



# Lake Worth NSP

By Suzanne Cabrera

The quaint intra-coastal city of Lake Worth, Florida was hit hard by the foreclosure wave. The city, founded in 1912, has many older, small homes owned by investors and landlords. When the crash in home values occurred, the city was overwhelmed with foreclosed, vacant, and abandoned properties. Within Lake Worth's downtown area almost 40% of all homes were in foreclosure.

Where others saw a disaster, some dedicated community leaders saw opportunity. A group of 21 partners came together to form the Lake Worth CRA Consortium with the common goal of bringing Lake Worth back to life. They saw this as the perfect opportunity to revitalize the neighborhood using a number of strategies to ensure affordability and sustainability.

## The Planning

Most plans for revitalizing an area depend on one or two key strategies to ensure initial and long-term affordability. This group also wanted to make sure they could meet the needs of potential homeowners while taking into account the concerns of current residents and city officials. City officials wanted a plan to guard against another foreclosure wave and guard against gentrification. Current residents were tired of absentee landlords and declining property val-



ues. Potential homeowners were concerned about costs because most homes in the area, especially the ones under foreclosure, needed substantial rehabilitation. The lack of energy efficiency in these older homes, leading to higher utility bills, was also a concern.

To address the needs of all stakeholders, the group decided to employ a variety of strategies as part of an overall plan to include land trusts, land banking, shared appreciation loans, homebuyer counseling and subsidies, and offering Individual Development Accounts (IDA) to all qualified buyers.

The first hurdle was getting the funding. The group determined it would need to purchase and rehabilitate more than 130 properties in the target area to make an impact. This first hurdle was overcome when the group applied for and was awarded \$23.3 million dollars in Neighborhood Stabilization Program 2 (NSP2) funding. This provided enough capital to acquire and rehabilitate the properties, while also adding green technology to make homes more sustainable.

## Strategies at Work

The key to making the plan work was getting partners who were committed to providing and maintaining a stock of safe, decent, and affordable housings. Habitat for Humanity is using its tried and tested model of having families

invest “sweat equity” in return for a 30 year, no interest loan on their homes. Their model uses shared appreciation loans to encourage long-term stability. The Lake Worth CRA will use subsidy and deed restrictions to accomplish these goals.

## The Land Trust Model

Adopt-A-Family (AAF) of the Palm Beaches is using its Community Land Trust Program to ensure homes are affordable to its buyers. This model, which separates the land from the improvements, is well known in Palm Beach County where six local land trusts are operating. The land trust model is an increasingly important strategy in areas with high land cost such as Palm Beach County.

The AAF will hold all the land and give homeowners 99 year renewable leases costing \$25 per month. Here is an example of how the land trust, plus additional subsidy, can substantially reduce the monthly payment for homebuyers on a 3-bedroom home in Lake Worth:

		Monthly Payment
<b>Home Price</b>	<b>\$150,000</b>	<b>\$960</b>
Minus Land	(\$ 60,000)	
<b>Land Trust Program Price</b>	<b>\$ 90,000</b>	<b>\$640</b>
Additional Subsidy	(\$ 25,000)	
Down Payment (IDA Account)	\$ 4,000	
<b>1<sup>st</sup> Mortgage after subsidy</b>	<b>\$ 61,000</b>	<b>\$485</b>

Once homeowners add the \$25 land lease fee, they end up with a payment of \$505 per month, which is substantially lower than the average monthly rental for a 3-bedroom apartment currently over \$1,800 per month. All rehabilitation uses Florida Green Building standards with the expectation that monthly utility charges be reduced by \$50-100 per month. The AAF strategy also ensures these homes remain affordable over the long term. The buyers benefit as well. Under the

program, homeowners recoup their original investment, plus 5% of the equity per year up to a full 25%. With the typical rental scenario, the most renters can hope for is their security deposit to be returned and that is only if they leave the apartments in spotless condition. Community Land Program participants have a partial share in equity, plus the benefits of home ownership with a lower monthly payment.

## A Good Foundation

The Community Land Program also provides an effective program to prevent foreclosures. Another Consortium Partner, Housing Partnership, is offering homebuyer education and counseling for all

homebuyers. National studies show that homebuyers who receive counseling and subsidy are much less likely to default on their mortgages. All potential homebuyers are also offered an IDA where funds can be matched on a 3 to 1 basis, which can help homeowners turn \$2,000 in savings into a \$6,000 down payment. This also gets future homebuyers in the habit of saving money. Homebuyers in this situation are much less likely to fall into foreclosure but if they do, the Community Land Program has the first option to purchase the home further guarding against foreclosure.

The true test of this ambitious plan will come February 2013 when 100% of the funds must be expended. The Consortium is off to a great start having acquired 35 properties and expended over \$2,485,091 in just six months

since the funding agreements were signed. All signs are heading toward a bright future for the city of Lake Worth. [HNN](#)

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*Suzanne Cabrera speaking about NSP at the CLT Caucus.*