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

Source: Mortgage Bankers Assn
National Delinquency Survey
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Our Approach
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
<table>
<thead>
<tr>
<th>MVA Cluster Color</th>
<th>Median Sale Price</th>
<th>Total Number of Foreclosures</th>
<th>Average Number of Foreclosures</th>
<th>Percent Owner Occupied</th>
<th>Vacancy Factor Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dark Purple</td>
<td>$960,450</td>
<td>10</td>
<td>1.67</td>
<td>90.3%</td>
<td>0.4</td>
</tr>
<tr>
<td>Medium Purple</td>
<td>$550,000</td>
<td>22</td>
<td>1.05</td>
<td>29.9%</td>
<td>0.3</td>
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<tr>
<td>Light Purple</td>
<td>$351,250</td>
<td>397</td>
<td>2.74</td>
<td>49.8%</td>
<td>0.6</td>
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<tr>
<td>Dark Blue</td>
<td>$220,000</td>
<td>1,037</td>
<td>4.04</td>
<td>64.0%</td>
<td>0.6</td>
</tr>
<tr>
<td>Light Blue</td>
<td>$171,000</td>
<td>1,207</td>
<td>7.27</td>
<td>62.5%</td>
<td>0.6</td>
</tr>
<tr>
<td>Light Yellow</td>
<td>$124,000</td>
<td>2,452</td>
<td>8.09</td>
<td>76.9%</td>
<td>1.2</td>
</tr>
<tr>
<td>Dark Yellow</td>
<td>$80,000</td>
<td>2,946</td>
<td>9.79</td>
<td>68.5%</td>
<td>4.3</td>
</tr>
<tr>
<td>Orange</td>
<td>$49,925</td>
<td>2,266</td>
<td>8.72</td>
<td>63.6%</td>
<td>9.5</td>
</tr>
<tr>
<td>Red</td>
<td>$28,875</td>
<td>1,413</td>
<td>4.76</td>
<td>55.6%</td>
<td>138</td>
</tr>
</tbody>
</table>
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
Vacancy Factor
Vac Lot Area: 5yr Tax Delinq; Demolitions; Water Shutoffs
- 1.0 or Less
- 1.1 - 2.0
- 2.1 - 5.0
- 5.1 - 9.0
- 9.1 - 15.0
- Over 15
- 50 Properties or less; BRT records
… 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. …