 2011b). The 30% increase followed a similar increase in the 1990s creating high demand for housing.

**Golden Gate/Golden Gate Estates** Golden Gate Estates remains mostly vacant. Originally platted in 1966, the first homes were built in the 1970’s (WR Wilson & Associates Inc, 1966). Most lots are 2.5 acres with considerable setbacks. Although there are probably several thousand people living in Golden Gate Estates, there are few publicly provided urban services. Households rely upon wells and septic tanks and only a handful of streets have lighting. Collier County does provide trash pick-up and the Sheriff’s Department maintains a substation in the neighborhood. Currently, the area is
served by its own fire-district; however, there is a strong possibility that services will be consolidated with another low-density area to the south (Freeman, 2012).

Unfortunately, because the community is not a Census Designated Place (CDP) it is difficult to ascertain demographic and housing information. The Census website AmericanFactFinder reveals that census tracts 104.5 and 104.7, which partially comprise Golden Gate Estates, have roughly 9,206 residents. However, the Golden Gate Estates Area Civic Association (GGEACA) claims a population of 36,000. The census reports that in the two tracts examined, non-Hispanic Whites account for 79.1% of the population, Hispanics of all races 13%, and Black or African American 6.6%. Personal observation suggests that the neighborhood’s population is about half what the GGEACA claims, and that the Hispanic population must be larger. Personal observation also indicates that there is a tendency for Hispanics to settle in the eastern portion of Golden Gate Estates and for non-Hispanics to settle in the western half. The existing homes are mostly in the western half of Golden Gate Estates and home values drop dramatically moving east. Collier County property appraiser records indicate that the building stock ranges in age from 0-30 years old in the western half of the neighborhood, and rarely exceeds 10 years old in the eastern half.

Naples Park Naples Park is a working class neighborhood immediately north of Naples. It is bounded on the west and south by very exclusive affluent neighborhoods. The demographic profile roughly matches that of the county as a whole with non-Hispanic Whites comprising 72.5% of the population, Hispanics of all races 22.6%, and Black or African American slightly underrepresented at 2.5% (United States Census Bureau, 2011f). There are 3,117 housing units in the neighborhood, 511 (16.4%) of
which were vacant in 2010. Owner-occupied homes account for 52.5% of households in Naples Park. Nearly three-quarters (73.9%) of the homes were built between 1970 and 1989. Of the owner-occupied homes 67.2% have a mortgage. The majority (63.7% or renters and 53.3% of owners) of households pay at least 35% of their monthly income to rent or mortgage payments. There is high turnover, nearly a third (32.8%) of residents moved in to their homes after 2005 (United States Census Bureau, 2011e).

The Department of Housing and Urban Development initially rejected the County’s application for NSP funds. The Collier Housing and Human Services Department submitted seven applications before receiving approval (Collier County Housing & Human Services, 2010). Unfortunately, implementation has followed the same pattern and the Collier neighborhood stabilization program may be the most troubled in the state.

Any major policy implementation will have its share of problems. Unfortunately, NSP is no exception. Collier County is a cautionary tale. The community development director there was demoted, ultimately forced to resign, and may face criminal prosecution for mishandling NSP funds (Naples NBC-2, 2011). According to local news reports, contractors recounted inappropriate billing procedures and possible fictitious expenses. Once the media heard the story local television news crews broadcast images of homes in serious disrepair where remodeling had stopped. Eager to uncover a scandal, the local newspaper revealed that a convicted sex-offender was working as a contractor on NSP properties (Albers, 2011). While the Collier County public may not have been aware of NSP until the story broke, the scandal discredits the entire program.
The Collier County Property Appraiser reports that in 2006 the market value of all appraised real property in the county rose 30.81% to $102,357,800,980. That year marks the climax of eight years of double digit percentage increases. In 2007 the rate of increase fell dramatically to 5.45%. The following year values began to contract, with growth at 5.72% and that trend has continued through 2011. Between 2007 and 2011 the total appraised value of real property in Collier County fell by nearly 35% to $70,336,762,793.

Naples Park and Golden Gate City follow this pattern and generally saw a rise and fall in property values roughly proportionate to the rise and fall of real estate values overall. Golden Gate Estates, however, experienced inflation and subsequent collapse of land values far greater than the rest of the County. This is likely attributable to the speculation surrounding the development of Ave Maria. Naples Park appears to be a stable neighborhood. Golden Gate appears to be transitioning, but in a predictable and community affirming manner. In spite of NSP spending in Golden Gate Estates, however, the community’s identity has been undermined. For decades the neighborhood was associated with semi-rural affordable living at the periphery, an alternative to the polished deed restricted neighborhoods of Naples. The expectation that Golden Gate Estates would occupy the space between Ave Maria and Naples rapidly transformed the neighborhood. Then, when it became apparent that the town of Ave Maria would be slow to materialize, Golden Gate Estates experienced abandonment of land and half-finished projects were left idle. A handful of arms-length voluntary acquisitions and renovations has done little if anything to reverse the trend and stabilize Golden Gate Estates.

A search of Collier County code enforcement records on select streets with several distressed properties revealed that there has been an enormous spike in
complaints to code enforcement in all of the Collier County neighborhoods examined here (Collier County Growth Management Division - Planning and Regulation, 2012). The code enforcement cases are frequently initiated by a neighbor complaint. In Golden Gate Estates, many violations have not been corrected, in some cases for years. In the other neighborhoods, involving code enforcement appears to induce compliance.

**Brevard – Rockledge Overview** Through an interlocal agreement, Brevard County administers the NSP and other housing and community services in the City of Rockledge. Brevard County applied for and received a $5.2 million NSP 1 grant (Brevard County Housing & Human Services, 2010). Of that money, approximately $1,020,000 has been spent directly in Rockledge. Brevard County’s quarterly reports and public records of real estate transactions and notices of commencement naming Brevard County and its contractors as parties to a transaction indicate that the funds allocated to Rockledge were all spent in the census tract containing Country Club Estates. Nearly all the funds have been spent on acquisition and renovation.

Countwide the program generated income of $649,926 by the end of the third quarter of 2011. Brevard County has not yet met its obligations under the Low Income Housing element of its action plan, spending 24.8% of all funds on housing for those earning 50% or less of AMI (Brevard County Housing and Human Services, 2011).

Brevard County is located on the East Coast of Central Florida and is the center of the region often referred to as the “Space Coast.” Cape Canaveral Space Center and

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1 My estimate of the funds allocated to Rockledge is based on itemized expenditures within the city. Therefore it excludes administrative costs, almost always 10% of the total grant amount, which are not itemized in the quarterly reports. Brevard has committed no funds to land-banking and little to demolition.
Patrick Air Force base are both located in Brevard County. Additionally, the County’s beach communities are a destination for surfers and other tourists.

Rockledge is in the southernmost portion of the County’s mainland. The economy is based largely on tourism and retail. Although Rockledge is the oldest city in Brevard County, it lives in the shadow of its famous neighbors, communities renowned for their beaches as well as their military and aerospace intuitions. The western edge of Rockledge is bounded by environmentally sensitive land. Specifically, the River Lakes Conservation Area limits the City’s westward growth. The Indian River Lagoon forms the eastern boundary of the City. Other municipalities bound the City on the north (Cocoa) and south (Melbourne).

The demographic profile differs slightly from that of Brevard County as a whole with non-Hispanic Whites comprising 74.5% of the population, Hispanics of all races slightly overrepresented at 6.4%, and a concentration of Black or African American relative to Brevard County as a whole at 15.7%. Rockledge enjoys a median income 18.38% higher than Brevard County as a whole (74,626/63,039).

Central Rockledge is a neighborhood southeast of the Barton Boulevard and Fiske Boulevard intersection. In the census tract that contains Central Rockledge, non-Hispanic Whites comprise 78.4% of the population; Hispanics of all races are only 3.0%, and Black or African American account for 13.6%. According to the Census, the median income is 66,819. Owner-occupied homes account for 84.3% of households in Central Rockledge. More than half (54.1%) of the homes were built between 1980 and 1999. Of the owner-occupied homes 73.0% have a mortgage. Owner and renter households in Central Rockledge experience dissimilar housing costs as a portion of monthly income.
Among renters, 54.8% of households pay at least 35% of their monthly income for rent. Only 19.7% of owner-occupied households allocate the same portion of their monthly income to their mortgage payments. Compared to other communities, Central Rockledge is relatively stable; 20.1% of residents moved in to their homes after 2005. The most recent American Community Survey reports that 14.8% of the housing units in the census tract containing Central Rockledge are vacant.

Central Rockledge is something of a surprise. It is in an urban area, in a part of the state that has been long settled. Moreover, close proximity to the water often correlates with neighborhood prosperity. Central Rockledge, however, is characterized by blighted commercial properties, and manufactured homes. The commercial spaces have ubiquitous and senseless graffiti. A local drug store has been converted to a night club whose signage is hand painted on a sheet of plywood. While some parts of the neighborhood appear well maintained, much of the building stock is long past its usable life. More importantly, there appears to be no neighborhood cohesion. Different sections of the neighborhood are accessible from different collector streets and moving through the neighborhood in a vehicle is difficult. There are no sidewalks and most of the residential streets lack lighting. Some streets have well maintained sitebuilt homes, while others have dated single-wide trailers.

**Country Club Estates** is northwest of the Barton Boulevard and Fiske Boulevard intersection. In the census tract that contains Country Club Estates non-Hispanic Whites comprise 66.9% of the population, Hispanics of all races are 4.6%. Black or African American accounts for 27.6% of the population, a high concentration relative to neighboring census tracts. According to the Census Bureau, the median income is 47,288,
nearly 30% below that of the neighboring census tract. Owner-occupied homes account for 86.1% of households in Country Club Estates. A little less than half (44.9%) of the homes were built between 1970 and 1989. Of the owner-occupied homes 73.0% have a mortgage. The majority (49.5% of renters and 45.0% of owners) of households pay at least 35% of their monthly income to rent or mortgage payments. There is modest turnover; 24.2% of residents moved in to their homes after 2005. According to the most recent American Community Survey, 13.5% of the homes in the census tract containing Country Club Estates are vacant.

An uninformed visitor to Country Club Estates would not know that the neighborhood has been so severely impacted by the foreclosure crisis. The homes are all well maintained. There are sidewalks and lighted streets. The only indication of trouble is that several properties have sheets of paper displayed on the windows indicating that they are bank owned. The papers include emergency contact information in case there is a problem with the property. Code enforcement information indicates that the City of Rockledge has begun maintaining some of the bank owned properties and taken liens to recover expenses. There is an active community watch which participates in a program through the Rockledge Police Department to maintain a list of vacant homes and ensure that neighbors and police officers routinely check on the properties.
Chapter 8: Conclusions

The conclusion of this research is presented in three parts. The first section is an acknowledgment of the limitations of this research, specifically the elements of the research design that limit the generalizability of the findings. The second summarizes and synthesizes the findings of this research relating it back to the theoretical framework outlined in Chapter Three. The final section includes policy implications highlighting the strengths and weaknesses of NSP implementation in Florida and indicates some of the lessons that might inform future neighborhood policy and planning practice.

Limitations The chief limitation of this research is its narrow focus on a small number properties in a handful of neighborhoods. A larger sample of neighborhoods and properties may provide better insights into the effectiveness of direct market participation to mitigate the decline in value experienced by homeowners adjacent to a foreclosure. This work yields deep contextual insights into the neighborhoods examined here. The quantitative portion of this research did uncover the uneven discounting of home values in six neighborhoods through the period of speculative inflation and subsequent decline. Nonetheless, it remains handicapped by the very small n. A research design that employed the same methodology but relied upon a larger n – perhaps thousands of homes in a hundred neighborhoods across the Sunbelt – may reveal patterns in greater conformity with the literature and support more conclusive findings as to whether the NSP has successfully stabilized the discounting of homes in neighborhoods with high
foreclosure rates. Such a study would be less susceptible to localized aberrations and could measure trends in the abstract real estate market.

The research question itself may rest on a false premise. Although there is academic consensus among those researchers who study foreclosure that there is such a contagion effect, their research has been limited to severely impacted areas in the middle of market corrections (Schuetz et al, 2008; Wassmer, 2010; Immerrgluck 2011; Immergluck, 2009b). Long-range study using a broader sampling frame may show that there is no home value contagion effect to mitigate. This research seems to imply that the underlying dynamics of local real estate markets have more to do with comparative home values than national trends in the rate of default and foreclosure.

Trends in home values are extremely localized. As mentioned in Chapter Five, Schuetz, Been, and Ellen commented that the market for homes in New York City neighborhoods is distinctive and not easily compared to other places. They posit that phenomena observed in correlation to concentrated foreclosures may not be generalizable to other communities (Schuetz, et al, 2008). Despite the distinctiveness of New York City, local distinctiveness is not unique to any particular city. The home values of all neighborhoods are shaped by the economic and cultural contexts of a broader community. In every part of the county impacted by the housing bubble of the mid-2000s, there is likely to be neighborhoods similar to Golden Gate Estates. In every part of the country with a history of racial segregation, or exclusion of immigrants from existing communities, or ethnic balkanization, or economic inequality among an otherwise homogenous population, there exists a neighborhood like West Ocala.
It is likely that the contagion effect of foreclosure exists and is measurable in terms of relative home value. Nonetheless, a singular focus on valuation obscures the conditions of actual neighborhoods in which real people live. A flaw in the research design is the conceptual separation of the various elements of the contagion effect of foreclosure and overdependence on property values to operationalize the contagion effect of foreclosure. More time and foresight would have allowed for greater integration of the findings into a cohesive narrative of the impacts of the housing bubble, the foreclosure crisis, and the NSP intervention.

Finally, personal observation has limited utility as a research tool. Although the site visits used for this research were thorough and systematic, they are imperfect. My ability to observe a neighborhood was limited by time and the enormity of the task. An individual researcher working alone has limited opportunity to engage the character of a neighborhood. Moreover, any observations I make are, of course, filtered through a particular embodied consciousness. I am a White Anglophone male of a particular age acculturated within a certain social context. As such, I may not have appreciated subtle clues and signals of neighborhood vitality or decline in communities markedly different from my own. Although I tried to be as perceptive as possible and to couch my observations in history and descriptive statistics, it is possible that I failed to note an important indicator of neighborhood wellbeing. In addition, the cross-sectional nature of the observations is limiting. For instance, one of the indicators of neighborhood wellbeing I looked for was illegal dumping, especially around vacant or foreclosed properties. It is possible that in the neighborhoods I visited with few illegal dumping sites
cleanup crews had visited the day before. Similarly, homes I saw in a state of disrepair may be renovated over the next year.

**Summary of Findings** The Neighborhood Stabilization Program (NSP) has modest or no neighborhood level impact on the contagion effect of foreclosure as measured by home values and other metrics of neighborhood wellbeing. This research cannot support a conclusion that the Neighborhood Stabilization Program (NSP) has effectively mitigated the contagion effect of foreclosure as measured by home values. The NSP does not appear to have any effect on crime. Counter intuitively, NSP spending correlates to an increase in citations for code violations.

Generally, the NSP appears to have failed to stabilize neighborhoods floundering in the wake of the foreclosure crisis. In West Ocala and Golden Gate Estates the NSP may have actually had a detrimental effect on neighborhood wellbeing. At the same time, the NSP augmented the coordinated efforts of residents and local government to stabilize a few neighborhoods. In particular, Silver Springs Shores and Country Club Estates appear to have benefited from NSP spending. The effects of NSP 1 are less clear in the other neighborhoods examined here.

In Collier County NSP expenditure did little to mitigate the loss in value of non-distressed homes relative to foreclosed homes. In Golden Gate Estates, an NSP neighborhood, homeowners experienced a loss of relative value related to the contagion effect of foreclosure. The $\Delta$ MRDIV was about 2.3% dropping from a baseline average of 1.12 to 1.09 in 2011. In Naples Park, a non-NSP neighborhood, homeowners experienced a loss of relative value related to the contagion effect of foreclosure. The $\Delta$ MRDIV was also about 2.3% dropping from a baseline average of .922 to .899 in 2011. Therefore, in
Collier County, Golden Gate Estates homeowners experienced no discernible benefit from the NSP as measured by home values.

In Marion County, NSP expenditure may have benefited homeowners in NSP neighborhoods. Generally, the contagion effect is depicted as a loss of relative value resulting from nearby foreclosures. Successful intervention to mitigate the effect would show less decline in relative value in neighborhoods selected for intervention when contrasted with neighborhoods that were not selected. In Marion County, however, distressed properties endured such deep discounting that non-distressed properties actually increased in value. Owners of non-distressed homes in Marion Oaks – an NSP neighborhood – experienced an increase of relative value in spite of their proximity to a concentration of foreclosures. The Δ MRDIV was about -6.7% climbing from a baseline average of 1.244 to 1.311 in 2011. Nearby in Turning Point – a non-NSP neighborhood – non-distressed homeowners experienced a minute increase of relative value at a time of high foreclosure rates. The Δ MRDIV was practically infinitesimal, approximately -.009% rising from a baseline average of 1.258 to 1.267 in 2011. While this may indicate that NSP intervention succeeded in Marion Oaks, it may also be illustrative of the severity of Marion Oaks’s decline. Buyers place such a low value on distressed homes in Marion Oaks that a bifurcated market has emerged, one for distressed homes, one for non-distressed homes. Eventually these sub-market trends will converge. It is likely that as time goes on and valuations are reassessed based on comparable sales, the non-distressed segment of the neighborhood will adjust downward.

In Rockledge NAP spending benefited the receiving neighborhood. However, the NSP appears to have bolstered an already healthy neighborhood. Although Country Club
Estates has a high concentration of distressed properties, the contagion effect is limited. In Country Club estates non-distressed property owners benefited from relative property value increases when neighboring properties were affected by foreclosure. The Δ MRDIV was approximately -6.4% rising slightly from a baseline average of 1.025 to 1.089 in 2011.

In Central Rockledge, an immediately adjacent non-NSP neighborhood, non-distressed property owners also saw their property values increase when their neighbors went through foreclosure. The Δ MRDIV was approximately -9.2% rising considerably from a baseline average of .94 to 1.032 in 2011. Again, these data highlight the underlying weakness of Central Rockledge and the strength of Country Club Estates.

Interestingly, the implementing authorities in Brevard County appear to have selected comparatively healthy neighborhoods for NSP expenditure (among the neighborhoods with high enough foreclosure rates to qualify for the funds). The apparent rationale that the limited resources should be expended in neighborhoods best positioned to benefit from the intervention appears to be paying off.

Within the three NSP neighborhoods examined in the quantitative section it is unclear how much of the Δ MRDIV is attributable to NSP expenditure. The Beta coefficient of the linear regression was .854. Therefore the model could explain a substantial portion of the variation. However, because the sample may not reflect the population (all neighborhoods receiving NSP funds) it is unclear how much of the variation is caused by NSP spending. The results do suggest that the effect of NSP spending could be significant if the sample was more reliable as regression returned an R-squared of 0.43. Even if the regression results had provided more conclusive results,
however, the directionality would confound the analysis. This research began with the well founded assumption that concentrated foreclosure results in a loss of relative value to non-distressed homes. In some of the neighborhoods examined here, however, non-distressed homes actually increased in value.

    Neighborhood Stabilization expenditure appears to have no effect on crime. Bess, as well as Immergluck and Smith observed changes in the type and incidence of crime in Chicago and Charlotte. Immergluck and Smith demonstrated conclusively that crime becomes more common as the foreclosure rate increases. Meanwhile Bess showed that as the inventory of distressed homes increases, the nature of property crimes becomes more severe and occur more often in conjunction with violent offenses.

    There is a crime contagion effect of foreclosure. Marion and Collier County crime date indicates that streets with multiple *lis pendens* experience increases in property crime. In these counties, however, it is the neighborhoods with the highest NSP expenditures that show the greatest increases in crime. Many of the offenses are minor; they often involve juveniles, and they usually relate to the presence of vacant housing. The most severe incident I found was an arson in Marion Oaks. More homes were acquired through the NSP in Marion Oaks than in any other neighborhood I examined. The NHDC spent much more on renovation per house than any other grantee. The reality is that vacancy creates opportunity for mischief that escalates into criminal acts.

    Neighborhood Stabilization Funds are targeted to neighborhoods with high vacancy rates. The size of the NSP investment is inadequate to take possession of all, or even most, of the vacant homes in severely affected neighborhoods. Moreover, most of the NSP acquired properties in the neighborhoods examined here sat vacant for several months
after the grantees acquired them. Many remain vacant in early 2012. To contain the contagion effect of foreclosure *qua* crime, housing policy must be tailored to address the problem of vacancy, especially in suburban neighborhoods.

There is no apparent relationship between NSP expenditure and school quality. The performance of public schools correlates with economic factors and NSP allocations have not had an impact of school performance. With rare exception, schools serving NSP areas perform as they performed in the years before the NSP expenditure.

The NSP has had a detrimental impact on affordability, except for a small handful of direct beneficiaries. For modest income families, the NSP has absorbed inventory and over-improved properties that would have otherwise been discounted by the market. In every neighborhood examined here the cost of housing amounts to a substantial portion of monthly household income. Increased affordability without burdensome financing is the key to effective and sustainable neighborhood stabilization. The NSP has done little to reduce the household costs of living in the ten neighborhoods examined here.

**Policy Implications** As mentioned above, the NSP has had a negative overall effect on housing affordability. While some households have received direct housing assistance, they comprise a practically infinitesimal minority. For low income and middle income families, the NSP has absorbed inventory and over-improved properties that would have otherwise been discounted by the market. In every neighborhood examined here the cost of housing amounts to a substantial portion of monthly household income. This dynamic disincentivizes new household formation and holds vacancy rates high. The most practical way to secure vacant homes and therefore prevent increased property crime is to place people in the vacant housing. The most effective way to put people in
those homes is to directly subsidize housing in neighborhoods above a certain vacancy threshold. At the federal level a future neighborhood stabilization policy designed to achieve nationwide results might transform the home mortgage interest tax deduction into a refundable tax credit available to households earning up to 120% of AMI. Such a policy would be self-funding with revenues collected further up the income ladder, drastically reduce the cost of implementation by directly subsidizing households, and complement the prevailing political philosophy by emphasizing the private housing choices of households rather than bureaucratic caprice.

Additionally, local policy makers could consider enacting ordinances that place moratoria on the production of new housing units when vacancies cross a threshold that endangers neighborhood stability. Such a proactive policy would prevent the destabilization of healthy neighborhoods in the first place. It would also encourage investment in existing housing stock and trigger real appreciation in home values. Temporary local housing moratoria, in tandem with policies to provide real housing choices to low-income households, would achieve the long term goal of neighborhood stability.

The tide of neighborhood stabilization policy is in constant flux and vulnerable neighborhoods always pay the price of poorly implemented policy. The foreclosure crisis, however, threatens to undermine the free alienability of real property that makes the real estate market function. It also promises to tear the social fabric of neighborhoods across the country. The societal impact of the current crisis is not confined to the poor, the elderly, and minorities like the 1990s foreclosure crisis (Immergluck, 2006). The impact on the physical form of every neighborhood, new and old, rich and poor, from the inner-
city to the exurbs, is potentially crippling. Unbelievably, the only federal policy explicitly targeting the problem is woefully inadequate and completely unintelligible to the average person. It would be better to do nothing than deliver false hope to communities in need, and the nation cannot afford to do nothing.

There is probably no other policy area that is characterized by such inconsistency and waywardness. Grants to local law enforcement to eradicate marijuana are clearly related to the overriding national goal of controlling the illicit drug trade; a grant to equip an airport with metal detectors is clearly related to the overriding federal goal of national security. In both cases, changes in ends and means of implementation are predictable and incremental. The apparent goal of NSP 1, however, was to slow the economic contraction and minimize the contagion effect of foreclosure. Through the legislative process and implementation, the program – with just a few billion dollars spread across the entire country – was intended to stimulate GDP growth, eliminate blight, and provide low-income housing.

Overall, NSP1 has been a failure. A more effective and direct policy to address the foreclosure crisis would be to directly subsidize the occupancy of vacant housing and reduce the costs of housing to households. The macro-level goals of the program were ill-defined and contradictory. In the jurisdictions examined here the process of incremental implementation by local governments and their contractors either compounded the problems created by foreclosure or had no effect at all. In the Etzioni mixed scanning framework, clear macro-level goals become guiding principles for micro level implementation.
A more effective neighborhood stabilization program and more thoughtful housing policy generally, must come from the political process. Holzer’s proposition that planners and public managers should “steer” the “ship of the state” is deeply flawed. Bureaucratic managers may have the expertise necessary to formulate fact-driven policy, but they lack democratic legitimacy. Moreover, the reality that elected legislatures and executives control the budgets of public entities negates managerial decision making at the macro-level. Nonetheless, those who row the “ship of the state” make the incremental decisions that ultimately determine the success or failure of a policy. For this reason, no public policy can conform to Banfield’s articulation of the Rational Planning Model. The need for democratic legitimacy will introduce non-rational goals and motivations. A substantive policy area like housing and neighborhood integrity, which elicits deeply personal reactions, needs political as well as technical feasibility. Synoptic planning in housing policy is also especially vulnerable to the question of who defines rationality. Lindblom’s prescription to “muddle through” the implementation of politically viable programs is unhelpful. If this research shows anything conclusively it is that the path of least resistance yields no measurable results. Local governments implementing a national policy in a short period of time simply channeled federal funds into the well-worn paths of suburban sprawl and racial exclusion.

Mixed scanning provides an evaluative framework to understand the efficacy of the NSP in Florida. The goals of NSP I were never clear. Not only were the multiple goals vague, they were at times contradictory. Micro-level actors were given no directives as to how to prioritize the goals and identify opportunities for selective application of the most attainable highest value policy goal. Moreover, the public and
private entities tasked with local implementation used the national policy goals primarily to write their action plans. Once they had the money in hand, for the most part, they went for easy acquisitions and over allocated funds to renovation of properties with low intrinsic market value. Simultaneously containing the contagion effect of foreclosure in middle class neighborhoods, and providing affordable housing to families to families earning 50% of AMI, through the same properties, only exacerbates the problem of neighborhood division and decline.

The Etzioni two tiered framework indicates two important ways to avoid the mistakes of NSP 1 in future housing policy implementation. First, officials at the national level – both within the political process and through directives from HUD – can prioritize their goals and provide direction for resource allocation when local implementation cannot practically achieve all policy goals simultaneously. Second, at the local level, administrators can confine their incremental choices to a menu of realistically attainable benchmarks. For instance, they can choose to adopt a strategy to either a) leverage existing networks and channel fund flows into several neighborhoods with the social and physical infrastructure to restore their stability (e.g. Silver Springs Shores and Country Club Estates); or, b) singularly focus upon one neighborhood with high intensity to break out of an advanced cycle of decline (e.g. West Ocala). These changes would affirm the pragmatic incremental decisions of micro-level administrators while also conforming implementation to the macro-level priorities determined through the political process.

The two NSP neighborhoods examined here that actually appear to have stabilized, Silver Springs Shores, and Country Club Estates, were fundamentally healthy
communities before the crisis. They benefit from high social capital, quality building stock, and desirable locations. In Country Club Estates these neighborhood assets were leveraged through a comprehensive response from the Rockledge city government that went beyond the NSP. Sadly, the neighborhoods that languished before the foreclosure crisis, especially West Ocala and Golden Gate Estates, appear to be victims rather than beneficiaries of the NSP.
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Appendix One: Regression

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a. All requested variables entered.
b. Dependent Variable: VAR00001

**Model Summary**

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a. Predictors: (Constant), VAR00002

**ANOVA**

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b. Dependent Variable: VAR00001

c. Predictors: (Constant), VAR00002

**Coefficients**

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a. Dependent Variable: VAR00001
Appendix Two: Marion Oaks NSP Properties

MARION COUNTY Neighborhood Stabilization Program (NSP)
Houses Purchased - To Date
www.marioncountyfl.org/NSPHomes.htm

Legend
- Purchased - Undergoing Rehab
- Marion Oaks

8/31/2010
Appendix Three: Silver Springs Shores NSP Properties