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
Key Reinvestment Questions:

• What is the problem in East Baltimore?
• What is redevelopment goal?
• Is single family housing important?
UNDERSTANDING DISINVESTMENT

**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’

**Physical Barrier**

- Railroad tracks
- Industrial uses
- Other

**Building Stock**

- **Vacant Building**
- **Vacant Lot**
UNDERSTANDING DISINVESTMENT

Building Stock

- Main Corridor Townhome
- Typical Street Townhome
- Alleyway Rowhouse

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

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

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

Vacant Building
Vacant Lot
UNDERSTANDING DISINVESTMENT

Building Stock

- Main Corridor Townhome
- Typical Street Townhome
- Alleyway Rowhouse
- 4,000 SF Avg. 3-stories Lot 15’x70’
- 2,200 SF Avg. 3-stories Lot 14’x60’
- 1,200 SF Avg. 2-stories Lot 12’x50’

Vacant Building
Vacant Lot
UNDERSTANDING DISINVESTMENT

Building Stock

- Main Corridor Townhome
- Typical Street Townhome
- Alleyway Rowhouse

Vacant Building
Vacant Lot

Property Value/Median Income
Vacancy/Crime


4,000 SF Avg.
3-stories
Lot 15’x70’

2,200 SF Avg.
3-stories
Lot 14’x60’

1,200 SF Avg.
2-stories
Lot 12’x50’

Physical Barrier
Skidroad/traffic/industrial use, etc.
UNDERSTANDING DISINVESTMENT

Building Stock

- Main Corridor Townhome
- Typical Street Townhome
- Alleyway Rowhouse
- Lot 15'x70'
- Lot 14'x60'
- Lot 12'x50'
- Vacant Building
- Vacant Lot

Physical Barrier
- Skilled trades/industrial uses, others
UNDERSTANDING DISINVESTMENT

Building Stock

- Main Corridor Townhome
- Typical Street Townhome
- Alleyway Rowhouse
- Vacant Building
- Vacant Lot

Vacant Lot

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'

Property Value/Median Income

Vacancy/Crime

**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

<table>
<thead>
<tr>
<th>Main Corridor Townhome</th>
<th>Typical Street Townhome</th>
<th>Alleyway Rowhouse</th>
</tr>
</thead>
<tbody>
<tr>
<td>4,000 SF Avg.</td>
<td>3-stories</td>
<td>1,200 SF Avg.</td>
</tr>
<tr>
<td>Lot 15’x70’</td>
<td>Lot 14’x60’</td>
<td>Lot 12’x50’</td>
</tr>
</tbody>
</table>

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
Since 2006 TRF DP has secured site control to over 400 properties in Oliver.
TRF DP has developed over **250 homes** and consolidated over **125 vacant lots**
Over 125 new apartments and homes are anticipated in the next 18 months.
Median Sales Price in Oliver

- Baltimore
- Oliver

MOVING THE MARKET: RESULTS SO FAR
**Moving the Market: Results So Far**

### TRF DP Oliver/EBDI Vacancy

- **2004-2006**: Total occupied buildings (600), Total vacant buildings (400)
- **2012-2014**: Total occupied buildings (1,200), Total vacant buildings (200)
- **2014-2016**: Total occupied buildings (1,600), Total vacant buildings (200)

### TRF DP Oliver/EBDI Sale Prices

- **2004-2006**: Median sales price of top quartile ($300,000), Median sales price for all units ($50,000)
- **2012-2014**: Median sales price of top quartile ($150,000), Median sales price for all units ($100,000)
- **2014-2016**: Median sales price of top quartile ($200,000), Median sales price for all units ($150,000)

### TRF DP Oliver/EBDI Investment Area

<table>
<thead>
<tr>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Average Monthly Sales</td>
<td>0.08</td>
<td>1.07</td>
<td>1.38</td>
</tr>
<tr>
<td>Average Monthly Rehab/ New Starts</td>
<td>1.50</td>
<td>3.77</td>
<td>4.86</td>
</tr>
<tr>
<td>Total vacant buildings</td>
<td>623</td>
<td>392</td>
<td>316</td>
</tr>
<tr>
<td>Total range in sales prices</td>
<td>$65,500</td>
<td>$185,000</td>
<td>$244,900</td>
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<tr>
<td>Median Sales price for all units</td>
<td>$18,450</td>
<td>$18,360</td>
<td>$135,000</td>
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</table>
## Community Development:

### Total Development Cost

<table>
<thead>
<tr>
<th></th>
<th>Oliver</th>
<th>EBH1</th>
<th>EBH2</th>
<th>EBH3</th>
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<tbody>
<tr>
<td>Total Development Cost</td>
<td>$9,010,000</td>
<td>$11,020,000</td>
<td>$10,150,000</td>
<td>$14,518,000</td>
</tr>
</tbody>
</table>

### Sources

<table>
<thead>
<tr>
<th>Source</th>
<th>Oliver</th>
<th>EBH1</th>
<th>EBH2</th>
<th>EBH3</th>
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<tbody>
<tr>
<td>1st Mortgage</td>
<td>$4,200,000</td>
<td>$4,750,000</td>
<td>$4,300,000</td>
<td>$4,350,000</td>
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<tr>
<td>MD State</td>
<td>$613,000</td>
<td>$250,000</td>
<td>$2,000,000</td>
<td>$2,600,000</td>
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<td>FHTC Equity</td>
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<td>$1,900,000</td>
<td>$2,600,000</td>
<td>$2,600,000</td>
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<tr>
<td>Capital Magnet Funds</td>
<td>$550,000</td>
<td>$800,000</td>
<td>$900,000</td>
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<tr>
<td>HOME/CDBG</td>
<td>$738,000</td>
<td>-</td>
<td>$2,500,000</td>
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<td>NSP 3</td>
<td>$1,000,000</td>
<td>$414,000</td>
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<tr>
<td>Baltimore GO Bond</td>
<td>$808,000</td>
<td>$607,000</td>
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<tr>
<td>PRI Loan</td>
<td>$1,101,000</td>
<td>$2,299,000</td>
<td>$1,050,000</td>
<td>$2,468,000</td>
</tr>
</tbody>
</table>

**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