

**Federal Reserve Bank of St. Louis
Investment Connection Proposal**



Contact	Steve Lockwood
Title	Executive Director
Email Address	slockwood@fraysercdc.org
Phone	901-354-9402
Organization Name	Frayser Community Development Corporation
Mission statement	<p>Mission</p> <p>The mission of Frayser CDC is to work with the community to provide improved housing and stimulate commercial and economic growth.</p> <p>Vision</p> <p>Frayser will be a neighborhood of choice where working families can find good, safe affordable housing as well as schools they trust and other services they need.</p>
Overview of Organization	<p>The Frayser Community Development Corporation – FCDC -- was formed in 2000 to become a revitalization engine for its community. FCDC has built programs responding to housing and financial needs in the community, including.....</p> <p>Houses—rent, lease/purchase and sell: The CDC buys empty homes and completely renovates. Over 170 houses have been completed in Frayser. The CDC currently has 100 houses in its rental portfolio. Purchasing or renting in Frayser is very affordable. The CDC acquires houses with an eye to not only assisting individual families in finding good, stable home, but also looks to the greater effect that the work has on surrounding houses and the City’s tax base.</p> <p>Home Sales: Since the collapse of the mortgage market in 2007, mortgages have been unavailable for the buyers of Frayser’s low cost homes. But very recently, this has</p>

changed. In early 2017 the CDC kicked off a campaign to market the affordability all of the homes in 38127 to potential buyers. The CDC provides prospective owners with lists of recommended lenders and realtors who understand the Frayser market, as well as access to Home Buyer Education and Down Payment Assistance information. In 2016, 90% of all home purchases went to investors. This campaign has dramatically altered that ratio.

Foreclosure Counseling:

FCDC offers counseling to homeowners threatened by housing loss in 38127. Home ownership is preserved by assisting existing owners to stay in their homes.

Home Buyer Education:

The CDC offers HUD certified Home Buyer Education classes. While they are open to all, outreach concentrates on those wanting to buy in 38127. These classes assure that new buyers are informed so that they can get a good deal and a good loan.

Financial Literacy:

FCDC conducts free trainings in financial planning, savings, investments, and charitable giving. Issues including income and careers, money management, credit and debt management, risk and investing, insurance and protecting assets, taxes, and becoming critical consumers are explored.

Commercial Revitalization:

The CDC recently acquired and renovated 4 storefronts across from its offices. These units have been leased to an attractive business that is adding to the fabric of the community. Additional blighted commercial units are being sought.

Advocacy and Collaboration:

Housing alone will not change the direction of a community. Many other agencies and individuals are working in Frayser on critical issues including—crime and safety, schools, health, public transit, etc. At the top of the CDC's agenda is participation in the completion of the City's new comprehensive plan for the community to better prioritize needs and solutions and to better focus and coordinate the resources, both internal and external, that are being directed at Frayser. Frayser CDC works to integrate its housing work and counseling with the other

	efforts in the community.
Website	www.fraysercdc.org, www.frayserhomes.com
Location of project/activity	Memphis
Project/proposal title	Frayser Tipping Point
Support request	Loan; Investment/Grant
Requested amount	\$1,000,000
Other significant partners in the proposal	Lenders, Realtors, Memphis Police, Memphis Code Enforcement, Neighborhood Preservation Inc.
Proposal narrative	<p>In early 2012, Frayser CDC identified a small area in Frayser called Grandview North and set out to attack the significant blight in that area with every tool available. This area was about ¼ square mile, with about 470 houses. It was chosen because it had a number of blighted houses that needed attention, but it still also had some remaining homeowners, and the density was good – not many houses had been torn down. Values, as in all of Frayser, were far below the median for the Memphis area.</p> <p>Using the Tennessee Neighborhood Preservation Act, the CDC with help from the City of Memphis 1st sued 25 negligent property owners. This resulted in some homes being fixed, some being boarded up, some being torn down, and some being sold or given away. The CDC acquired, over time, 18 blighted houses, which were totally renovated. This cost, for 18 houses, a total of \$1,000,000 – some grant funds and some loans. Mortgage loans were not easily available at this time, so 2 of the houses were sold and the rest rented.</p> <p>The CDC then set out to measure the effect of this work and investment. Firstly, we found that other investors had followed the CDC into the neighborhood. They had acquired and fixed another 20 homes in Grandview North.</p> <p>Using research from various cities, and adjusting that to Frayser housing values, the CDC determined that the CDC's \$1,000,000 investment resulted in raised values in the area of \$6,000,000 – a 6/1 ratio. This, in turn, will ultimately increase the tax base and bring in \$119,000 in new revenues annually to the City and County – a 12% return on the investment. In short, Frayser CDC spent \$1M, raised surrounding values at a 6/1 ratio, and 'Tipped' the neighborhood and market back from dysfunctional to functional.</p> <p>The CDC started to refer to this area as a 'Tipping Point' neighborhood. Recently the CDC, in collaboration with</p>

	<p>BLDG Memphis, received a Kresge grant to study the entire City of Memphis, to more clearly identify those characteristics that make a Tipping Point neighborhood, and to identify 6 to 10 new neighborhoods in Memphis that would be highly productive in which to invest in mitigating blight. It is very clear that, while not all of Frayser is a Tipping Point neighborhood, there are sections of Frayser in which it would be highly productive to invest.</p> <p>This application proposes to take the process carried out in Grandview North, and duplicate that in another comparable Tipping Point neighborhood in Frayser. It is anticipated that, as successful as the initial effort was, a successive effort would be better. After 5 years of experience, the CDC would bring additional elements to bear that were not present the first time. More involvement with partners such as Shelby County Schools, the Memphis Police Department and Neighborhood Watch would do nothing but enhance the effort. At this time, with the mortgage markets having evolved significantly in recent months, the prospect of being able to sell homes would also be a great advantage.</p> <p>The budget would again be approximately \$1M. The debt/loan portion of these funds would be borrowed using Tennessee Community Investment Tax Credits, allowing the CDC to pay extremely low interest rates. Assuming that more houses could be sold this time around, there would be proceeds that could be recycled into additional houses and neighborhoods. The CDC feels that this proposal presents a potentially important model that could be duplicated in a number of other communities throughout Memphis – particularly those where housing values are low and have great potential to rise. This is not a solution that would work for every community in Memphis, but it is one that makes fiscal sense and could be done in a very cost effective manner.</p> <p>It should be finally noted that, of the \$7M that Frayser CDC has invested in Frayser over the years, 85% of those funds went to small minority contractors. This would certainly be duplicated.</p>
Issues addressed	Community development finance; Neighborhood revitalization and stabilization; Affordable housing
Geographic impact	Neighborhoods
Population served	The Frayser community is a very low income neighborhood – with household incomes at 58 percentile of the Memphis area. The neighborhood is currently 82% African-American.

	<p>This proposal would not only serve those families, but would also benefit the residents, particularly the homeowners, who live in proximity to the newly renovated houses.</p>
Income of population served	<p>Families served would be extremely low, very low, and low income – from 30 to 80 percentile of median. Given the very low cost of housing in Frayser, families as low as 30 percentile could afford to purchase or rent.</p>
Anticipated outcomes/impact	<p>The anticipated outcomes would be to provide stable, high quality, affordable housing to approximately 18 families in a focused area of Frayser. Families qualifying to buy homes would pay approximately \$500 monthly for all housing expenses – mortgage principle and interest, taxes and insurance. This would be affordable for families making as little as \$20,000 annually. However, this outcome is just the tip of the iceberg.</p> <p>Frayser CDC has always done its housing work – acquisition and investment – with an eye towards the effect on the larger community. Data show that this investment, like work in the previous Tipping Point neighborhood, would enhance housing value for 500 feet in all directions. It would create equity for surrounding owners – both owner occupants and investors – of an estimated \$6M. If experience is any indication, this investment would be expected to also attract other activity to the area – owner occupants as well as investors.</p> <p>This increased value, created by transforming blighted structures into the best homes on the block, would in turn raise tax revenues for Memphis City and Shelby County. The income generated would be an estimated \$119,000 annually on the initial \$1M investment.</p> <p>There are, of course, additional outcomes created by the transformation of blighted houses into well-kept and occupied homes. This includes lowering of crime rates and the ensuing savings to the Memphis Police Department, Code Enforcement, Fire Department, the addition of new children to Frayser schools, increased revenues for Frayser retailers, increased ridership for MATA, etc.</p>
Evaluation methods used to measure success	<p>The primary measurement will be number of houses bought, renovated and put back in service. The CDC will, in turn, again run calculations on the impact of the work on the City/County tax base. Finally, additional investors that have also stepped in to improve properties will be tabulated.</p>
Project time frame	<p>New Program</p>

