



235 Peachtree Street, NE  
Suite 2000 - 20<sup>th</sup> Floor  
Atlanta, GA 30303-1405  
Phone: (404) 522-2637  
Fax: (404) 523-4357  
www.andpi.org

July 29, 2008

Dear Friends,

As you know, our **nation is facing a housing crisis unseen since the Great Depression**. During the 1930's, rampant foreclosures precipitated a downward spiral in real estate which fueled decline in other sectors, bankrupted local governments and left millions of Americans homeless. Like the early days of the Great Depression, the **cancer of foreclosure is now rapidly spreading** throughout our nation, and **Metro Atlanta is particularly hard hit**. We are writing you, other community leaders and supporters of ANDP to update you on our organizational efforts to address Atlanta's growing foreclosure crisis.

## ANDP FORECLOSURE ALERT

Foreclosures threaten to roll back a decade of neighborhood gains. ANDP's plan to address the crisis includes policy initiatives, reinvestment in our communities, and an acquisition/rehab strategy.

**Impacting our State** Georgia has the nation's 6<sup>th</sup> highest foreclosure rate. Just this year alone there have been almost 60,000 foreclosure filings. In the month of June, more than 8,700 Georgia families received foreclosure notices – placing 1 in every 444 homes in peril. The Center for Responsible Lending analyzed over 80,000 Georgia foreclosures due to subprime loans, and found that those 80,000 foreclosures would cause 630,218 nearby homes to lose value and cause

a decrease in house values and tax bases totaling \$1.8 billion for the state.

**Impacting our Region** Since 2005, there have been almost 150,000 foreclosure filings in the five county metro area (Fulton, DeKalb, Cobb, Clayton and Gwinnett). From 2006 to 2007, foreclosure filings in this area jumped 28%, from 36,000 to 46,000. If the current growth for foreclosure filings continues for the rest of 2008, the foreclosure filing rate will increase by over 50% in 2008 to 70,000.

**Impacting our Neighborhoods** Absent intervention, this cancer will spread. The crisis is particularly impacting many lower income neighborhoods, both near downtown and in the core suburbs. In the Pittsburgh neighborhood, for example, 50% of the homes are abandoned due to foreclosure and mortgage fraud. Whole blocks stand boarded-up and vacant, a breeding ground for crime. A recent study has indicated that an increase of 1% in foreclosure rates results in a 2.3% increase in violent crime. The problem is spreading to neighborhoods old and

new as entire subdivisions in suburban Atlanta have been foreclosed, devastating the surrounding homeowners.

**Impacting our Families** For most families, their home is their single greatest asset and source of wealth. As the foreclosure crisis continues to swell and home values plummet, families are seeing that wealth stripped away. Unfortunately, minority and lower-income families are feeling the deepest impact. A recent national study by the Economic Policy Institute found that the median net worth for African American families was \$11,800 compared with \$118,300 for whites. When home equity was subtracted, African Americans had \$300 in net assets while whites had \$36,000.

Georgia ranks 6<sup>th</sup> in the nation in foreclosures.

- Fulton, DeKalb, and Gwinnett counties account for nearly 50% of Georgia foreclosures
- 1 in 444 homes in Georgia and 1 in 54 in Atlanta face foreclosure

### **ANDP MISSION REMAINS; OUR TACTICS MUST CHANGE**

ANDP, established in 1991, was created to address the diminishing supply of affordable housing in the Metropolitan Atlanta region as well as to help reclaim declining neighborhoods in its core. Informed by nearly two decades of this work, ANDP has come to believe that the development of mixed income communities near jobs centers is the change needed for our city to sustain her vibrancy in the decades to come. Mixed income communities blend affordable housing with market housing in an economically and socially sustainable framework. They allow the people who police our streets, teach our children, staff our offices and care for our health to live down the street from where they work.

We achieve our mission through three interconnected activities: 1) lending to builders of affordable and mixed income housing communities; 2) changing public policy to support the creation of mixed income communities; and 3) developing mixed income communities with area partners. Our work in these three areas has resulted in the creation of more than 8,000 units of mixed income housing.

During the past decade, Atlanta has seen a resurgence in mixed income neighborhoods. Intown and suburban neighborhoods once suffering from disinvestment have rebounded. Now these gains are at risk and our progress is being rolled back. Foreclosure threatens to obliterate flourishing neighborhoods as emptied and abandoned homes breed crime and further depress property values, sending neighborhoods and their families into a downward spiral. The time to act is now. ANDP and other community stakeholders such as you are seeing our investments made in the community over the last decade wiped out in nine months.

Reflecting the Atlanta market, ANDP had placed much of its recent focus on the development of new mixed income housing near job centers. Given the realities of the day, our real estate development activity, our lending and our research/advocacy efforts will need to be retooled to focus on preservation instead of creation of mixed income communities.

While our commitment to lending, development and policy to support mixed income communities remains the same, **our tactics must change to help address the threat of foreclosure and preserve mixed income communities.**

To set our course, we surveyed our communities' needs, what others were doing and the best ways to utilize our organizational strengths.

As many know the best way to curb foreclosures is to prevent them in the first place. Atlanta is fortunate to have multiple strong agencies such as Consumer Credit Counseling Services of Atlanta, the Impact Group, Reynoldstown Revitalization Corporation, Atlanta Legal Aid, the Atlanta Urban League and others. To date, most of the federal and philanthropic funding focused on foreclosure has been rightly targeted toward foreclosure counseling.

ANDP's has decided to focus its efforts where we have expertise - our lending, development and policy work. Accordingly, we have developed plans in each of these areas to address the foreclosure crisis.

## Foreclosure Facts

- Since 2006, almost 150,000 foreclosure filings have occurred in the five county metro area
- Over half a million Georgia families will see the value of their greatest asset plummet
- Metro foreclosure filings are exploding in 2008, and are on track to hit 71,000- - an increase of over 50% from 2007.

### **OUR PLAN: FORECLOSURE ACQUISITION/REHAB STRATEGY**

A coordinated planning effort led by Enterprise Community Partners has identified the need for Atlanta non-profits to acquire vacant homes in high foreclosure neighborhoods. The homes would then be rehabbed and marketed to new affordable buyers or rented as part of a lease-purchase program with the goal of repopulating neighborhoods that are suffering from high foreclosure vacancies.

ANDP's development team is initially focused on 50 homes in Southwest Atlanta and we will coordinate closely with other non-profit organizations pursuing similar models including FCS Urban Ministries which is focusing on the neighborhood of South Atlanta. With an eye toward long-term sustainability and affordability, we will work to incorporate energy- and water-efficient products into our work, thereby reducing the monthly operational costs for the families we serve.

These initial efforts will serve as a demonstration model for additional collaborative efforts among multiple organizations to address additional neighborhoods. Perhaps the only silver lining to the foreclosure crisis is that homes needing only moderate rehab work can be acquired at very affordable prices.

While our goal is to turn as many homes as possible back to homeownership, we understand the tightening credit market may prevent families from receiving mortgages. Families with solid credit are being declined or asked to come up with substantial down payments. In this environment, we will pursue lease purchase and rental options until prices normalize and credit returns.

The last component of the plan involves vacant homes that are severely deteriorated to the point where demolition and new construction are required. We will seek to work with Habitat for Humanity in Atlanta, Inc and others who build "green" quality, energy efficient new homes.

## Consequences of Inaction

For every 1% increase in the foreclosure rate, violent crime increases 2.3%

### **OUR PLAN: STRENGTHEN OUR COMMUNITY DEVELOPMENT LOAN FUND**

Currently there is a need for three to five year low interest capital to help nonprofits and other organizations acquire foreclosed, real estate owned (REO) homes and to provide affordable rents during this market crisis. ANDP'S Community Redevelopment Loan and Investment Fund (CRLIF) has seen its capital utilization triple over the past year. Increased demand for affordable multifamily units in metro Atlanta has driven much of this increase. Our \$11 million loan fund is fully utilized and for the first time, unable to fund new requests. ANDP must raise additional capital through corporate and foundation low interest program related investments (PRIs) to meet needs fostered by the foreclosure crisis.

Additionally, we must subsidize (through charitable grants or very low interest investments), three to five year loans to help sister nonprofits purchase vacant homes so that they can be returned to occupancy through an initial two to five year lease purchase or rental period.

### **OUR PLAN: BUILD ON FORECLOSURE POLICY SUCCESS**

ANDP's policy arm will continue to tackle the foreclosure crisis by coordinating a five-county strategy to realign property taxes with real market values in neighborhoods suffering under high foreclosures. We will build on tax policy expertise gained during our recent and successful, large-scale public affairs campaign to increase the homestead exemption for City of Atlanta and Fulton County from \$15,000 to \$30,000 – providing much needed property tax relief for low- and moderate-income families. This legislation is estimated to provide \$23 million annually in property tax savings for affordable homeowners.

Homeowners struggling to keep their houses, families interested in purchasing now affordable homes in high foreclosure neighborhoods and developers wishing to turn vacant homes into rentals have **all** identified inflated tax appraisals as a key obstacle to their success.

Tax appraisals soared over the past two-three years due to investor speculation, mortgage fraud and property flipping. The AJC reported in May that county tax assessors have been "boggled by the housing dip." According to the article, seven of Atlanta's least expensive homes are listed on average for \$8,800 but taxed at an average value of \$93,000. When the tax digest and real market values are way apart, it can keep properties from selling and further depress values. High property taxes thwart affordable buyers; homes sit vacant; property values continue to decline; and entire neighborhoods suffer.

Unless tax appraisals catch up with current low home values in high foreclosure neighborhoods, our efforts to stabilize these neighborhoods and their families will falter.

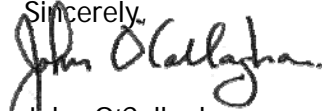
ANDP is actively developing a strategy for the five core metro counties (Fulton, DeKalb, Cobb, Gwinnett and Clayton) to identify neighborhoods with the highest rate of foreclosure; assess the gap between the tax digest rolls and real market home values in these neighborhoods; and estimate the total overpayment in property taxes paid by residents. This research will fuel a public campaign to bring awareness to the issue and galvanize public support for a property tax revaluation strategy. We will then work with tax assessors and their boards in each of the five counties to help them execute a large-scale revaluation focused on the identified neighborhoods with the goal of an updated tax digest for release in spring of 2009.

Congress recently passed comprehensive housing relief legislation to address the foreclosure crisis on a national scale. The legislation includes provisions to give the Federal Housing Authority new lending standards to provide affordable, fixed-rate mortgages to an estimated 400,000 US homeowners; grant the Treasury Department authority to safeguard Fannie Mae and Freddie Mac from collapse; and offer funding for grants to communities hardest hit by foreclosures to acquire and rehab vacant properties. ANDP will work with our local governments to develop best practices to leverage federal funds and tighten code compliance regulations for vacant properties and their enforcement.

ANDP is committed to focusing the full attention and expertise of each of its business lines --- development, lending and policy --- to addressing metro Atlanta's foreclosure crisis. We remain hopeful that Atlanta's leadership in foreclosure counseling blended with policy initiatives to reduce taxes in struggling neighborhoods, development strategies to reoccupy vacant homes and providing much needed capital will stem the tide that is threatening our neighborhoods. We join forces with many organizations that are rising to meet these challenges. Together, we can make a difference for current and future homeowners, our neighborhoods, communities and region as a whole.

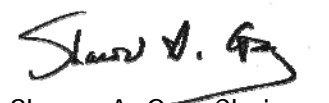
We hope that you will take a minute to review the attached reply card and let us know how you can help. We will update you as we and others move forward to address this crisis which is destroying families, neighborhoods and our local economy. There can be no mistake, the foreclosure crisis affects us all and we must play a role in the solution. We invite you to visit our web site, [www.andpi.org](http://www.andpi.org), for the latest information.

Sincerely,

  
John O'Callaghan  
President & CEO

## The ANDP Plan

- Execute a redevelopment plan to acquire and rehab vacant, foreclosed properties to prevent further neighborhood decline
- Secure additional investment for our community development loan fund – so our neighborhood developers have continued access to much needed capital to address the foreclosure crisis and resulting rental needs in their communities
- Expand our policy focus beyond Homestead Exemption legislation to regional tax reassessments to ensure families are treated fairly
- Continue to work hand in hand with local governments, nonprofits and other organizations to address foreclosure concerns.

  
Sharon A. Gay, Chair  
ANDP Board of Directors