

Implementing High-Velocity Programs: The City of Chicago Neighborhood Stabilization Program

Case Study Title

City of Chicago, IL

Jurisdiction Name

Ellen Sahli, First Deputy Commissioner, Department of Community Development

City/County Manager

Project Leader – Primary Contact

Katie Ludwig

Name

Assistant Commissioner, Department of Community Development

Title

312-744-0268

Phone Number

katie.ludwig@cityofchicago.org

Email

121 N. LaSalle Street, Room 1003, Chicago, IL 60602

US Mail Address, including zip code

Presenting Team Member

Ellen Sahli

Name

Deputy Commissioner, Department of Community Development

Title

312-744-6452

Phone Number

e.sahli@cityofchicago.org

Email

Presenting Team Member(s)

William Goldsmith

Name

President, Mercy Portfolio Services

Title

312-447-4544

Phone Number

BGoldsmith@mercyhousing.org

Email

Case Study Synopsis

Implementing High-Velocity Programs: The City of Chicago Neighborhood Stabilization Program

The City’s implementation of the Neighborhood Stabilization Program (NSP) has increased investment in its areas of greatest need by \$153 million in a very short period of time. Founded by the Housing & Economic Recovery Act of 2008 and strengthened by the American Recovery and Reinvestment Act of 2009, NSP was designed to help local government address the threat of vacancy and blight due to our nation’s foreclosure crisis. As a high-velocity “emergency” type of federal grant program, NSP challenged many municipalities to deal with the fast implementation requirements of NSP1. As a result, many local governments didn’t bother competing for NSP2 grants in 2009.

The City of Chicago was bold in its approach to managing NSP1 when it was pushed out to local governments based on formula allocation. Moving quickly and boldly with its non-profit partners, the City of Chicago successfully obligated its \$55.1 million NSP1 grant (the 10th largest NSP1 allocation, and the largest to any municipality) within the required 18 months and applied for and received an additional \$98 million under NSP2. The City relied upon a combination of public/non-profit partnerships, inter-departmental partnerships and new information technology tools to make this high-velocity community development intervention a success. And as an organization, the City itself improved in terms of cross-departmental collaboration, public involvement and a substantial increase in service delivery times due to the emergency nature of NSP.

In 2008, nearly 20,600 foreclosures were filed in Chicago and 9,947 were completed, often leading to vacant, boarded or abandoned homes. More than 97% of the completed foreclosures reverted to the lender at foreclosure auction, indicating that many homes will likely remain vacant for some time. The magnitude of this problem has begun to reverse much of the progress that the City of Chicago and its private and non-profit partners have made over the last decades. The value of properties at foreclosure auction has exceeded \$1 billion annually over the past two years.

Prior to the foreclosure crisis, communities throughout Chicago that had experienced years of disinvestment were beginning to enjoy a rebirth as thriving communities, thanks to forward-thinking community planning and significant public and private investments. Protecting this fragile urban turnaround requires aggressive strategies that will stabilize neighborhoods, protect prior investments and lock in affordability over the long term.

Through NSP1, the City received \$55.2 million and established a strong infrastructure on which it will implement NSP2. Even with a targeted intervention strategy, the need in Chicago was significant enough to require an expansion of resources and efforts on the ground. To that end, the City of Chicago received \$98 million to implement a three-tiered approach to recovery and revitalization. This request targets 36 census tracts clustered in 11 community areas; it will result in rehabilitation and reuse of 1,331 units and the demolition of 182 vacant, blighted units. Twenty-seven additional units will be new construction to fill vacant lots that resulted from demolition on otherwise intact blocks. Sixty-five percent of the rehabilitated housing will be for homeownership, producing 865 units, with the remainder of 466 for rental.

The Chicago Department of Community Development is directing a broad-based team to implement the program, and expects to generate \$171 million in private investment and other

“Making Magic – How Bold Can Government Be?” Case Study Proposal

financing, in addition to the NSP2 funds, to complete the initiative. The City’s cross-departmental collaborations and public/non-profit partnerships include:

- **Mercy Portfolio Services (MPS)** will manage the program as the City’s sub-recipient, building on its current work to implement the \$55 million NSP1 program in Chicago. MPS has top management staff in place and existing protocols for quickly purchasing, rehabbing and returning units to productive use. In its case study, the City of Chicago will be prepared to reflect on its decision to centralize its NSP implementation in one non-profit aggregator, a clear success factor in its implementation to date.
- The **Chicago Housing Authority (CHA)** is a major implementation partner, contributing \$16 million and Project Based Vouchers towards the purchase or long-term rental of up to 200 of the program’s housing units.
- More than 40 competitively selected **developers**, both non-profit and for-profit, are already working on NSP1 and are pre-qualified for NSP2.
- **Community partners** are active on foreclosure issues in all target areas, which were chosen based on their strong organizational infrastructures and existing plans for neighborhood revitalization and/or affordable housing.
- **Financial and acquisition partners** have committed substantial resources. They include Community Investment Corporation, Neighborhood Housing Services of Chicago, Local Initiatives Support Corporation/Chicago, Chicago Community Land Trust, the National Community Stabilization Trust and Self-Help Ventures.

One of the key factors necessary to support such a broad collaboration is an information technology tool that allows for communication, data sharing and document storage between numerous partners. The City of Chicago has used a cutting-edge web-based tool called Community Central. The Community Central software application was designed and developed by Integratec and Mercy Portfolio Services (MPS) initially to support the MPS effort to manage the City of Chicago’s NSP1 grant. As part of the overall application plan, Community Central was designed and built with the understanding that other NSP grantees – with numerous different deployment scenarios – would benefit from a flexible application with diverse reporting capabilities. Over the past 18 months, Community Central has become a comprehensive and proven asset tracking and reporting application to effectively manage NSP grants.

Community Central is a web-based integrated data and document management platform co-developed by MPS and Integratec to support MPS’ contract with the City of Chicago to manage its \$153M NSP initiative. As NSP manager, MPS is tasked with:

- Strategically identifying, evaluating and acquiring up to 2,500 vacant housing units in 25 Chicago communities that have been impacted by the foreclosure crisis.
- Selling the vacant units to for-profit and non-profit developers to be rehabbed and sold or rented to income qualified families.
- Reporting on the above NSP activity to HUD, the City of Chicago and other invested partners such as lenders.
- Measuring the strategic impact the NSP activity is having on 25 neighborhoods.

Community Central’s functionality is divided into six basic categories that are designed to meet the full array of an NSP grantee’s project and compliance requirements:

- 1) **Project Management:** Through a series of forms, project managers input data into fields necessary to track an asset through the identification, assessment, acquisition, rehabilitation, and resale. The forms align with staff functionality and capture the

“Making Magic – How Bold Can Government Be?” Case Study Proposal

information necessary for DRGR reporting and other federal, state and local compliance purposes.

- 2) Document Management: Users are able to capture the full range of documents for both project management and compliance purposes during their workflow. In most cases, relevant documents are attached at the same point the data point is entered, e.g., appraisals, rehab specifications, closing documents, etc. In other cases, documents can be attached or retrieved through one of the high level menus, “Documents.” Drop down menus and entry fields allow flexibility and adaptability to other users nationally.
- 3) Entity Management: Through the “Entities” forms, data and documents can be captured on all vendors (appraisers, specification writers, legal counsel, title companies, etc.), REO holders and other assets sellers (NCST, Fannie Mae, etc.), for-profit and non-profit developers, and NSP grantees.
- 4) Geospatial Mapping: *Community Central* offers two geospatial mapping tools, Yahoo Maps and PolicyMap. Yahoo Maps directly ties into *Community Central* and provides a vehicle for NSP grantees to view their data in Map, Satellite or Hybrid mode. PolicyMap is an imbedded mapping widget based on an agreement between MPS and The Reinvestment Fund. It allows NSP grantees to view their data utilizing the PolicyMap data and analytical mapping system. It also allows grantees to upload local data.
- 5) Crystal Reports Reporting: *Community Central* provides a full range of reports to meet project management, public information, and government reporting and compliance reports unique to NSP. *Community Central* also includes reports specific to the Disaster Recovery Government Reporting (DRGR) system which HUD is employing to track NSP activity.
- 6) Accounting Interface: *Community Central* allows for electronic exporting and importing of relevant data points between it and internal accounting systems.

Community Central provides reporting specific to meet the needs of HUD’s DRGR systems as well as federalreporting.gov.

PRESENTATION COMPONENTS

1. Innovation/Creativity

<p>How did the program/project/service, etc. improve the organization?</p>	<p>The City’s implementation of the Neighborhood Stabilization Program (NSP) increased investment in its areas of greatest need by \$153 million in a very short period of time. Founded by the Housing & Economic Recovery Act of 2008, NSP was designed to help local government address the threat of vacancy and blight due to our nation’s foreclosure crisis. As an organization, the City itself improved in terms of cross-departmental collaboration, public involvement and a substantial increase in service delivery times due to the emergency nature of NSP.</p>
<p>Were new technologies used? If yes, what methods and/or applications did you implement?</p>	<p>Yes, the City was the first NSP grantee to implement Community Central, a new web-based real estate management system. Community Central was designed specifically to assist the City of Chicago and its sub-grantee</p>

“Making Magic – How Bold Can Government Be?” Case Study Proposal

	to manage acquisition, rehabilitation and sale of a high-volume of properties and data in a compliance-intensive federal grant program. Also, the Policy Map website allows City staff and project managers to evaluate their target and portfolio properties within many layers of relevant economic, housing and other data.
Was a private consultant used?	One of the City’s key success factors in quickly implementing NSP with its short obligation and expenditure deadlines was to partner with only one high-capacity sub-recipient of the NSP grants: Mercy Portfolio Services, a non-profit subsidiary of the national non-profit affordable housing developer and operator, Mercy Housing Inc. This case study will define the City’s rationale for choosing to partner with one high-capacity non-profit.
o If yes, describe their involvement	<p>Mercy Portfolio Services was formed specifically to assist City of Chicago DCD in managing and implementing Chicago NSP. Key responsibilities include negotiating with banks for the discounted purchase of vacant foreclosed properties, holding and maintaining properties, and working with a broad network of community development partners to dispose of properties.</p> <p>Mercy Portfolio Services, a subsidiary of Mercy Housing, Inc. is assisting communities across the United States to address the economic and housing crises through mechanisms such as foreclosure purchase, redevelopment, lease purchase options, asset management, land banking, education, and resale at affordable prices.</p>
Identify the consultant and/or firm, including contact information	Mercy Portfolio Services Jodi Gingiss (312) 447 – 4552 jgingiss@mercyhousing.org

2. Outcomes Achieved

What customer/community needs and expectations were identified and fulfilled?	<p>The City is combating a challenging housing market that affects neighborhoods across large sections of Chicago. Its primary focus is on areas of the South, West and North Sides that can serve as catalysts for revitalization of larger areas around them. If the recession and credit crisis are prolonged, as many experts fear, the program will <i>at the least</i> help neighborhoods minimize the damage, bring up the bottom of their downward curve, and begin recovery sooner than if no intervention had taken place.</p> <p>With the help of Community Central’s geo-spatial mapping features, the City of Chicago successfully spread out investment of its NSP funds in targeted areas of greatest need</p>
--	---

“Making Magic – How Bold Can Government Be?” Case Study Proposal

	around the City. City leaders, including local aldermen, played an important role in defining the target blocks and in obtaining citizen input into the repositioning of key neighborhood housing buildings using NSP funds.
Has service delivery been enhanced?	Through its targeted block improvement strategy, the city of Chicago has enhanced services leveraging multiple city departments ranging from Streets & Sanitation and the Department of Building Management to aldermanic collaboration with local block clubs.
Did the initiative improve access to your government? o If yes, how?	Yes, the City of Chicago’s NSP activities have been publicly posted at www.chicagonsp.org and at several public forums. With the help of local City aldermen, the City hosted many neighborhood town halls and NSP home buyer fairs.
Has the health of the community improved as a result? o If yes, how?	Yes, the City of Chicago has already acquired 392 units of foreclosed, abandoned and/or vacant housing in its areas of greatest need. The City’s work has resulted in creating new local jobs and rehabilitation of blighted homes.

3. Applicable Results and Real World Practicality

What practical applications could you share if selected?	This City of Chicago case study offers several real-world applications: <ul style="list-style-type: none"> • Cross-Departmental Collaboration (e.g. Department of Buildings, City’s Troubled Buildings Initiative, Chicago Housing Authority) • Public/Non-Profit Partnerships (e.g. Mercy Portfolio Services, non-profit developers, community development financial institutions) • Real Estate Data & Compliance Management System (Community Central, Policy Map)
How applicable is the project/program/service to other local governments?	All local governments were faced with designing an implementation strategy for NSP1 and could benefit from learning details of a successful large-scale implementation strategy. In preparing all local governments for dealing with both emergency and traditional housing programs, both the City’s tools and its lessons learned could be beneficial.
What results/outcomes will you be able to share?	By June 2011, the City will have successfully committed not only the \$55 million of NSP1 obligated to date but also an additional \$98 million of NSP2 funds. Also, the NSP1 portfolio of 392 units will be largely rehabilitated and leased/sold/landbanked in time to present results as part of this case study.

“Making Magic – How Bold Can Government Be?” Case Study Proposal

Please include any performance measures if applicable	<ul style="list-style-type: none">• # foreclosed & vacant properties acquired/ rehabbed/ leased or sold• # foreclosed & vacant properties demolished/land-banked• # affordable units created/leased or sold for households below 50% AMI• # affordable units created/leased or sold for households from 50% AMI to 120% AMI
--	--

4. Case Study Presentation

Briefly describe what your case study presentation might include.	This Case Study presentation will include: <ul style="list-style-type: none">o PowerPoint presentationo Handout materialso Live demonstrations of Community Central and Policy Map, two new web-based information management tools for local governments.
--	---