

Michigan's NSP2 Program a National Model for Strategic Partnerships

Last year, the State of Michigan won nearly a quarter of a billion dollars in federal funds – more than 10% of available targeted dollars – to address the state's housing foreclosure crisis. What makes Michigan's use of these funds compelling is the mechanisms that the state had already created to address the crisis and build momentum for permanent positive change.

Those mechanisms include strategic partnerships with some of the region's most progressive land banks, and civic projects that include the Center for Community Progress.



Congress created the Neighborhood Stabilization Program, or NSP, in 2008 to tackle the immense challenge of foreclosures. Deployed through the Department of Housing and Urban Development (HUD), the program provides funding in three phases to hundreds of local governments across all 50 states to purchase, restore and resell foreclosed and abandoned homes. Those local governments then decide what specific redevelopment activities they'll undertake. Michigan's \$225 million award came as part of NSP2 – the second phase of NSP awards; altogether when completed, NSP will have channeled over \$9 billion in federal funds to the effort.

Michigan has used the funds to jumpstart the "New Michigan Urban Neighborhood" strategy, which works through a consortium of twelve of the state's largest municipalities – Detroit, Highland Park, Hamtramck, Wyandotte, Flint, Saginaw, Pontiac, Lansing, Battle Creek, Kalamazoo, Grand Rapids, and Benton Harbor – along with the Michigan State Housing Development Authority (MSHDA), policy and civic partners like the Center for Community Progress, and eight of the region's land banks.

So, where local governments in other states must cobble together legislative infrastructures and development partners to put the funds in play on the ground, those infrastructures and mechanisms already exist in Michigan through the combined efforts of this consortium of public agencies.

The need is great. According to the Michigan Foreclosure Task Force, more than 220,000 homes have been foreclosed on in the state since 2009, with that number expected to climb to about 327,000 by the end of 2012. California currently leads the nation in foreclosures, with over half a million completed from October 2008 through June 2011, according to RealtyTrac – and expected to grow by a million or more in the coming year. Nationally, experts estimate that the total number of troubled mortgages currently ranges between three and four million – a number that could rise considerably before the foreclosure crisis eases.

In Michigan, consortium members are using the NSP2 award million to acquire and rehabilitate homes, increase land bank capacity, and stem the kind of cascading blight that can plague blocks and whole neighborhoods if individual problem properties are not addressed. Targeted activities

include the purchase and rehab of abandoned or foreclosed homes and residential properties to sell, rent or redevelop; demolition of blighted structures; land bank acquisition and management of foreclosed residential properties; and redevelopment of demolished or vacant properties.

MSHDA describes the consortium like this: Local governments bring on board their experience at implementing housing construction, rehab and demolition. Land banks bring their unique powers under Michigan's model state law, including the ability to acquire, hold, assemble and maintain property, deploy Brownfield credit and tax-increment financing authority, and use the ability to quiet title and hold property tax-free for future redevelopment in the public interest.

In Michigan, county land banks have been at the center of efforts to turn around the foreclosure crisis, and their work offers the nation a model for translating federal initiatives into real community change. Eric Schertzing, Ingham County Treasurer and Land Bank Chair, spends a lot of time talking with residents about their neighborhoods and the challenges they face – and he's a champion of what land banks bring to the table.

"In a weak market, blight doesn't get removed automatically," Schertzing says. "We need something more aggressive." Strategies include not just rehabilitation, but demolition when appropriate. And although there's often a disconnect between what neighbors perceive about demolition and what the process can accomplish, Schertzing points out that targeted demolition, applied strategically, can be the best way to help a local market regain its bearings.

Schertzing recalls being stopped on the street by an older man who asked about what he was carrying, and Schertzing showed him an aerial map of properties due for rehab or demolition through the NSP2 program. "I held the map out and pointed to a home. The man immediately recognized it, and a smile took over his face. He didn't need to say much." What the resident did recognize – and deeply appreciate – was the effort to revitalize the neighborhood in which he grew up.

The individual interventions reflected on Schertzing's map add up. To date, Michigan has taken steps to eliminate blight and productively address over 30% of abandoned real estate in the consortium's target cities.

NSP2 funds are being deployed tactically in key neighborhoods – identified based upon their strategic importance to their cities, including their proximity to jobs, commercial services, public transportation and local neighborhood anchors.

The partnership process between target cities and existing land banks helps all partners maximize the use of existing resources, with land banks playing a large part in property demolition while cities concentrate on rehabilitation. The land banks help the cities build capacity and increase resources, all framed by a conscious commitment not to operate in silos. This balance in decision-making, distribution of authority and commitment to productive collaboration have all been key to the program's success to date.

"The partnership between land banks and cities does more than provide the capacity for constructing renewed, sustainable neighborhoods," says Dan Kildee, President of the Center for Community Progress. "These partnerships build the community's ability to adapt to new opportunities in a shifting economy. Together these dozen targeted cities and their land bank partners, with MSHDA as a resource for housing development and rehabilitation expertise, have been able through NSP2 to quickly begin acquiring, rehabilitating and financing the redevelopment of abandoned and foreclosed homes, while projects in other parts of the country are still working to get up to speed."

For more about Michigan's model land bank law and the larger issue across the nation, see "Land Banks and Land Banking" by the Center for Community Progress, available for viewing on our website [here](#).