

Federal Reserve Bank of Philadelphia
2016 Conference Reinventing Our Communities: Transforming Our Economies
Inclusive Housing Policy and the Transformative Economy

BUILDING FROM STRENGTH: MARKET-BASED COMMUNITY DEVELOPMENT

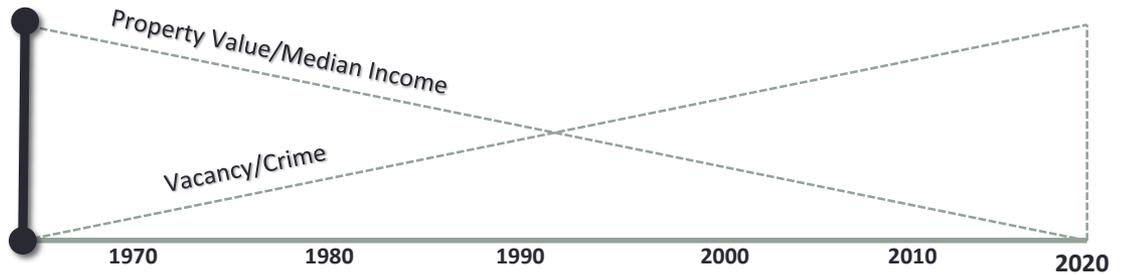


DEVELOPMENT PARTNERS
BY REINVESTMENT FUND

Key Reinvestment Questions:

- What is the problem in East Baltimore?
- What is redevelopment goal?
- Is single family housing important?

UNDERSTANDING DISINVESTMENT



Building Stock

Main Corridor
Townhome



4,000 SF Avg.
3-stories
Lot 15'x70'

Typical Street
Townhome

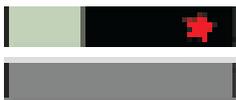


2,200 SF Avg.
3-stories
Lot 14'x60'

Alleyway
Rowhouse

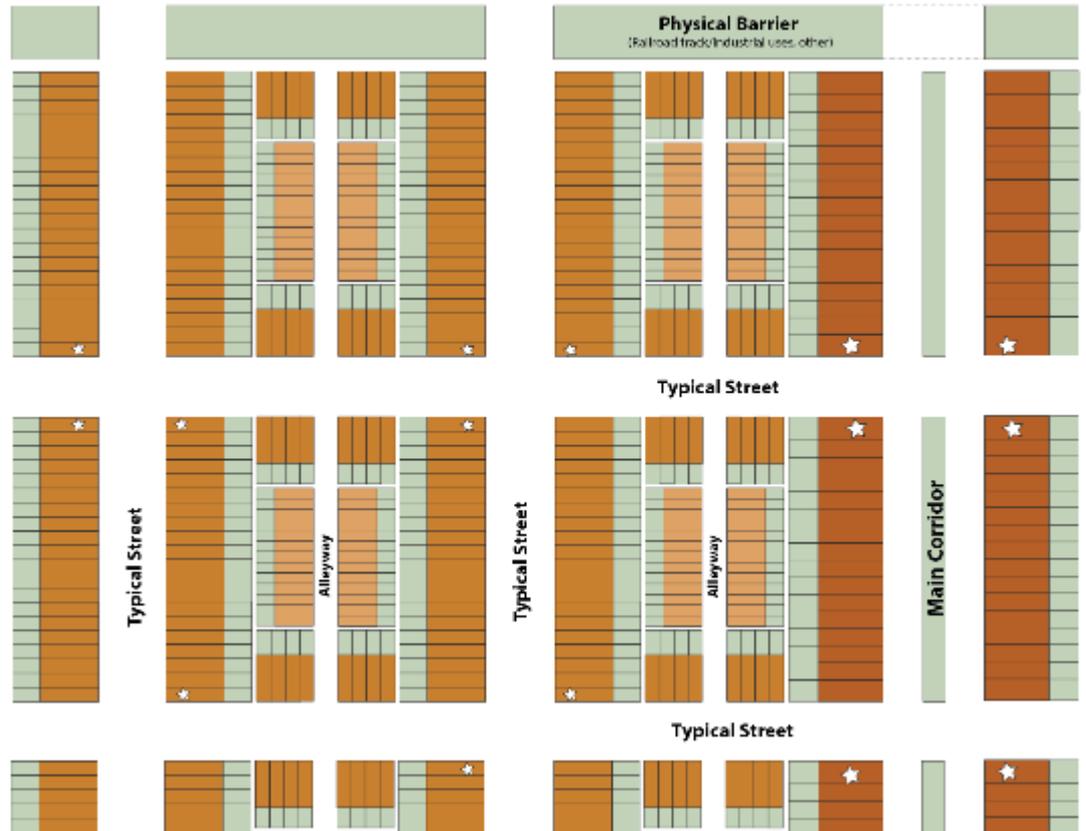


1,200 SF Avg.
2-stories
Lot 12'x50'

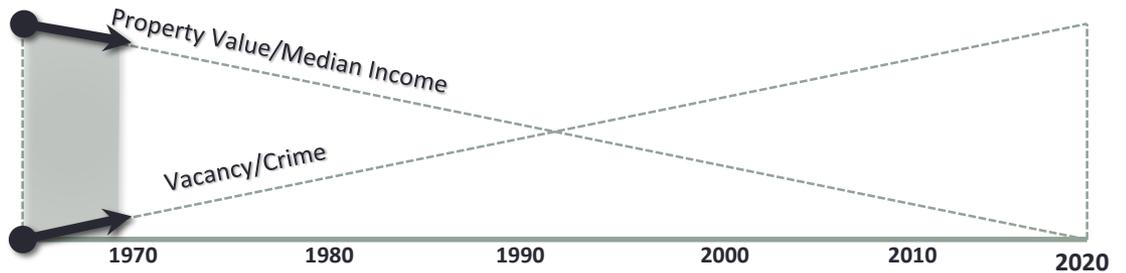


Vacant Building

Vacant Lot

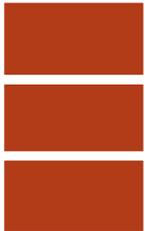


UNDERSTANDING DISINVESTMENT



Building Stock

Main Corridor
Townhome



4,000 SF Avg.
3-stories
Lot 15'x70'

Typical Street
Townhome

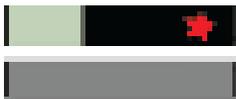


2,200 SF Avg.
3-stories
Lot 14'x60'

Alleyway
Rowhouse

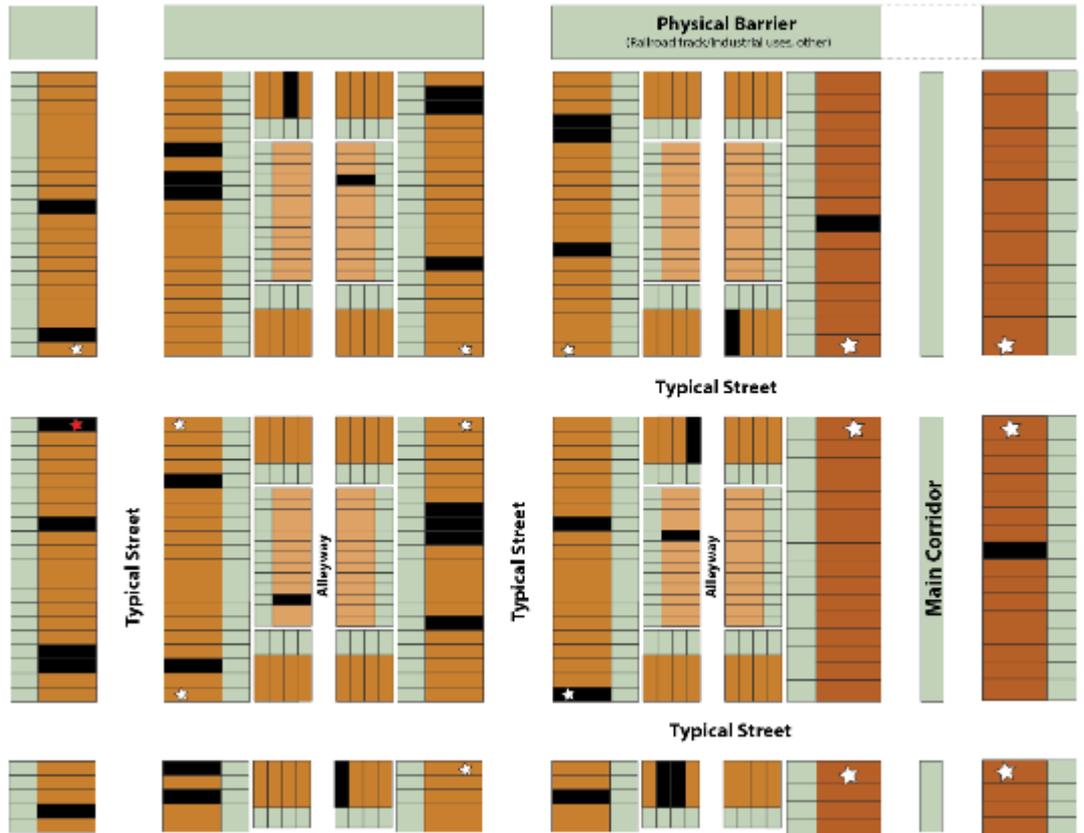


1,200 SF Avg.
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Lot 12'x50'

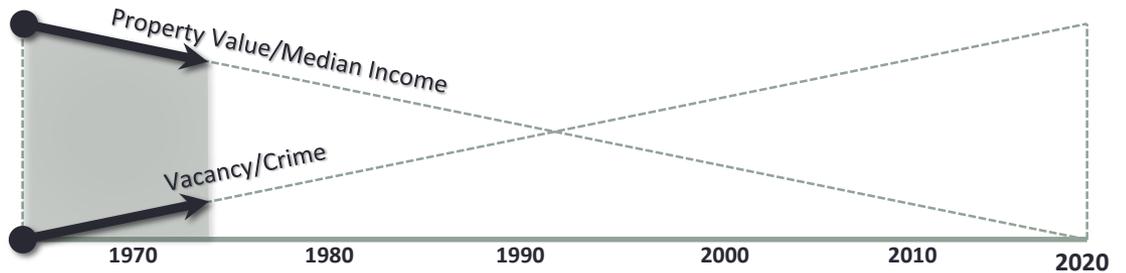


Vacant Building

Vacant Lot



UNDERSTANDING DISINVESTMENT



Building Stock

Main Corridor
Townhome



4,000 SF Avg.
3-stories
Lot 15'x70'

Typical Street
Townhome

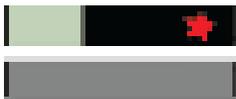


2,200 SF Avg.
3-stories
Lot 14'x60'

Alleyway
Rowhouse

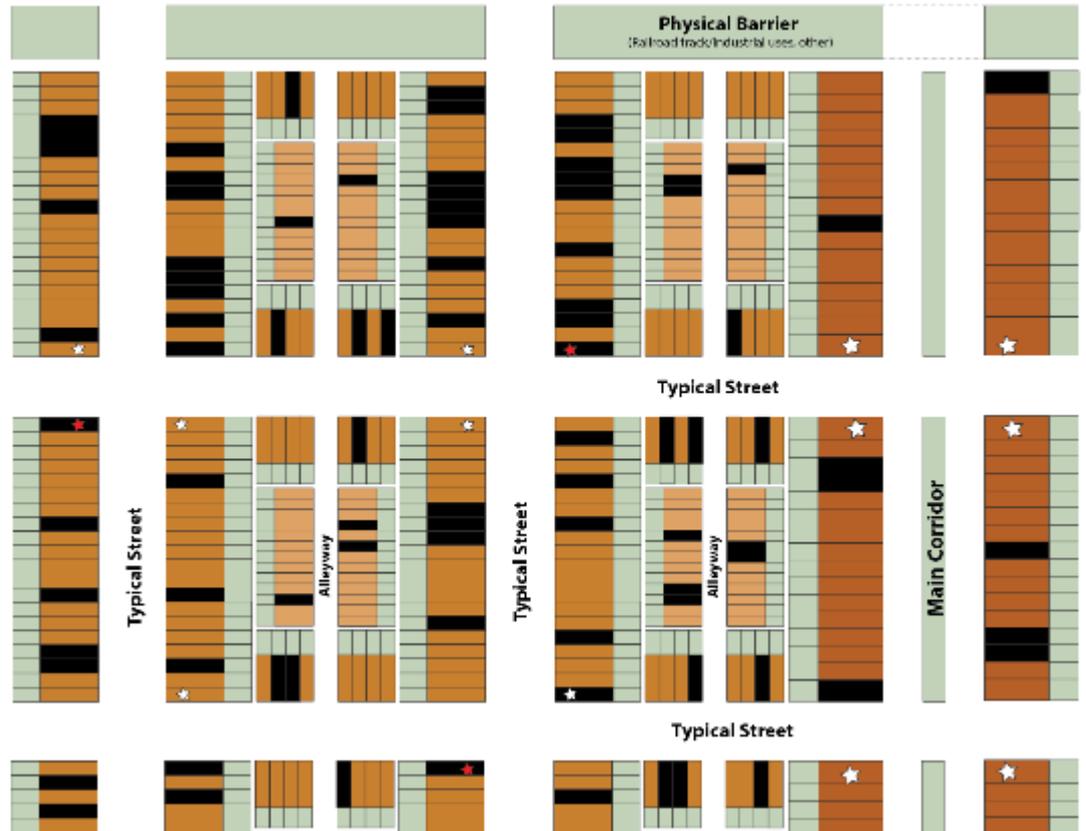


1,200 SF Avg.
2-stories
Lot 12'x50'

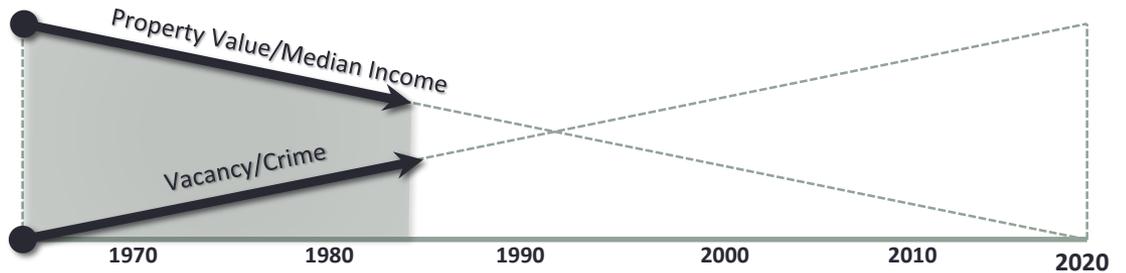


Vacant Building

Vacant Lot



UNDERSTANDING DISINVESTMENT



Building Stock

Main Corridor
Townhome



4,000 SF Avg.
3-stories
Lot 15'x70'

Typical Street
Townhome

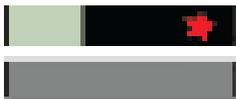


2,200 SF Avg.
3-stories
Lot 14'x60'

Alleyway
Rowhouse

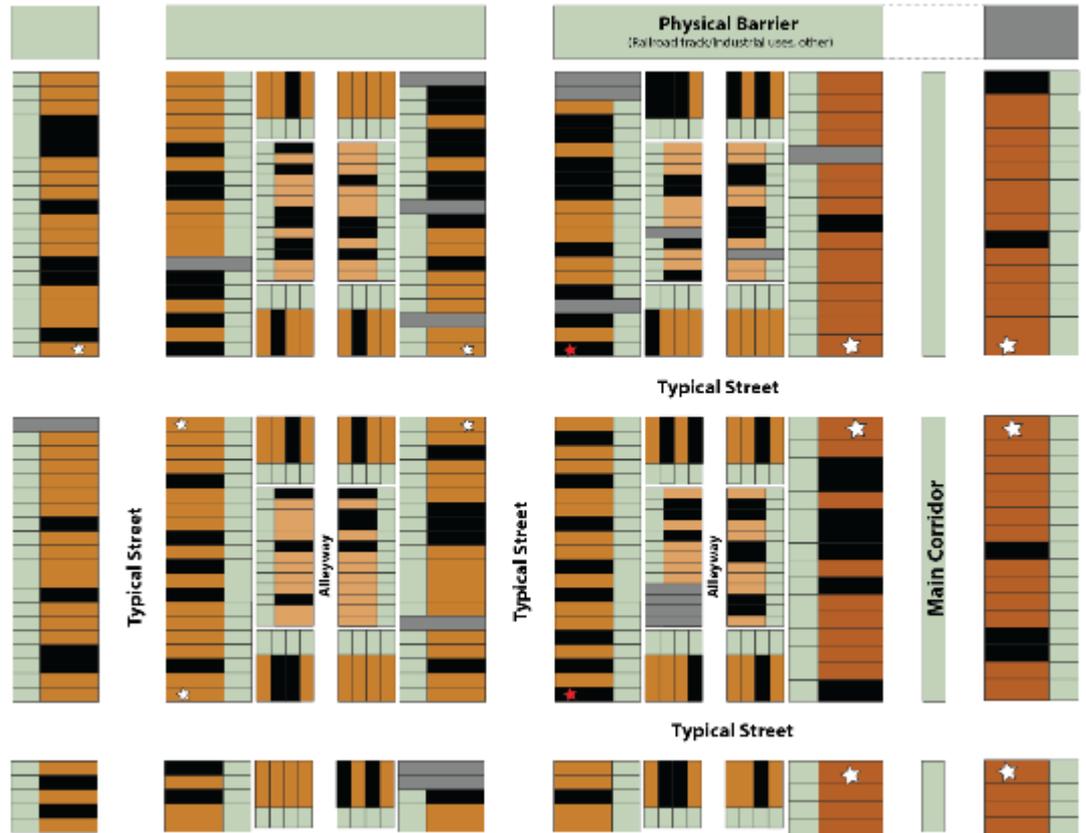


1,200 SF Avg.
2-stories
Lot 12'x50'

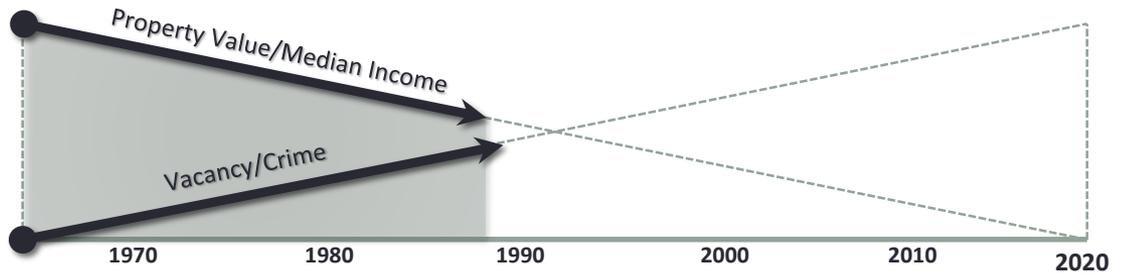


Vacant Building

Vacant Lot



UNDERSTANDING DISINVESTMENT



Building Stock

Main Corridor
Townhome



4,000 SF Avg.
3-stories
Lot 15'x70'

Typical Street
Townhome

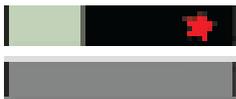


2,200 SF Avg.
3-stories
Lot 14'x60'

Alleyway
Rowhouse

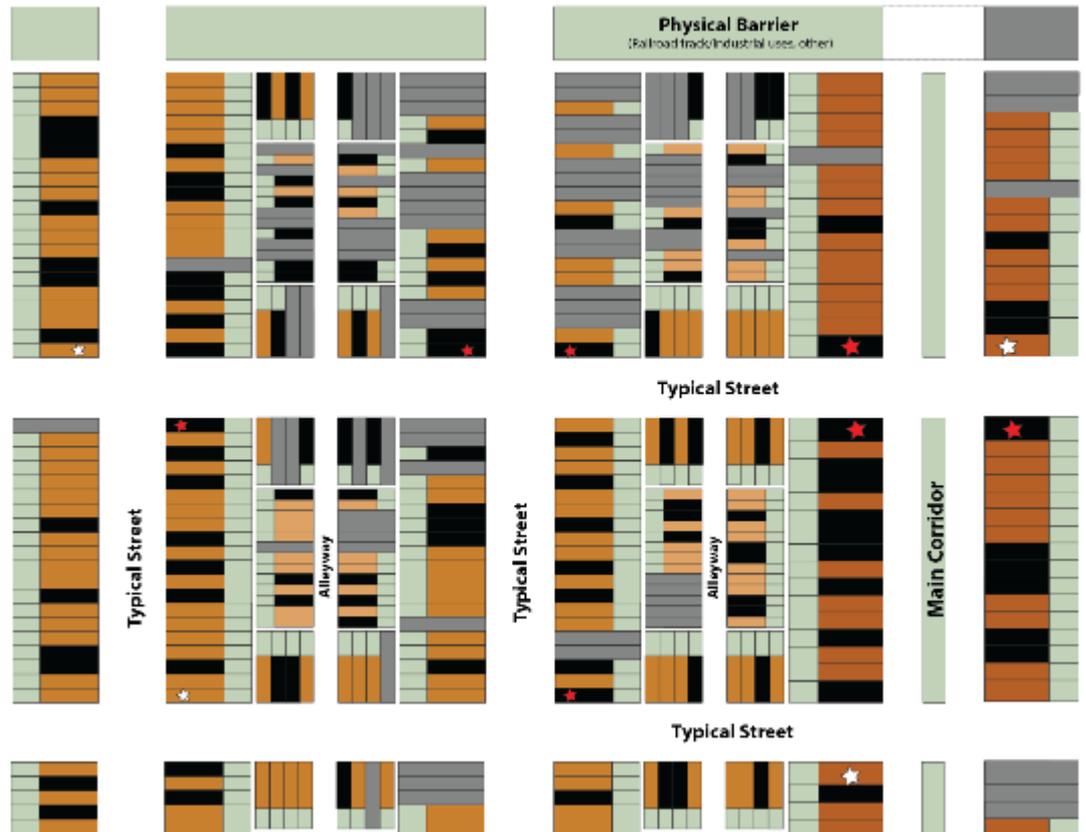


1,200 SF Avg.
2-stories
Lot 12'x50'

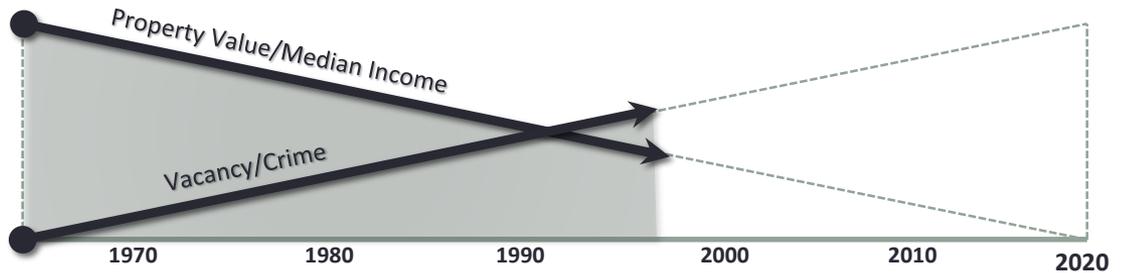


Vacant Building

Vacant Lot

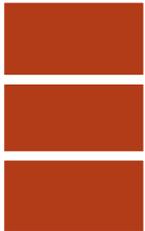


UNDERSTANDING DISINVESTMENT



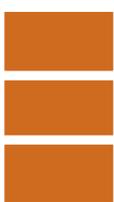
Building Stock

Main Corridor
Townhome



4,000 SF Avg.
3-stories
Lot 15'x70'

Typical Street
Townhome

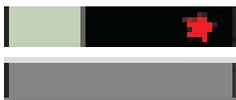


2,200 SF Avg.
3-stories
Lot 14'x60'

Alleyway
Rowhouse

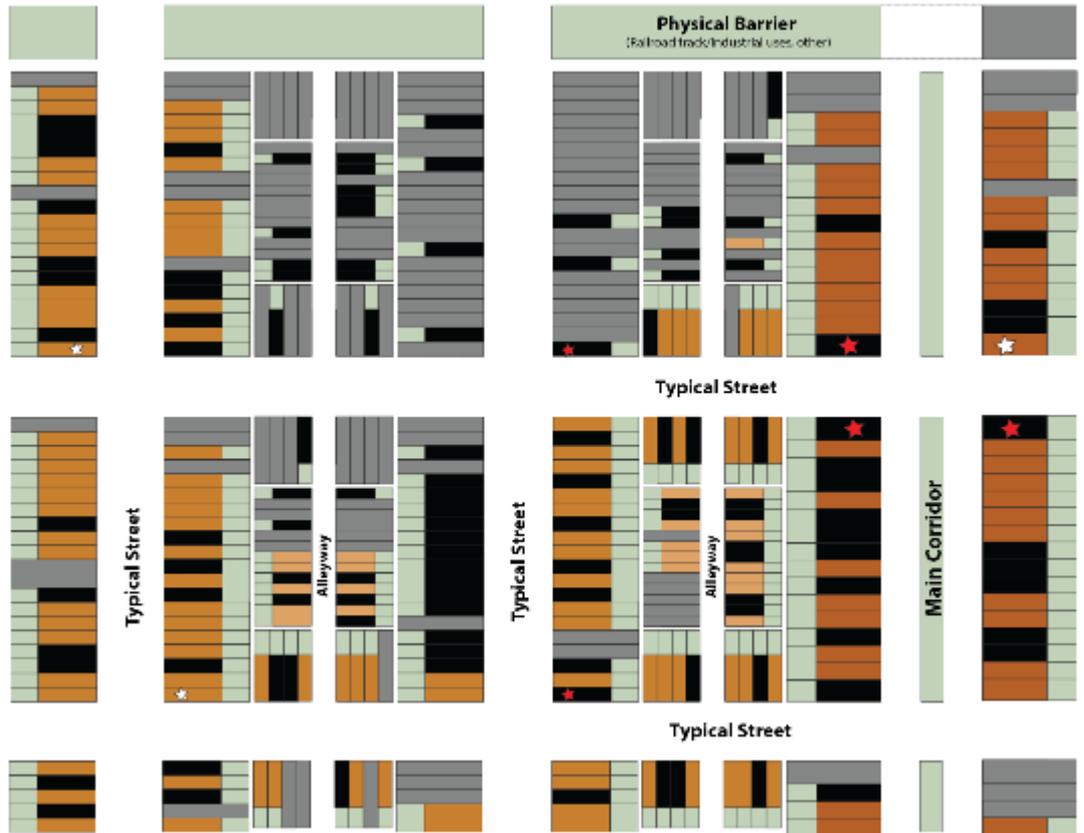


1,200 SF Avg.
2-stories
Lot 12'x50'



Vacant Building

Vacant Lot



Traditional Redevelopment Approach

Market Issue: Development cost far exceeds existing housing prices

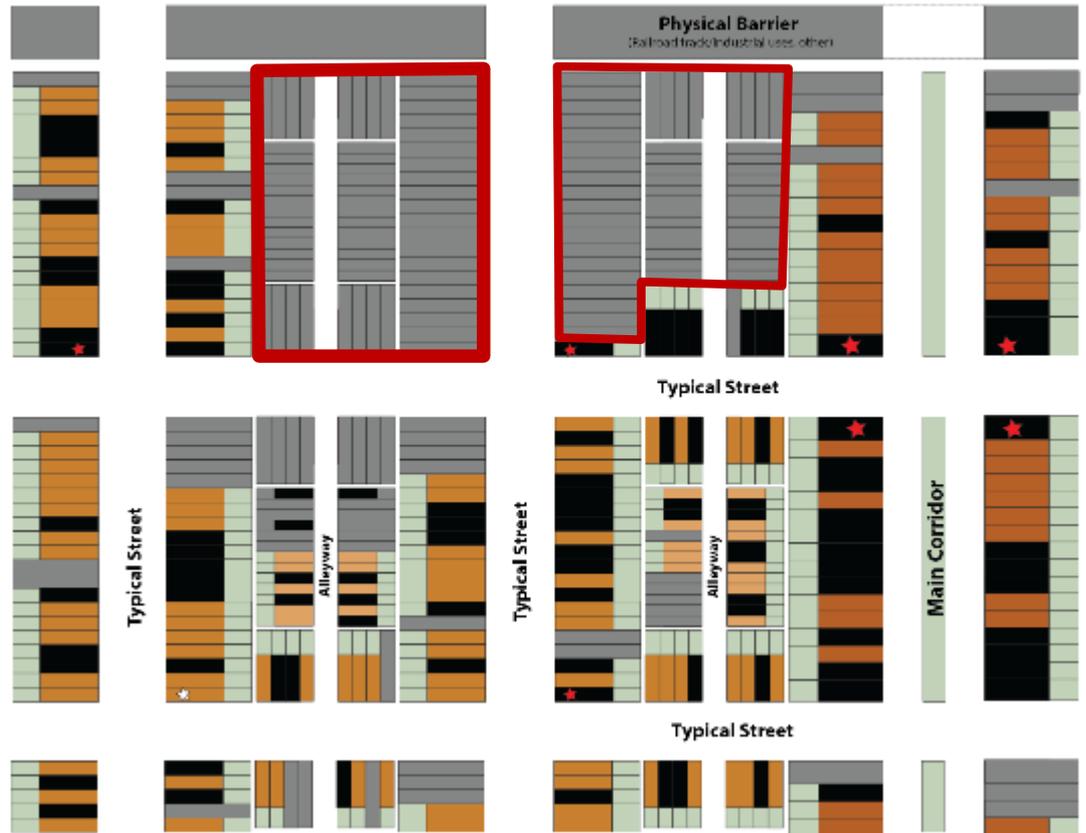
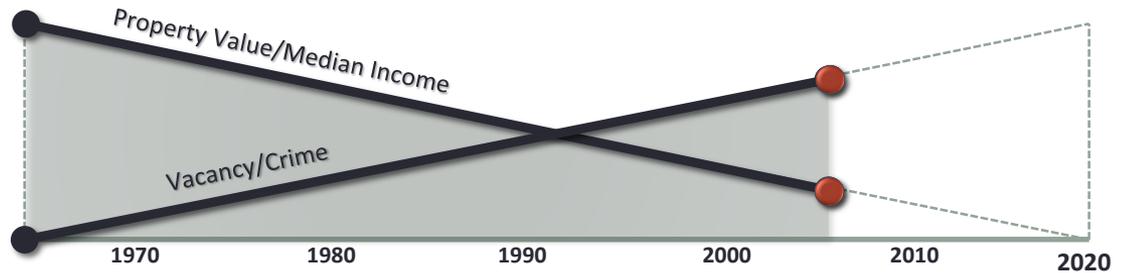
Focus: Abandoned Property

Solution:

1. Demolish remaining structures and assemble higher density multi-family properties with lowering cost per acre
2. Utilize income restricted housing programs to secure subsidies and grants

Problem

1. Increases density in area of falling demand
2. Decreases income in area of falling incomes



BUILD FROM STRENGTH

Goal: use targeted housing investments to change the market conditions and attract private sector capital into previously disinvested neighborhoods

Strategy: identify distressed areas that are near regional assets or market strength and leverage the existing asset by investing significant funding in the housing stock in the weaker area.

Requirements: Organized People, Data & Capital

Build from Strength Approach

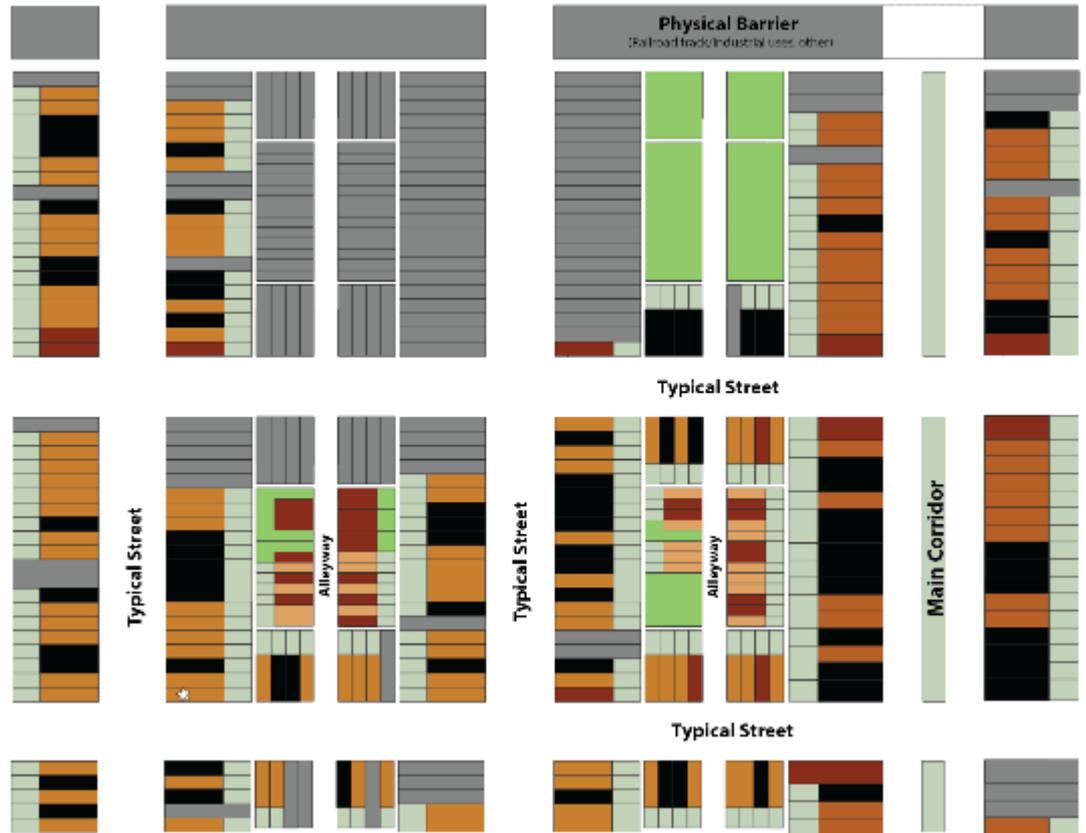
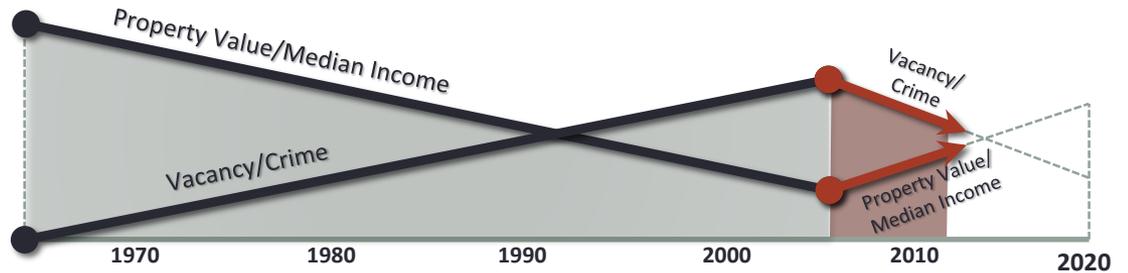
Market Issue: Development cost far exceeds existing housing prices

Focus: Market Price and Residential Demand

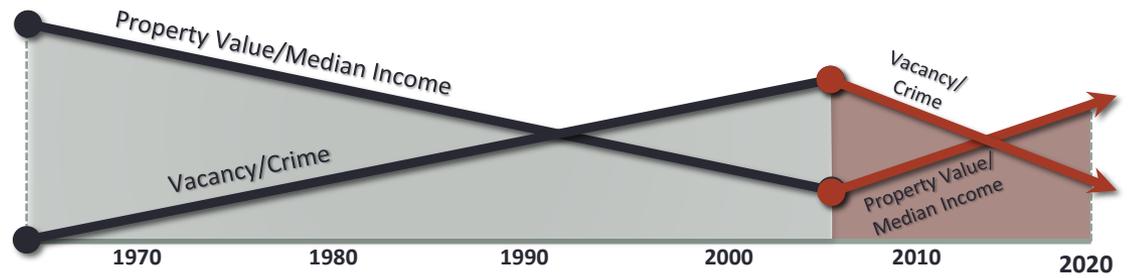
Solution:

1. Target vacant properties based on
 - a) Proximity to major assets
 - b) Eliminating vacant units based on maximizing contiguous occupied units
 - c) Controlling major intersections and transportation arteries
 - d) Area should be clearly defined by their 1) built or 2) natural environments
2. Consolidate vacant lots and rebuild at lower density without altering perceived unit massing or block faces
3. Minimize income restricted housing programs to redevelop area

Problem: Limited sources of capital available

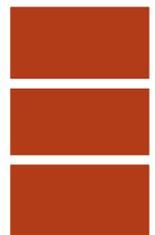


Market Recovery Process



Building Stock

Main Corridor
Townhome



4,000 SF Avg.
3-stories
Lot 15'x70'

Typical Street
Townhome

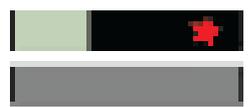


2,200 SF Avg.
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Alleyway
Rowhouse

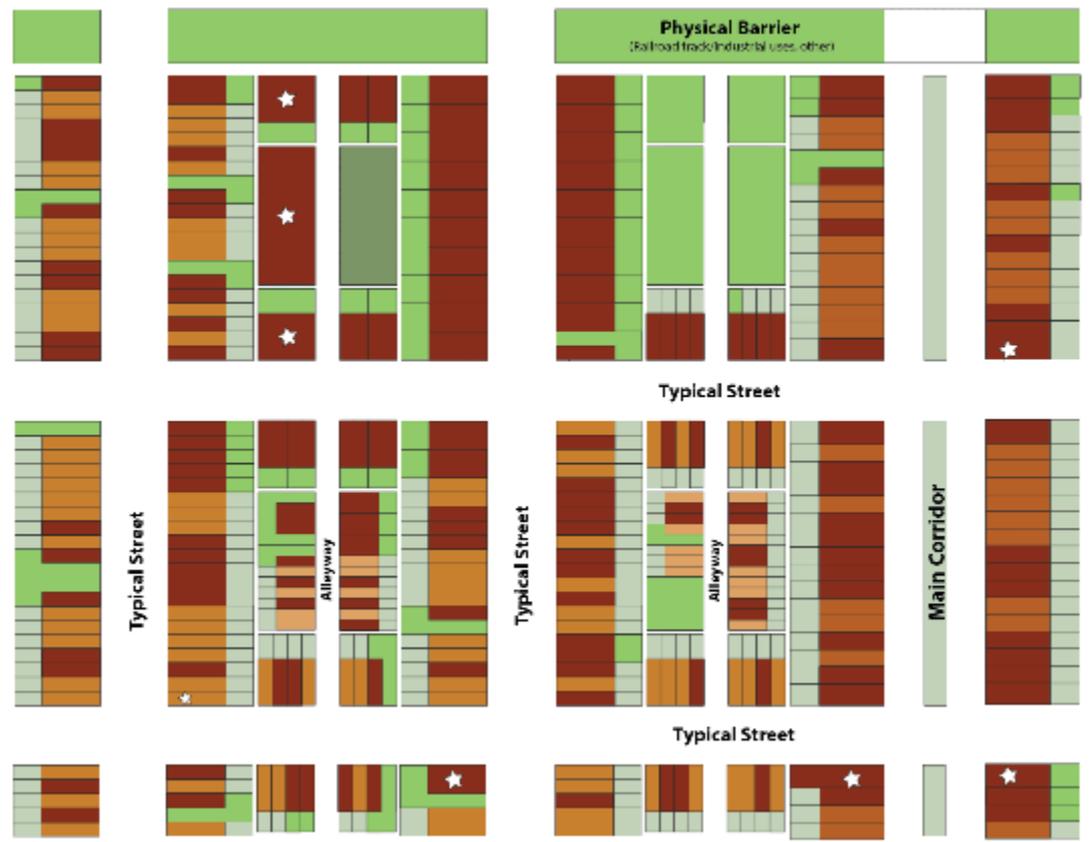


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Vacant Building

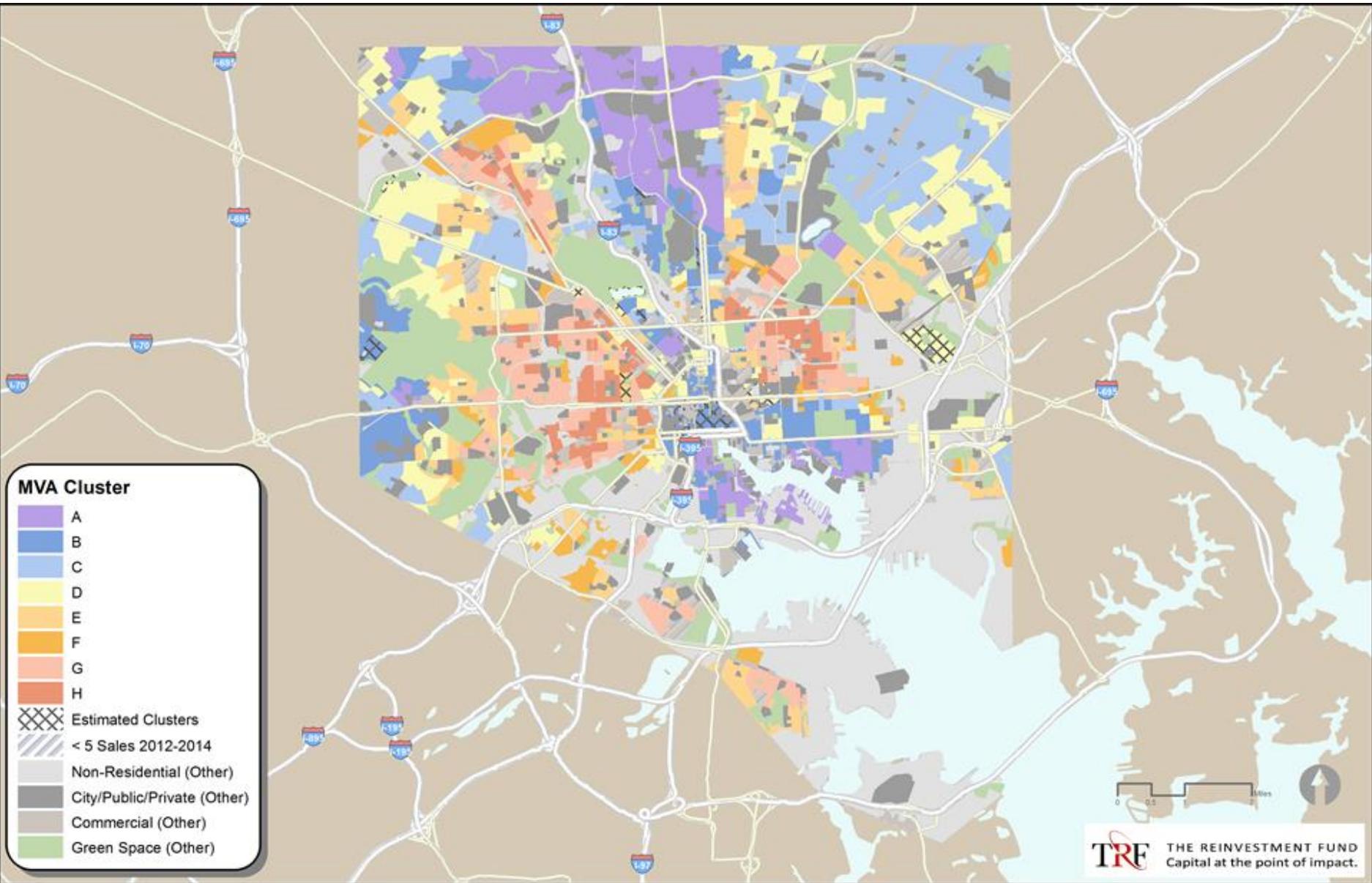
Vacant Lot



35% Density Reduction

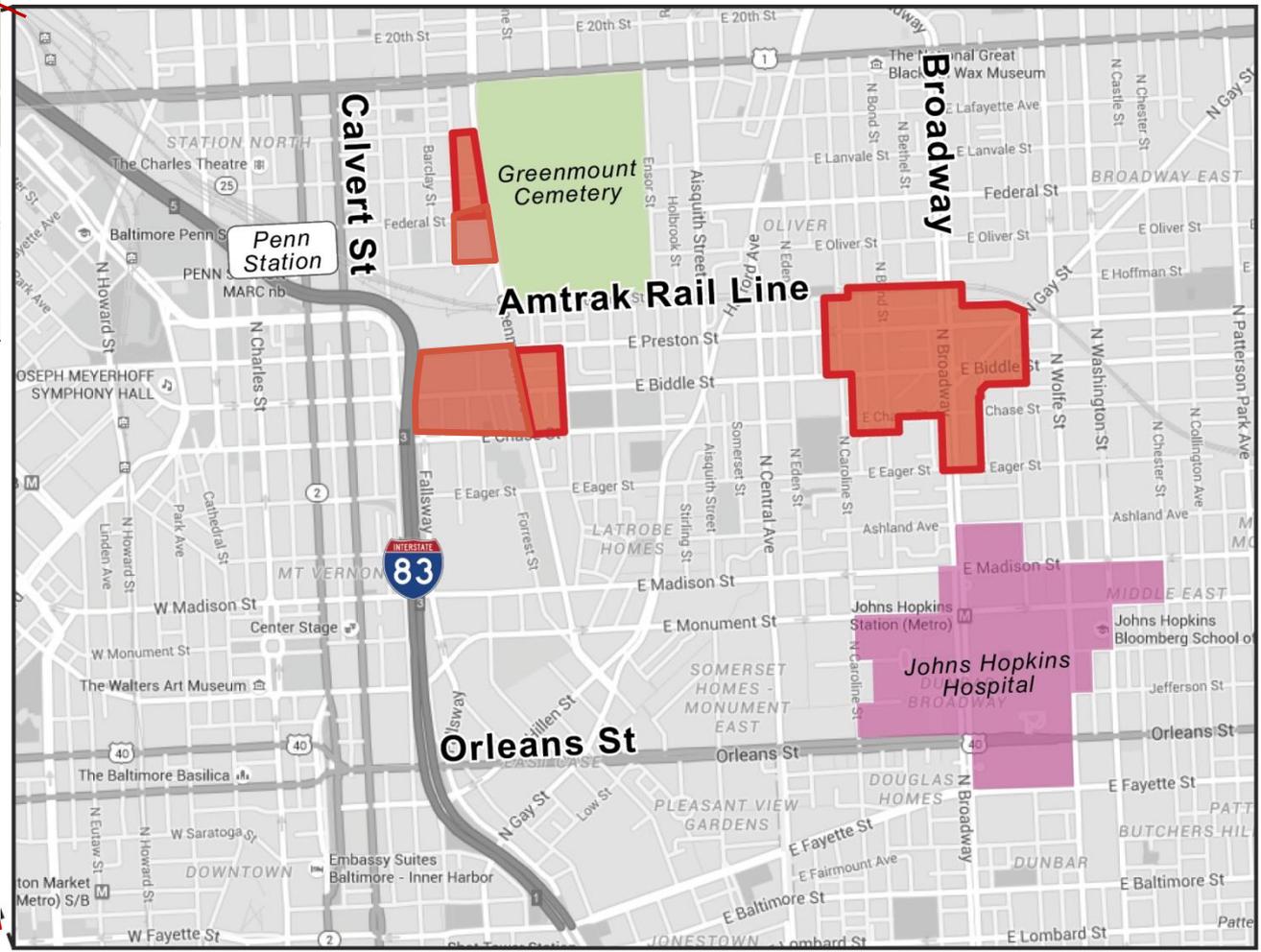
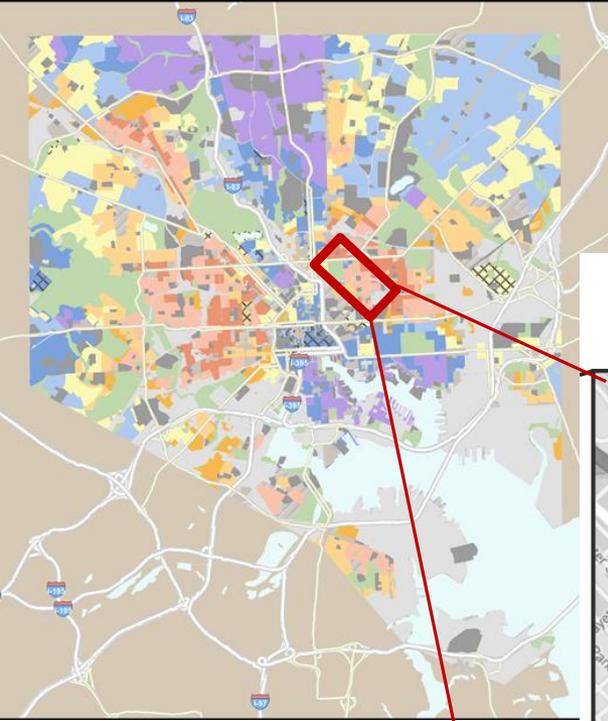
Key Elements in the Reinvestment Process

- Understand the Market: leverage and sustain the positive impact of local investment
- Build from strength by investing in the strongest part of distressed area first to link markets to assets
- Properly scale and sequence investments to positively affect the recovery of housing markets
- Create housing options which balance market growth and affordability



MVA Cluster

- A
- B
- C
- D
- E
- F
- G
- H
- Estimated Clusters
- < 5 Sales 2012-2014
- Non-Residential (Other)
- City/Public/Private (Other)
- Commercial (Other)
- Green Space (Other)



Penn Station

Amtrak Rail Line

Orleans St

Broadway

Greenmount Cemetery

Johns Hopkins Hospital

Calvert St

INTERSTATE 83

INTERSTATE 40

STATION NORTH

JOSEPH MEYERHOFF SYMPHONY HALL

MT VERNON

LATROBE HOMES

SOMERSET HOMES - MONUMENT EAST

PLEASANT VIEW GARDENS

DOUGLAS HOMES

DUNBAR

W Fayette St

Embassy Suites Baltimore - Inner Harbor

E Baltimore St

E Lombard St

The National Great Black Wax Museum

E Lafayette Ave

E Lanvale St

Federal St

E Oliver St

E Hoffman St

E Madison St

Johns Hopkins Station (Metro)

Johns Hopkins Bloomberg School of

Jefferson St

Orleans St

E Fayette St

N Castle St

N Chester St

N Gay St

N Washington St

N Wolfe St

N Collington Ave

N Patterson Park Ave

N Collington Ave

N Chester St

N Gay St

N Collington Ave

N Patterson Park Ave

E 20th St

Federal St

N Howard St

N Charles St

Cathedral St

Linden Ave

W Madison St

W Monument St

The Walters Art Museum

The Baltimore Basilica

W Saratoga

W Fayette St

E 20th St

Federal St

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W Madison St

W Monument St

The Walters Art Museum

The Baltimore Basilica

W Saratoga

W Fayette St

Since 2006 TRF DP has secured site control to over 400 properties in Oliver



Source: TRF DP



Source: TRF DP

TRF DP has developed over **250 homes** and consolidated over **125 vacant lots**



June 2015-1739-59 E Preston

East Baltimore
Investment Strategy

TRF/BUILD

Over 125 new apartments and homes are anticipated in the next 18 months



June 2014-1614-1632 E Preston

Median Sales Price in Oliver

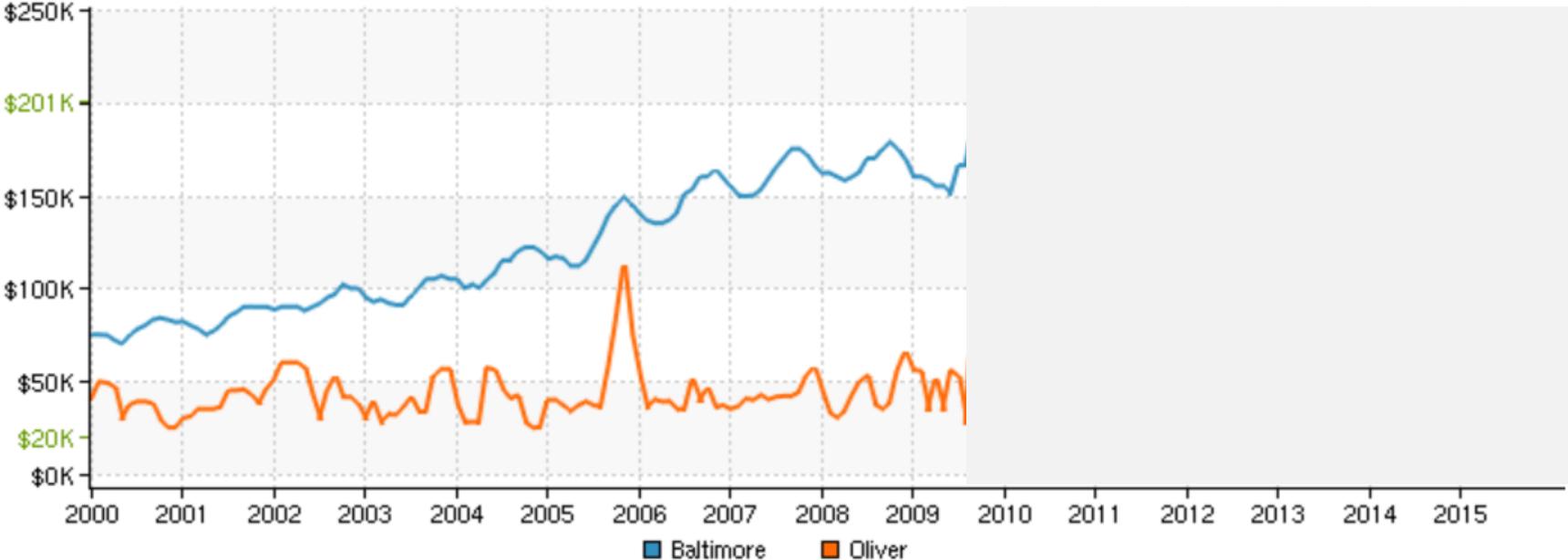
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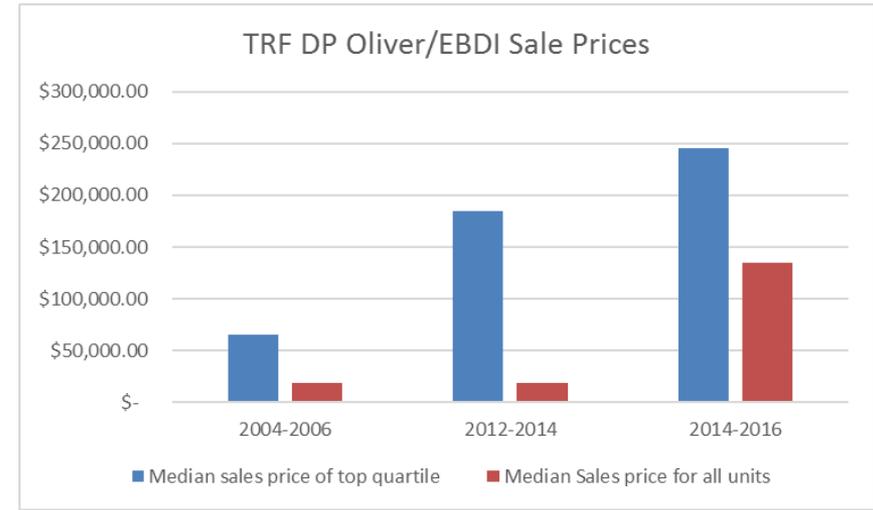
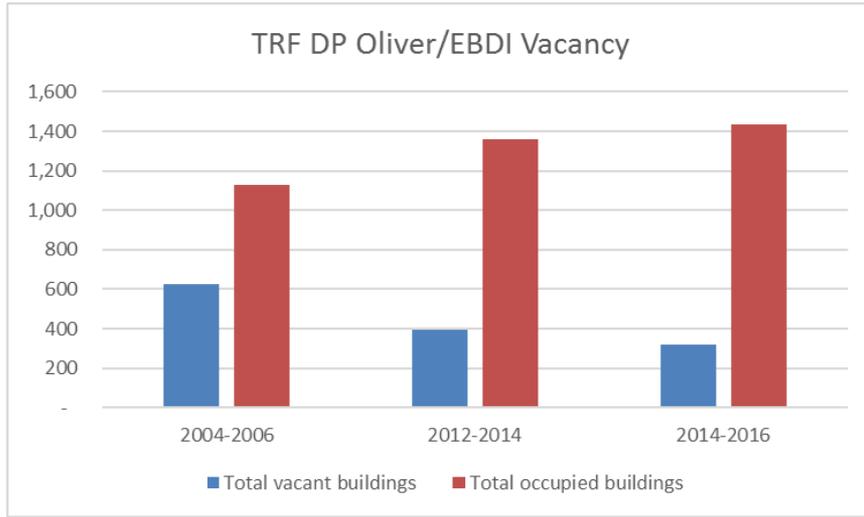
Baltimore Oliver

1 YR 5 YR MAX

Median Sales Price

Oliver | All years





TRF DP Oliver/EBDI Investment Area	2004-2006	2012-2014	2014-2016
Average Monthly Sales	0.08	1.07	1.38
Average Monthly Rehab/ New Starts	1.50	3.77	4.86
Total vacant buildings	623	392	316
Total range in sales prices	\$ 65,500	\$ 185,000	\$ 244,900
Median Sales price for all units	\$ 18,450	\$ 18,360	\$ 135,000

	Oliver	EBH1	EBH2	EBH3
Total Development Cost	\$ 9,010,000	\$ 11,020,000	\$ 10,150,000	\$ 14,518,000
Sources				
1st Mortgage	\$ 4,200,000	\$ 4,750,000	\$ 4,300,000	\$ 4,350,000
MD State	\$ 613,000	\$ 250,000	\$ 2,000,000	\$ 2,600,000
FHTC Equity		\$ 1,900,000	\$ 1,900,000	\$ 2,600,000
Capital Magnet Funds	\$ 550,000	\$ 800,000	\$ 900,000	\$ -
HOME/CDBG	\$ 738,000			\$ 2,500,000
NSP 3	\$ 1,000,000	\$ 414,000		
Baltimore GO Bond	\$ 808,000	\$ 607,000		
PRI Loan	\$ 1,101,000	\$ 2,299,000	\$ 1,050,000	\$ 2,468,000
	\$ 9,010,000	\$ 11,020,000	\$ 10,150,000	\$ 14,518,000

1st Mortgage Debt: Loan to Value 70%; Debt Coverage Ratio: 1.2

Max Income 120% AMI and 51% below 80% AMI

Median Rent: \$1,100/month

Key Lessons:

- Redevelopment requires community organizing
- Predictable site control is critical
- Debt requires focus on rent collections and delinquencies
- Significant long-term capital is necessary
- Rebuilding markets requires investment by more than one developer