

Targeting Neighborhood Investment Strategies: Using TRF's Market Value Analysis to Strategically Target the Acquisition of Vacant & Foreclosed Properties

The Reinvestment Fund

Presentation to the Federal Reserve Bank of
St. Louis' *Strengthening Neighborhoods in Weak
Markets* Conference
September, 2008



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Profile of TRF

The Reinvestment Fund builds wealth and opportunity for low-wealth communities and low and moderate income individuals through the promotion of socially and environmentally responsible development.

We achieve our mission through:

Capital

- Grants, loans and equity investments

Knowledge

- Information and policy analysis

Innovation

- Products, markets and strategic partnerships



Profile of TRF

Founded in 1985

Over \$800 million in cumulative investments

Primary Geography: Mid-Atlantic Region; offices in Philadelphia, Washington, DC and Baltimore, MD

Currently Manage: over \$480 Million

FY2008: \$170 million in loans and investments

Since inception, more than:

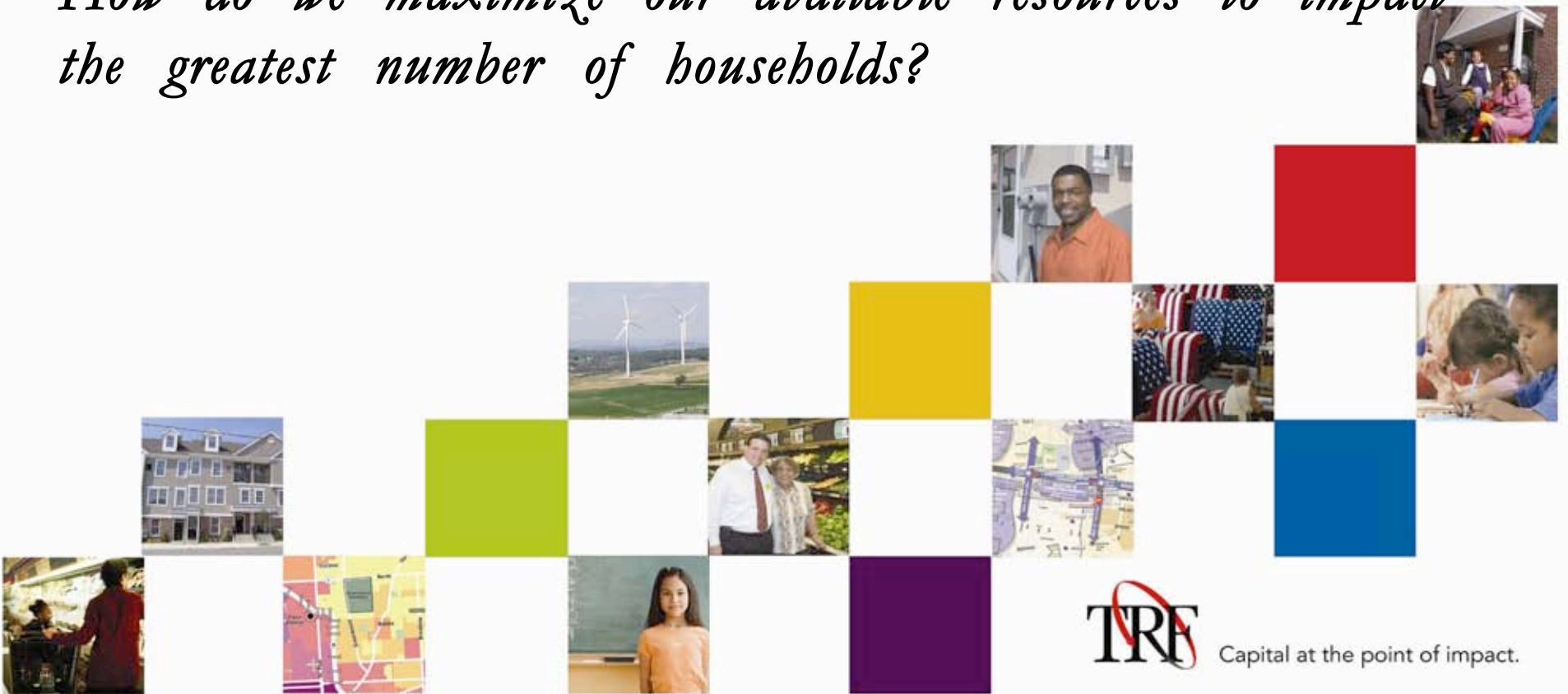
- 17,063 housing units created, renovated or preserved
- 9,458 child care slots created or preserved
- 23,915 Charter school slots created or preserved
- 6.9 million square feet of commercial space created, renovated or preserved
- 441 businesses

Recently launched two new business ventures: TRF Development Partners and Policymap.com

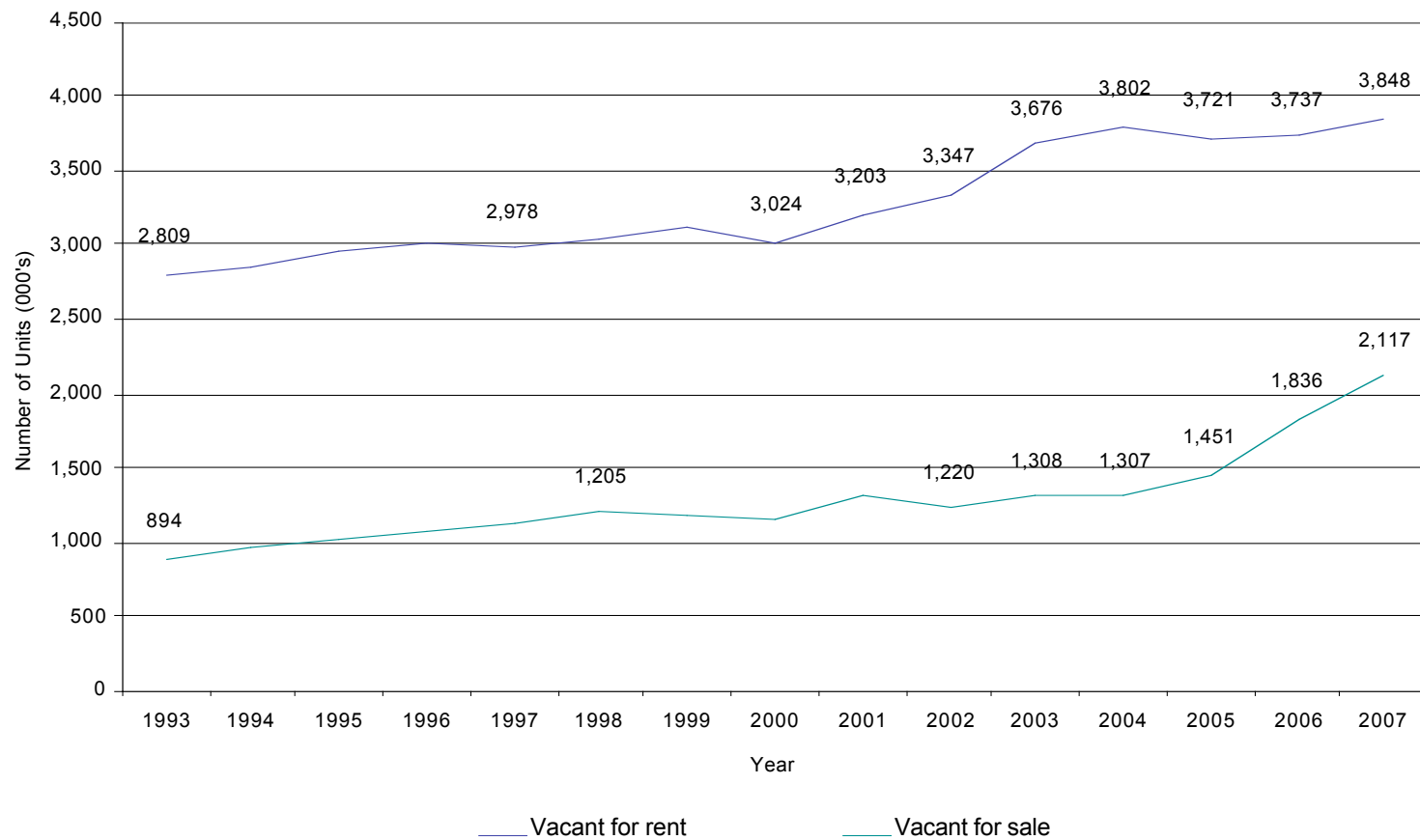


The Problem: Vacant, Abandoned and Foreclosed Properties in Neighborhoods

How do we maximize our available resources to impact the greatest number of households?



Number of Vacant Year Round Housing Units;
1993-2007

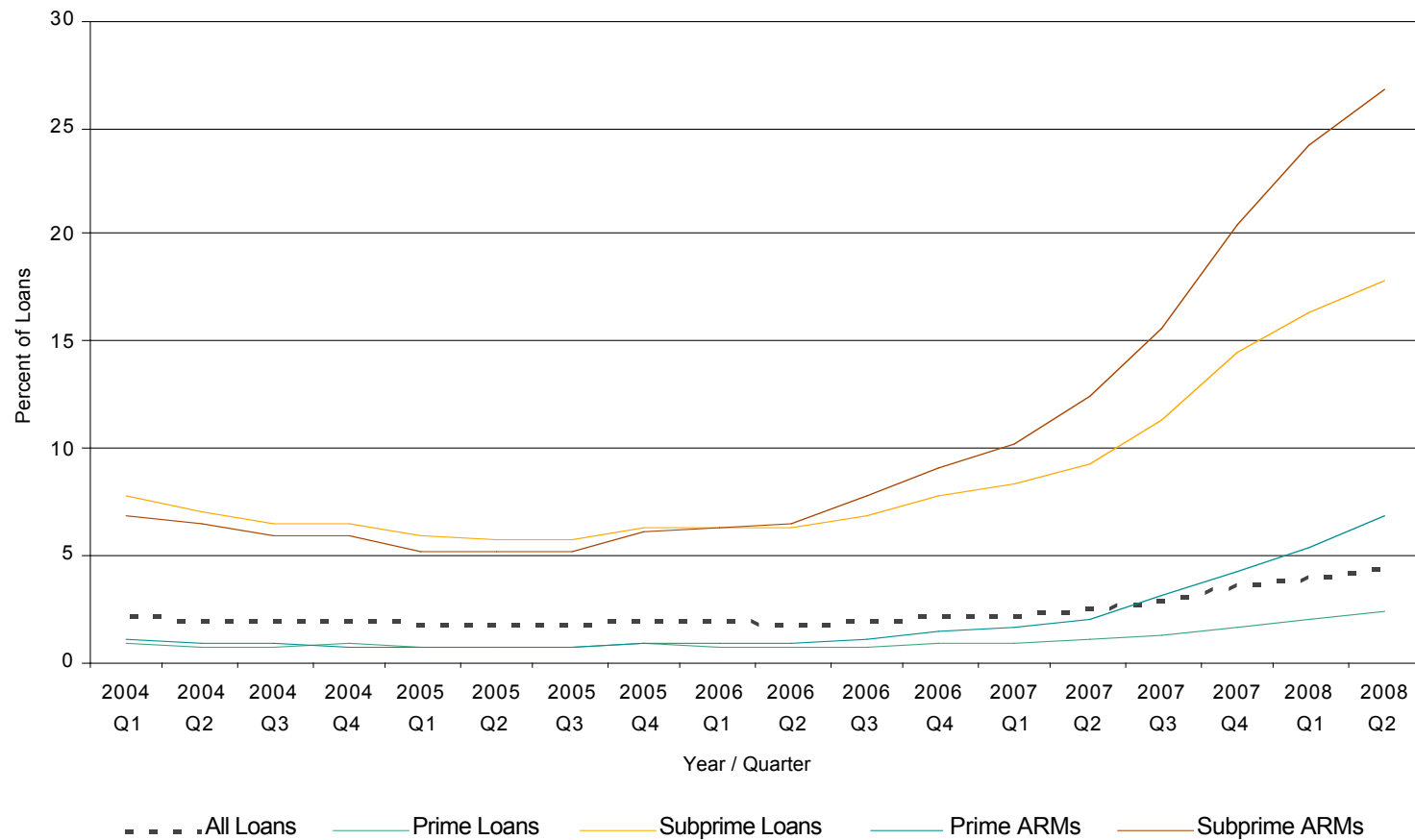


Source: US Census; Housing Vacancy
Survey



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Percent of Loans that are Seriously Delinquent;
2004-2008 (Q2)



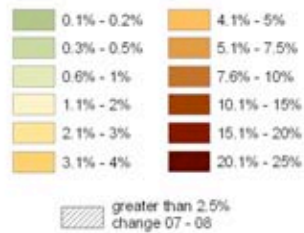
Source: Mortgage Bankers Assn
National Delinquency Survey



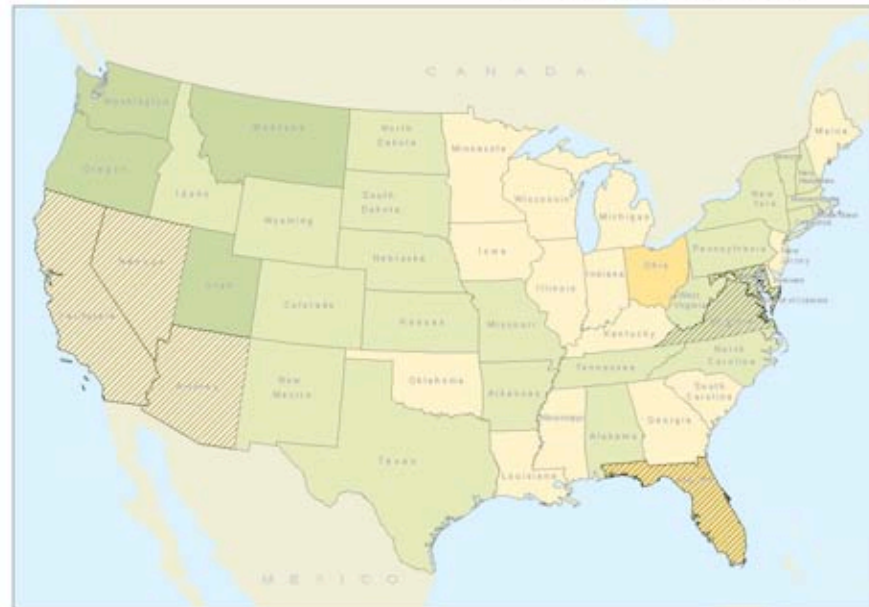
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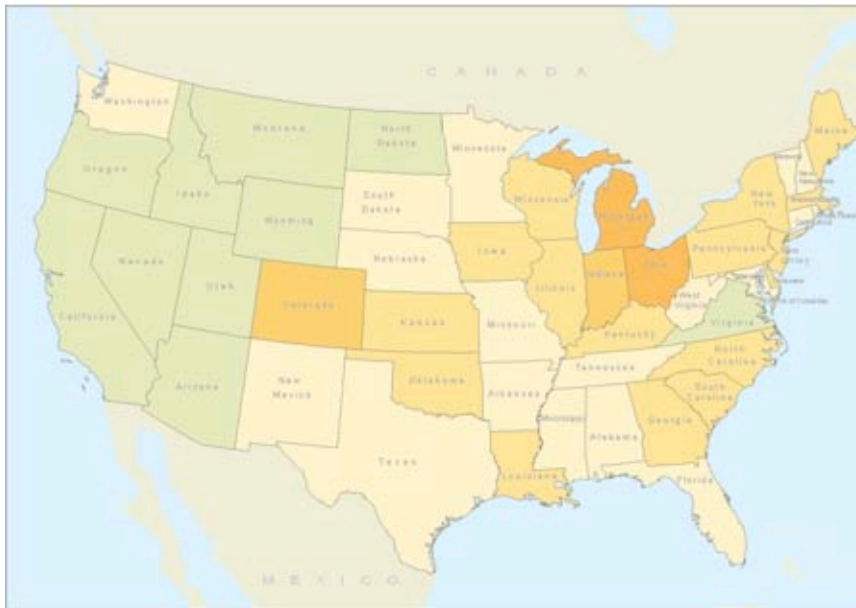
**Percent of Prime Mortgages
in Foreclosure During Q1 2007**



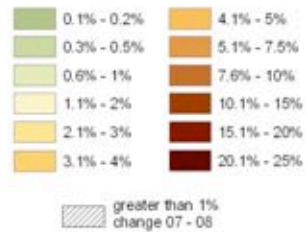
**Percent of Prime Mortgages
in Foreclosure During Q1 2008**



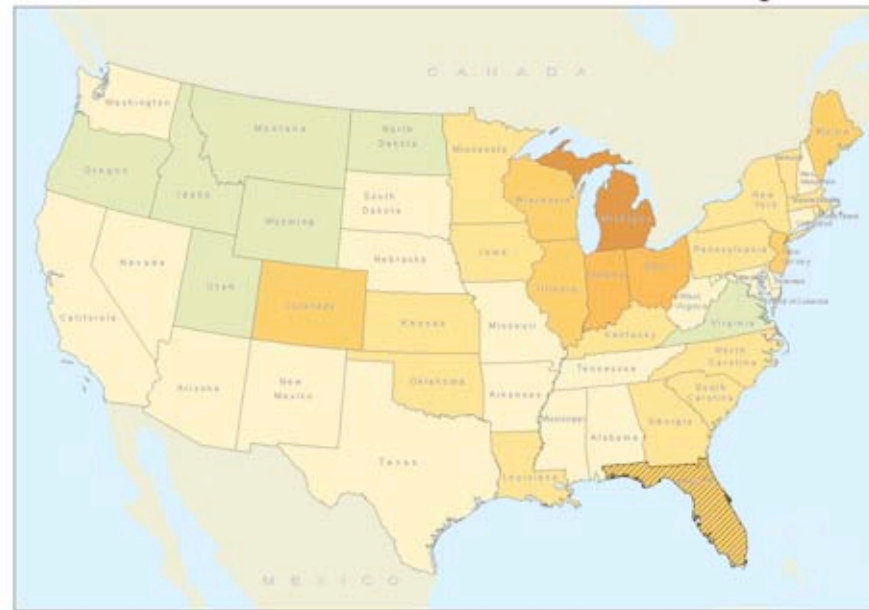
Source: Mortgage Bankers Assn
National Delinquency Survey



Percent of FHA Mortgages
in Foreclosure During Q1 2007



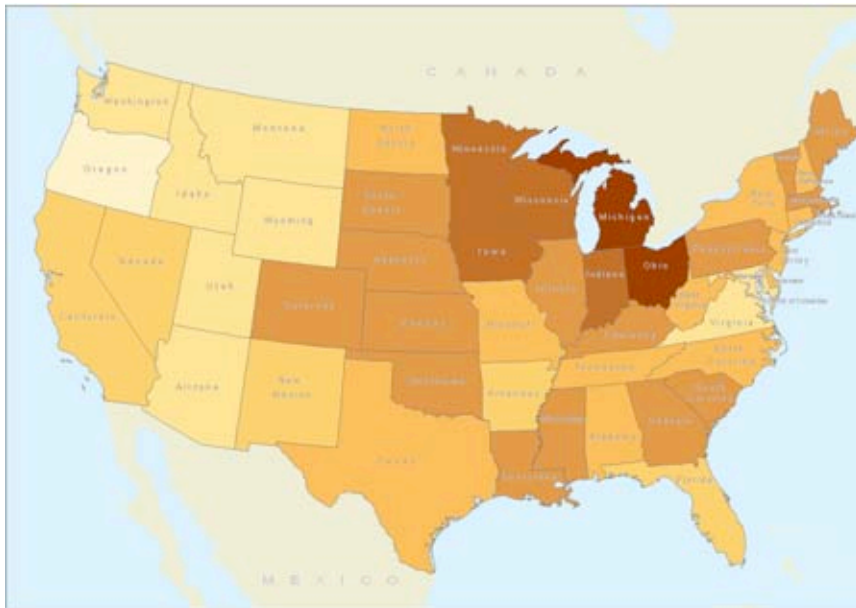
Percent of FHA Mortgages
in Foreclosure During Q1 2008



Source: Mortgage Bankers Assn
National Delinquency Survey

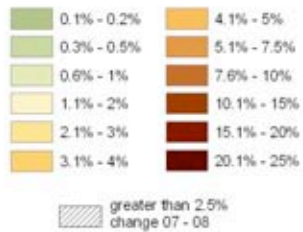
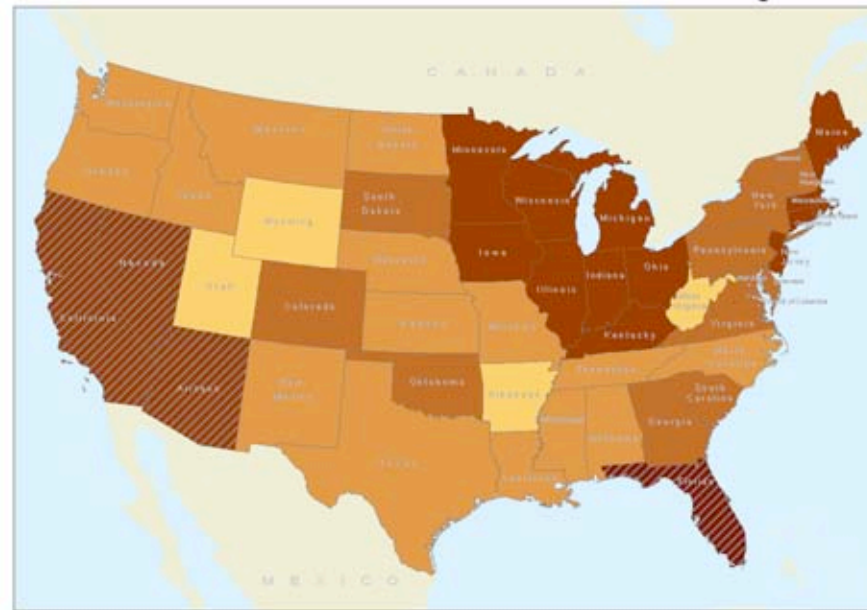


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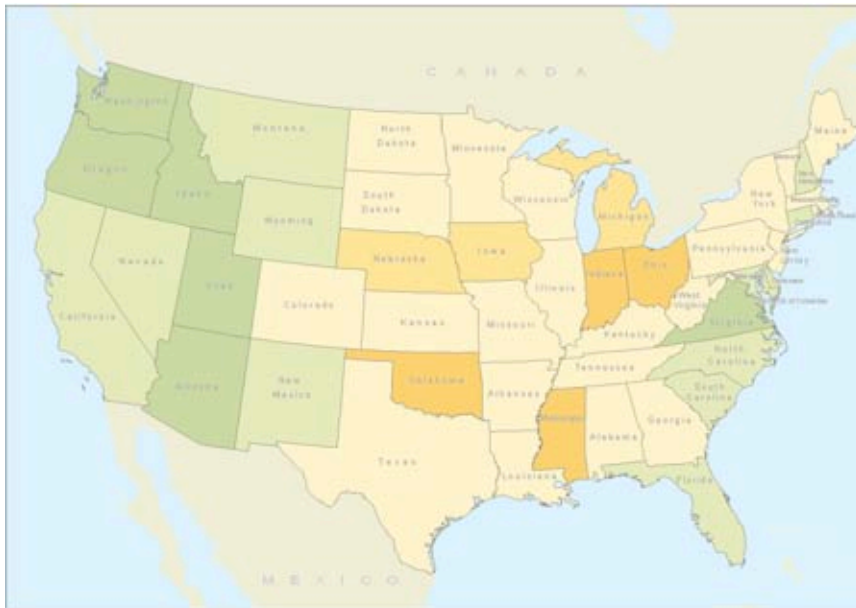


Percent of Subprime Mortgages
in Foreclosure During Q1 2007

Percent of Subprime Mortgages
in Foreclosure During Q1 2008

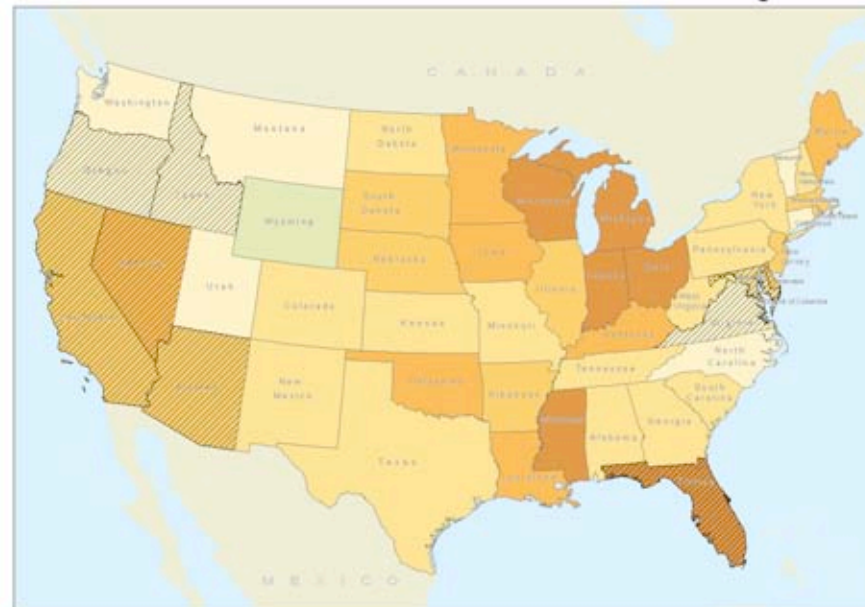


Source: Mortgage Bankers Assn
National Delinquency Survey

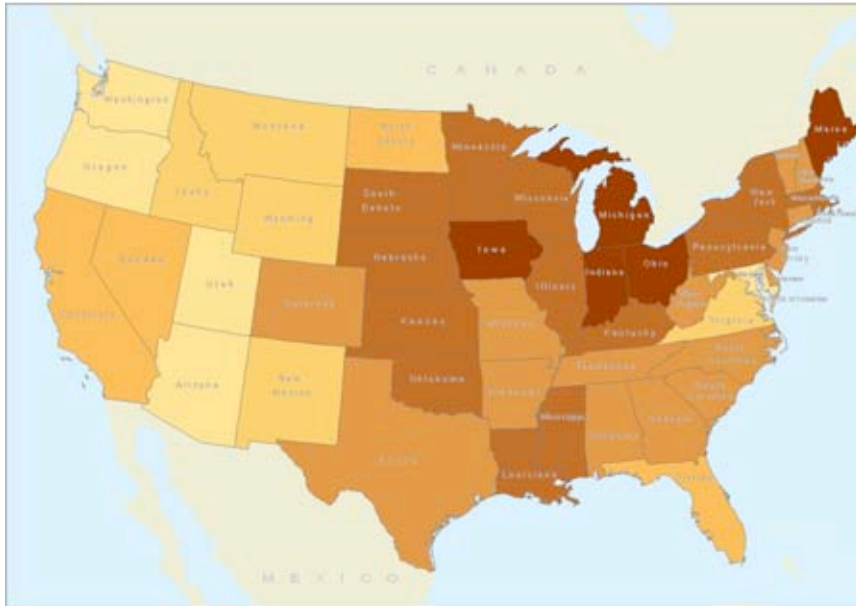


**Percent of Prime ARM Mortgages
in Foreclosure During Q1 2007**

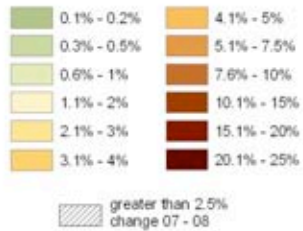
**Percent of Prime ARM Mortgages
in Foreclosure During Q1 2008**



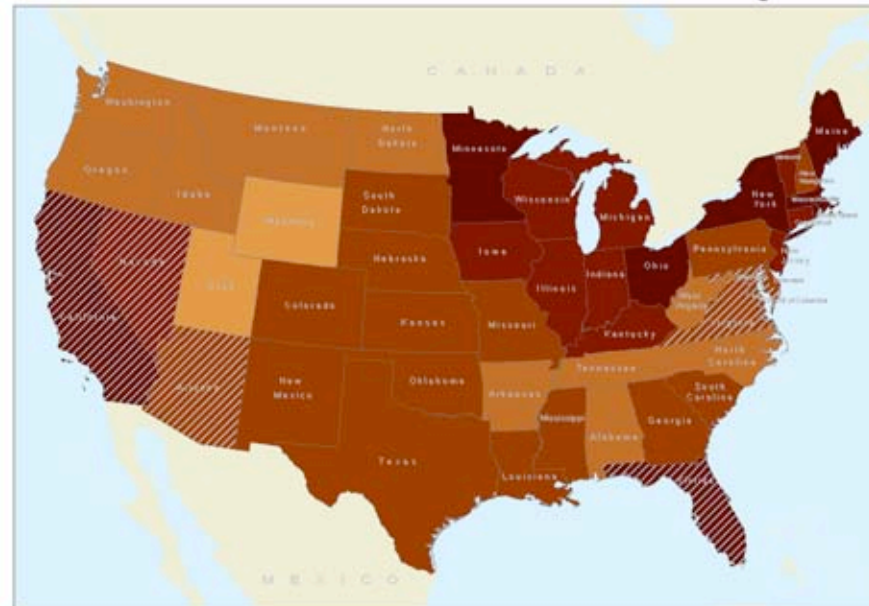
Source: Mortgage Bankers Assn
National Delinquency Survey



Percent of Subprime ARM Mortgages
in Foreclosure During Q1 2007



Percent of Subprime ARM Mortgages
in Foreclosure During Q1 2008



Source: Mortgage Bankers Assn
National Delinquency Survey



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Our Approach



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What is TRF's MVA

- The Market Value Analysis (MVA) is a tool developed by The Reinvestment Fund to assist government officials make decisions about the allocation of financial resources and programmatic interventions.
- It is based on a comprehensive set of data detailing the real estate markets at a very fine level of spatial specificity.



Components of the Philadelphia MVA

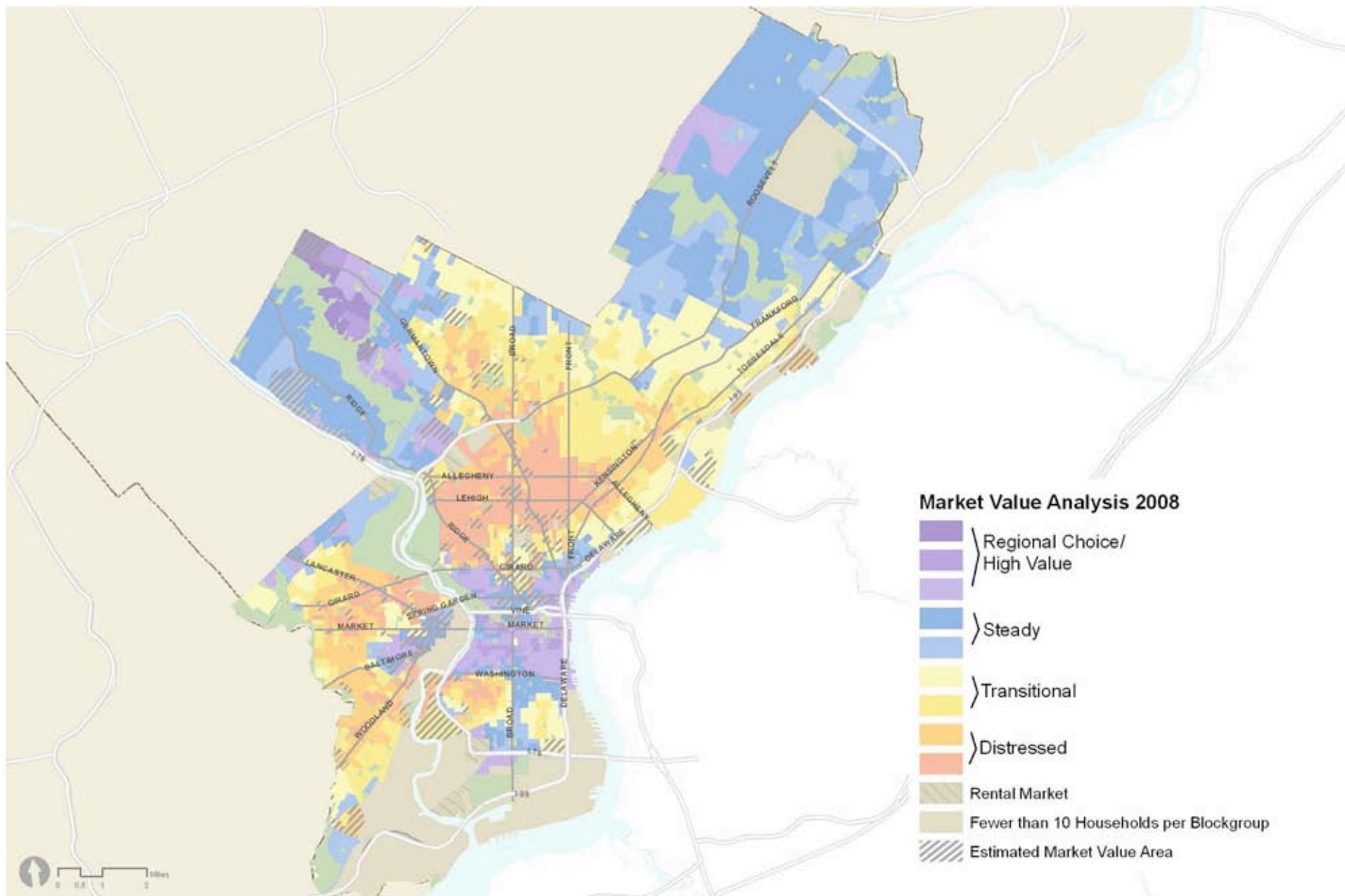
- Median sales price 2006-07
- Coefficient of variance for sales price 2006-07
- Percent of rental stock that is subsidized (developments and project-based section 8)
- Vacancy factor (an index including utility shutoffs, vacant parcels from administrative records, mail discontinuation, demolitions)
- Foreclosure as a percent of sales 2006-07
- Percent commercial
- Percent owner occupied, 2007
- Housing units per acre
- New construction (estimated from tax abated inventory and units with a post-2000 construction date in administrative records)



How is the MVA Prepared

1. Take all of the data layers and geocode to Census block groups
2. Using a statistical cluster analysis, identify areas that share a common constellation of characteristics
3. Map the result
4. Visually inspect areas for conformity with the statistical / spatial representation
5. Re-solve and re-inspect until we achieve an accurate representation





Selected MVA Cluster Characteristics

	Median Sale Price	Total Number of Foreclosures	Average Number of Foreclosures	Percent Owner Occupied	Vacancy Factor Score
Dark Purple	\$960,450	10	1.67	90.3%	0.4
Medium Purple	\$550,000	22	1.05	29.9%	0.3
Light Purple	\$351,250	397	2.74	49.8%	0.6
Dark Blue	\$220,000	1,037	4.04	64.0%	0.6
Light Blue	\$171,000	1,207	7.27	62.5%	0.6
Light Yellow	\$124,000	2,452	8.09	76.9%	1.2
Dark Yellow	\$80,000	2,946	9.79	68.5%	4.3
Orange	\$49,925	2,266	8.72	63.6%	9.5
Red	\$28,875	1,413	4.76	55.6%	138



The Concept of a High Leverage Preservation Area

High Leverage Preservation (HLP)

These are areas of the City in which proper deployment of the City's programs and activities can serve to stabilize communities.



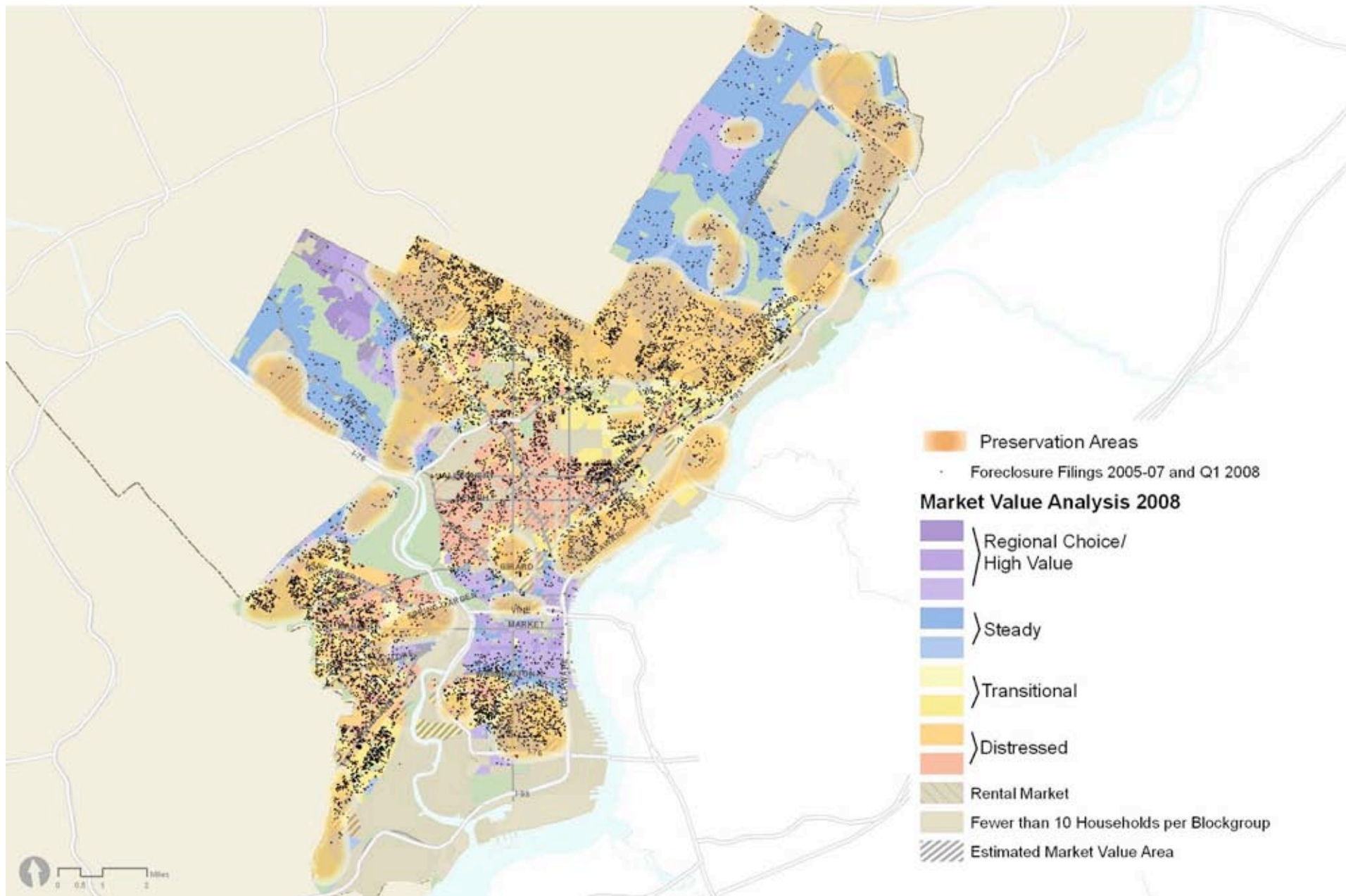
Discerning Philadelphia's HLP Areas

- Begin with areas identified as light yellow or light blue – the middle of Philadelphia's housing markets
- Identify those areas among that group that share boundaries with stronger markets; identify those areas that share boundaries with weaker markets
- “Credit” areas that contain:
 - A high level of “social stressors”
 - High levels of crime
 - High concentrations of mortgage foreclosures
 - 1/8th of a mile of a relatively weak commercial strip

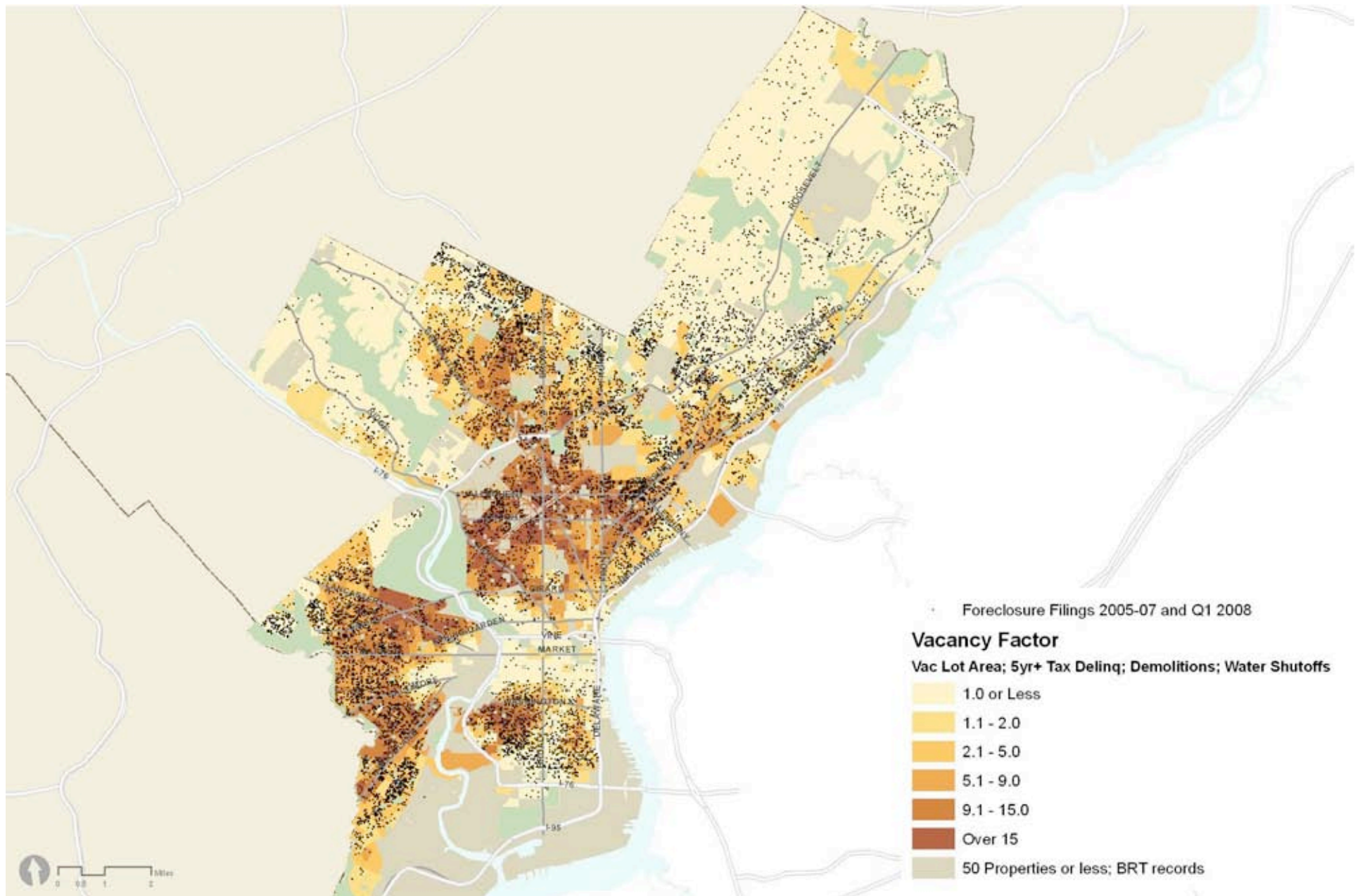




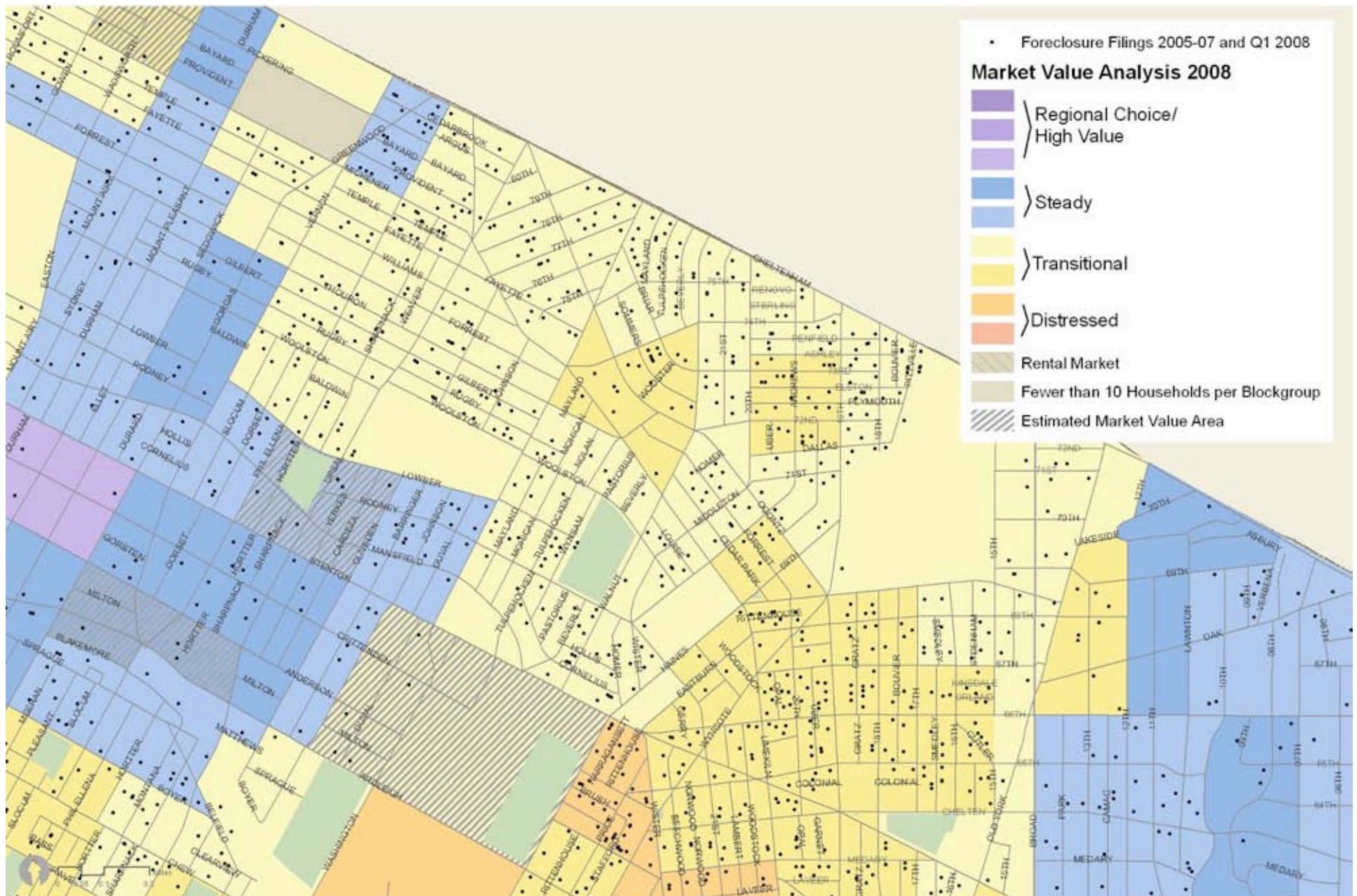
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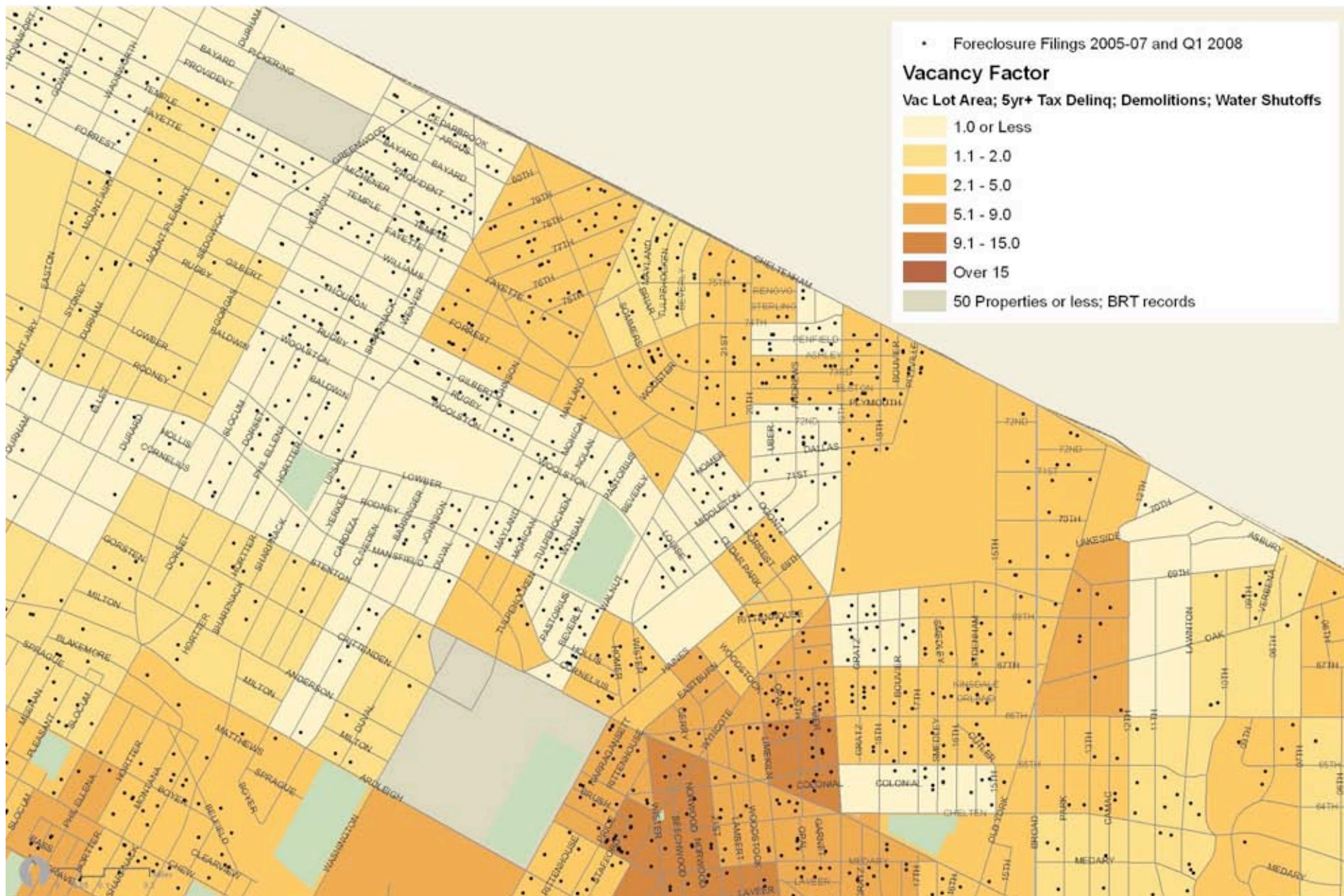


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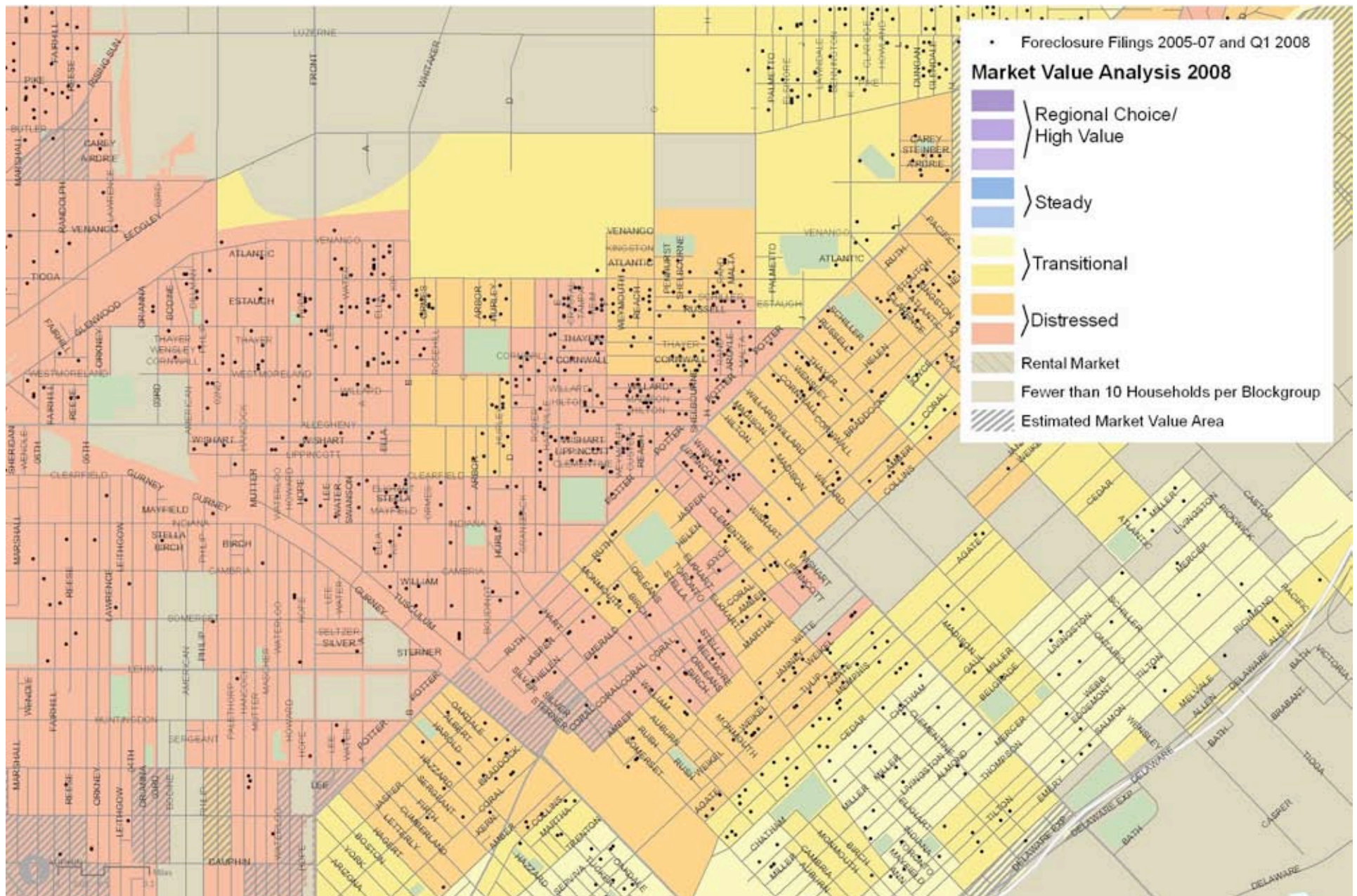


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How shall we define “neediest” and “needed most”?

New York Times

August 31, 2008

EDITORIAL

No One Lives There Anymore

... The Department of Housing and Urban Development is expected to release a plan next month for funneling nearly \$4 billion to states and cities, mainly to buy and redevelop foreclosed homes. ...

... The sum is far too small to have a broad impact. Properly targeted, it could stanch the decline in some of the neediest areas, and ideally, begin to revive them by attracting private investment. ... [emphasis added]

... HUD must avoid the temptation to spread the money far and wide, an approach that would score points with varied constituencies but would fail to target the neediest areas. To make sure the money goes where it is needed most, HUD should share the data it is using to devise the distribution formula. State and local officials must also carefully target the money they receive. ...



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