

Federal Reserve Board Conference *Using Data to Strategically Stabilize Neighborhoods*

TRF Market Value Analysis (MVA)

March 16, 2012

Kansas City



Capital at the point of impact.

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

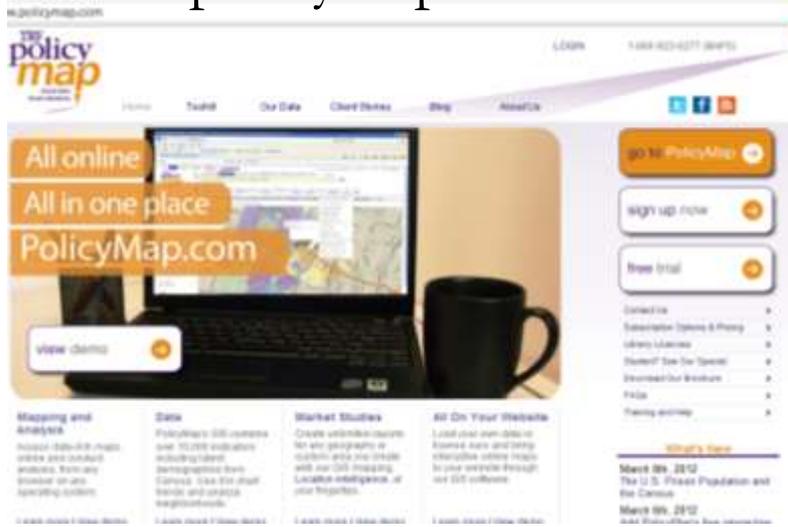
- Information and policy analysis

Innovation

- Products, markets and strategic partnerships

polycymap.com

Development Partners



Lending



- Founded in 1985
- Over \$800 million in cumulative investments
- Primary Geography for Lending: Mid-Atlantic Region; offices in Philadelphia, Washington, DC and Baltimore, MD
- Currently Manage: over \$679 Million
- Since inception through FY10: \$952.4 million in loans and investments
- Since inception, more than:
 - 19,490 housing units created, renovated or preserved
 - 10,189 child care slots created or preserved
 - 33,741 charter school slots created or preserved
 - 9.1 million square feet of commercial space created, renovated or preserved
 - 584 businesses

TRF Approach:

- Best decisions are based upon objective data and sound qualitative and quantitative analysis;
- Public subsidy is scarce and it alone cannot create markets;
- Public subsidy used to leverage (or clear the path for) private investment is an efficient use of resources; and
- In distressed markets, invest into strength (e.g., major institutions, transportation hubs, recreational amenities).

What and Why?

- Assist public and private investors identify and comprehend the various elements of the local real estate market.
- More precisely craft intervention strategies in weak markets and support sustainable growth in stronger market segments.
- Identify potential opportunities for synergy among the philanthropic community, CDC's, private investors, and CDFI's to rebuild neighborhoods.

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 local real estate markets at a very fine level of spatial specificity.

Other cities...

In Baltimore, MD the MVA is used by the Planning Department:

- to develop their CDGB Comprehensive Plan;
- Assess changes in the market over time; and
- to guide their Capital Budget Plan for the City

In Pittsburgh, PA the MVA is used to evaluate proposed development activities and focus the City's Code Enforcement.

In Wilmington, DE the MVA is used:

- by the Office of Housing to allocate CDGB resources
- by the RDA to evaluate proposals.

In Newark, NJ the MVA highlighted the foreclosure problem in what was otherwise seen as a stable community. Newark then drilled down to further understand the foreclosure data and established a foreclosure taskforce to address the problem.

In New Jersey, PA and Phila., where MVA data was available it was used to drive logic behind where to target each NSP resource type.

Process

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

Housing Market Indicators

- Housing Sales Prices
- Demolition activity
- Vacancy rates
- Presence of Dangerous Properties
- Owner-occupancy Rates
- Age of Housing
- Presence of Non-market Rate Rental Housing
- Mix of Commercial and Residential Uses
- Presence of New Construction

A small but descriptive set of information designed to describe the vitality of local housing markets

Role:

Work closely with the TRF team to understand the methods used to characterize markets, to view interim results and to view final results. Support a data-driven approach to resource allocation and planning.

Sample Participants:

- Leadership from city housing agencies
- Representatives of public, quasi-government and private organizations
- Real estate market knowledge: values, foreclosure, general activity in market
- Ability to assist us to identify, select and secure data sources
- Planners with knowledge of projects that are in the development and pre-development stages as well as local knowledge of the neighborhood strengths and trends
- Ability to direct strategic investment action by the public, intuitional and private entities

Market Value Analysis, MVA

Examples:

Baltimore, MD

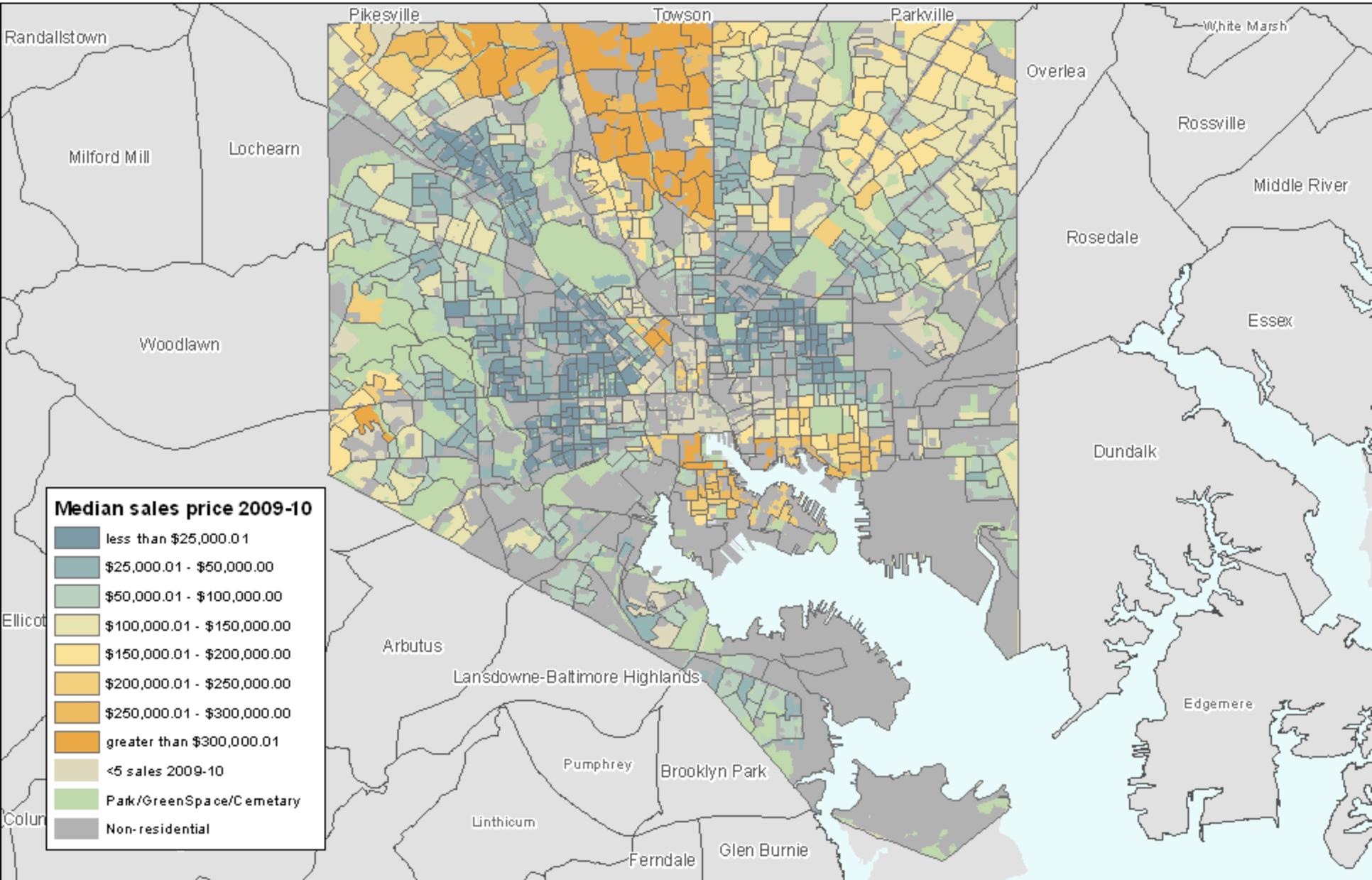
Philadelphia, PA

Pittsburgh, PA

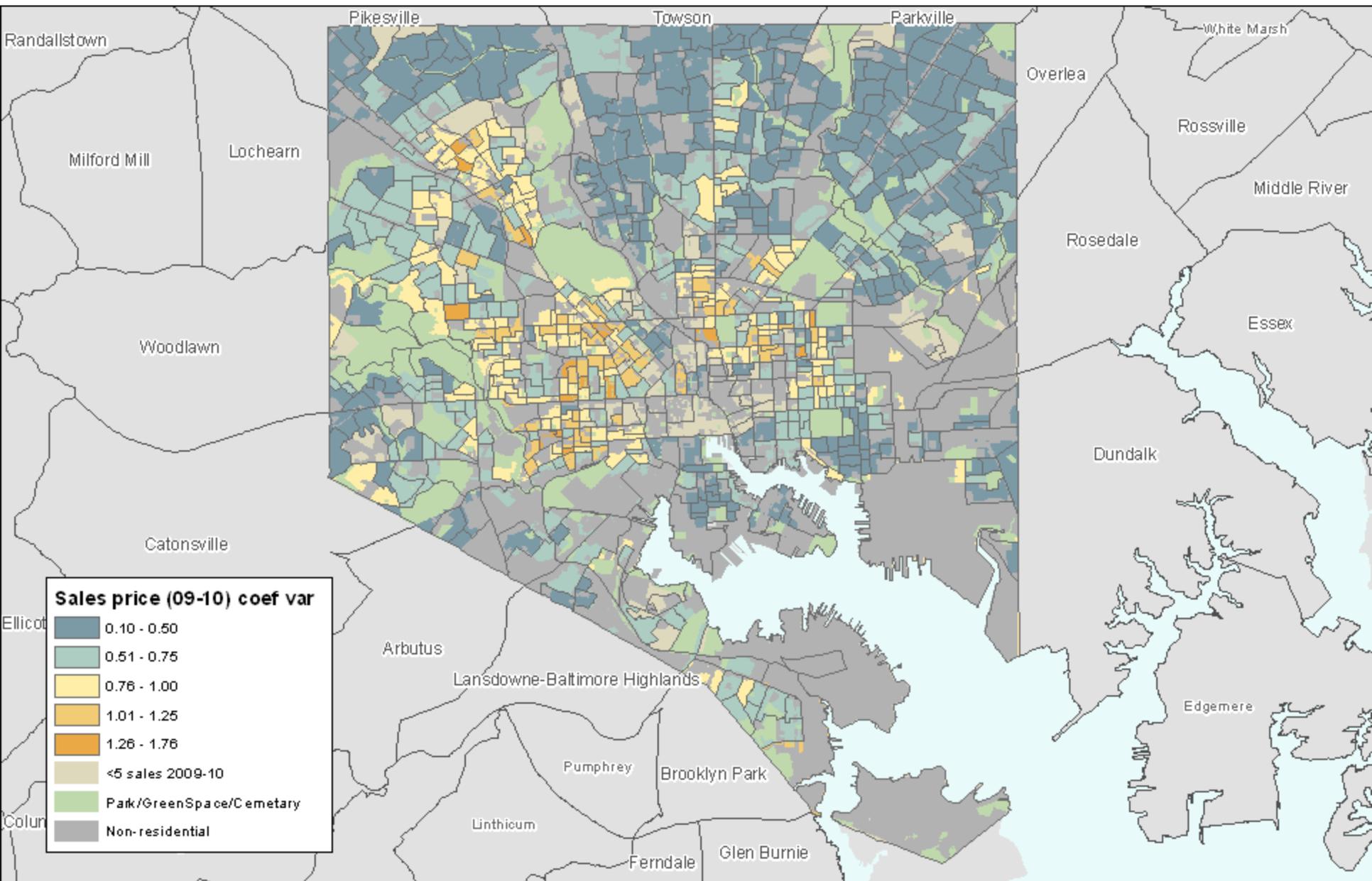
Components of the MVA:

- Median sales price 2009-2010
- Coefficient of variance for sales price 2009-2010
- Subsidized rental stock as a % of all housing units
- Permits >\$50,000, 2009-10
- Vacant lots
- Vacant housing units
- Foreclosure filings
- Ratio of commercial to residential area
- Owner-occupied
- Housing units per square mile

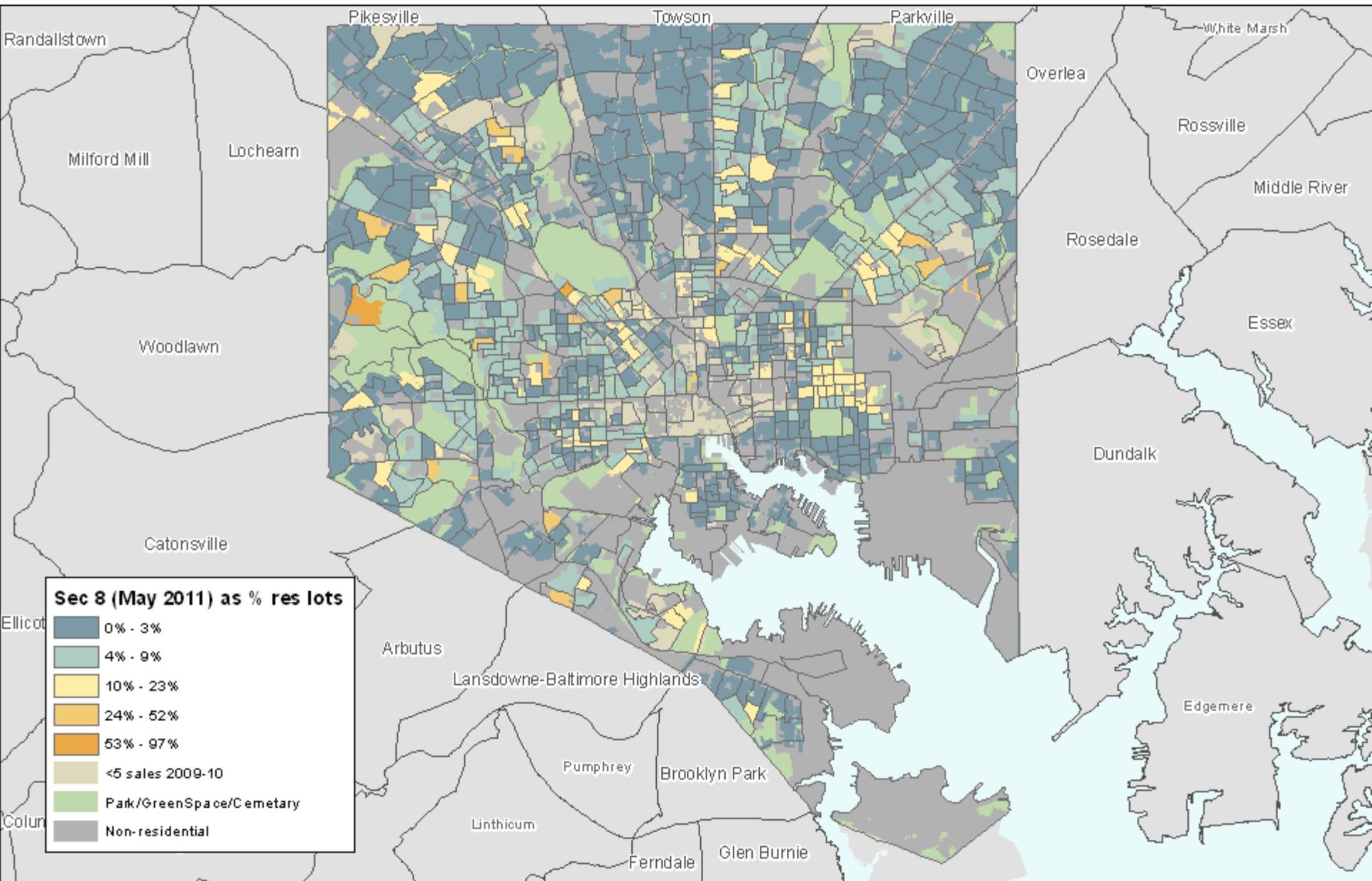
Sales Price, 2009-2010



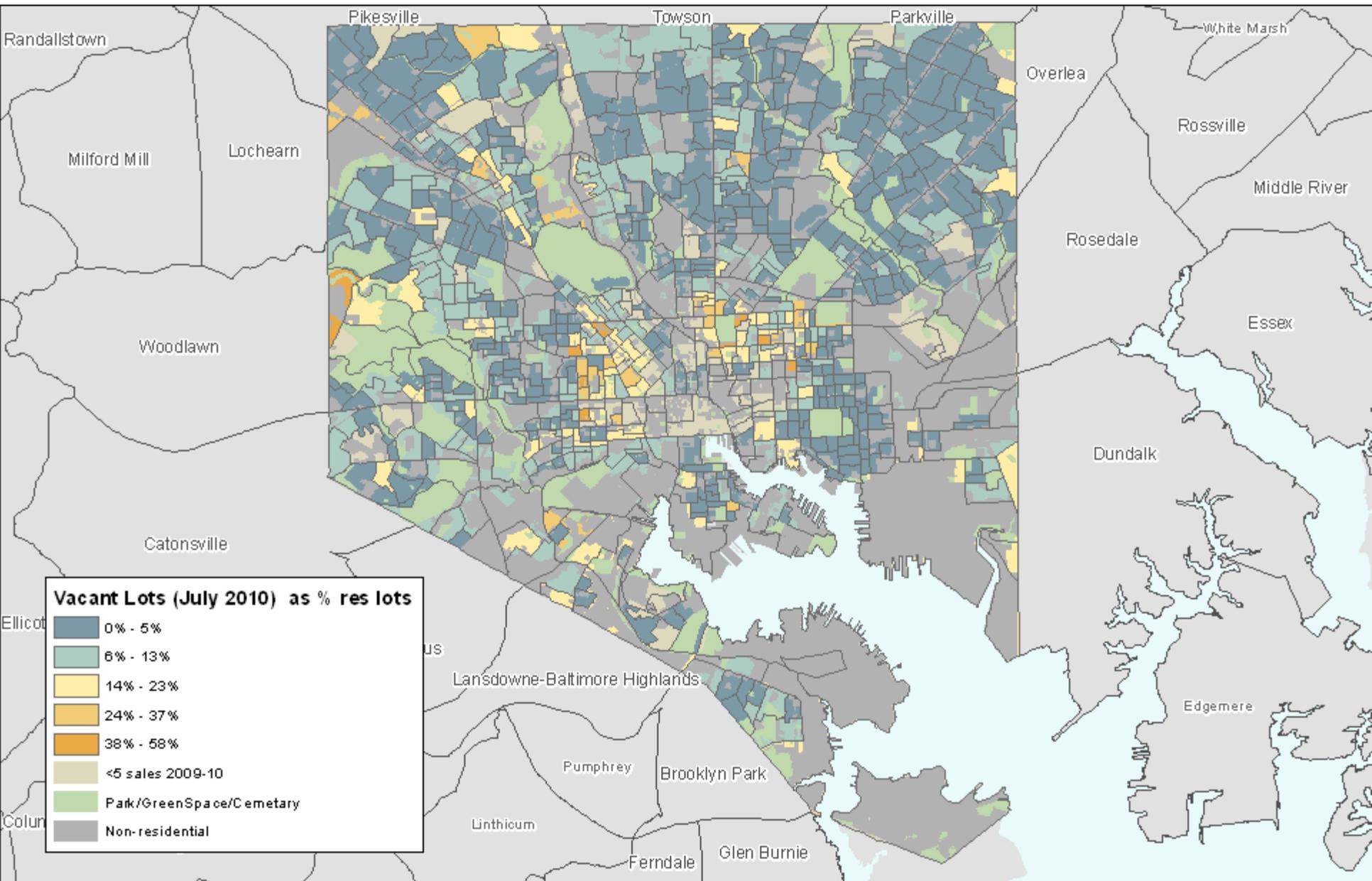
Sales Price Variation, 2009-2010



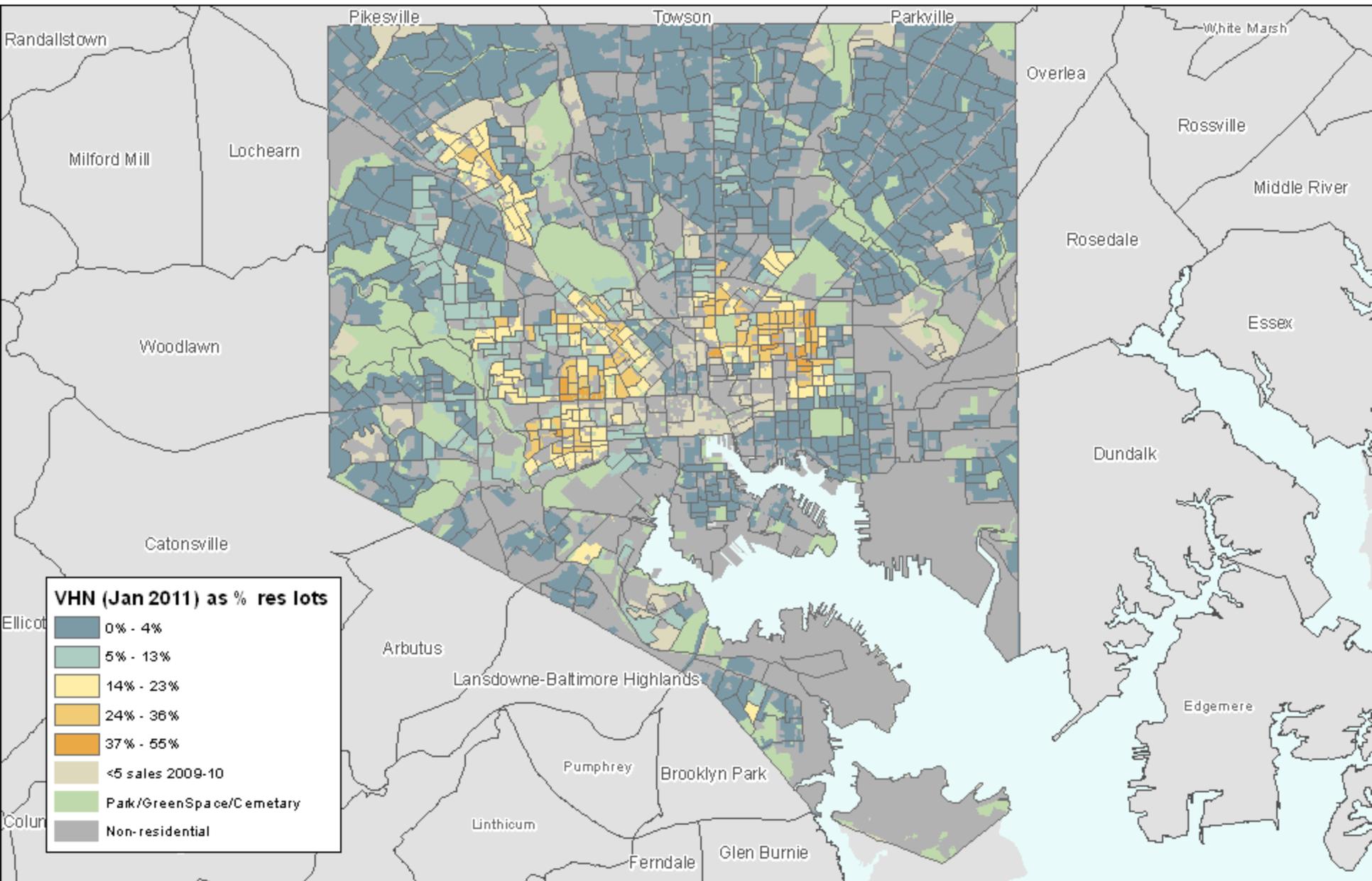
Housing Choice Vouchers, May 2011



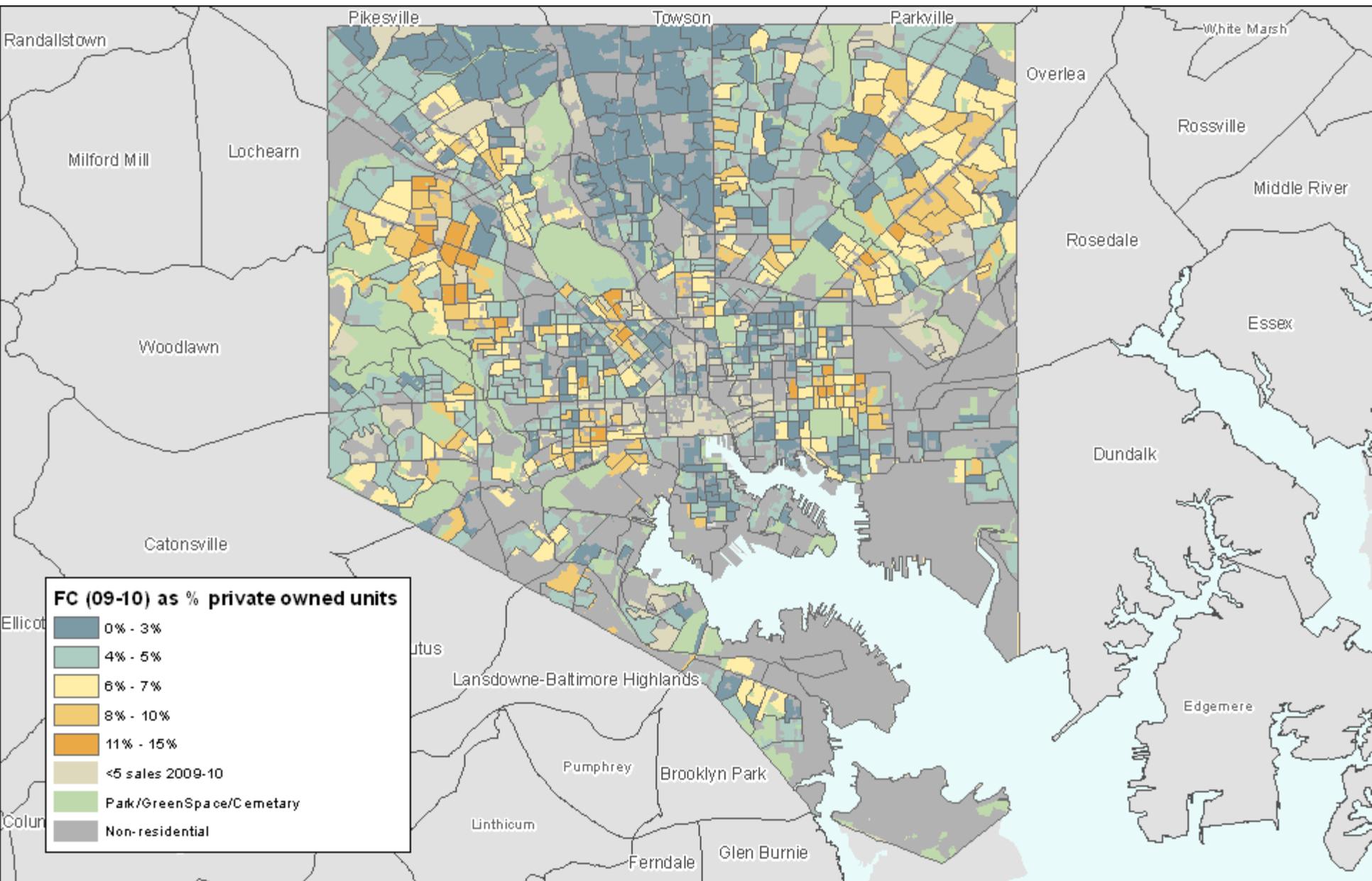
Vacant Lots, July 2010



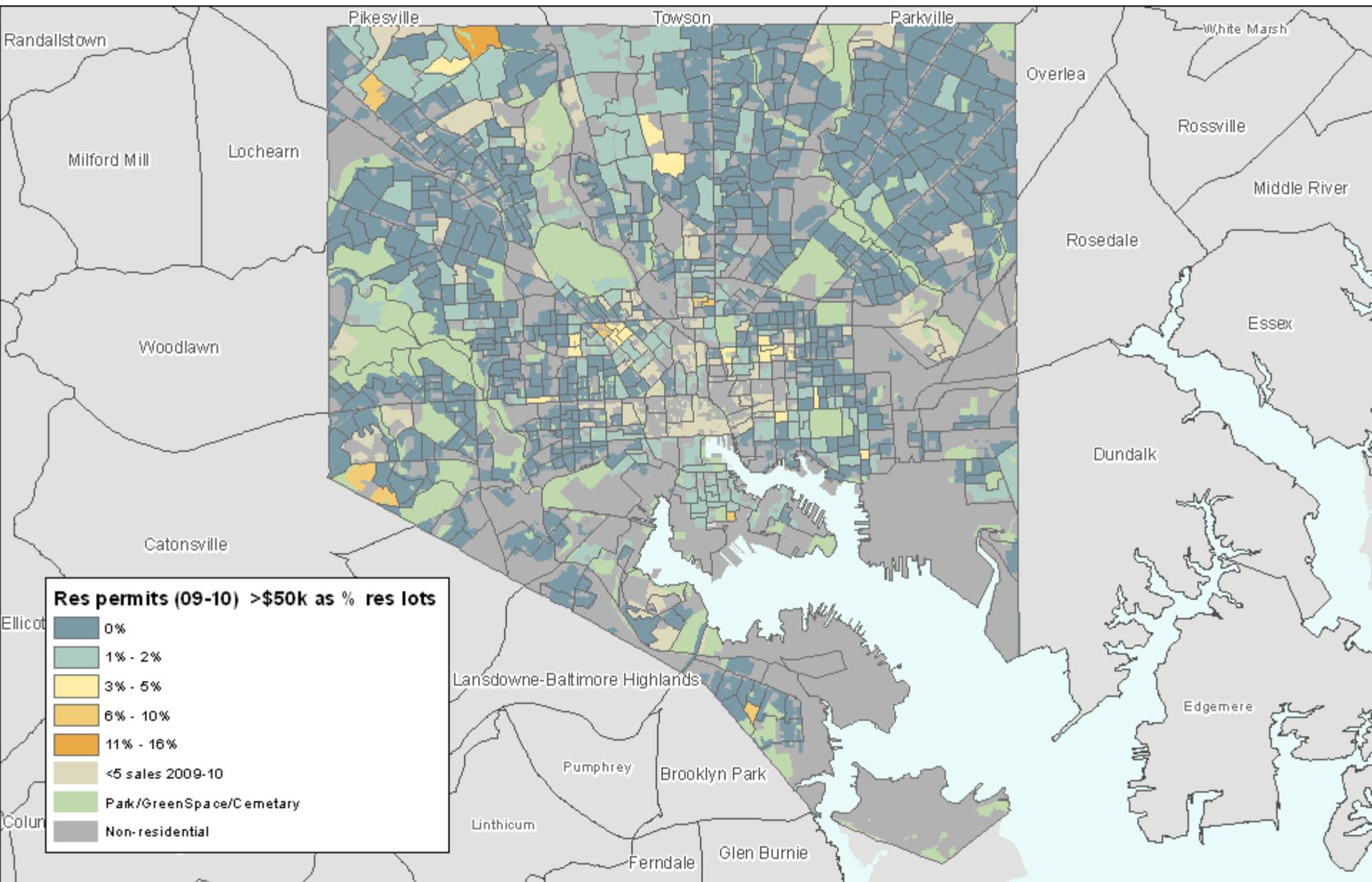
Vacant Housing Notices, January 2011



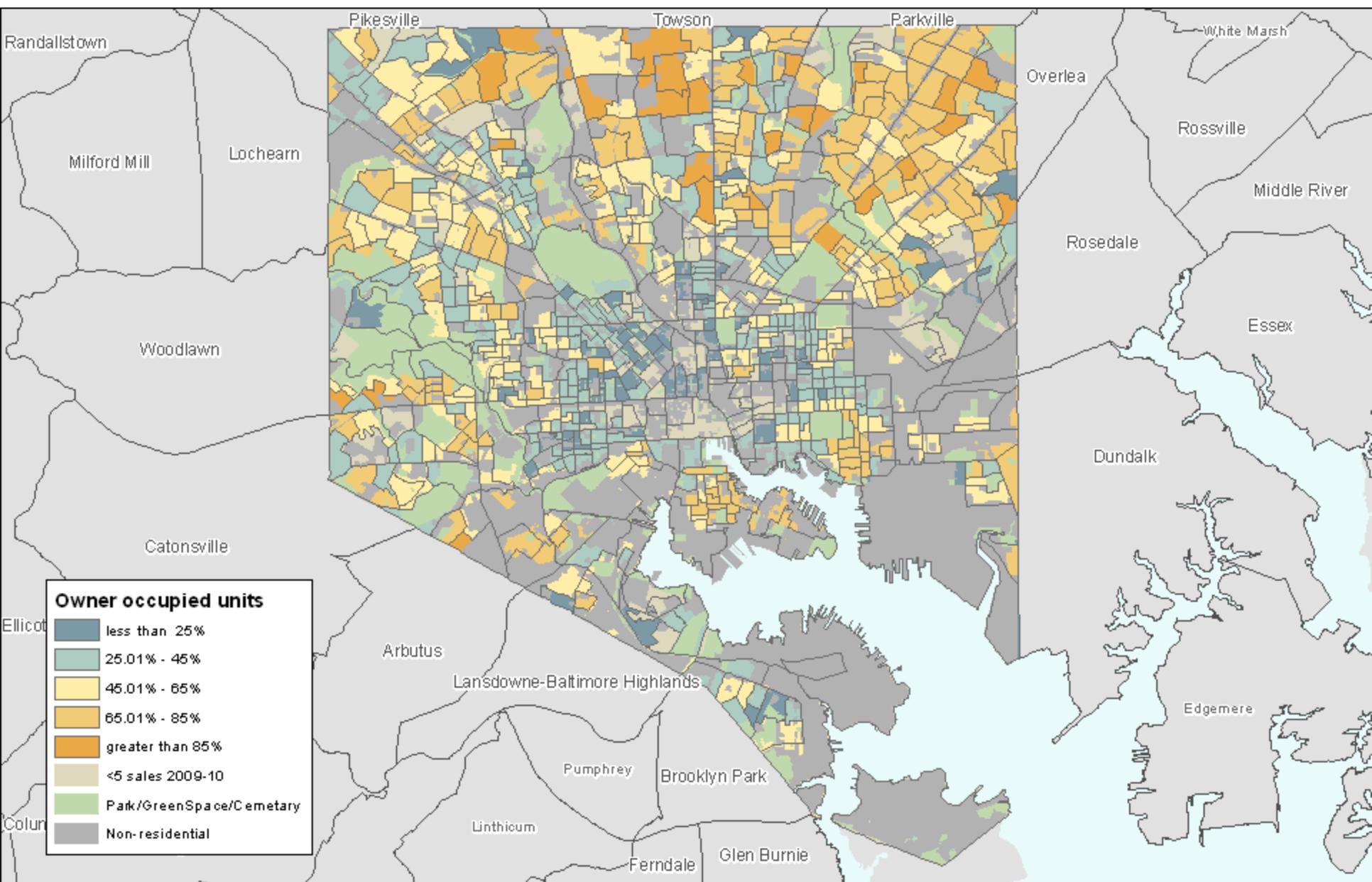
Foreclosure Filings, 2009-2010



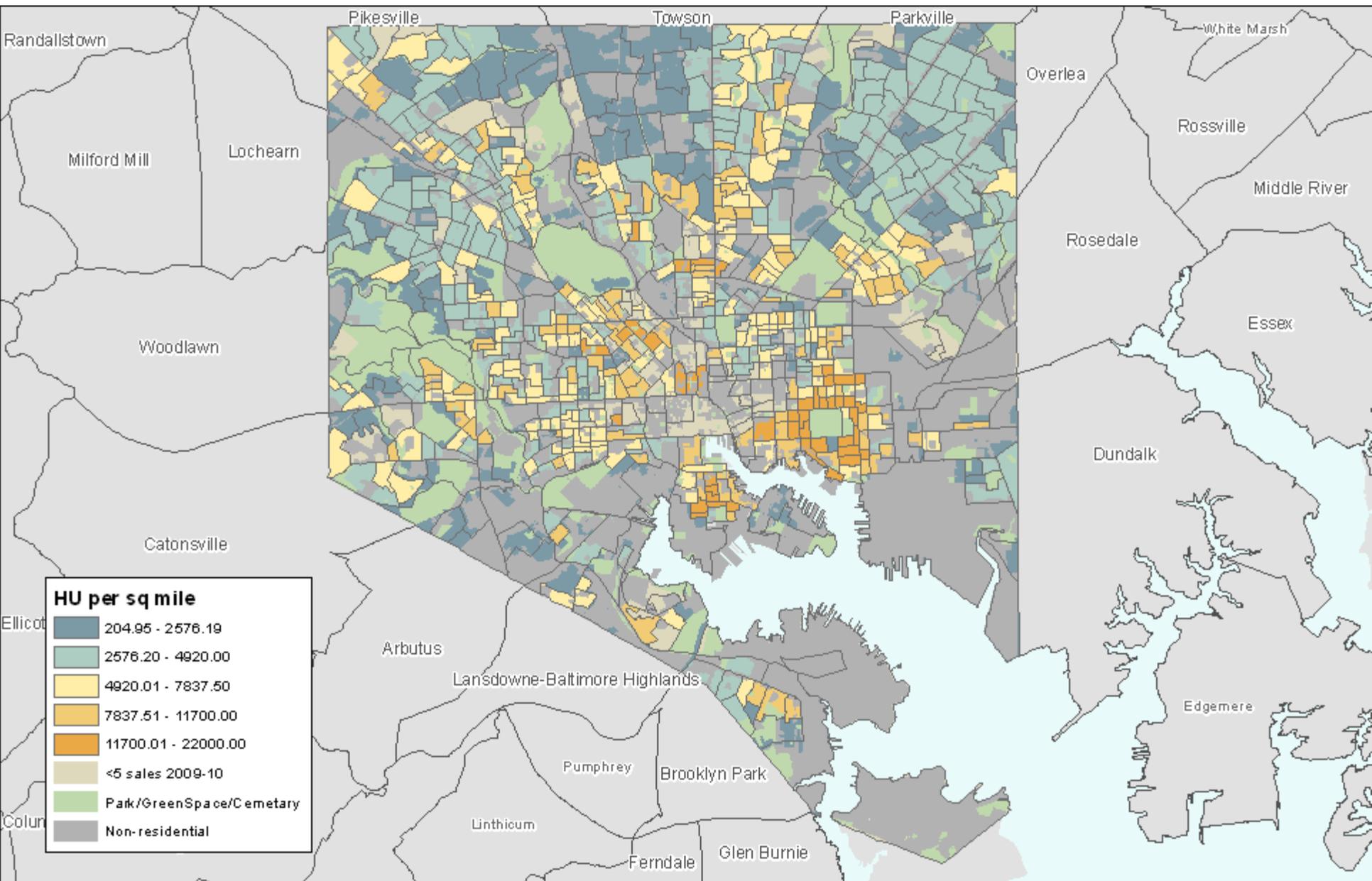
Permits Greater \$50,000 2009-2010



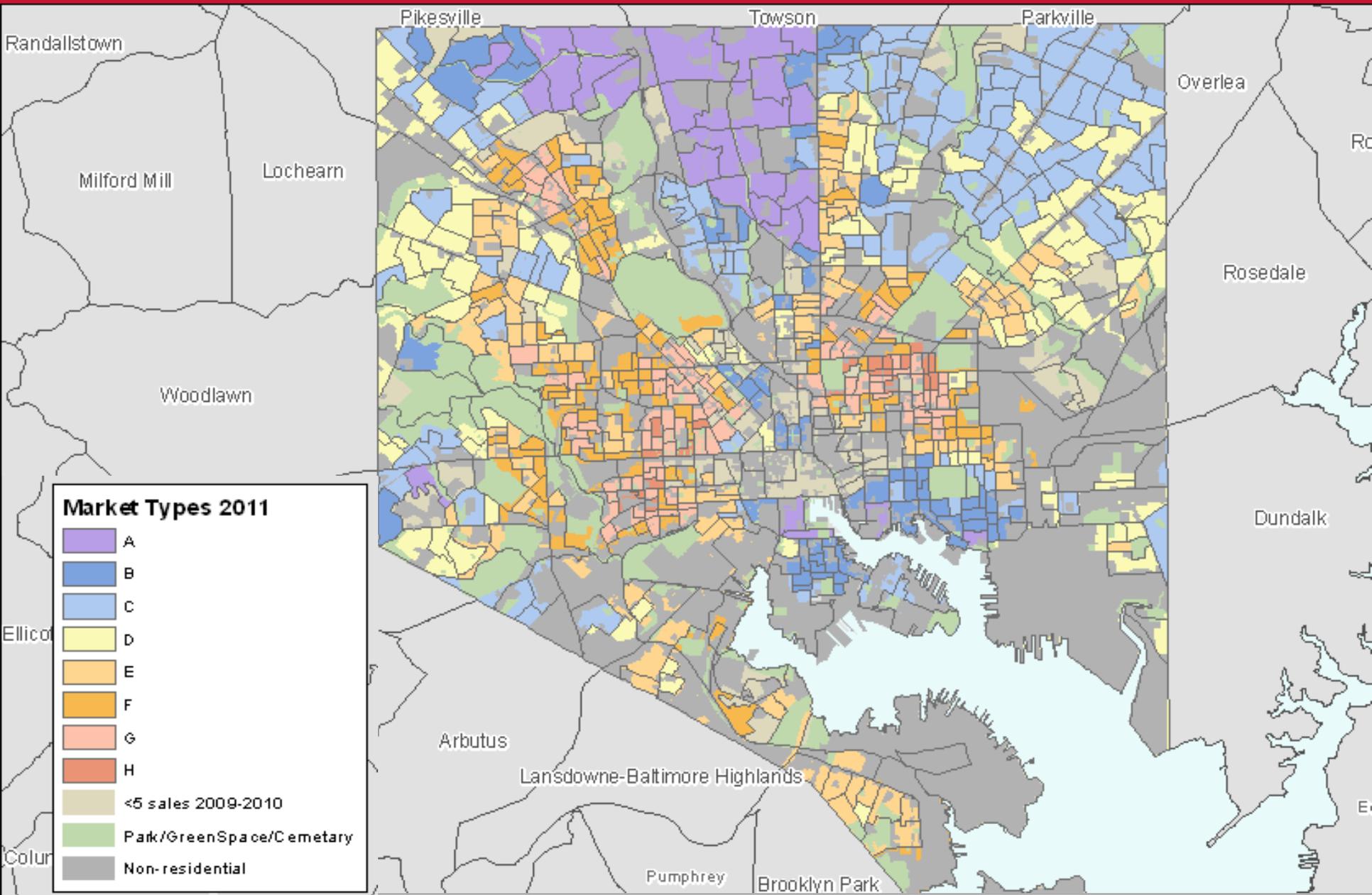
Percent Owner-Occupied



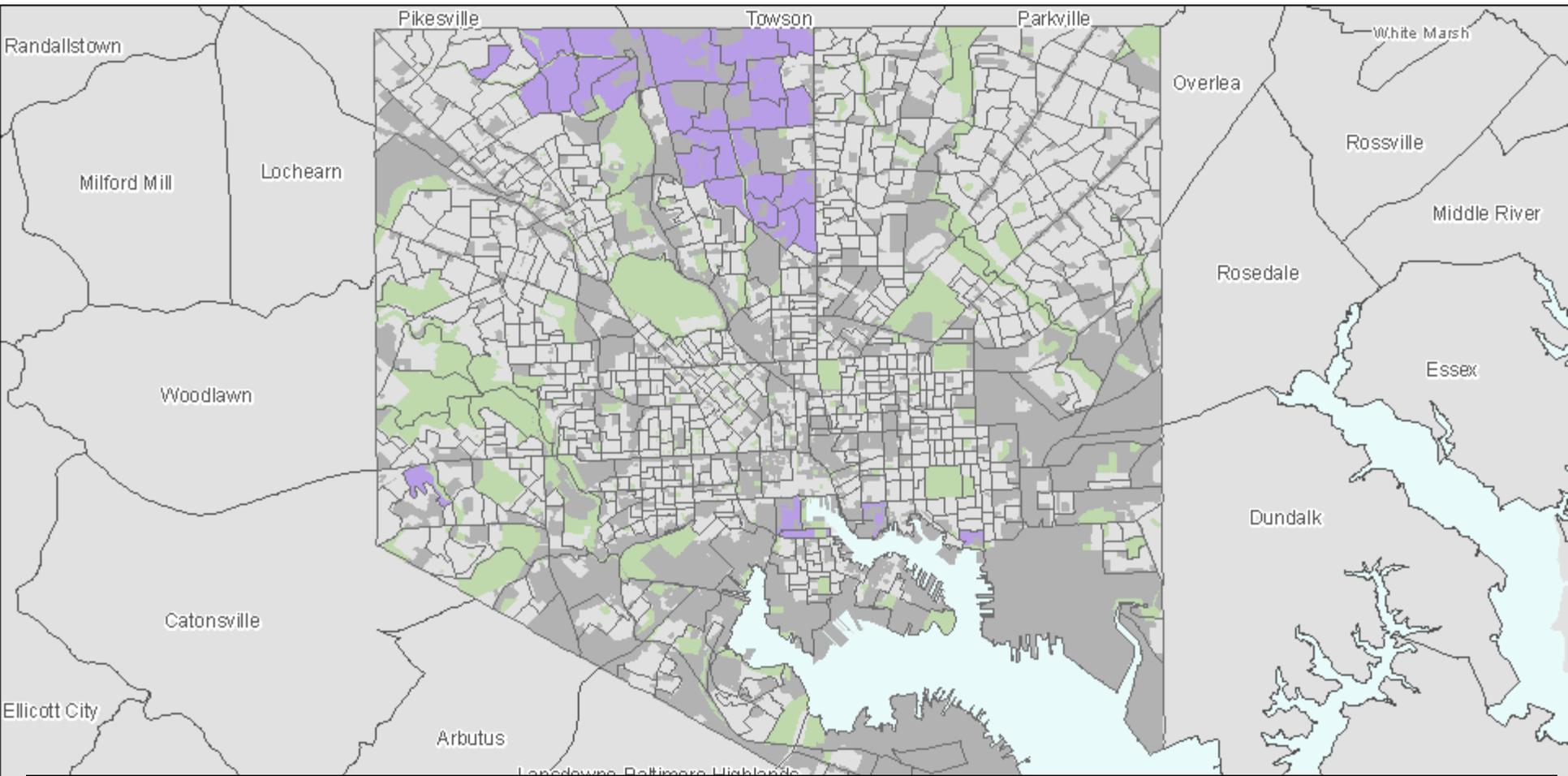
Housing Units per square mile



Baltimore 2011 MVA Results



Market Type: A

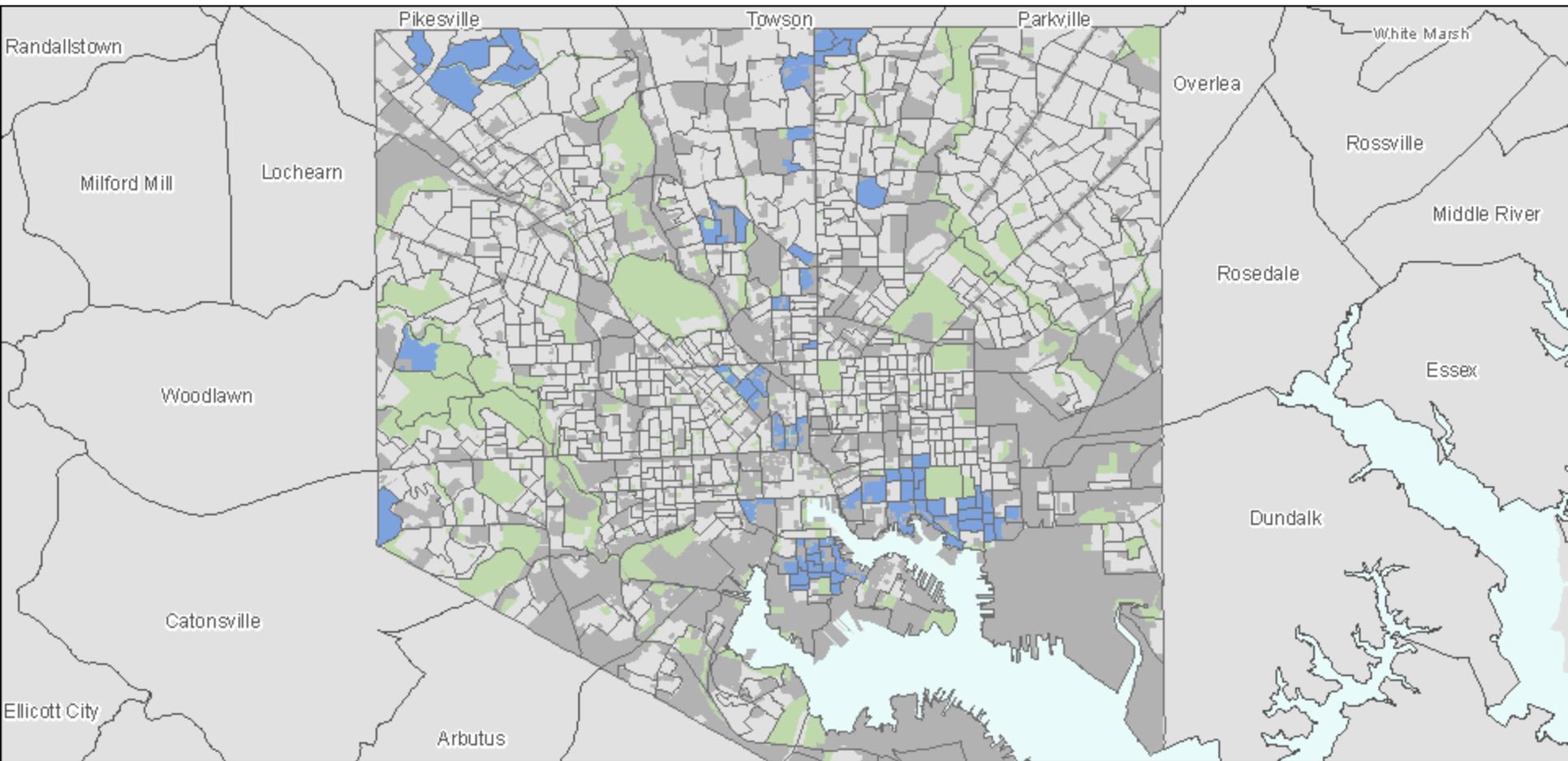


Market Types	Median Sales Price	Sales Price Variation	Permits	Vacant housing	Vacant lots	Fore-closure	Owner	Sec8	House sq. mi.	Comm/ Resident ratio	# Block group (%)	# Occupied housing units (%)	# Res lots (%)
A	\$368,250	0.45	1.33%	0.00%	4.11%	1.51%	71.58%	0.0 %	1950	4.30	28 (4.0)	14,116 (5.4)	10,485 (5.0)



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Market Type: B

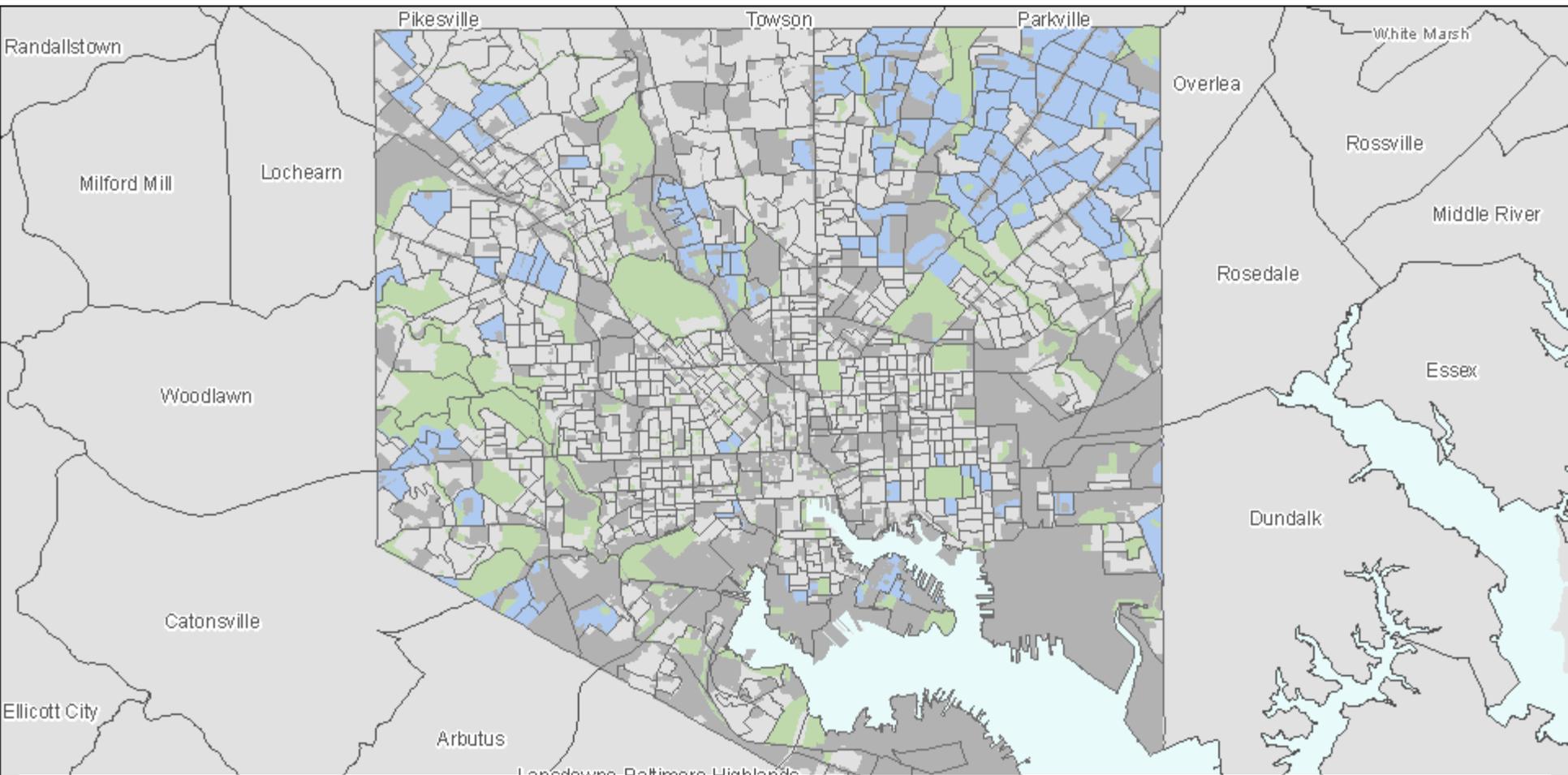


Market Types	Median Sales Price	Sales Price Variation	Permits	Vacant housing	Vacant lots	Fore-closure	Owner	Sec8	House sq. mi.	Comm/Resident ratio	# Block group (%)	# Occupied housing units (%)	# Res lots (%)
B	\$230,000	0.41	0.99%	0.36%	2.15%	3.27%	48.89%	0.41%	10,800	4.49	61 8.6%	35,974 13.7%	23,607 11.2



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Market Type: C

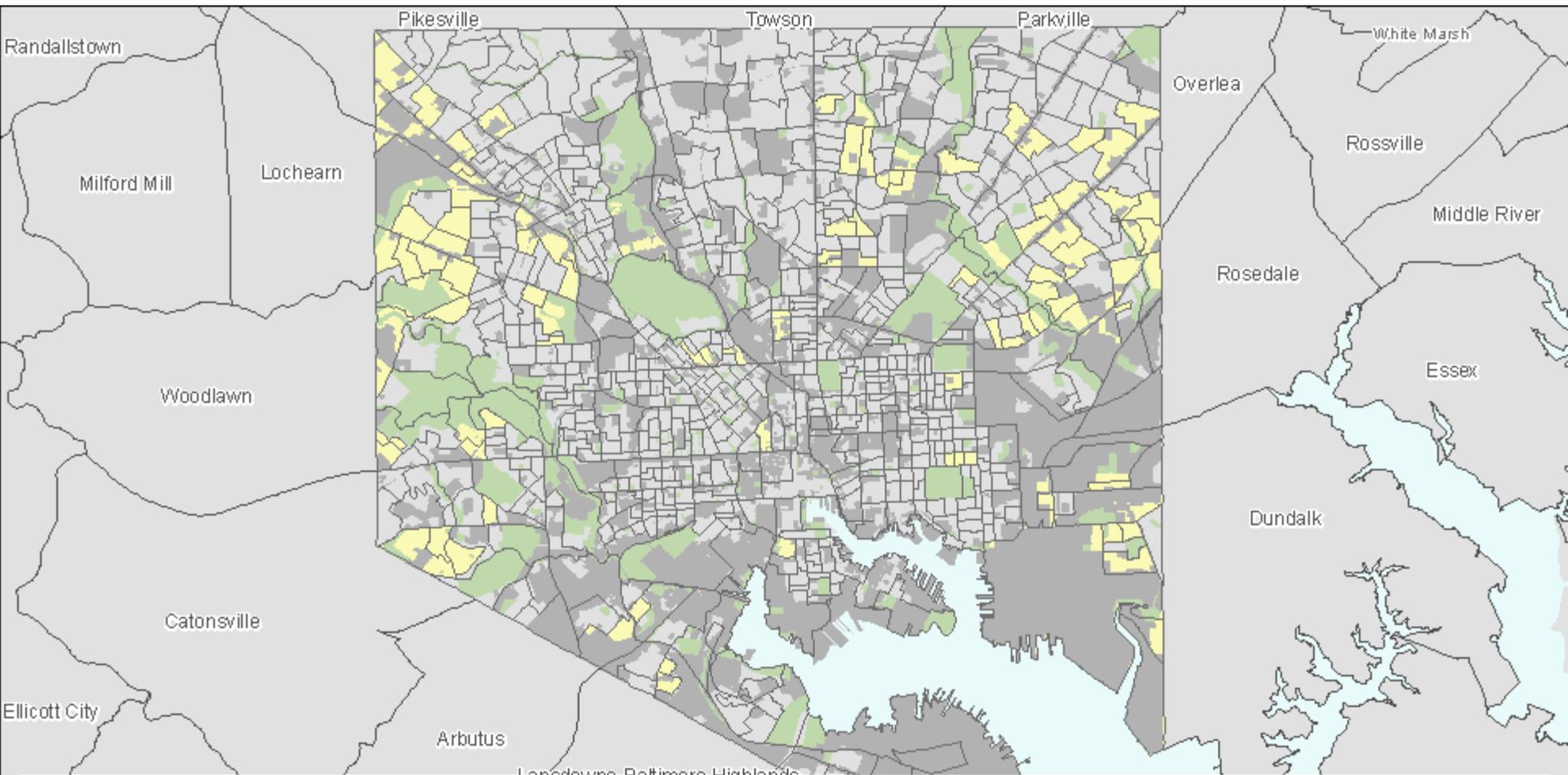


Market Types	Median Sales Price	Sales Price Variation	Permits	Vacant housing	Vacant lots	Fore-closure	Owner	Sec8	Housing sq. mi.	Comm/Resident ratio	# Block group (%)	# Occupied housing units (%)	# Res lots (%)
C	\$146,988	0.41	0.18%	0.31%	3.40%	4.29%	71.6%	1.47%	3221	6.24	114 16.1%	46,219 17.7%	41,943 (19.9)



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Market Type: D



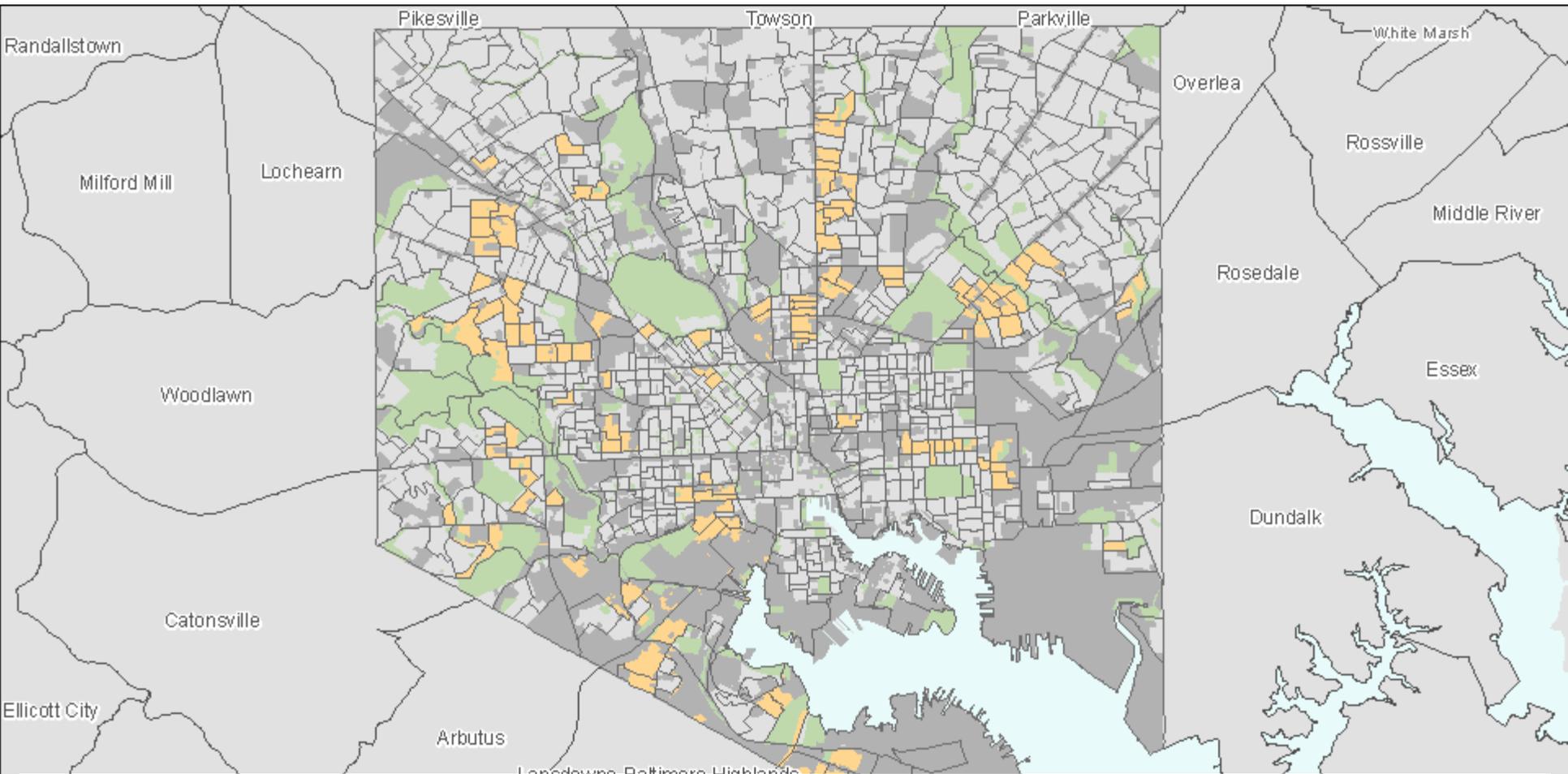
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D	\$91,000	0.51	0.38%	0.55%	3.80%	5.45%	59.4%	3.29%	3971	5.08	99 (14.0)	42,971 (16.4)	33,394 (15.8)

Street View at Ridgcroft Rd Benton Heights Ave



Market Types	Median Sales Price	Sales Price Variation	Permits	Vacant housing	Vacant lots	Fore-closure	Owner	Sec8	House sq. mi.	Comm/Resident ratio	# Block group (%)	# Occupied housing units (%)	# Res lots (%)
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Market Type: E

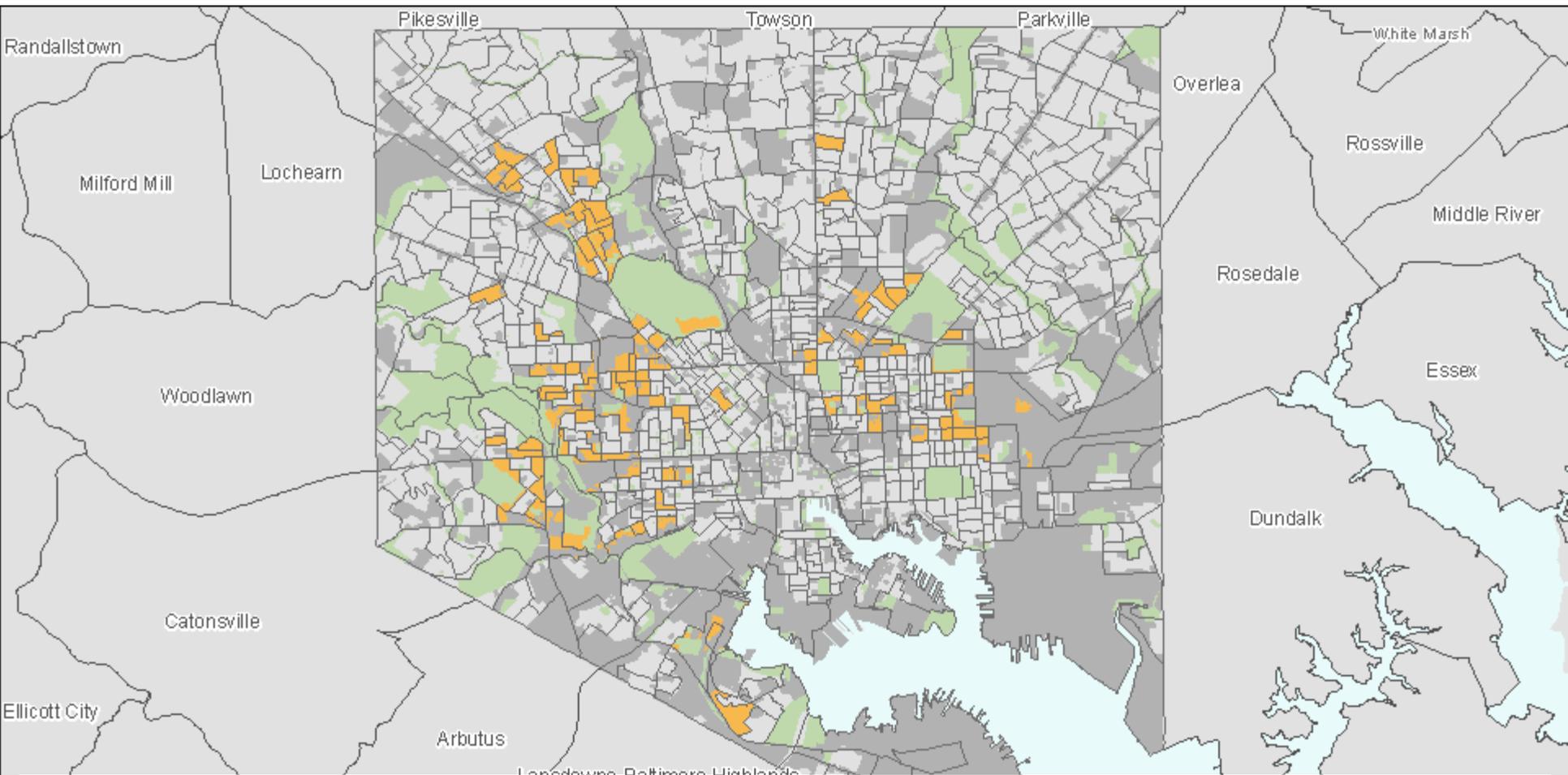


Market Types	Median Sales Price	Sales Price Variation	Permits	Vacant housing	Vacant lots	Fore-closure	Owner	Sec8	House sq. mi.	Comm/Resident ratio	# Block group (%)	# Occupied housing units (%)	# Res lots (%)
E	\$52,725	0.69	0.34%	3.42%	5.12%	6.73%	49.92%	6.01%	6100	4.37	117 16.5%	41,500 15.9%	39,647 18.8%



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Market Type: F

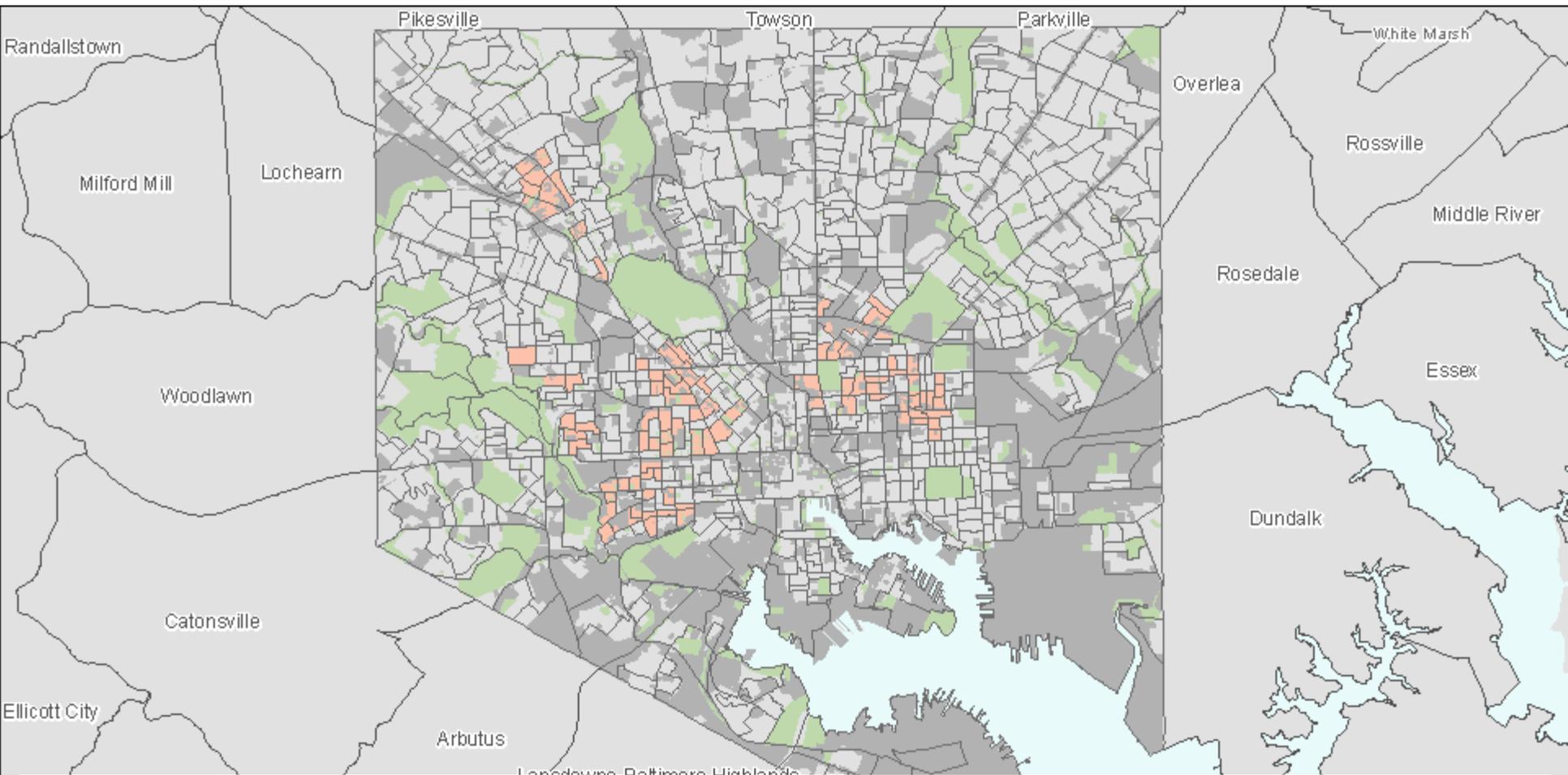


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F	\$29,450	0.83	0.33%	11.00%	5.88%	5.50%	46.69%	5.88%	4980	4.59	98 13.8%	27,732 10.6%	30,524 14.5%



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Market Type: G



Market Types	Median Sales Price	Sales Price Variation	Permits	Vacant housing	Vacant lots	Fore-closure	Owner	Sec8	House sq. mi.	Comm/Resident ratio	# Block group (%)	# Occupied housing units (%)	# Res lots (%)
G	\$18,000	0.95	0.48%	23.18%	11.04%	4.82%	36.67%	4.65%	5671	4.34	90 12.7%	18,019 6.9%	26,389 12.5%



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Market Type: H

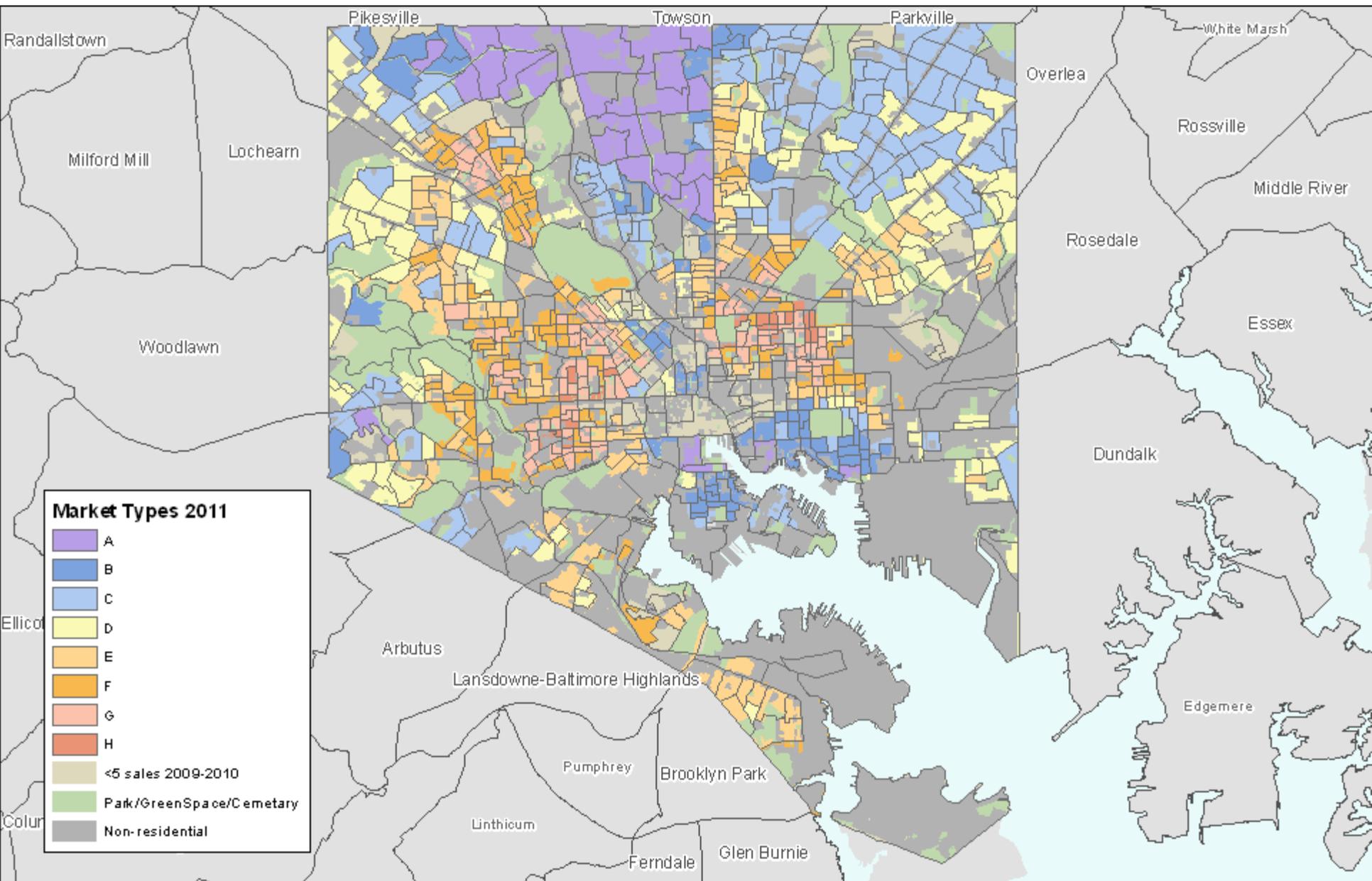


Market Types	Median Sales Price	Sales Price Variation	Permits	Vacant housing	Vacant lots	Fore-closure	Owner	Sec8	House sq. mi.	Comm/Resident ratio	# Block group (%)	# Occupied housing units (%)	# Res lots (%)
H	\$9,750	0.94	0.13%	30.58%	12.77%	4.05%	33.96%	7.32%	5800	8.93	19 2.7%	2,551 1.0%	5,189 (.5%)



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Baltimore 2011 MVA Results

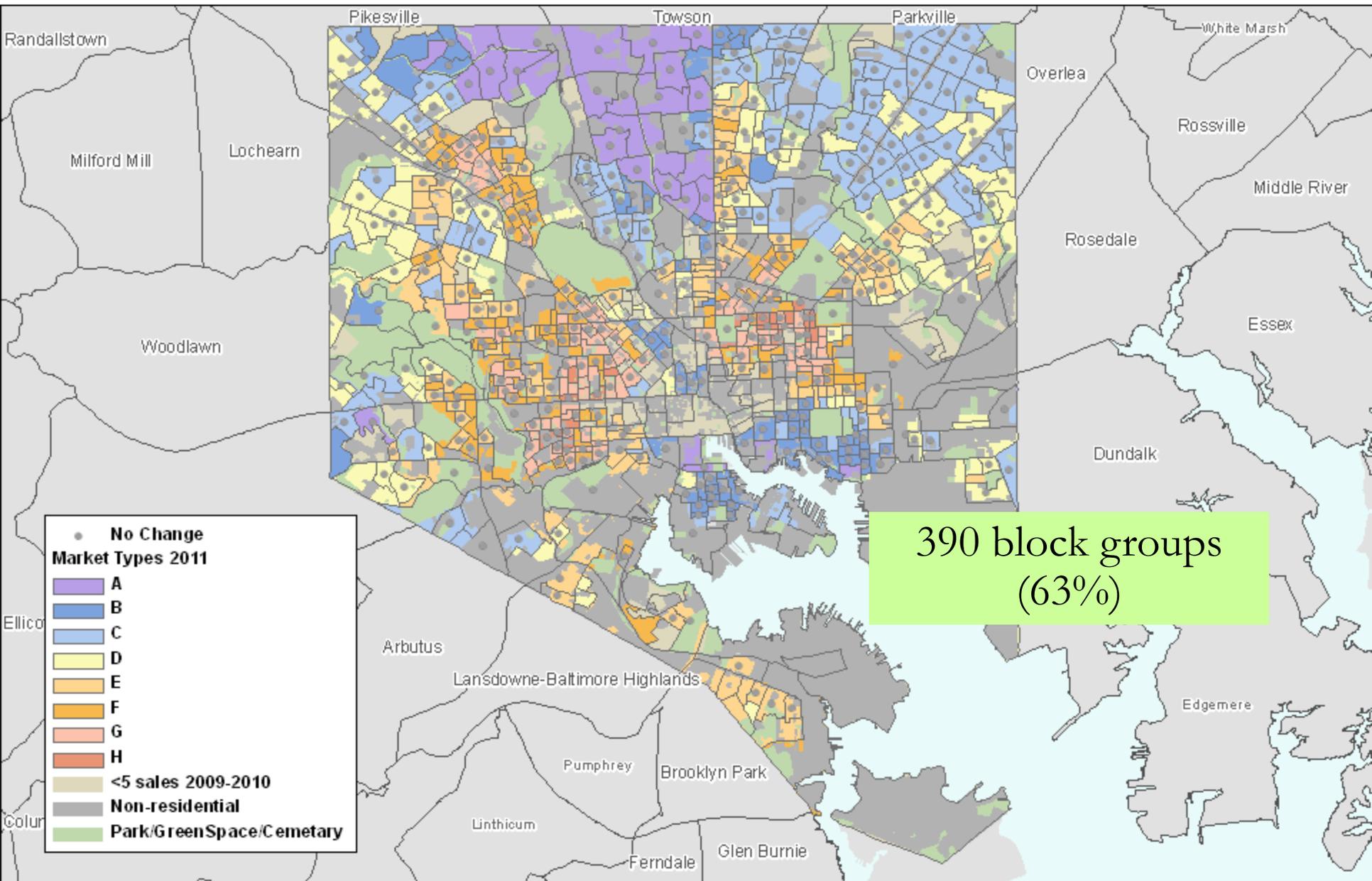


Greater Than	Lower Than	Average
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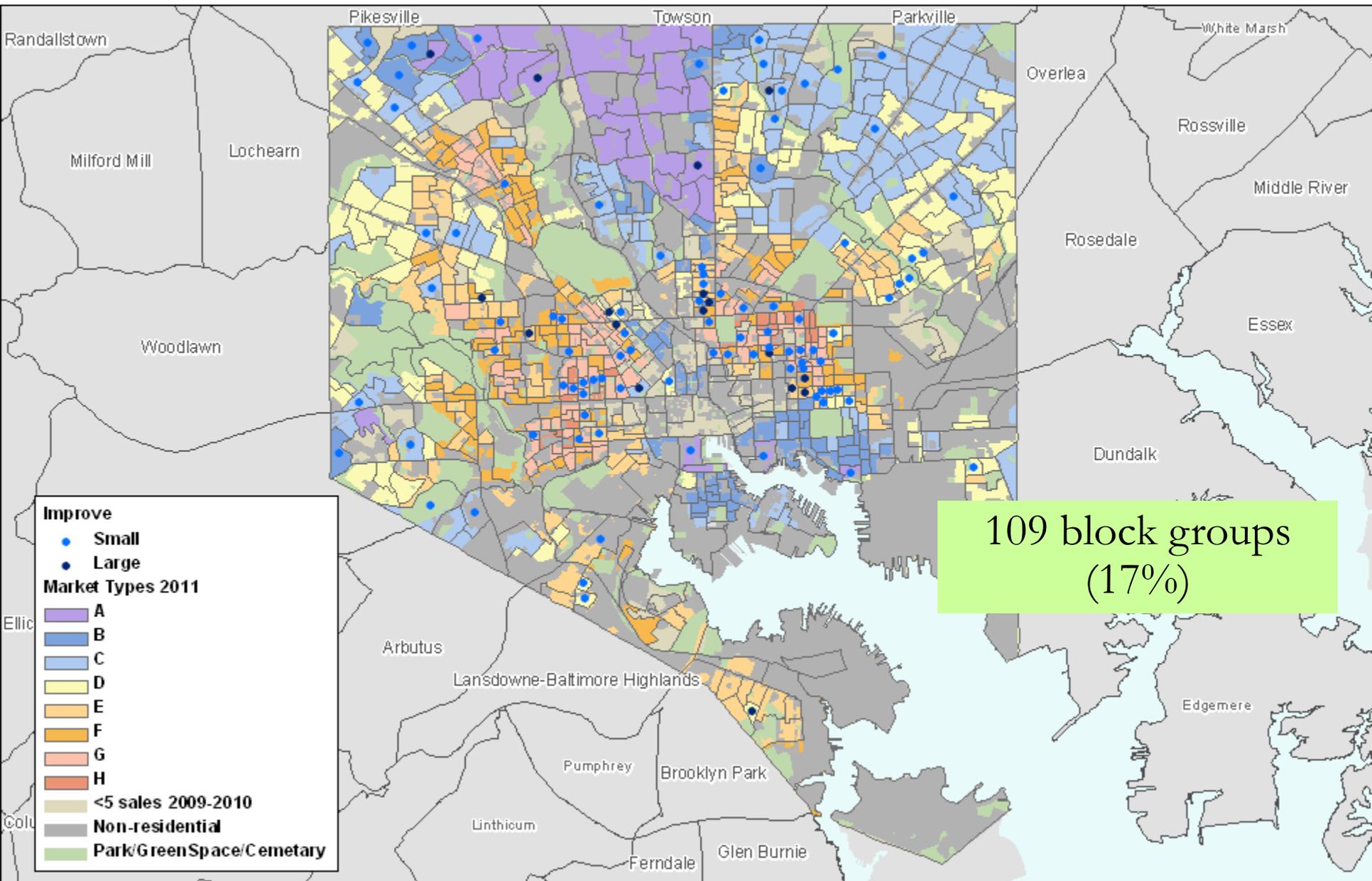
Baltimore MVA 2011 Characteristics

Market Types	Median sales price (09-10)	Sales price variation (09-10)	Permits, (09-10) as % res lots	Vacant Housing notices, (01/11) as % res lots	Vacant lots (07/10) as % res lots	Fore-closures (09/10) as % private owned res lots	Owner (2011) occupied units, 2011	Sec8 (2011) units as % res parcels	Housing units per sq. mile	Commercial + Institutional land: residential land ratio
A	\$368,250	0.45	1.33%	0.00%	4.11%	1.51%	71.58%	0.00%	1,950	4.30
B	\$230,000	0.41	0.99%	0.36%	2.15%	3.27%	48.89%	0.41%	10,800	4.49
C	\$146,988	0.41	0.18%	0.31%	3.40%	4.29%	71.57%	1.47%	3,221	6.24
D	\$91,000	0.51	0.38%	0.55%	3.80%	5.45%	59.40%	3.29%	3,971	5.08
E	\$52,725	0.69	0.34%	3.42%	5.12%	6.73%	49.92%	6.01%	6,100	4.37
F	\$29,450	0.83	0.33%	11.00%	5.88%	5.50%	46.69%	5.88%	4,980	4.59
G	\$18,000	0.95	0.48%	23.18%	11.04%	4.82%	36.67%	4.65%	5,671	4.34
H	\$9,750	0.94	0.13%	30.58%	12.77%	4.05%	33.96%	7.32%	5,800	8.93
Average for block groups sales >4	\$65,000	0.60	0.44%	1.83%	4.67%	4.85%	51.92%	3.19%	4,917	4.98

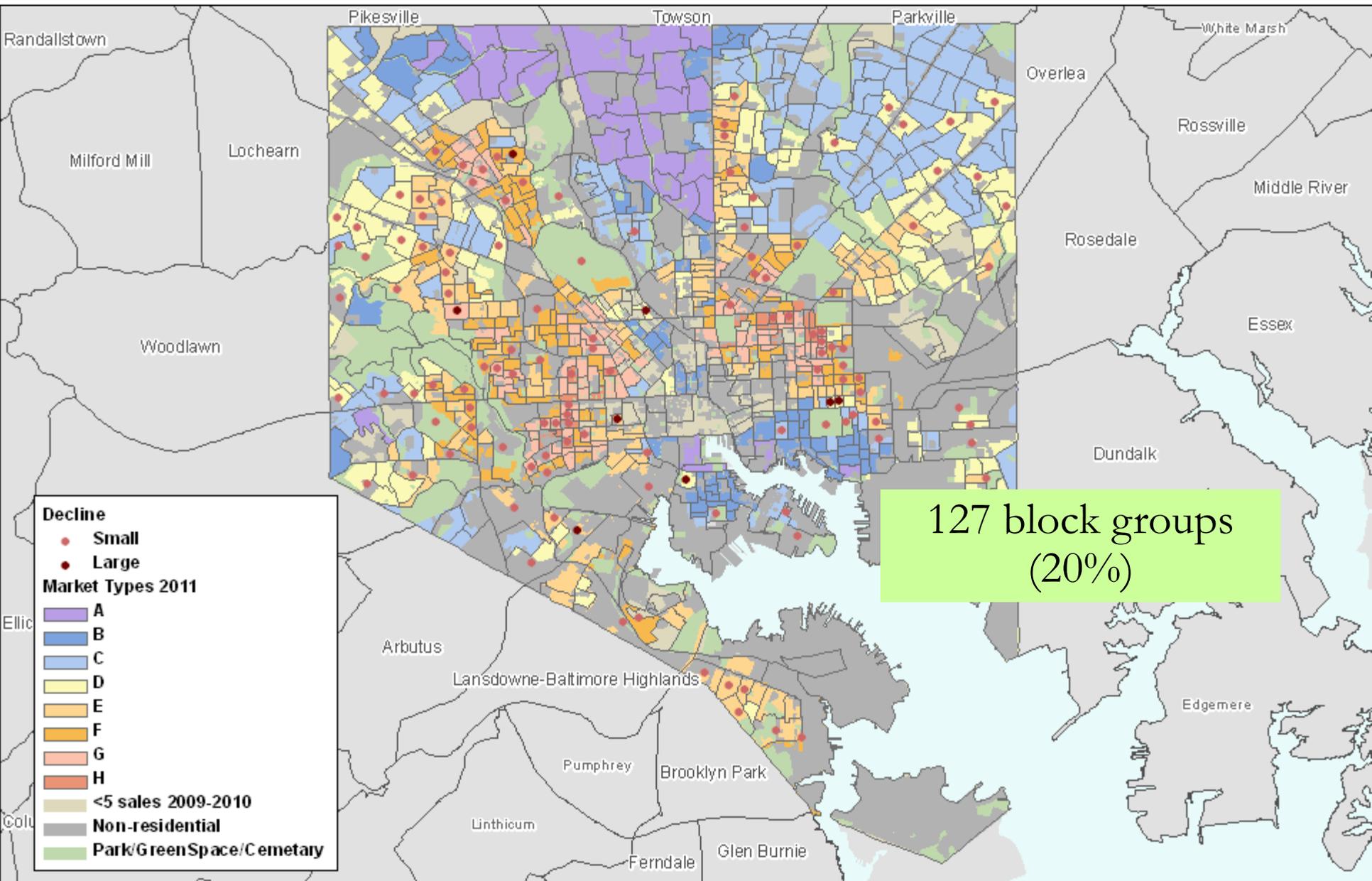
Areas that remained the same since 2008 MVA



Areas that improved since 2008 MVA



Areas of decline since 2008 MVA



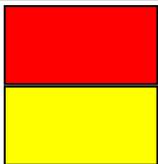
Matching Markets to Interventions

- Understand Market Types
- Identify market intersection/transition areas
- Establish government role in each market
 - Define activities/interventions
- Assess and evaluate market changes

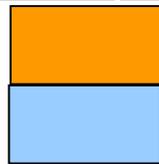
Philadelphia 2001 MVA Use*



	Regional Choice	High Value	Steady	Transitional	Distressed	Reclamation
Demolition of Dangerous Properties	Some Activity	Some Activity	Some Activity	Low Priority	Medium Priority	High Priority
Encapsulation: Acquisition/Rehab	Some Activity	Some Activity	Some Activity	High Priority	High Priority	Medium Priority
Dead Tree Removal	High Priority	High Priority	High Priority	High Priority	Some Activity	Some Activity
Land Assembly for Redevelopment	Some Activity	Some Activity	Some Activity	Some Activity	Medium Priority	High Priority
Selective Enhancement of Lots	Some Activity	Some Activity	Some Activity	High Priority	Medium Priority	Some Activity
Quality of Life Code Enforcement (broken window syndrome)	Some Activity	Some Activity	Some Activity	High Priority	High Priority	Some Activity
Abandoned Car Removal	High Priority	High Priority	High Priority	High Priority	High Priority	High Priority
Nuisance Abatement	High Priority	High Priority	High Priority	High Priority	Medium Priority	Medium Priority



High Priority
Low Priority



Medium Priority
Some Activity

* These activities were deemed appropriate for the relevant market types when For more information on the Philadelphia MVA, see:

<http://www.trfund.com/planning/marketvalue.html>

High Value Appreciating Markets

Characterized by:

- High value housing
- Strong price appreciation
- Population stability and in some instances growth

Government Activity:

- Active code enforcement
- Enhance streetscape appeal
- Market neighborhood identity
- Remove barriers to new investment

Government Role:

Facilitate healthy functioning of the private market

Steady Markets

Characterized by:

- Predominantly owner occupied
- Housing prices relatively high and stable
- Homes in good physical condition

Government Activity:

- Active code enforcement
- Undertake capital projects to smooth transitions between market types
- Rapid response to any vacant units or public nuisance
- Invest in public amenities

Government Role:
Carefully respond to
changes in any troubled
sub-market(s)

Establish Government Role in Each Market

Transitional Markets

Characterized by:

- Population shifts
- Home to a disproportionate share of the City's aged people
- Dangerous properties are evident

Government Activity:

- Carefully balance market-rate with any subsidized housing
- Invest in schools, recreation centers, commercial corridors
- Programs focused on encouraging home-owner investment
- Rapid encapsulation & rehabilitation of all vacant units
- Respond to all broken window symptoms

Government Role:

Preserve housing stock and valued services.

Establish Government Role in Each Market

Distressed Markets

Government Role:

Identify ways to invest in areas of market strength

Characterized by:

- Elevated vacancies - approx 7% of all housing stock
- Above average level of publicly assisted housing
- Some of the most substantial population losses in the City

Government Activity:

- **Invest in people**-crime prevention, youth programs, coordination of social services
- Facilitate strategic site acquisition and assembly
- Pursue investment partnerships with neighborhood anchors
- Rapid response encapsulation, acquisition, rehabilitation

Highly Distressed Markets

Characterized by:

- Substantial population loss
- Low property values
- Elevated vacancy rates

Government Activity:

- Invest in people
- Large scale site acquisition & parcel marketing
- Landbank parcels
- Fund projects at critical scale
- Pursue investment partnerships with neighborhood anchors
- Preservation investments on strongest blocks
- Strategic site acquisition and assembly

Government Role:

Create conditions for market rebirth; Build from strength

Philadelphia MVA Example: NSP2 Application Strategy

HUD's Neighborhood Stabilization Program (NSP)

- HUD prioritizes those activities “most likely to stabilize a community.”
- Specific attention is paid to the extent that proposed activities address the full extent of the problem.
- Example of one indicator HUD uses in determining NSP grants:
(units acquired & rehabilitated + units demolished)
Total vacant units in target area (USPS data)

NSP Allocations and Universe of Properties

Without highly strategic allocation, NSP funds will only be able to touch a tiny fraction of the affected properties in these markets.

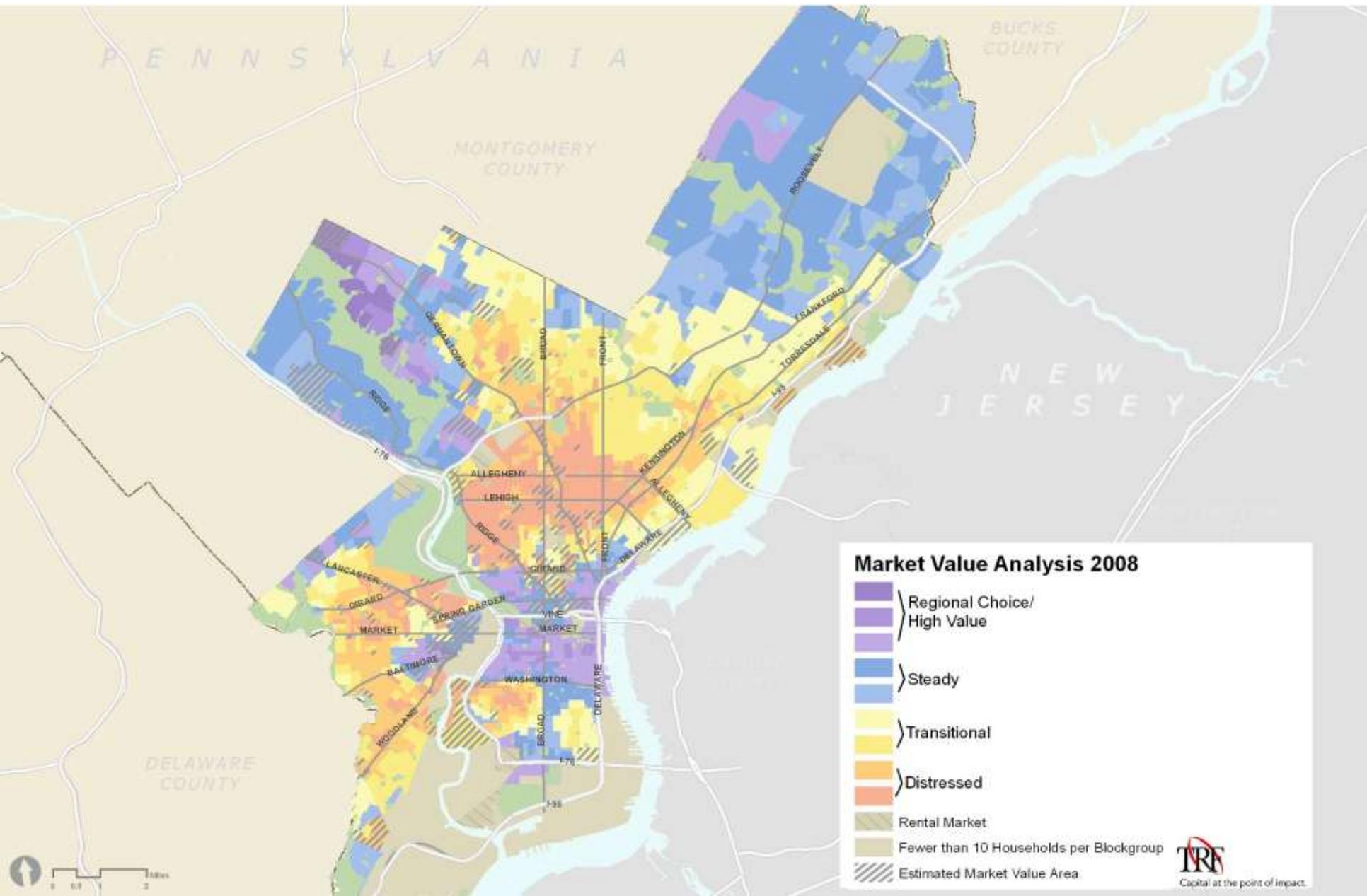
Table 1
NSP Allocations and Properties These Funds Could “Touch”

	NSP1 allocation*	NSP1 allocation less 10% admin cost	Median sale price 2008**	80% median sale price 2008	Median sale price 2009 (Q2) **	80% median sale price 2009	Number of properties touched (2008 prices)	Number of properties touched (2009 prices)	USPS vacancies 2009 (Q2) ***	Estimated percent touched by SP1 funds (2009)
Phoenix	\$39,478,096	\$35,530,286	\$150,660	\$120,528	\$85,500	\$68,400	295	519	36,809	1.1%
Sacramento	\$18,605,460	\$16,744,914	\$190,500	\$152,400	\$164,000	\$131,200	110	128	6,214	1.9%
Miami	\$12,063,702	\$10,857,332	\$209,000	\$167,200	\$140,000	\$112,000	65	97	7,227	1.1%
Atlanta	\$12,316,082	\$11,084,474	\$119,000	\$95,200	\$87,000	\$69,600	116	159	15,263	0.9%
Chicago	\$55,238,017	\$49,714,215	\$230,000	\$184,000	\$185,000	\$148,000	270	336	43,563	0.7%
Boston	\$4,230,191	\$3,807,172	\$327,000	\$261,600	\$315,481	\$252,385	15	15	N/A	N/A
Baltimore	\$4,112,239	\$3,701,015	\$230,000	\$184,000	\$215,000	\$172,000	20	22	21,942	0.1%
Detroit	\$47,137,690	\$42,423,921	\$31,875	\$25,500	\$20,500	\$16,400	1664	2587	59,692	3.6%
Las Vegas	\$14,775,270	\$13,297,743	\$175,000	\$140,000	\$106,000	\$84,800	95	157	13,163	1.0%
Cleveland	\$16,143,120	\$14,528,808	\$26,667	\$21,334	\$25,000	\$20,000	681	726	22,084	3.2%
Philadelphia	\$16,832,873	\$15,149,585	\$120,000	\$96,000	\$105,000	\$84,000	158	180	23,745	0.7%

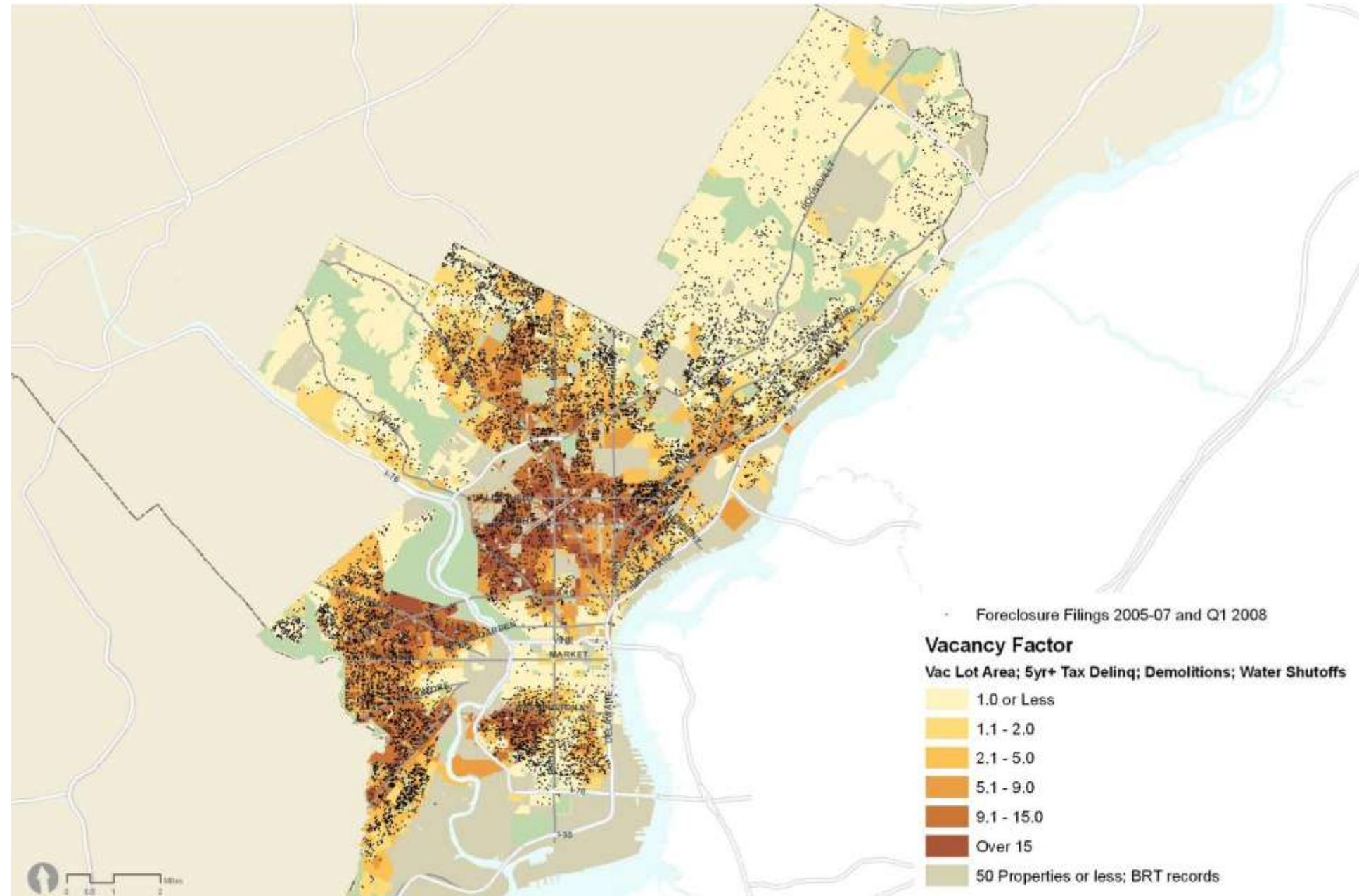
*Source: <http://www.hud.gov/offices/cpd/communitydevelopment/programs/neighborhoodspg/nsp1.cfm>

**Source: Policymap.com

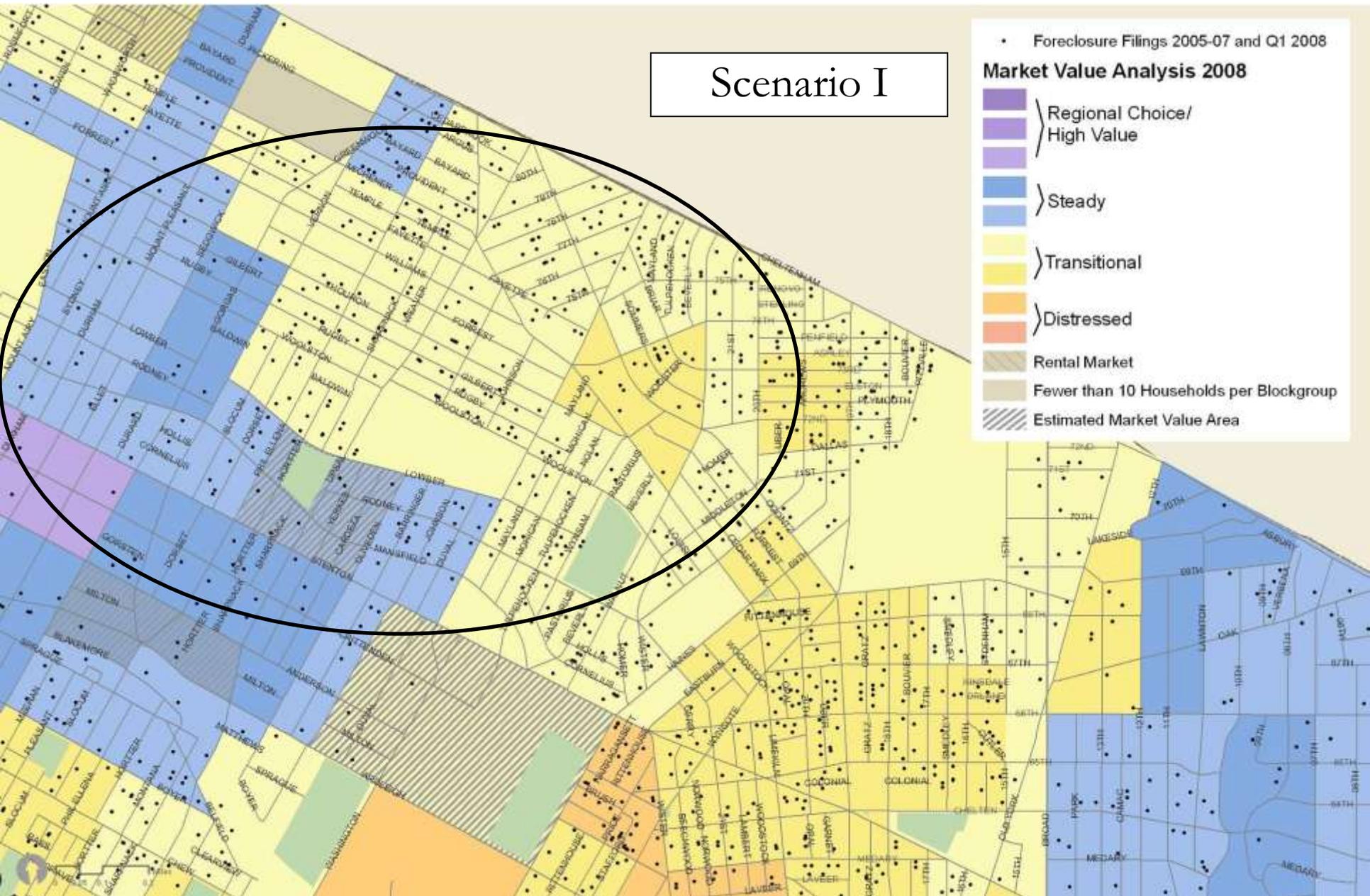
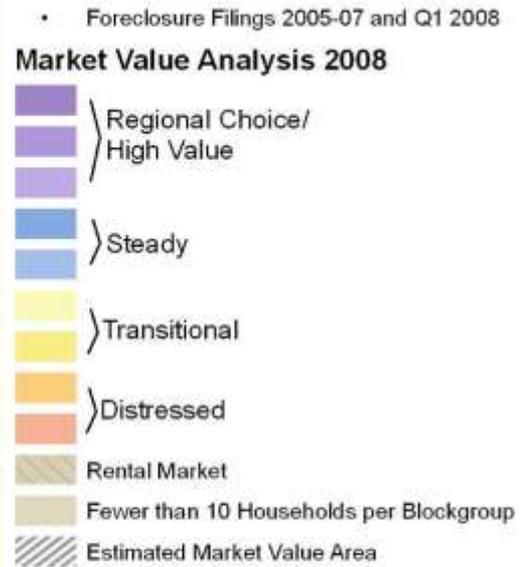
***Source: USPS city-level vacancy estimates from Policymap.com



Example: Philadelphia Foreclosure & Vacancy



Scenario I



Scenario I

• Foreclosure Filings 2005-07 and Q1 2008

Vacancy Factor

Vac Lot Area; 5yr+ Tax Delinq; Demolitions; Water Shutoffs

1.0 or Less

1.1 - 2.0

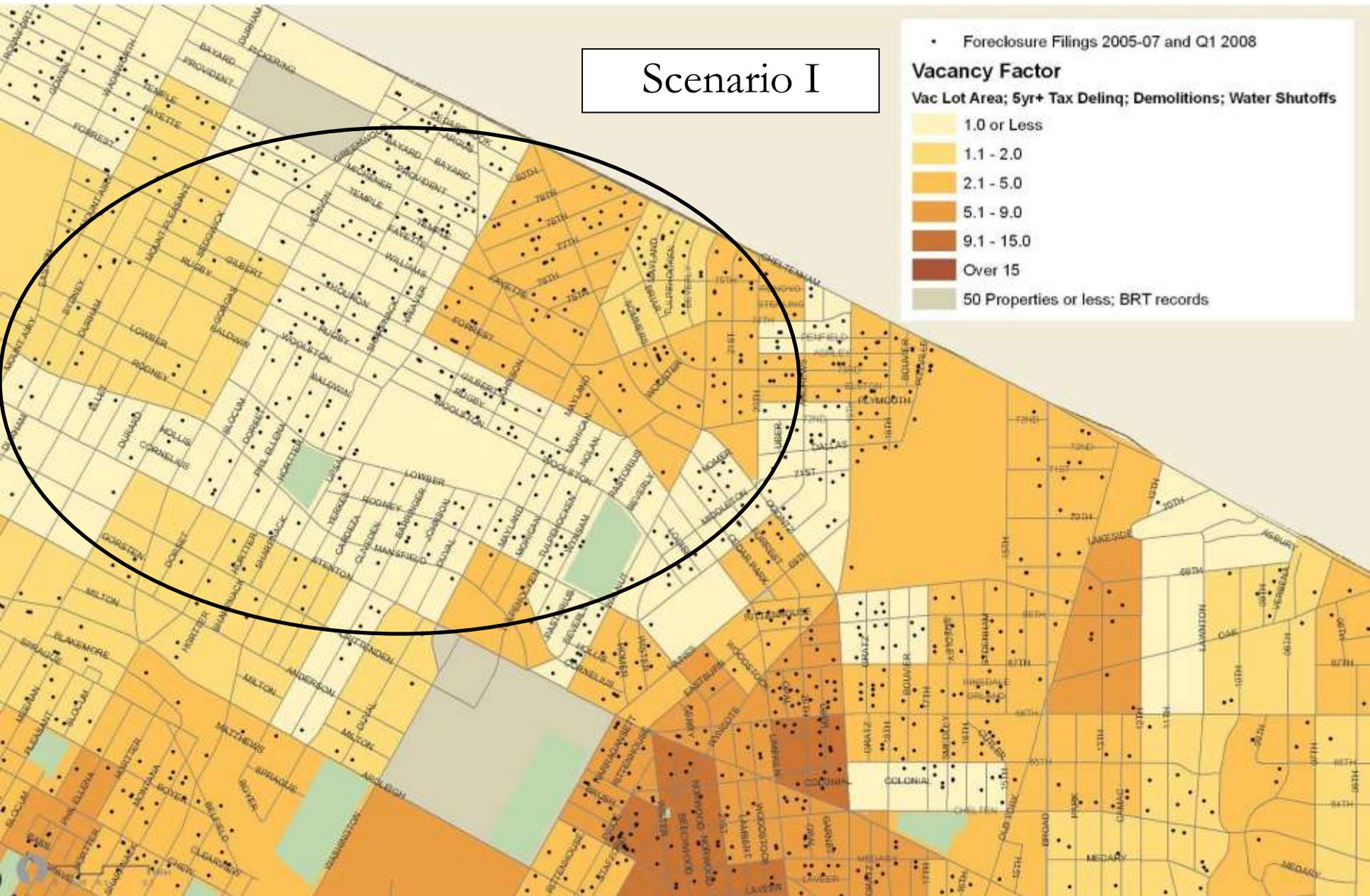
2.1 - 5.0

5.1 - 9.0

9.1 - 15.0

Over 15

50 Properties or less; BRT records

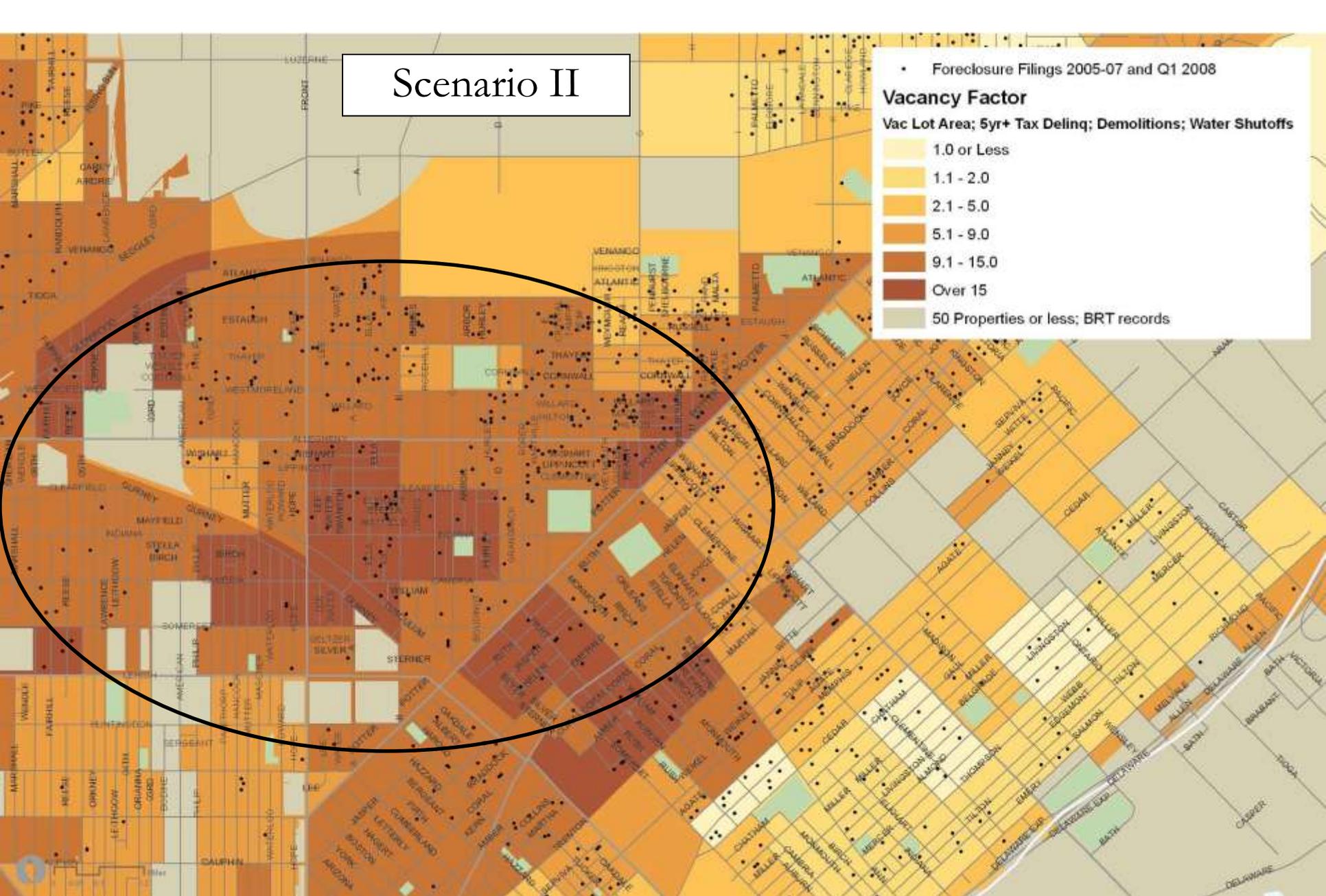
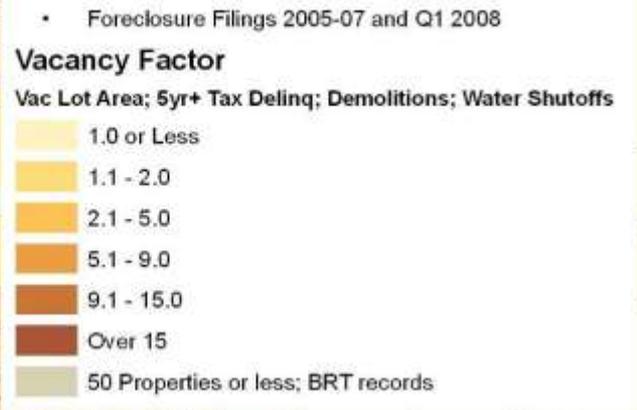


Scenario II



- Foreclosure Filings 2005-07 and Q1 2008
- Market Value Analysis 2008**
- Regional Choice/ High Value
- Steady
- Transitional
- Distressed
- Rental Market
- Fewer than 10 Households per Blockgroup
- Estimated Market Value Area

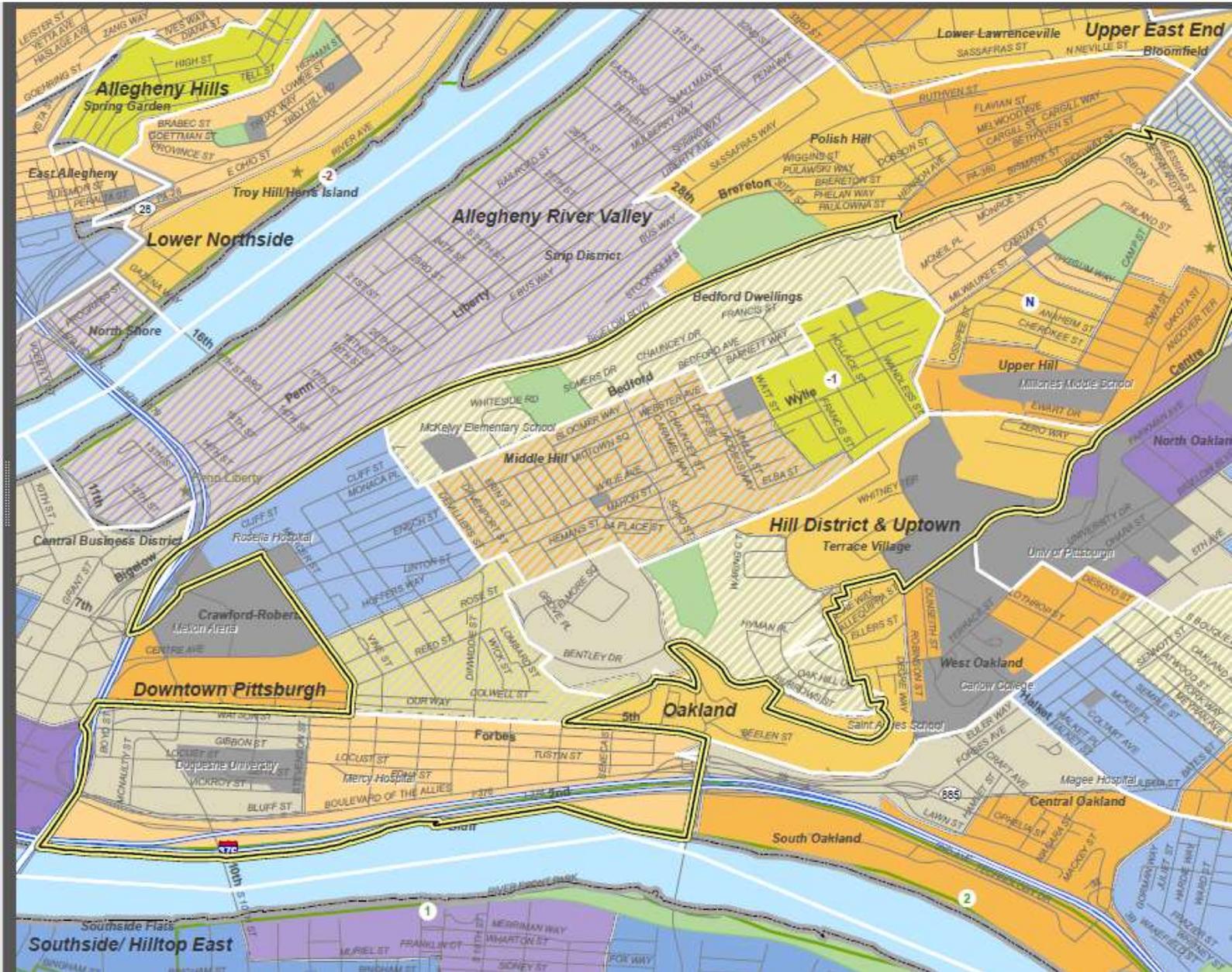
Scenario II



Pittsburgh, PA MVA Example: Using MVA with local data

MVA Example: Hill District-Pittsburgh, PA

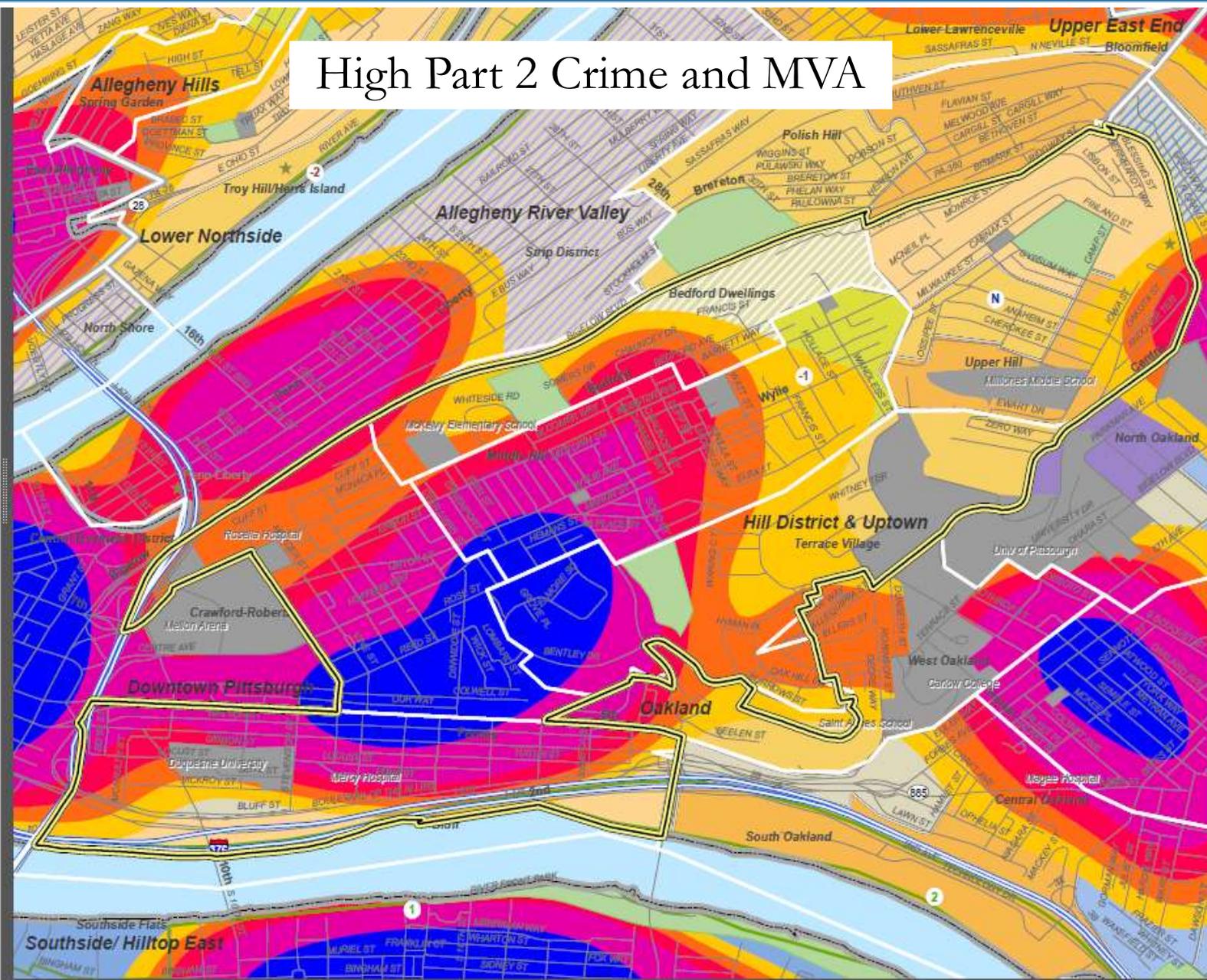
- NETSgt500employees
- River Trail
- Landmarks
- Local Parks (150 to 500)
- Green space or slope
- Water
- COMMERCIAL
- Population Change
- Population Change
- HLD_HLP
- Part 2 Crime
- Part2CrimeTrend2007
- Part2Crime_HighDens
- Part2Crime_gtpoint25
- Foreclosure
- Foreclosure gt 5pct00
- 65PLUS
- Pop65plusgreaterthan
- ViewShed
- AYP
- MVA
- MVA Change
- MVA_estimate
- MVA
- Background
- Other



MVA Example: Hill District-Pittsburgh, PA

High Part 2 Crime and MVA

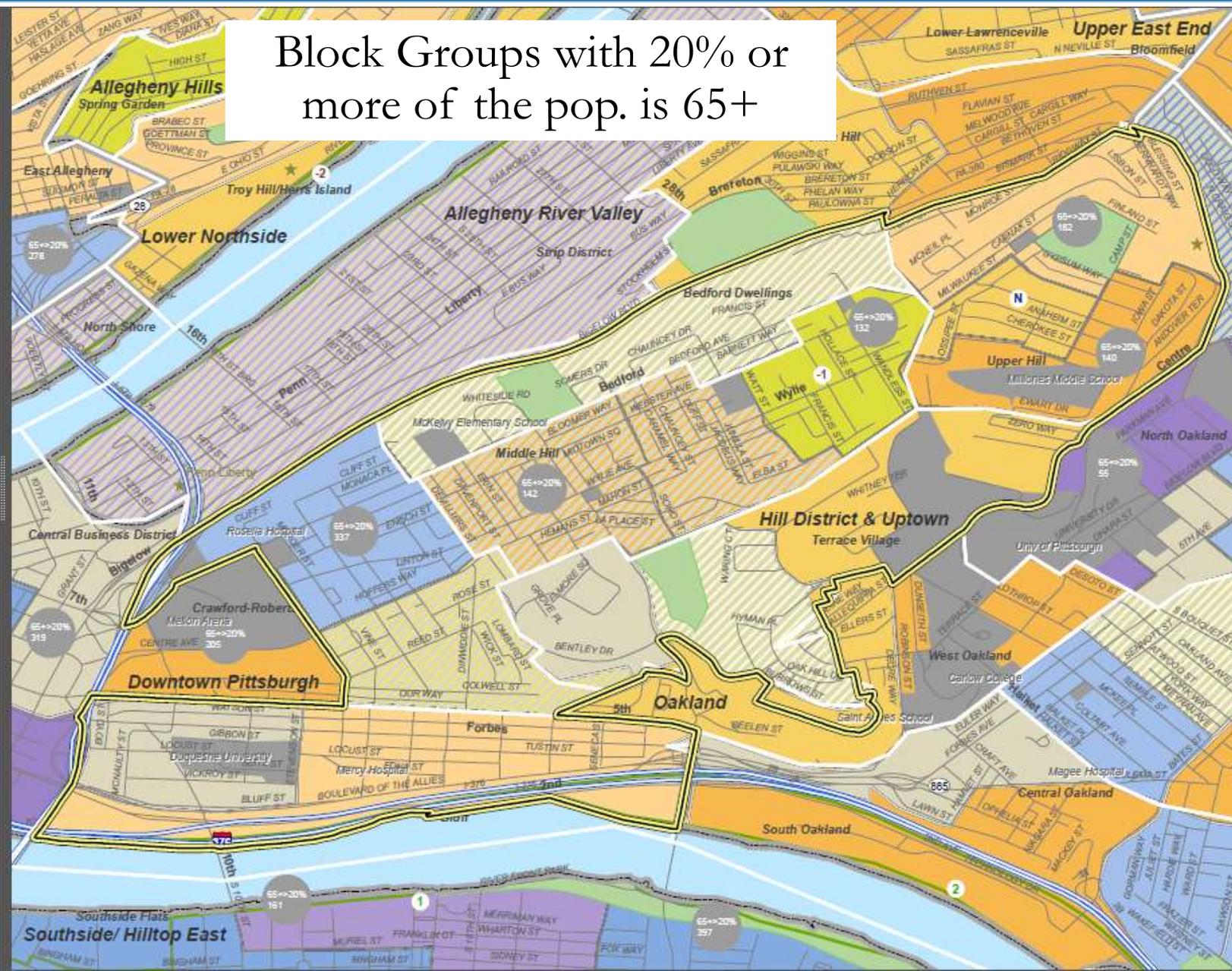
- NETSgt500employees
- River Trail
- Landmarks
- Local Parks (150 to 500)
- Green space or slope
- Water
- COMMERCIAL
- Population Change
- Population Change
- HLD_HLP
- Part 2 Crime
- Part2CrimeTrend2007
- Part2Crime_HighDens
- Part2Crime_gtpoint25
- Foreclosure
- Foreclosure gt 5pct00
- 65PLUS
- Pop65plusgreaterthan
- ViewShed
- AYP
- MVA
- MVA Change
- MVA_estimate
- MVA
- Background
- Other



MVA Example: Hill District-Pittsburgh, PA

Block Groups with 20% or more of the pop. is 65+

- NETSgt500employees
- River Trail
- Landmarks
- Local Parks (150 to 500)
- Green space or slope
- Water
- COMMERCIAL
- Population Change
- Population Change
- HLD_HLP
- Part 2 Crime
- Part2CrimeTrend2007
- Part2Crime_HighDens
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- Foreclosure
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- 65PLUS
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- AYP
- MVA
- MVA Change
- MVA_estimate
- MVA
- Background
- ther



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