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## Worse Than a Tornado

We all know by now that the foreclosure crisis and subsequent Wall Street meltdown have had an enormous local impact. But there's more: The effects of subprime foreclosures are rippling outward, carving a path of destruction throughout the United States. The crisis is comparable to the aftermath of hundreds of tornados sweeping the country simultaneously. Yet our nation's response is strangely muted, more like the response to a basement flood than to a national emergency.

In Atlanta, Emory University professor Michael Leo Owens sends his class out every semester to assess different neighborhoods. In less than a year, the students found, the Mechanicsville neighborhood had completely flipped. Instead of new construction and rising prices, there were abandoned houses stripped of their copper plumbing and a rising crime rate. It is a scene played out throughout the country. The devastating loss of wealth, housing instability, and job cuts threaten millions of families and put at risk 40 years of successful community building and planning.

Foreclosures lead to vacant properties, which lead to more crime and lower property values, making it harder for home owners to sell, and eventually leading to a vicious spiral of community decline. And things are going to get much worse, according to Alan Mallach, FAICP, a senior research fellow at the National Housing Institute. He warns that we're only 40 percent to 60 percent of the way through the foreclosure crisis. In addition to the subprime foreclosures we've already seen, waves of foreclosures resulting from Option ARM and Alt-A loans will be making headlines as the crisis deepens. Imagine the impact on teetering neighborhoods when the number of boarded-up houses doubles in the next two years.

Tornados and hurricanes trigger responses from the Red Cross and FEMA. But the insidious destruction of entire neighborhoods now goes largely unnoticed.

Why? Part of the reason is our inadequate systems of affordable housing development and financing, which actually provide incentives to ignore the crisis. With few exceptions, we allow thousands of properties to be abandoned or sent into legal limbo. At the same time, we encourage the development of new housing.

What we need instead is a system that will allow organizations with a long-term commitment to local neighborhoods to acquire large numbers of scattered-site, bank-owned properties. These organizations would be aided in their efforts to rehab units, develop flexible and expanded financing, and return the properties to the local housing stock.

There are signs of improvement. The newly created federal Neighborhood Stabilization Program provides states with funds to acquire and develop foreclosed property. Neighborhood stabilization plans are required as part of the program. The problem is that too many communities developed their plans in response to the funding opportunity, and thus are behind in collecting data and organizing the networks they need to respond effectively.

What can we do? First, stop foreclosures before they happen, through counseling, refinancing, and resetting terms. Second, build capacity at the local level to analyze neighborhoods, acquire properties, and prevent vandalism. Finally, we can work on renovating units and return all those REO (real estate owned) properties to the market.

Those of us in the affordable housing field are on the same page as planners. We share the same desire to build livable, diverse, sustainable communities. The current crisis threatens our ability to do that. The good news is that the opportunity to create new visions and to begin to rebuild our neighborhoods has never been greater.

*David Sailer*



Foreclosures have an insidious ripple effect, says David Sailer, the executive director of the National Housing Institute. Below, Atlanta's Mechanicsville neighborhood.

Photo by Anne Sailer



Michael Leo Owens