Implementing ARRA
Design Snapshot

Washington D.C. Suburbs Join Together for NSP2: Combining Regional Scale and Local Flexibility

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Six municipal and county governments in suburbs around Washington D.C. formed the Metropolitan Washington Area Consortium to collaboratively pursue ARRA's funding opportunity for the second round of the Neighborhood Stabilization Program. The Metropolitan Washington Council of Governments took the lead in developing the $33.9 million joint application. The proposal would combine a new, regional-scale revolving loan fund to help redevelop targeted foreclosed properties for affordable homeownership with local-level flexibility in operating homebuyer assistance programs and running initiatives to acquire and rehab select foreclosed properties as affordable rental units.

NSP2 Plans for Metropolitan Washington D.C.	
Purpose:	To support the acquisition, rehab, and resale or rental of foreclosed properties across targeted areas of the region
Lead entity:	Metropolitan Washington Council of Governments
Partners:	City and county governments, community development finance organization, research institutions, nonprofits, and private developers
ARRA focus:	Neighborhood Stabilization Program 2
Scale:	Region (six cities and counties)
Strategies:	Adopts multi-jurisdictional and multi-sectoral approaches; catalyzes market and private investment; employs information management, data, and benchmarking
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In response to ARRA's Neighborhood Stabilization Program 2 (NSP2), six suburban jurisdictions of the metropolitan Washington D.C. region voluntarily came together as the Metropolitan Washington Area Consortium in late May 2009 to craft a joint application. Led by the Metropolitan Washington Council of Governments (MWCOG), the consortium consists of the cities of Alexandria, VA; Bowie, MD; and Gaithersburg, MD and the counties of Fairfax, VA; Prince George's, MD; and Prince William, VA. These six jurisdictions represent roughly half of the region's foreclosures. Prince George's and Prince William's counties, in particular, suffer the most severe foreclosure crises in the region.

While all of the other jurisdictions falling within MWCOG's geography were also invited to participate, the six that joined the consortium had the time and capacity to partner together and met the guidelines for and saw value in a joint regional application as opposed to state-led or individual proposals. Prince William County and the City of Gaithersburg, specifically, struggle with limited capacity to individually address their foreclosure challenges and saw the consortium as a resource. The consortium's $33.9 million application calls for economies of scale at the regional level, while also enabling local governments to target resources and support homeowners at the neighborhood level.

ARRA's NSP2 opportunity prompted an unprecedented degree of inter-jurisdictional cooperation among the six local and county governments of the consortium in planning around housing issues. Each jurisdiction was given the opportunity to identify which census tracts within its boundaries to target for potential ARRA funding, and agreed to select those areas that could stretch federal dollars the furthest in generating broader regional economic recovery. Targeted neighborhoods were screened for assets that would help leverage federal funds, such as proximity to public transportation and major employment centers, and evidence of recent local government investment and functioning real estate markets. An MWCOG partner to the consortium, the Urban Institute (UI), provided a set of small-area data that enabled individual jurisdictions to filter census tracks an additional level beyond the NSP2 criteria. In the end, geographic targeting in the joint NSP2 application was much stronger that it would have been if each jurisdiction has applied on its own.

Furthermore, to boost the chances of any ARRA dollars to produce positive returns, MWCOG kept the consortium focused primarily on neighborhoods at the "tipping point"—not necessarily the most foreclosure-stricken places, but those on the verge of serious decline where a targeted infusion of public resources could attract additional private investment and stabilize housing markets for local and regional benefit. MWCOG's leadership on this front helped to keep the team focused on effectively stabilizing weaker neighborhoods rather than allowing potential resources to be spread around.

In its targeted areas, the consortium plans to bring back on line more than 400 foreclosed and abandoned homes within three years through its activities in acquiring and rehabbing them for resale or rental. The consortium's plan envisions passing through roughly $21.4 million of NSP2 funding to the six local governments to operate their own down payment and closing cost assistance programs to buyers of foreclosed homes in their respective jurisdictions. Another $7.5 million of proposed funding is slated for the member jurisdictions to direct their own initiatives for acquiring and rehabilitating foreclosed properties as affordable rental housing. Conducted at the jurisdiction-level, homebuying assistance and rental housing development would be tailored to respond to local market conditions and circumstances. The resale of foreclosed homes, however, would occur at the regional-level with MWCOG taking advantage of economies of scale in establishing a proposed regional revolving loan fund to help finance the acquisition and rehab of foreclosed properties into affordable home ownership opportunities.

Partnerships with the nonprofit and private sector are crucial elements of the consortium's NSP2 plans and would shape the success of any actual implementation. Most notably, the consortium has partnered with the community development finance institution, Enterprise Community Loan Fund (ECLF), to design and operate the proposed regional fund. The fund will provide loans to qualified developers to help them acquire and rehab foreclosed properties to sell to low-, moderate-, and middle-income homebuyers. If successful in its NSP2 bid, the consortium would provide roughly $2 million in ARRA funds to ECLF to use as a loan loss reserve. These funds would leverage an additional $11.3 million of funds already committed to the National Community Stabilization Trust (NCST) by philanthropic, private, and public investors to support the acquisition and rehabilitation of foreclosed homes region-wide. Indeed, COG, on behalf of the consortium, intends to work closely with NCST, to relay information to member jurisdictions and selected developers on strategically important bank-owned properties before they are made available to other investors at-large. Developers—for-profit, nonprofit, local, and national—have already been engaged by the consortium in crafting the NSP2 proposal and a formal forthcoming selection process will identify which groups are best suited to carry out the consortium's planned activities.

To assess the progress of the NSP2 efforts, UI intends to provide the consortium with reports tracking a broad range of indicators related to neighborhood stabilization and development. Key measures include levels of mortgage delinquency and foreclosures; volume, prices, inventory, and turnover rate of home sales; number of vacancies; and volume and type of home loans. Depending on these statistics, the planned NSP2 program may be adjusted accordingly. As an example, the consortium may shift greater amounts of funding to particular local markets to help improve any weak areas of performance.

MWCOG anticipates that the inter-jurisdictional collaboration that consortium members have experienced working together around NSP2 will advance and strengthen implementation of the region's broader housing goals. A prime example is the expansion of the supply of affordable homes across the region, as laid out by the Greater Washington 2050 vision and the work conducted by the Washington Area Housing Partnership—a MWCOG-created entity. In fact, MWCOG hopes that enthusiasm for collaborative approaches to doing business spills over to other issue areas, such as health and human services.

The Implementing ARRA Series

America's current economic crisis is not only a national crisis. It is also a metropolitan crisis. Therefore, it is critical to monitor the progress of creative metropolitan leaders who are leveraging the myriad resources provided by the $787 billion American Recovery and Reinvestment Act of 2009 (ARRA). To that end, the Metropolitan Policy Program's Implementing ARRA Series is tracking the implementation work of metropolitan leaders, assessing their progress and struggles, and extracting from the innovators' experiences ideas for short- and long-term federal policy reforms. Ultimately it is hoped the series will serve as a resource for best-practice exchange among regions and a source of ideas for designing the next generation of metro-friendly federal policies.

For More Information

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