



U.S. Department of Housing and Urban Development

Neighborhood Investment Cluster (NIC) Study

Summary of Methodology and Process

September 2012

Community Planning and Development

Purpose of Analysis

- Analyze how markets treated with a concentration of NSP investment have changed over time compared to similar markets;
- Create an easy-to-understand system for evaluating these markets against comparable markets;
- Create a series of maps and reports that can help grantees and HUD understand these markets; and
- Develop a routine process for updating this analysis on a quarterly basis.

Methodology and Process

Step One: Identify and map NSP properties.

- HUD pulls address-level data from the Disaster Recovery Grant Reporting (DRGR) system, showing properties reported as complete by NSP grantees.
- This data was 'cleaned' by HUD staff to remove erroneous data and characters, then was sent to HUD's Geocoding Service Center (GSC) for address standardization and geocoding.

Methodology and Process

Step One: Identify and map NSP properties.

- HUD delivered the geocoded file to TRF on records of NSP investment across the country. TRF and HUD eliminated duplicate properties from the database to reveal unique properties treated by NSP. Properties were mapped to their address.
 - Elimination process removed duplicative addresses based on a prioritization of activity types. For example, if an acquisition activity took place at the same location as a rehab activity, the demo was removed from the database.

Methodology and Process

Step Two: Identify clusters of NSP properties (NICs).

- Spatially identified clusters – places where at least 2 NSP properties were within $\frac{1}{4}$ mile of each other.
- Selected all of the block groups with this density and grouped them to create clusters.
- Any cluster that was larger than 4 block groups or crossed county boundaries, was broken up into one or more clusters.

Methodology and Process

Step Three: Identify three comparable markets for each cluster.

Comparable markets were defined to be blocks groups that were at least .125 miles away from any cluster AND had similar:

- median home sale prices in 2008;
- home sale price change between 2006 and 2008;
- homeownership rate;
- NSP 1 Estimated Risk Score
- count of housing units (NIC average per block group).

[Note: In the definition of comparable areas, scoring penalized areas at increasing distance from the NIC and if those areas had NSP investments. Comparable areas could be outside of the NIC county but the block group of that comparable area must have touched the NIC county's boundary.]

Methodology and Process

Step Four: Score how NICs performed against comparable markets.

- Compared performance of each NIC to its comparables along two indicators: median home sale price change and vacancy rate change between 2008 and 2010.
 - Vacancy data provided by USPS
- Assigned a letter grade (A through D) to indicate how the market within the NIC performed compared to its comparable markets.

Methodology and Process

Performance Scoring	
"A"	a NIC beat all of its comparable markets for which there was home sale or vacancy data.
"B"	a NIC beat some of its comparable markets for which there was home sale or vacancy data.
"C"	a NIC beat one of its comparable markets for which there was home sale or vacancy data.
"D"	a NIC beat none of its comparable markets for which there was home sale or vacancy data.
"N/A"	there was not sufficient data for any comparable in order to calculate a Performance Score.

Methodology and Process

Notable changes to methodology:

- Inclusion of multifamily structure data to analysis
 - A separate DRGR report that assigns a number of units to an activity flagged in the system as multifamily was joined with the primary address database.
 - Impacts: Overall number of NICs grew as a result; analysis is currently underway to determine how NIC performance was affected.

Summary Results:

Data from June 2012 (not yet published)

OVERALL SCALE

- *43,875 (unduplicated) properties have been treated under the NSP program as of May 2012. Of these, 3,019 (7%) are multifamily properties located in 104 buildings or complexes throughout the nation.*
- NSP1 still accounts for the vast majority of total NSP activity reported, with 39,197 (89%) of all properties. NSP2 accounted for 3,922 (9%) and NSP3 for only 756 (2%) of total properties treated.



Summary Results (June 2012 Data)

OVERALL SCALE

- Overall, **23,524 or 54% of these properties are located within a cluster of NSP investments**. The remaining 46% are scattered investments and are not a part of this analysis.
- *More than two-thirds (67%) of properties treated under NSP2 are located in clusters, compared to just under half (49%) under NSP1.*
- *1,668 NICs exist around the nation. 84 (5%) of these NICs are predominantly comprised of properties within MF buildings.*

Summary Results

OVERALL SCALE

- Leading the US in terms of the number of NICs are: Ohio with 521 NICs; Michigan with 309 NICs; Indiana with 103 NICs; Florida with 94 NICs; Pennsylvania with 55 NICs; and Minnesota with 54 NICs. Together, these six states incorporate almost 70% of NICs in the US.
- Most NICs are dominated by the following activity types: Clearance (51.6% of NICs), Rehab (18.5%), Land Banking/Acquisition (7.4%) and General Acquisition (6.5%).

Summary Results

HOME SALE PRICE PERFORMANCE

- 67% of all NICs trended better than at least one of their comparable markets when it came to home sale price change between 2008 and 2010.
- *22.8% beat every comparable against which they were studied. These were considered “A” performers. (Sufficient home sale trend data was available for comparison for 1,335 NICs.)*

Summary Results

VACANCY RATE PERFORMANCE

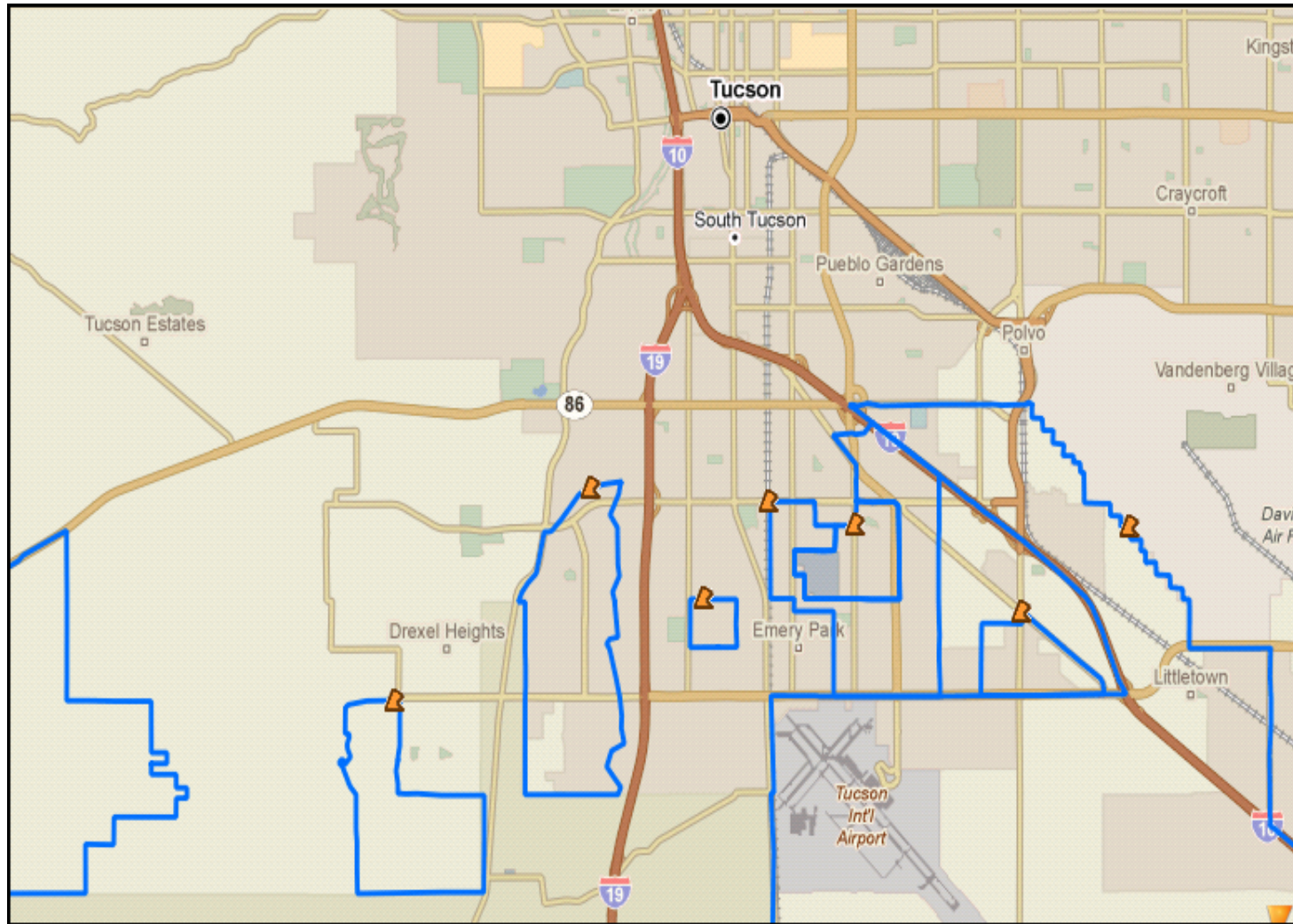
- 77.8% of all NICs trended better than at least one of their comparable markets when it came to vacancy rate change between the first half of 2008 and the first half of 2011.
- *26.5% beat every comparable against which they were studied. These were considered “A” performers. (Sufficient vacancy data was available for comparison for all 1,668 NICs.)*
- These performance statistics are in keeping with the analysis last quarter.

Summary Results

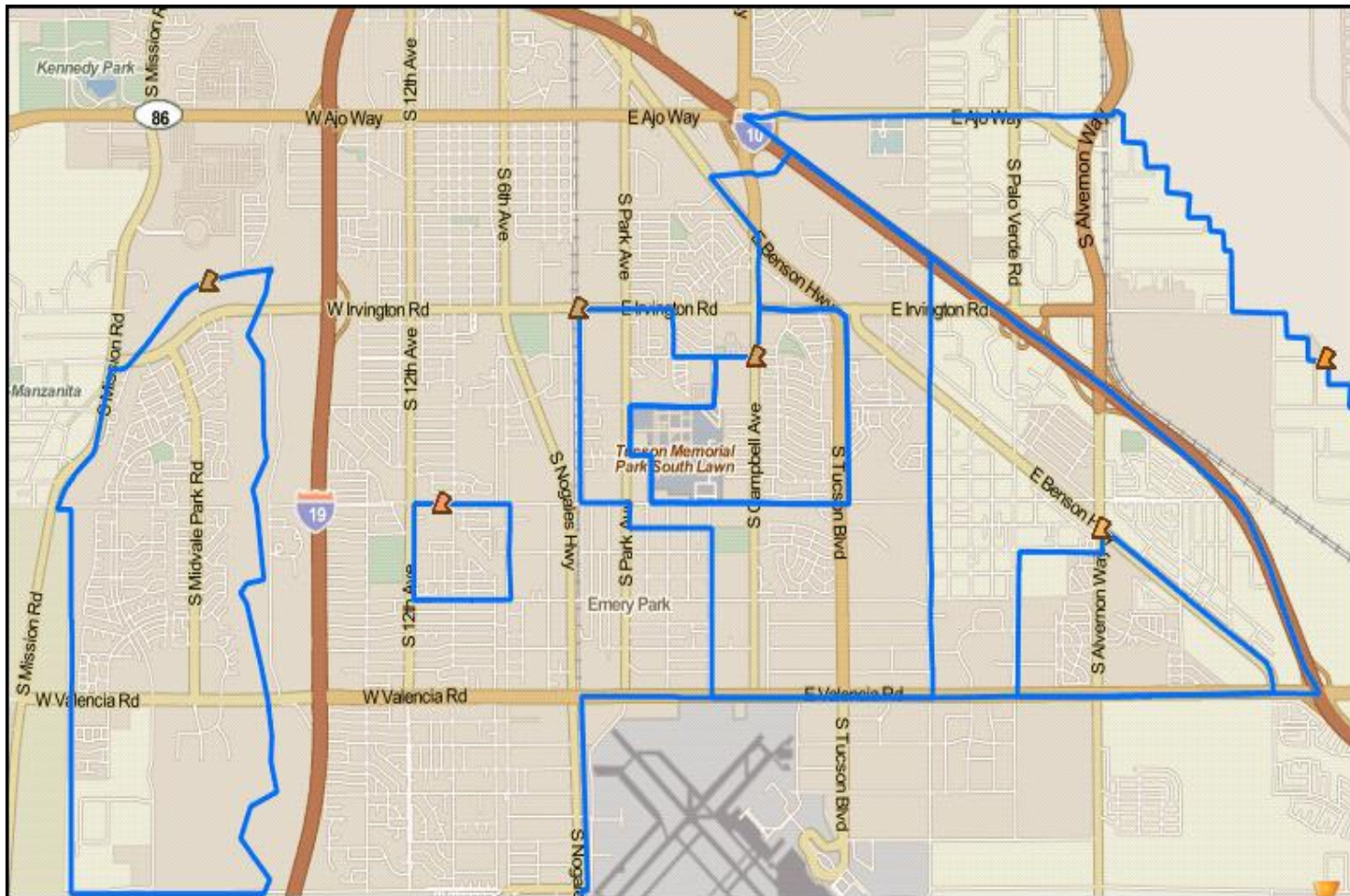
NSP1 vs NSP2 PERFORMANCE

- 73.5% of NSP2 NICs (where 100% of the properties within the NIC were NSP2 properties) trended better than at least one of their comparable markets when it came to home sale price change; 66.2% of NSP1 NICs did so.
- 82.3% of NSP2 NICs (where 100% of the properties within the NIC were NSP2 properties) trended better than at least one of their comparable markets when it came to vacancy rate change; 76.7% of NSP1 NICs did so. (Note: Ten times as many NSP1 as NSP2 NICs)

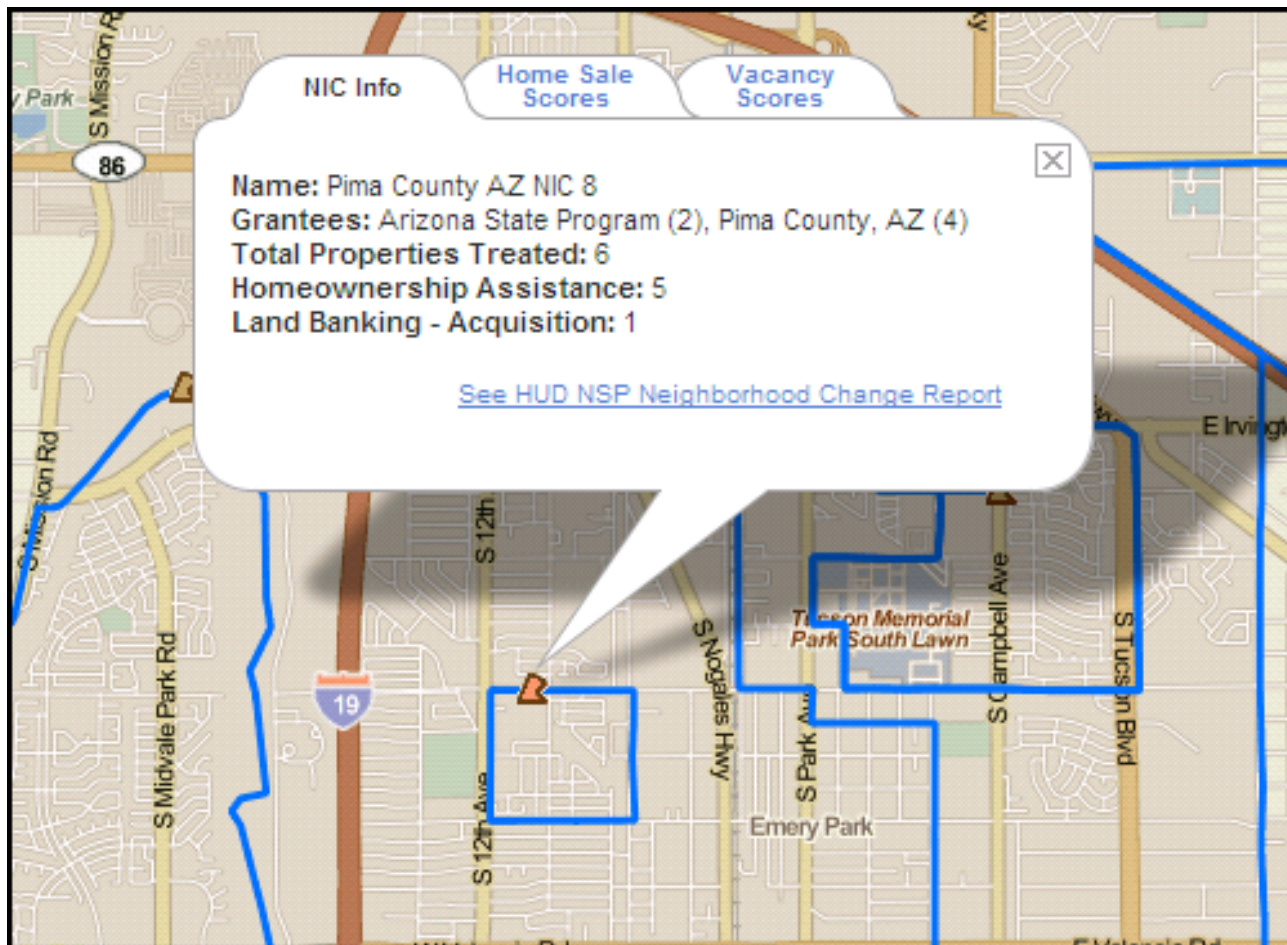
Example: Pima County/Tucson, AZ



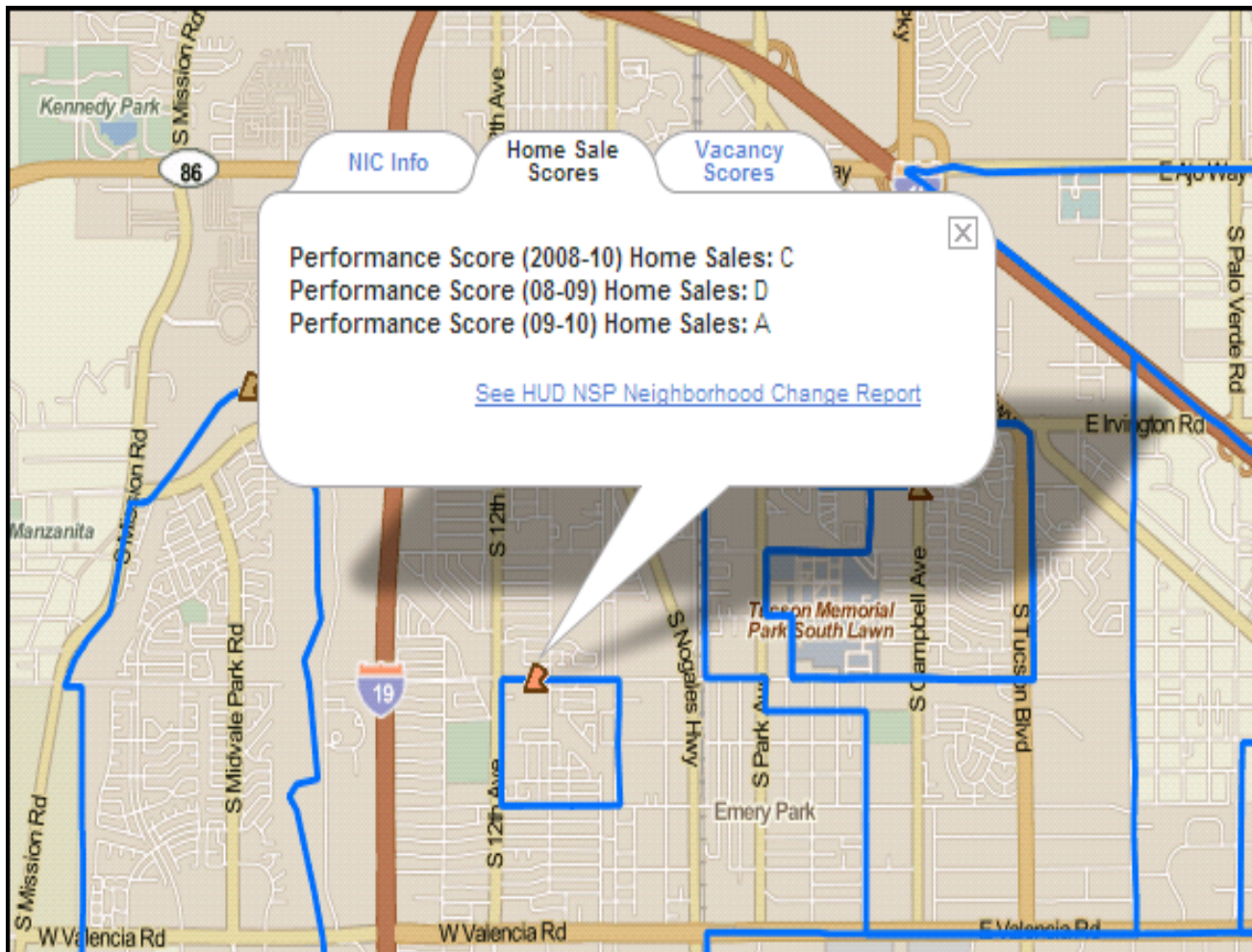
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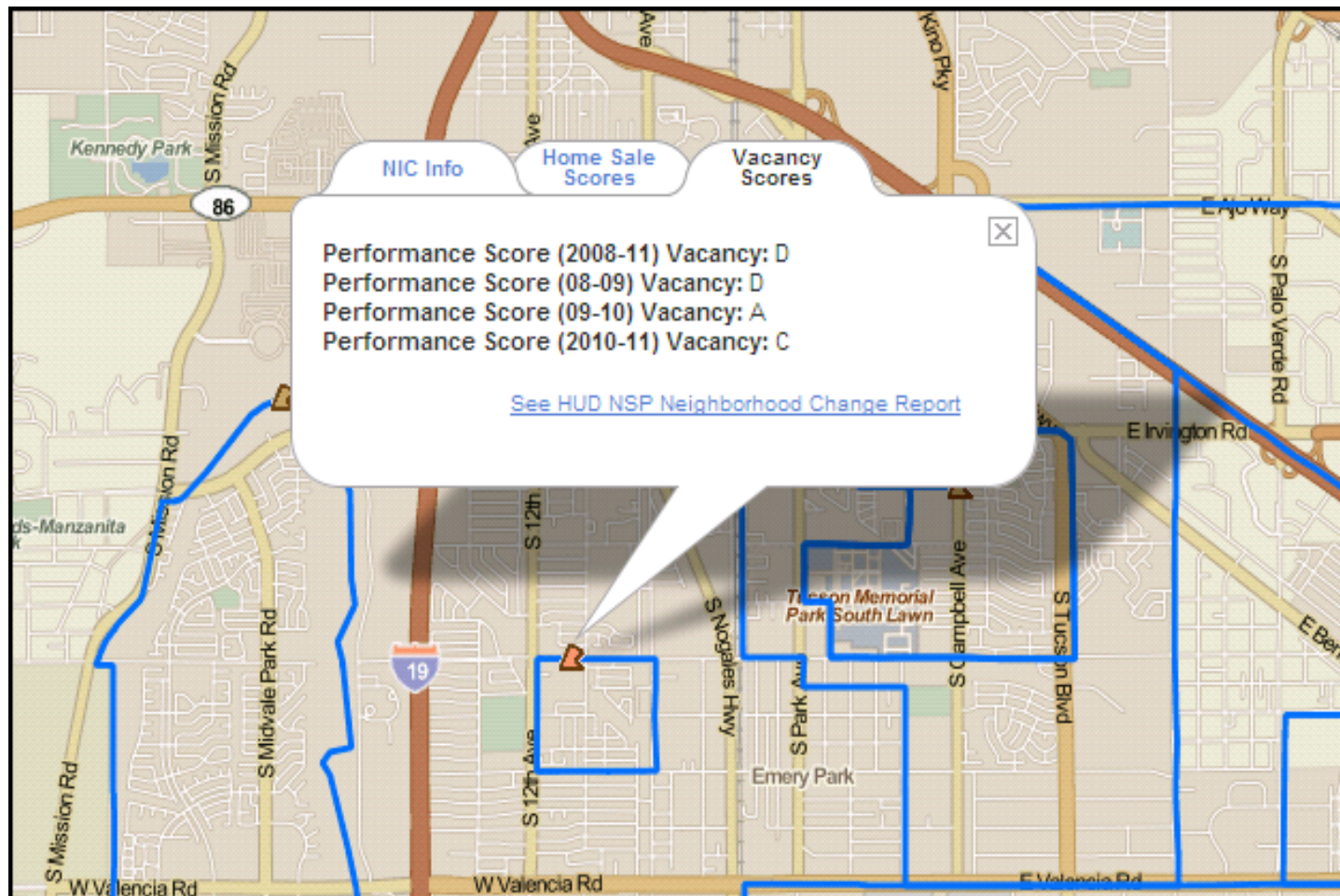
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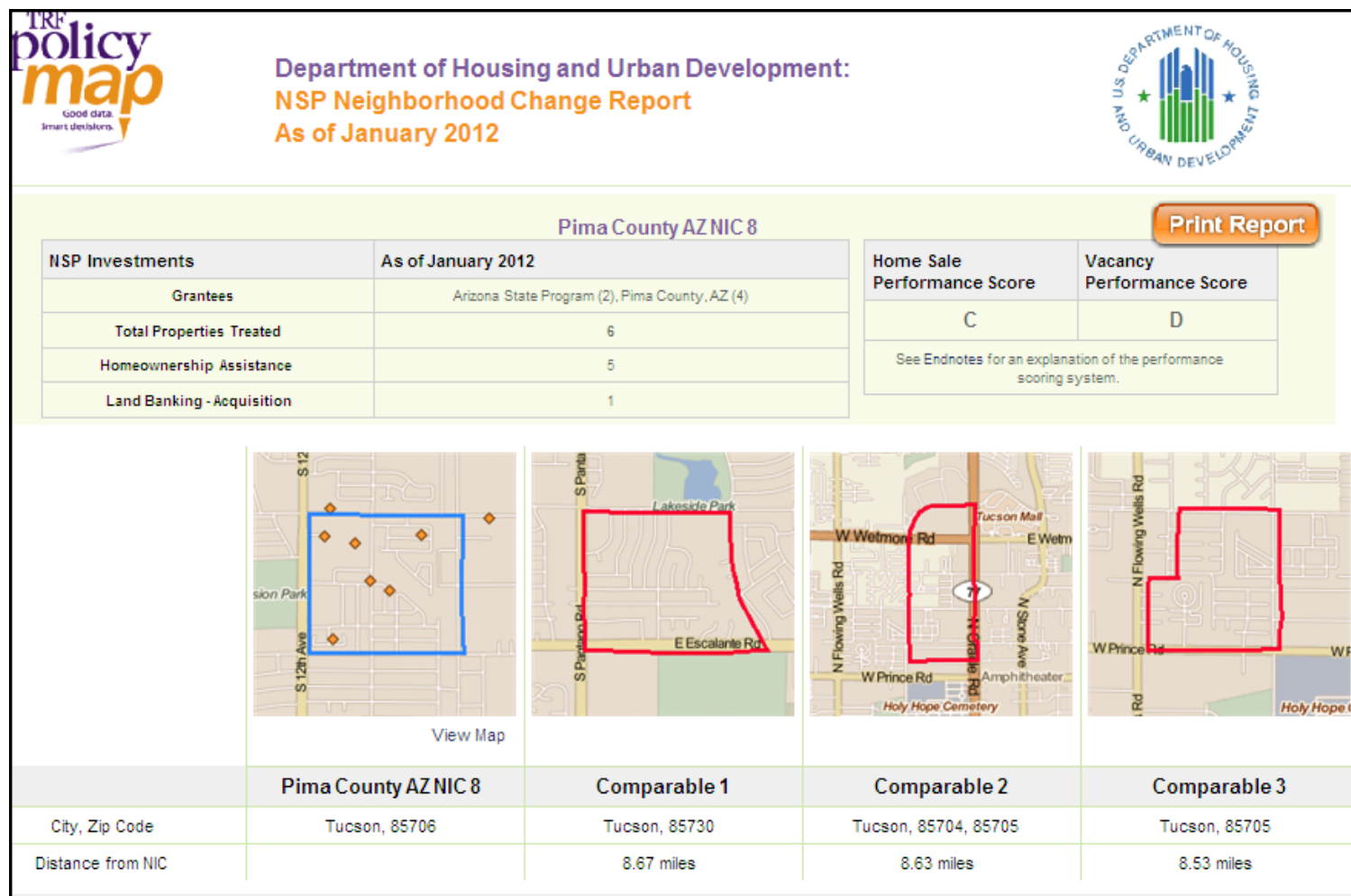
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Example: Pima County/Tucson, AZ



Example: Pima County/Tucson, AZ

	View Map			
	Pima County AZ NIC 8	Comparable 1	Comparable 2	Comparable 3
City, Zip Code	Tucson, 85706	Tucson, 85730	Tucson, 85704, 85705	Tucson, 85705
Distance from NIC		8.67 miles	8.63 miles	8.53 miles
Area Statistics				
NSP 1 Score	9	8	9	9
Median Home Sale Price (2008)	\$132,000	\$139,809	\$131,306	\$136,500
Home Appreciation (2006-08)	-14.29%	-16.78%	1%	-22.33%
Owner Occupancy Rate (2010)	62.6%	62.6%	58.9%	78.2%
Number of NSP Investments	6	0	0	0
Source: TRF calculations of data from HUD, Boxwood Means home sales, and Census 2010 data on owner occupancy.				
Home Sale Statistics				
Median Home Sale Price				
2008	\$132,000	\$139,809	\$131,306	\$136,500
2009	\$80,000	\$95,000	\$81,000	\$94,450
2010	\$83,000	\$98,168	\$73,500	\$85,900
Home Sale Appreciation				
2008-2009 (D) *	-39.39%	-32.05%	-38.31%	-30.81%
2009-2010 (A) *	3.75%	3.33%	-9.26%	-9.05%
2008-2010 (C) *	-37.12%	-29.78%	-44.02%	-37.07%

Example: Pima County/Tucson, AZ

2009-2010 (A) *	3.75%	3.33%	-9.26%	-9.05%
2008-2010 (C) *	-37.12%	-29.78%	-44.02%	-37.07%
Number of Home Sales				
2008	37	31	16	20
2009	82	57	26	24
2010	54	58	36	27

Source: TRF calculations of home sale data provided by Boxwood Means, Inc.

*See endnotes for an explanation of performance scoring system

Residential Vacancy Statistics

2008 January-June	2.33%	2.55%	9.44%	6.14%
2009 January-June	7.65%	2%	10.25%	5.81%
2010 January-June	6.05%	3.86%	11.01%	8.92%
2011 January-June	7.92%	5.52%	12.91%	9.36%
Change 08-09 (D) *	227.53%	-21.67%	8.52%	-5.31%
Change 09-10 (A) *	-20.92%	93.29%	7.4%	53.39%
Change 10-11 (C) *	30.93%	42.99%	17.34%	4.9%
Change 08-11 (D) *	239.14%	116.5%	36.77%	52.36%

Source: TRF calculations of data from HUD and the U.S. Postal Service

*See endnotes for an explanation of performance scoring system

Demographic Characteristics

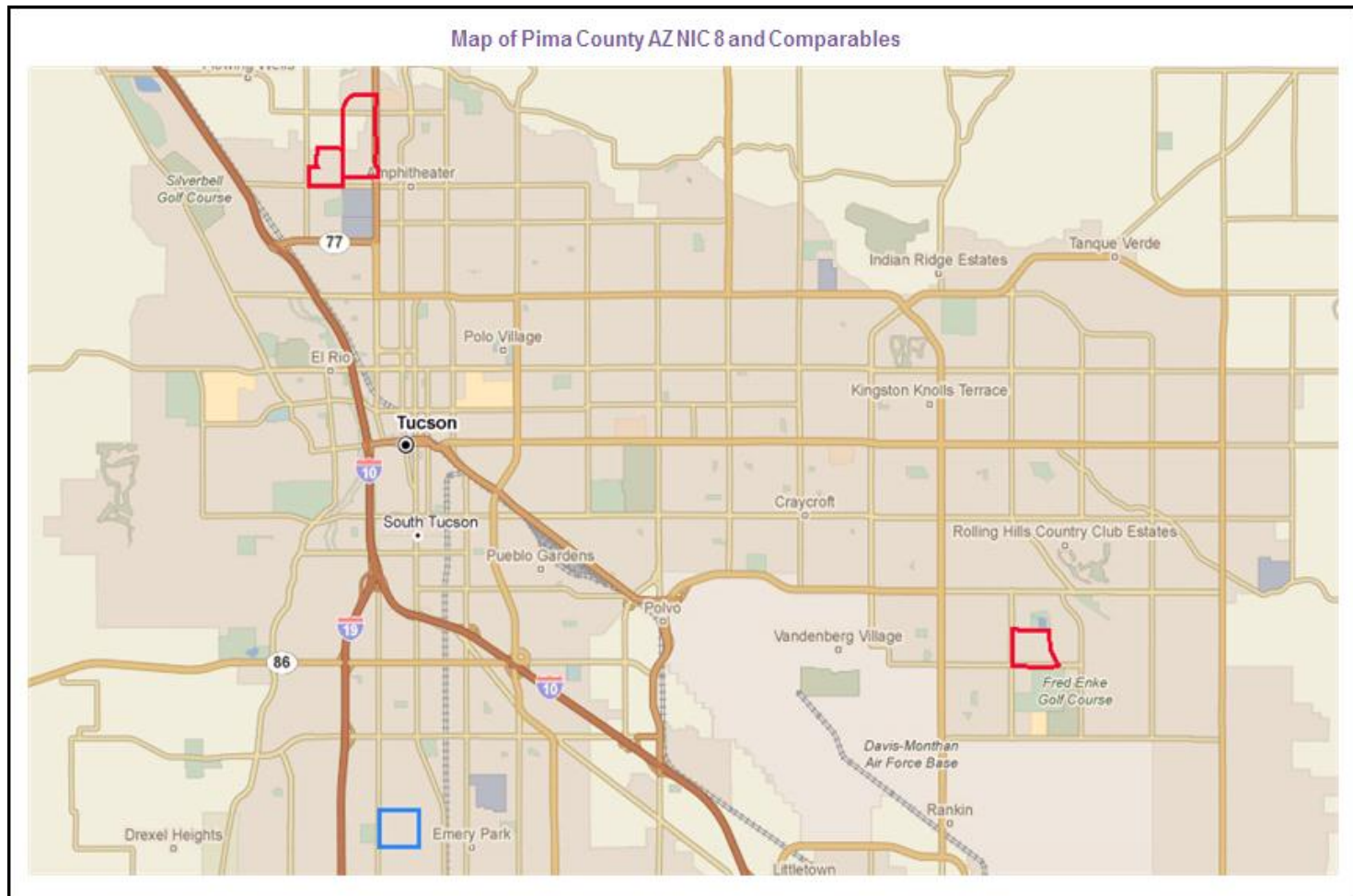
Example: Pima County/Tucson, AZ

Demographic Characteristics				
Population, Families and Households				
Population, 2010	2,447	1,758	1,880	1,277
% Change, 00-10	27.12%	1.09%	-0.9%	-6.38%
Families 2010	572	463	439	299
% Change, 00-10	25.44%	-1.28%	-14.76%	-20.05%
Housing Units, 2010	734	710	1,201	615
% Change, 00-10	27.65%	17.36%	-3.46%	-2.69%
Income				
Median HH Income, 2009	\$41,667	\$49,479	\$28,372	\$34,122
% Change, 00-09	55.64%	26.66%	24.31%	2.54%
% Families in Poverty, 2009	20.07%	8.3%	19.47%	11.37%
% Change, 00-09	36.71%	68.18%	77.14%	56%
Race and Ethnicity				
Race				
% White, 2010	61.34%	74.8%	77.13%	75.25%
% African Amer, 2010	2.7%	5.69%	2.07%	1.8%
% Asian, 2010	0.74%	3.75%	1.54%	4.86%
Ethnicity - Hispanic, 2010	87.94%	25.14%	37.93%	32.73%
Education				
% less than 9th grade, 09	17.84%	5.48%	7.08%	12.29%
% HS Degree or more, 09	70.01%	88.22%	83.01%	70.13%
% Bachelor's Degree or more, 09	3.34%	12.27%	12.03%	9.51%

Example: Pima County/Tucson, AZ

FHA Lending and REO				
FHA Lending				
Number of Loans				
2009 (July - December)	11	10	2	5
2010 (January -June)	8	13	4	10
2010 (July - December)	7	11	1	5
2011 (January -June)	6	9	3	4
Total Value of Mortgages				
2009 (July - December)	\$986,752	\$1,264,861	N/A	\$511,165
2010 (January -June)	\$688,319	\$1,697,090	\$462,627	\$1,107,329
2010 (July - December)	\$712,806	\$1,339,583	N/A	\$507,874
2011 (January -June)	\$458,244	\$1,163,025	\$193,005	\$467,772
Average Mortgage Value				
2009 (July - December)	\$89,704.73	\$126,486.10	N/A	\$102,233
2010 (January -June)	\$86,039.88	\$130,545.38	\$115,656.75	\$110,732.90
2010 (July - December)	\$101,829.43	\$121,780.27	N/A	\$101,574.80
2011 (January -June)	\$76,374	\$129,225	\$64,335	\$116,943
First-Time Homebuyers				
2009 (July - December)	8	7	1	1
2010 (January -June)	5	11	2	8
2010 (July - December)	4	7	0	5
2011 (January -June)	6	8	1	2
FHA REO (as of 6/2011)				

Example: Pima County/Tucson, AZ



NSP Reports Available

NSP Data and Reports

Commitments, Drawdowns, and Grant Amounts

[Weekly Commitment and Drawdowns Reports](#)

The Weekly Commitment and Drawdown Report contains cumulative commitment and drawdown data for each NSP grantee. The report also contains grant amounts for each grantee.

[NSP Snapshots](#)

NSP Snapshot Reports provide a "snapshot" picture for grantees and community stakeholders. The snapshots provide data on commitments, drawdowns, activity types, and program income. There are program-wide snapshots for NSP1, NSP2, and NSP3 as well as individual snapshots for each grantee. Snapshots are posted quarterly.

Unit Production and Outcomes

[NSP Production Reports](#)

NSP Production Reports contain cumulative data on units assisted with NSP funds. An NSP grantee reports on the accomplishment of an activity when it meets an End Use, such as providing down payment assistance to an eligible household, demolition of a blighted property, or acquiring and rehabbing a foreclosed property and selling it to an eligible owner occupant. Production Reports are posted quarterly.

[NSP Investment Cluster \(NIC\) Reports](#)

The NIC study analyzes how markets treated with a concentration of NSP investment have changed over time compared to similar markets that have only minimally or not been touched by NSP. These findings are then displayed in a series of maps and reports at the cluster level and at the grantee level. These tools can assist grantees and HUD in understanding how markets in which they are investing are changing over time, and how certain types of investment might affect NSP target areas.

Narrative Reports

[Action Plans](#)

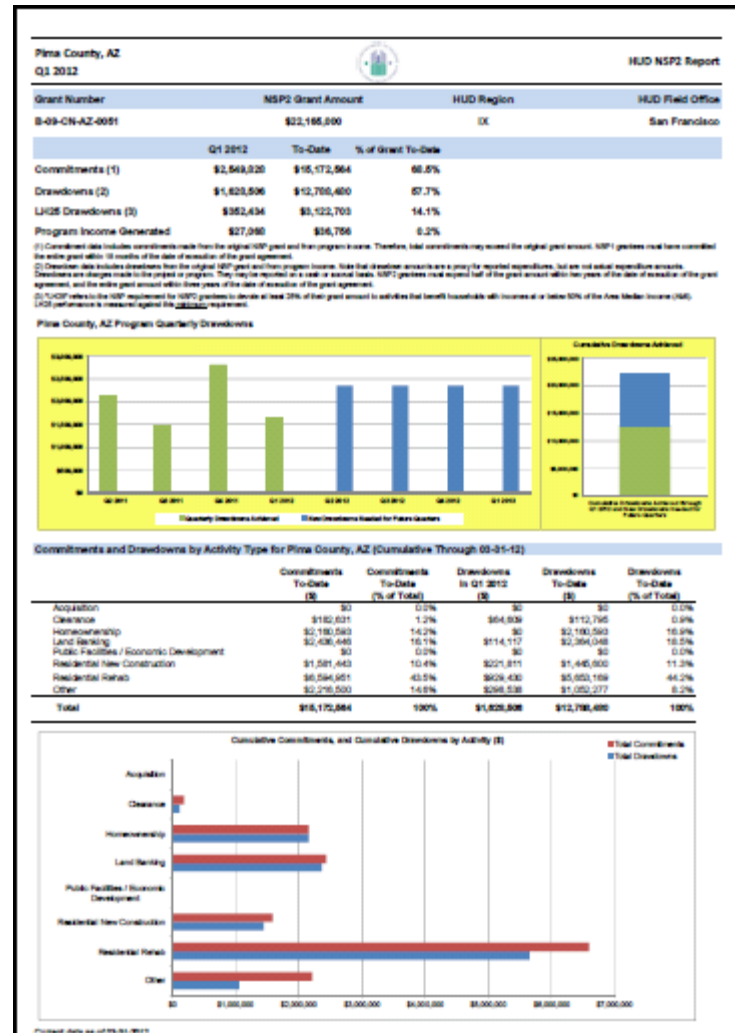
The Action Plan, also known as a Substantial Amendment, contains a description of a grantee's intended use for NSP funds. The plan contains information on the following topics: the areas of greatest need for NSP funding, the distribution and use of funds, program definitions and descriptions, low income targeting, public comment, and activity descriptions. To view a grantee's Action Plan, go to the grantee's page on the NSP Resource Exchange. Use the [Grantee Search](#) to find a grantee's page.

[Quarterly Performance Reports](#)

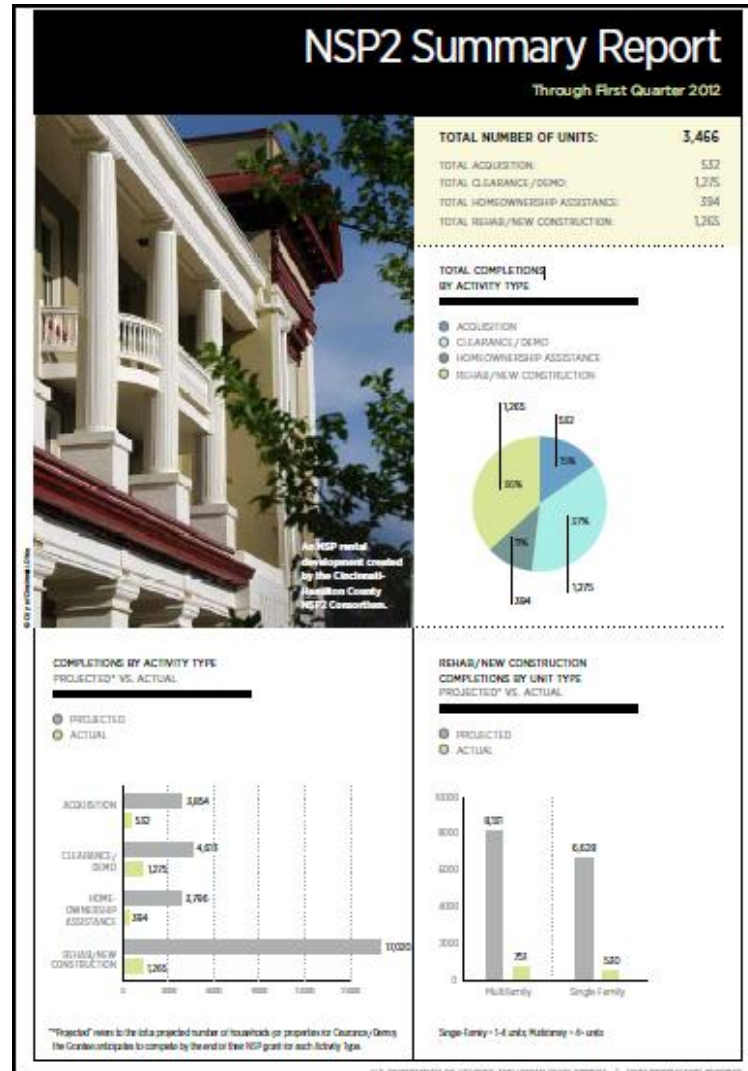
Quarterly Performance Reports (QPRs) include information on how grantees are using NSP funds. QPRs contain project names, activity descriptions, project locations, national objectives, funds budgeted and expended, funding sources, numbers of properties and housing units, beginning and ending dates of activities, and numbers of low- and moderate income persons or households benefiting from the use of NSP funds. To view a grantee's QPR, go to the grantee's page on the NSP Resource Exchange. Use the [Grantee Search](#) to find a grantee's page.



NSP Reports Available: Snapshots



NSP Reports Available: Production Reports



CONCLUSIONS

- Clustered NSP investments tend to outperform scattered investments both in occupancy rates and sales prices.
- Results are still in early stages. Housing takes longer than demo. As accomplishments grow, both validity and detail will improve.
- Reported data drive the accuracy of the reports. There are lags until housing is occupied and there is underreporting of accomplishments.
- NICs suggest new ways of analyzing neighborhood change.