Renters, Homeowners & Investors: The Changing Profile of Communities
February 26, 2013
Renters, Homeowners & Investors: Panel 3

ALYSSA LEE: We're excited to bring it down to the local level. We are here today with a great panel. And the panel has been constructed to really help us understand that there are as many of us in the room today, many different actors that are looking to help this market and this asset class and these homeowners to recover. And so today, we have a great panel comprised of three different types of actors. First, we're going to hear from Steve King who is with the Urban Strategies Council in Oakland. And he is going to talk with us just a little bit about the data that he's been able to collect in Oakland around investment patterns and how that's been used to help impact the environment there. Then we're going to have a short presentation by Tony Bran--

Brancatelli.

Brancatelli who is a Council person in Cleveland which is a place that many of us know as Ground Zero. And he's going to talk with us a little bit about how the role of the city has played in recovery in this crisis. And then we're going to have a--the last presentation is going to be by Tom Eggleston who is going to talk with us a little bit about property management of dispersed sites. And so with that, I just like to open it up. We're going to make some brief presentations and then we will follow up with round of questions.

STEVE KING: Hi everyone. So as Elisa said, my name is Steve King. I work at an organization called Urban Strategies Council based on Oakland, California. We're a nonprofit, social impact organization that uses tools of research, innovation, collaboration and advocacy to advanced principles of social justice and equity. We are founded just over 25 years ago by Angela Glover Blackwell, you may know as the founder and real visionary behind PolicyLink. My role at the Council over the past five years or so has been really focused on housing policy and research and in particular, the impacts of foreclosure on Oakland residents and neighborhoods. So I wanted to spend just by way of providing some context, spend a few moments talking about this idea of recovery in light of the title of the panel here, Recovery Strategies from the Community Perspective. In light of the current crisis, terms like stabilization and recovery are often used, or they presuppose a moment in time when things were somehow better. But its not always clear what we're recovering when we used that term and who are recovering it for. So it's one thing to talk about the recovery of the housing market as we've been talking about today. It's quite a different question to talk--to ask the question of the recovery of the 12,000 or so families in Oakland that have been uprooted as a result of foreclosure. In Oakland, we work in neighborhoods that we're already struggling as a result of decades of disinvestment, intolerable crime rates, failing public education, and general lack of economic opportunity. So in many respects, the crisis is simply put salt on an open wound. And in that context, from our perspective, the timeframe of recovery is necessarily much longer than it will take to clear out shadow inventories or hit a targeted rate of return. When we think about recovery inherently must be more comprehensive and go beyond housing as some folks have already mentioned here today. So keeping that framing in mind, I want to just spend a few moments about what we're seeing--talking about, what we're seeing on the ground in Oakland, and some of the research we've done on post recovery, post foreclosure outcomes. Even with all these challenges, Oakland remains a relatively strong market city due in no small part to its proximity to San Francisco and Silicon Valley. But it's also very geographically divided city in terms of socioeconomic status as well as race and ethnicity. And the crisis is largely result in disparate impact on those same outcomes or same divisions. So in short, the poor folks and communities of color in Oakland have definitely had it the worse in the crisis. We--Even the most disadvantaged neighborhoods in the City of Oakland, we're really fully caught up in the housing bubble. Right now, we have modest two and three bedroom, post-war homes that sell for just over 100,000 dollars. They were selling for upwards of 4 and 500,000 dollars at the height of the market. So in a neighborhood like East Oakland, we've seen prices decline by as much as 80 percent. We haven't seen a map like this today. You're all probably sick of these maps. But this is what the crisis looks like in Oakland. These are foreclosures between 2007 and 2011. There've been over 12,000 foreclosures in the city that equates to roughly 1 in 12 households. And so in the course of analyzing this sort of data, we began to notice, you know, the obvious increase and corporate ownership among previously foreclosed properties. And while our local government and community partners were active and trying to hold banks accountable for the condition of their property holdings, there was this other, obviously, massive shift occurring in the city that really alluded the attention of just about everyone. So after digging deeper into this data, we released report last year called, "Who Owns Your Neighborhood?" That really digs into some of those post foreclosure outcomes that we're finding in the city. And this is what the investor landscape looks like in Oakland. These are investor acquisitions between 2007 and October of 2011, very similar spatial distribution. Overall, we found that 42 percent of investor acquis--or completed foreclosures in the city have been acquired by investors. There's a start geographic concentration to this activity. 93 percent of those acquisitions are located in the low-income, what we call the flat-line neighborhoods of Oakland below the 580 freeway here, these are the neighborhoods that are typically low-income and the communities of color in the city. We also know that the housing stock in those neighborhoods has significant long term issues with deferred maintenance as well as seismic and environmental health-related problems. So that's raised a real concern in Oakland about the speculators are not dealing with this, the substantive rehab issues that continue to pervade those communities. We also found that only 10 out of the 30 most active investors in Oakland are actually based in the city. And again, that sort of prevalence of absentee ownership and non-local purchasing activity has raised significant concerns in the community about the ongoing maintenance, ongoing management of those properties. Not to mention, the extraction of wealth from the hardest hit communities in the city. This slide is just drilling into the neighborhood level to give you a sense of really what the scale and concentration is in certain neighborhoods. This is [inaudible] neighborhood that we worked in, in East Oakland. The yellow dots are foreclosed properties and those with the red halo around them had been acquired by investors. So one result of all this, we're currently seeing the highest rents we've ever seen in Oakland and the Bay Area. Asking rents have been steadily climbing over the past several years up over 20 percent between December of 2011 and 2012. That's compared to roughly 5 percent increase nationally. We're seeing similar increases in the sales activity, obviously. Oakland has recently ranked number one in the country for home sales with the fewest number--average number of days on the market. So nationally, the average is around 84 days. In Oakland, the average is around 24 days. Anecdotally, we know that one of the major side effects of this activity, and really, this new intense market fervor has been what folks have talked about today, already the increase difficulty for qualified home buyer to successfully engage in the market. We've heard a story, after story of qualified families being--or bidding well about asking prices and still being outbid. But one of the interesting things we found in our research was that when a non-investor individual or family was actually able to engage in the process and purchase an REO, they were six times more likely to retain ownership of that property when compared to an investor. So that destabilizing post-foreclosure transaction churn that we see certainly seems to come to a halt when an owner-occupant is able to engage in the process. So what does all that mean? Frankly, it appears that there's a bit of a mini bubble emerging in Oakland if I could say that with investors rushing in, essentially buy everything they can, qualifying home buyers, stretching their resources to try to compete with the cash investors and renters getting squeezed with record high-rent prices. So if that's what recovery looks like, it looks like we're back in the early 2000s. But there's no doubt that we have a mounting affordability challenge in the city particular for families of modest means. So what--that's a lot of more good news for everyone, I'm sure. So I didn't want to talk about a few interesting strategies that we have been involved in over the past three years. One recent thing that has happened as a result of some of the research we did, something along the lines of what Alan Mallach mentioned, the Oakland City Council recently passed what they're calling a non-owner occupied property ordinance. And so that's designed to get investors to register their properties with the city, have them inspected and ensure that they meet the current building code. So it's similar to the same sort of ordinances that had been enacted to hold banks accountable for their properties. Despite the relatively modest requirements of the ordinance, definitely encountered some significant pushback from policy makers and some of the special interest groups in the city. You don't want to make the city appear unattractive to the outside investment. But really, the disproportionate impact of that activity in the lowest income neighborhoods at the city resulted in the ordinance getting passed and, granted, it's just a few months old, so we've haven't seen any data on its efficacy or implementation which is still a challenge. And secondly, going back to this idea of recovery as a longer term comprehensive strategy, we're in the midst of an effort that allows low-income residents and existing residents to actually participate in new investment in the hardest neighborhoods of Oakland. Early on in 2007, Urban Strategies Council and one of our community partners began the planning for what would eventually become the Oakland

Community Land Trust. That's a new standalone nonprofit. It was started in 2009. So really inspired by the successes of our friends in Boston at the Dudley Street Neighborhood Initiative, we've witnessed first hand how a Community Land Trust model can be used to redevelop and rebuild neighborhoods in a way that actually lifts up resident voices in the development process. And with respect to housing Community Land Trust-developed homes that are permanently affordable and do so through an ongoing and active process of stewardship. So practically, what that means is that land trusts preserve affordability of publicly subsidized owner occupied homes. They promote the maintenance and long-term durability of those homes by maintaining a strong tie with those home buyers after they purchased. They also prevent the loss of scarce subsidies which ensure that the public's investment and those homes are not lost upon resale. At Lincoln Institute of Land Policy study from 2011 found that homeowners in Community Land Trusts were 10 times less likely to enter the foreclosure process when compared to homeowners with conventional loans. And so by playing that active role of stewardship, Land Trust have proven time and time again that safe and sustainable homeownership is attainable for low and moderate income families. In Oakland, we jumped on the first round of NSP funds as so many people did. With those funds, we will ultimately rehab a few dozen homes. It's really pales in comparison to the impact the investors are having in our community, but we still think it's relatively significant. And so, that really is the rub for us. The kind of community revitalization that we're involved in necessarily plays out at a different speed than the flows of global capital as a nonprofit. And particularly using NSP funds we're obviously not anywhere near as nimble as the for-profit investors. So for us, there really needs to be some way to meaningfully reconcile the disconnect between those two poles. On the one hand, the billions in investment capital lined up at the gates. And on the other hand, the community-driven place based revitalization efforts that could greatly benefit from patient sources of capital to help sustain this kind of work. And I think that it begins to get out this question of what we're recovering when we talk about recovery and for whom? So obviously, a program like our Community Land Trust does not offer the kind of returns that the hedge funds and big REO investors are seeking. But we have a different bottom line that will yield significant social returns and community benefits for many years to come. We simply use different metrics to evaluate our success. Thanks.

ALYSSA LEE: Thank you, Steven. I'm sure we all want to hear a little bit more about those metrics and how aligned there with the Land Trust are operating. And we will do that in just a few moments. But next, I would like to turn over to the Councilman from Cleveland to talk a little bit about--oh, thank you. To talk a little bit about his perspective as an elected official, what kinds of concerns he's been hearing from residents and his experience in trying to help attract investment. And the other component which is, how is the city actually empowered to help? Cleveland is one of those locations where while as a government--excuse me, while as a city experience a significant amount of foreclosure. As a government, the structure of its revenue did not impact it in the ways that many other governments were impacted over the great recession. And so, while many governments had to do significant amounts of cuts and those have come in Cleveland, subsequently, you know, during the crisis period, their government had a different perspective on their resources from the way that they had stewarded their services. So with that, I just want to turn it over to Tony.

TONY BRANCATELLI: Thank you, and I'll--I got to time of myself to make sure I don't get too far over. The--I want to thank you for inviting me today and certainly thank you for the opportunity to talk little bit about what we're doing at Cleveland. I really wasn't intended on doing a PowerPoint but Barbara kept sending me reminders to do one, so. As Justine Timberlake said so, "As long as I have my shirt and tie, I'll also show you a good time of slides." [Laughter] And you expect I was going to do the Harlem Shake or something? I'm not going to do that. The first slide was the most important for me. It was what do I want to lead off with. And that I was going to do the Monty Python one up there that I'm not dead yet. But instead, I wanted to do one that showed some of the activity that we're doing. And this one is more important because we have a world class biker in our audience, Justin Fleming in the back is probably in the middle of the pack here somewhere in his bike. But this is actually a velodrome without the roof yet. We have an outdoor cycling track in our community. And as I get into my presentation, we'll talk about how important it is to build off your assets and really try and take advantage of what's accomplished in a neighborhood if I can press it right. The right [inaudible]--just on top?

Right--right click.

Ah-ha. Okay, so this is what everybody sees. And we all know this story many times over. The Slavic Village community has--was hit hard in 2007, had the highest foreclosure rate in the entire United States. We were dealing with a lot of distress and we still are today. We've demolished nearly a thousand houses. We still have about another thousand houses that are boarded and abandoned. And what the community saw was the perfect storm of distress. And so when they ask me to talk about the concerns of our residents, I really want to do it in a sense of community strategies and what we talk about in this panel, which is to ensure the quality of life. And when we talk about the change in profile of communities, quite frankly, I'm agnostic in terms of homeownership or investment or rental. It really is around ensuring the quality of life. And when I talk to residents, we hear all the stories that people are concerned about. In looking at our typologies in the City of Cleveland, we have some very strong markets at Tremont, Ohio City, University Circle. But the majority of the housing market is dominated by what we see here. It's dominated by distressed properties, abandoned properties, properties that are dragging on, and quite frankly, properties that should not be recycled. These are 800, 900 square foot shacks that were built during an era when we needed to pack our industry full of employees and get immigrants here, but they're dysfunctional in today's market. The residents are concerned about being under water. They're concerned that they can't make investments in their own property because they can't get loans for roofs, furnace repairs, driveways, any of the common things you may do in your community. So these residents are under stress and they quite frankly feel like prisoners in their own home, because they can't go anywhere. They are so underwater. Their properties actually have a negative value. The criminal activity that we've talk about throughout these sessions is daunting. I think that the statistic that was talked about earlier for every house, the criminal activity goes up exponentially. You can see that. And the collateral damage that happens from this and abandonment that happens from this is pretty earthshaking. So the residents are concerned. They're trying to find and understand how we allow this to occur. And let's be clear. What happened in Slavic Village and in many parts of Cleveland was fraud through investment that happened out of Wall Street, and we have to figure out how do we clean up this mess. So when we look at the dropping population, the undesirable conditions that we have to try and bring other people into our community, we have to try and figure out how do we attack this. We're attacking it from a number of different ways. And from a local level, we're attacking it with resident engagement. And it's been pretty interesting to see residents step forward and do things like painting over boards cleaning up around houses, improving the security around vacant and abandoned properties, getting our block clubs engaged. Before I got involved in politics, I spent 20 years as the director of Slavic Village Development, and we had nearly 30, 40 block clubs working through the Slavic Village neighborhood. So it was important to get the residents engaged, but also to get them understand what we're dealing with in this market. And so what the residents' concerns about the churning of the real estate is not as much a matter of whether it's rental or homeownership. It's a matter of the quality of people coming in and out and who is managing that. And what we're seeing within the base roots of our communities are things like our school system, which is turning over 35 percent of its population in the same year. So if I have an elementary school that has 400 students, and I'm going to lose over a hundred of those student in one year and another hundred students coming in, that causes a social disruption within the community of the residents are begging for an answer or trying to understand how do we stabilize our housing market? And the other component that the residents are concerned about are not being left behind. We all talked about scarce resources on our community. We've talked about working in model blocks. As an elected official, those are taboo subjects. You don't want to say to your neighbor, "Sorry, we're not going to get to you this year." They want to hear answers on how everybody is going to be affected. My responsibility is to be able to articulate a clear opinion of what model block investment means, how it can impact it, how we can drill down, and how we can understand by working in model block strategies that will benefit the entire neighborhood. And that's part of the strategy that I've been working on with our nonprofits to understand what that means. Certainly part of what the residents have seen is that we're not shy and we're fighting back. We've had a significant number of convictions, number of people going to jail from mortgage fraud that occurred in our neighborhood and we're going to continue to do that. And as long as the residents see progress moving forward, they understand that that means something to them. And I think I hit--there we go. So the next component I want to talk about was attracting private sector and some of the issues that we're facing with that. And the key part of that is what we're doing not just for the private sector, but for the entire neighborhood, is how do we promote our community and build off the assets that we have? In these photos, you'll see some Rails to Trails projects we worked on. One of the components that we're promoting is Active Living by Design. It's very important to us to understand where we want to be as a neighborhood. And understanding that is really trying to have a basis of where we were, where we're going, and what can we do with the assets that we have. Investors have been very shy. They've been burned before. They've--a number of investors have dead projects that aren't going anywhere that need cash infusion to make them work. Investors have been giving homes back themselves. Saying that they're underwater, the market dynamic doesn't work anymore. And they're nervous about where the bottom is and I kind of disagree a little bit earlier I--we haven't hit bottom yet and I think the worst is still in front of us. And whether you call it shadow inventory, whether you call it bank walkaways, whether you call it strategic defaults, we're still seeing an abandonment rate that is extremely high in the City of Cleveland and in many of the Midwest cities. What--some of the other issues that we're facing in terms of land cost, issues we're facing in appraisals and property values are exactly what investors are concerned about. We have actually have gone the other direction. Realtors have walked away from the market because there's not enough money in the market for them to make a living. The property values are so low that the realtors have decided that they're going to promote some other way in some other community. And so, in Cleveland and especially in Slavic Village, we're seeing part of what was a strategic investment. Realtors going out and bringing people into our community has now people have walked away from. Investors are turned off also about the high cost of doing business in the city. So as many layers of bureaucracy that we're working on, those investors are saying, "Wait a minute, I'm paying for trash fees, I'm paying for increased water bills." And so, they get nervous about that. But we do have--if I can--we are continuing to work with our investors and work with our community and work with a number of partners to look at what is recovery look like. And that comes through good sound planning. We're pretty blessed with working with NEO CANDO from Case; NST, our Neighborhood Stabilization Team that goes out on our grassroots level, door to door, understanding what the market conditions are. We're working with private investors. This is what we call the Slavic Village Recovery Project. We're working with Safeguard Properties, Forest City Development. We're bringing them into capitalized and safeguard ability to capture properties from--as a servicer put them back into the market and trying to figure out what the market could look like if you have a concentrated investment and concentrated areas with the key core partners that have patient capital. We are doing this in partnership with a number of other players including groups like Cleveland Housing Network or using Low-Income Housing Tax Credits to invest. We're doing this with Neighbor Housing Services who's been a critical player in our recovery strategy, both through their workout programs with Year 16 projects as well as their foreclosure prevention and their counseling programs that they have. So between Neighborhood Progress Inc. and our other partners we've been able to capture the concept that can say "what is reinvestment look like" and be able to identify through a good planning and identifying the demands. The component that--the last piece I want to talk about is what the city is doing. And we've been working very closely through our co-enforcement partnership. We've been working through a program called "Emergency Vacant Property Inspection Initiative." And both of those have really looked at ways of drilling down on vacant and abandoned properties. The Emergency Vacant Property Inspection unit was put in play last year by the mayor. He set aside about a million dollars to look at how we can go in and inspect all the vacant and abandoned properties. We've inspected about 8500 properties already. We've condemned about

4500 of those. Since 2006, we've condemned 15,000 properties and demolished 6500 properties throughout the City of Cleveland. We've also created what now from the vacant property initiative to the Rapid Response Unit. And the Rapid Response Unit is going to go out and inspect after foreclosures, look at the share of sales, and go after bulk holders and others who are buying properties. And we're also commissioning a study called the “case for demolition”, less about destruction, more about growth, working with Nigel Griswold and Tom Fitzpatrick and others who are going to be engaged in looking at the analysis of how important demolition can be in our recovery. Our partners include many other, both private as well as public partners. One of our biggest partners is the county land bank. The Cuyahoga Land Bank has been a critical tool for recovery in our neighborhood. We've been able to use that tool to find new ways to capture properties through board or revision sales, through agreements with servicers and mortgage companies as well as most important one, is our partnership with HUD and Fannie Mae. We understand that if we can take those low-value properties off the market, keep those from being insured, we can make a big impact in our community. Well, we're also working with the county and strategically selling tax liens as well as working with the state to see if we can expand a loan composite tax credit because that's a critical tool in our neighborhood for recovery. The most important and last tool that I want to talk about is demolition funds. That is the most important tool that we have. We know what the gap is, we know that there's a significant more number of structures that need to be demolished than can ever be occupied. When you start looking at the gap between the population that we had in Slavic Village at one time, we had 70,000 residents, today we have 23,000, we have significant number of structures that need to come down. We will never built confidence in the private market if we don't tear down those houses. We also have to save the community for those who have continued to pay the mortgage on time. For those who want to continue to make a stake in their community, we have to tear down those properties. So our last piece is pushing for--moving some of the hardest Hit funds that aren't being used to use for demolition, continue to push for the support restore our neighborhoods act. We just did a press conference with the Congress--Congressman Joyce, Congresswoman Fudge and Kaptur, and pushing that, and so those are the key tools that we need for recovery. [Inaudible Remark]

ALYSSA LEE: Thank you.

TOM EGGLESTON: Last night as I get off the red line and walked up the metro station, I literally bumped into a middle-aged woman and learned Tina's story. She had been homeless chronically. She currently lived in a single bedroom apartment with four women in total. And it became very quickly clear that the economics of housing occupied her life. And as much as I think, I think about housing, it was very clear that she had a perspective that I can't address. My perspective comes from really three different roles. I was the former CEO of the seventh largest private home builder in the US. And so, we constructed about 2700 houses a year. So in some sense, we are part of the problem. And then I worked in the National Network of REO Brokers, and we handled the listing and sale of REO properties, and also did individual asset acquisitions. And currently, I'm the CEO of HouseKey properties. And so, we're in the business of acquiring single-family rentals. Our panel agreed, we would try and be very practical for you. And I want to keep my end to the bargain. And my premise is that we can jump ahead of a freight train, that is the radical change we're now seeing in the housing industry from even a year ago when the Fed White Paper REO-to-Rental was first published. And perhaps like the Indian scout out ahead of the troops, some arrows were fired. But I believe the premise of REO-to-Rental was more valid today than ever. While we are meeting this morning, Case-Shiller announced the price increase for homes in 2012 at 6.8 percent, a dramatic increase after series of increases throughout the year. We've also very well aware of a strong and, I believe, elastic demand for those single-family properties for rental. And then finally, the opportunity for truly professional property management is available now like it's never been before. So clearly, the single-family market rebound presents for us as a team together trying to solve this crisis an opportunity. 1.9 million households are no longer in negative equity as a result of the price increases since that's occurred. So that risk of strategic default for at least those homeowners has been postponed, if not, relieved altogether. You heard Sean described what's been talked about in the 10 billion dollar range of equity being raised by large capital groups which could reach 20 to 40 million dollars in equity. What's different about that opportunity that I want to emphasize is they also are counting on bank borrowings or lending from major institutions, Citibank and Deutsche Bank have already done their lending to two of the groups. And to qualify, generally, you need an asset value at 50,000 dollars or greater. So if you buy an asset at 30,000 dollars, put 20,000 of renovation in, that is your 50,000 minimum. That's as low a price point as you can buy. So we'll talk a minute about a couple market examples. But that is not that urban tough market lower price point asset, that's the focus of those investors. And so we now this new asset class, call it 40 billion of equity, 40 billion of leverage or debt, and then some of these ventures have already gone public, so they have additional revenue, call it a 100 billion dollar opportunity. So over the period from November to November 2012, we had a 75 percent increase in investor purchases. Part of what we haven't spoken much about today is that a big source of selling to those big groups will actually be investors who bought in 2009, 2010, 2011. That it's not just REOs and short sales but its investor small ones selling to other investors. Because really, what you have is until the moratorium in November of 2008, you had a run rate at about 100,000 REO sales per month, peaking as high as 150,000. Our run rate since the fall of 2008 has been closer to 50,000 a month. So the solution, the release of the excess supply is clearly not coming from REO sales. Let me take Atlanta which has been talked about already as a case study. It's clearly a community bank Mecca, so a concentration of FHA loans and capital groups have now come in to acquire. Just a word about the process, if you're going to buy in Atlanta, one of sixteen counties in the MSA, there's one sale day a month, that's the first Tuesday of the month. The sale starts at 10 o'clock. There could be 20 different law firms that have lists of properties that are due to be sold at that trustee sale and so you bring a group of buyers and stand in the sleet or the snow or the rain outdoors, outside the court house steps, and that's repeated. So if you're trying to buy in Atlanta, it takes 75 people to be dispersed to all these sales to handle those purchases. Can you imagine a more inefficient way to transact business? Frankly, Florida [phonetic] got it right. It's done online there. In Las Vegas, it's done every morning, but live and should be online there at auction.com or others can play that role. What's happened in Atlanta, however, is an 18 percent price drop in 2011 now has followed by 10 percent price increase this past year and a current run rate at about 1 percent a month of price increase. So you have a full-fledged price recovery in those counties outside of Fulton. So for a moment, think of the doughnut when that Cobb, Forsyth to the south Henry, Newton, Clayton to the west, Douglas, that's where the greatest buying activities occurring and that's where the price purchasing with single-family on market at MLS of less than 30 days. And the other thing to note in Atlanta is the emergence of professional property management. And that's part of my takeaway from today is there are now firms that are delivering the same experience for a tenant in single-family that you expect in multi-family. And that's where the industry needs to go every quickly. It's an industry populated by 38,000 mom and pops, most are realtors who have less than 25 properties they manage. And it's time that we change that expectation by tenants and owners. So here, a couple of practical ideas. We currently have a first look program on the home path, home steps, and HUD Home store sites between 15 and 30 days. In order to create an incentive for not just large investors, but any investor to purchase a property, I propose a second look program after we standardize the first looks for homeowners, government agencies and not for profits. Let's create a second 15-day period for investor who's going to agree to a deed restriction of five years of leasing the property with it--provide so that he can sell to the tenant as his one sale during that whole period. That aligns with the investor criteria. So what they're looking for is to take advantage of the REO trading at about half of the replacement cost for that property, a market trading at 30 to 50 percent below the peak price and their willingness to enjoy the cash flow of 5 years up to 8 years or longer of that asset. So really, it creates an emphasis on continuity of occupancy which is what we all want to preserve that asset. Second idea would be to provide a stipulation that would go with the property that the property be managed by professional property manager. So what do I mean specifically? That property manager should have a minimum 5 million dollars of general liability and professional liability insurance. To be prepared not just from their own pocket, if they're a mom and pop, but really with insurance backing for any claims by their--about their misconduct. They should have a back office system that exists today where a tenant can pay online, where a--his current status of a repair complaint can be checked on where everything is electronic as it again, it should be. There should be a 24-hour emergency line for any repairs. There should be a license real estate broker running the property management firm. There already is one national firm, real property management that has about 75,000 properties under management and now, the emergence of a number of other firms with that same capability. So those would be practical changes to jump ahead of the freight train, to be proactive, and to create a tenant experience which we think is timely and it's due in 2013. Thanks.

ALYSSA LEE: Okay. Thank you. I'm going to start with the random questions and then I'm going to open it up to the audience who ask questions as well. So I'd like to first start with Steve and ask you a question. I guess Tom has left us off with a perspective of what an institutional investor might need to improve their performance in a market and their ability to stay in a market. Can you tell me a little bit about your perspective around what, as a nonprofit, you would need to improve your impact in your community?

Yeah, that's a very good question. Like I said, we were--we've only been using NSP funds so far so the restrictions of that program and all combined with the startup nonprofit in a space that--you know, in Oakland, there was really no one else that stepped up to the plate to apply for the NSP funds. So there was just really no infrastructure in place in the city to do single-family scattered site rehab. And we frankly have struggled with it and property management is definitely a significant issue for us particularly in the neighbors where we work where there is significant crime. Every single property we own has had some sort of vandalism, copper pipe stolen out of it. At once, we’ve done the rehab just really significant issues that one--that kind of concern that Tom’s raised.

Can you address the question, "Have you had a similar experience and the ability as a city council person working with city government of restrictions around whether city can actually do to help put processes in place or things that they're restricted to do to help with this problem?

Well, we've been at--relative to NSP we've been very successful in using our NSP dollars and getting that on the street and living within restrictions. But I think in terms of dealing with the ongoing issues around abandonment and crime that happens on it, we've enacted some new laws around scrap requirements for scrap yards and trying to put restrictions for people who bring scrap bit material into scrap yards. We're now going to a daily reporting system for every scrap yard and putting some restrictions on the type of scrap that could come in, so we've been managing around that. And then we've also--on the local level, we've been working very closely with local block clubs and having them help us kind of be a guide, security guide, with keeping an eye on property. And we've had a very good relationship with the services in their community to make sure we know who the services are so we could stay constant contact with them.

It's great. And Tom, I wanted to talk with you just a little about your perspective around the use of technology to improve the ability of investors to engage in the market?

TOM EGGLESTON: Well, I mentioned the advances that have been made in technology for property managers. And really, it set a new standard, for sure. Propertyware and AppFolio were two examples of solutions which worked beautifully and really create a transparency for the owner as well as for the tenant in the information about a property. I mean, can you imagine living in an apartment building and calling with the repair request and being told that you have to call Mrs. Brown who owns that apartment, right. And that's what the single-family renter puts up with when it all should be standardized. And so, that's fairly recent. Those now are fully scalable. They're all mobile. They are web-accessed. So that really presents and even the small property manager can embrace that technology. I didn't mean to suggest you have to be of a certain size to deliver that level of professionalism. I'm simply arguing that there is now a new expectation, and it would take pressure, frankly, off from municipalities having to enforce restrictions on landlords if those properties were instead professionally managed.

ALYSSA LEE: Thank you. I'd like to open it up for questions from the audience.

Everybody sleeping after the chicken.

[Pause]

JIM BROOKS: Thank you. Jim Brooks, National League of Cities. I want to start with a comment that Councilman Brancatelli made in his remarks where he acknowledged that from the city's perspective, that in Slavic Village in his case, he can really be agnostic about some of the issues we've started talking about, about ownership by individuals and ownership by families and ownership by investors. And I think actually, that's the interesting place to start here because it goes to the presentation regarding Oakland about the new nonresident, or excuse me, non-owner registration rules the city is trying to bring those partners, those investors into the table for the purposes of making them not only in the community, but of the community. And so, the nature of my question is this. So many cities have a first-time home-buyer, credit or program. So many cities have some kind of incentive for owner occupants where there might be a break on their property taxes. So many cities have programs where they will provide small stipends to owner occupants to refresh their homes particularly that are--for residents who are moving across generations so that senior citizens can remain in their homes longer and keep them up. And so, that kind of focus on the individual homeowner occupant is the strategy that we really need to be embracing here, a greater effort around the partnerships, particularly on the part of municipal governments with the investors. If you're going to have an ordinance like the one you talked about in Oakland that is going to try to register these investors and hold them accountable is there an additional incentive you can bring to the table to cause them to rationally want to come to the city government particularly around rehabilitations of some properties. Is that really the strategy we ought to be employing more of because this is the ground we are living in and we can't necessarily undo it. We need to make the best case of it. I think that's where Cleveland is taking us in terms of some of the willingness to look at partnerships very creatively. So id' like to hear what else might come of that from the other presenters.

[Pause]

[inaudible]

Well, I mean, I'd thoroughly embrace--thank you for the question. I thoroughly embrace how we look at these partnerships. We understand that we have a market that requires all hands on deck. And all hands on deck including embracing both investors as well as really promoting homeownership and I think it's a--going back to the early statement, the quality of life within the community steps in front of whether you're the owner or the tenant. We should be looking for quality of life for everyone in that community and the stability to really slow the churning and--of real estate in a way that is very disruptive. So we're going to continue to work with and I--from our--from my perspective at city hall, we're going to continue to work and provide incentives for both investors as well as homeowners. We did that in the NSP funding where we were able to attract some investors into multi-family units. We're able to do some scattered-site housing and we did it in cooperation and partnership. It wasn't investors coming in, investing in the houses that needed to be torn down or houses that were marginal, invested strategically in model block areas, strategically in target areas so that we were able to get a maximum benefit for that kind of a rich--what we were putting into the skin into the game in NSP.

You know, it seems like the question has really talking about how can communities and local governments address the concerns around private partners both positive as bringing them into the community, but also the other concerns in terms of insuring that, that standard of professionalism is included. One of the questions that I have is, you know how can the community and government help in terms of creating appropriate or creating incentives for appropriate exit strategies?

Rephrase that how--I mean, I'm trying to understand the exit strategy from the capital side from the investment side?

Well, we've talked about--previously we've talked about the perspective of the investor as a holder or milker, you know, what kind of role does the government or community have in terms of insuring that the exit strategy is appropriate? And then from the investor side, making sure that the exit strategy is something that can be supported.

TONY BRANCATELLI: From our perspective, I mean we've been working closely with organizations like Cleveland Housing Network who've been doing tax credits and other partnership type housing scattered throughout and they have been a quality property manager and have all those kind of tools in place. And part of that and what we've done since we participated with them through tax abatements and other investment that they work with the tenant in transition to homeownership through good quality counseling, working with organizations like Neighbor Housing Services and others, so that as they come to the end of tax credit partnership they can transition smoothly into homeownership.

In my premise was that this single-family rental the category is really early stage multi-family. And so, if we can steer things to look like the apartment ownership, most apartments are owned by publicly traded REITs. So there's never been a trade, in other words, there would be a consolidation from a number of these funds selling into publicly traded REITs that would own single-family rentals. And--But I don't know how the municipality plays a role in that. That's just my own forecast about what's going to happen. And a REIT is designed to have consistent predictable cash flow and therefore you want to own the house for a long time. Maintain it in very good condition and generate appropriate rental income. So that's honestly what I think predict will happen. And therefore, you don't have a stage when a 5,000 house fund sells all the houses. Honestly, if too many of those happen, it would be disruptive to the market, of course. But I don't think it's likely. I think there's likely to be a few consolidators who are publicly traded REITs that will own tens of thousands of rental houses.

Just to add one thing. I note--one thing that we advocated for in many of our state and, actually, national partners when the REO rental pilot was coming out to potentially have some sort of inclusionary program in that on the back end, they could insure some disposition to it and not nonprofit partners. I don't think that's happening. But Enterprise working with Waypoint in Oakland, you know, that their long-term strategies does not been defined but they voiced an interest of having some sort of community impact that's beneficial for the nonprofit community and the local residents. So that could be a potential outlet to look at.

Sir?

[Inaudible Discussion]

JOE SCHILLING: Okay. So, yes, Joe Schilling with the Metropolitan Institute. So, this is a question I would call sort of mix and match and sort of get your reaction to this. So, I hear about this sort of creative adaptation of Community Land Trust in Oakland which, you know, historically was focused on affordable housing ownership but maybe is there a way to sort of tweak that model so that it's actually managing sort of scattered-site, you know, rentals. You know, Cleveland may--you know, sort of use land banking and, you know, there's a strong community development network there but certainly not enough capacity to handle all of the vacant properties. And then on the private sector, certainly there's a model here on the property management but could there be a product designed at a lower rate for a Community Land Trust to model those. So, it's kind of mix and match and I don't know who wants to answer that. They might just say, "Well, that's absolutely crazy." But it seems there're some great ideas between all three of you but, you know, could they be brought together in some place at--you know, at some point in time.

Well, one of the--I talked earlier about the Slavic Village partnership that we're working on with--for ForestCity and Safeguard and quite frankly is that mix and match. Safeguard is coming in, understanding that not every property is going to be turned over and become homeownership but they're going to hold and that's where ForestCity comes into play. They're going to hold the properties and put them into the rental portfolio. So, the key to the partnership was that they want to be able to hit a 2,000 house block of--2,000 houses in a number of blocks and touch everyone of them. And so that was the key to the success was that we're going to use this developmental tool as a lead tool along with the partners but that we're going to have a variety of mix of product within that. It's going to be some rentals, some for sale, some investor coming in. And so it is in fact one of the ways that we see success happening is not coming in with, you know, not just low-income housing tax credits or not just NSP gut rehab but a combination of those, but everything goes to this current house or this partnership that has a lot--has lots of different options in between. And so if Safeguard can turn some of those tenants into homeowners at some point in time, likewise, we understand that we also want to pursue the partnerships that we're looking at out there for investing in some of these poles that have been put back in the market throughout HUD, another that we want to get into those poles and be able to control what's going on within that market. We understand the first key is making sure you touch all of them, because if you don't that rotten apple scenario that was talked about earlier will continue to infect the other properties.

It's great idea. I do think you could joint venture with the proper management group and have some of the services they would normally deliver, delivered by the not for profit whether that's house inspection--there'd be a lot of things. They could mitigate some of the overhead cost and thereby reduce the property management fee. Again, the beauty is it's all now in a totally visible transparent task management system where anybody logs on can see what needs to be done in each property some multiple parties can complete those tasks. I love the idea.

ALYSSA LEE: Thank you.

This crowd is way too quiet. It must be the end of the day. That's got to be it.

Yes. If someone--

Jessie [phonetic] behind you.

KATHY HEXTER: Hi, Kathy Hexter, Cleveland State University. I feel like we're talking about different housing markets here. So, I feel like the investors are talking about one market and you guys are talking about a totally different market. [Inaudible Remark] But maybe I'm wrong. So, could you like--who's taking care of this lower level of the housing market? I mean is that our investors buying those properties?

I would say in Oakland, I mean when we--the Land Trust first started, we were dealing with the worst of the worst properties with NSP since the markets or investors are ramped up. I mean they're buying everything in Oakland. There's no--nothing is off the table in Oakland so the market is strong enough, yeah. Demolition isn't even part of the conversation. I mean the market is strong enough. No, that's what I'm saying, I mean--

Yeah, that's--yeah.

That's exactly what I'm saying. I mean it's totally--it's very different.

And the work quite frankly in a completely different side of the market or the opposite end of the spectrum. The only speculation we're getting is what Alan Mallach talked about or the milkers who were coming in and just buying properties who have never even been to Cleveland which is why a couple of them are in jail now. But just--clearly just squatting on houses that are continuing to drag on the market. So we're trying to be in front of those transactions to make sure especially with HUD and Fannie Mae and even some of the servicers and mortgage industry like Bank of America and others to--we want to step in front of that before it gets put on the market. So that we're not having to have that slow death march which inevitably happens in the week market when there isn't that demand that you have in Oakland.

Kathy, it's a great question. I was trying to draw the distinction on that value band where the asset is bankable or lendable or not. But to use the geography, it's the DeKalb and Fulton Counties in Atlanta that are where those milkers tend to be. It's Gwinnett, Cobb, Forsyth, Cherokee, even Henry, Newton, Clayton to the south where those are properties that will be qualified for borrowing and are purchased by a legitimate rental landlords who pay their taxes. So it is two universes and we tend to use the language loosely, but they honestly could not be more different.

We have an incredible challenge to continue to market our communities. And you see the marketing efforts done, and some of those stronger markets like, you know, University Circle and Ohio City and others, but the CDC movement has really been a proven tool to continue to promote what's going on in our communities, and there's a couple slides that I have where we have to continue to promote our assets and each one of our communities to show that we do have a vibrant community worthy of invested and to convince people not to walk away, and also to convince new buyers to come in. We've been able to churn a lot of the low-value properties. In Slavic Village we call it Neighbors Invest in Broadway, and [inaudible] where they call it an arts district. I've forget the name of the housing program. But they've been able to get folks to come into these low-value homes, build sweat equity and start showing homeownership rates increase, and stabilize the housing markets to those low-value properties as well.

Great.

[Pause]

SIBYL SLADE: Sibyl Slade, Federal Reserve Bank of Atlanta. You were speaking of the low-value properties and I was actually interested in knowing who is actually extending mortgage credit for those low-value properties for homeownership--the homeownership that you just mentioned?

What we--we've done a couple of different programs. Neighbor Housing Services have been one. We have organization called CASH in the City of Cleveland that has also been able to provide loans and also the Cleveland Restoration Society has also been able to help on the purchase rehab loans as well. So through a couple of smaller nonprofits we’ve been able to do that, and then also working with a number of lending institutions with credits and small pools of money, the lending institutions as well. The County Land Bank has been a real strong tool in doing deed and escrow programs when we have houses that don't need a lot of work. We've been able to put the deed and escrow, the homeowners building equity on their own and then turn it around giving them the deed once the work is completed. So it's a number of different small tools that we've had. It hasn't been part of the big CRA agreements or any of those. It's been mostly on a local level that we've been able to create those tools.

[Pause]

So, it's interesting. The question that I have, I think everyone up here at some level is talking about property management as well. It's just a question of what that means. And in some cases it just means making sure that the property stays in the community, or that the property is demolished so it doesn't stay in the community. And in other cases, it means figuring out a way, and use in a new--a new structure by which that property can become a part of a scattered-site approach. Can you talk a little bit about--I think you've mentioned a little bit about the difficulties of working with scattered-sites? Can we have a conversation about just the fact that these properties while it concentrated in the neighborhood and what you've been discussing are still individual properties and the difficulties around. You've talked a little bit about acquiring but also around managing these kinds of properties?

I'll start it off. I mean, to be honest, the trick is really to do anticipatory maintenance. So when you first have the property after acquisition, you want to do all those preventative things that Sean said, you're adding to the value of the asset. So if it needs a new roof three years from now, go ahead and put on the new roof, right? If you got space over the garage that you can create a family living space, put down the carpet, add the heat and air, and it becomes a new square footage for living for the tenant. So you do everything you can before you start to market the lease to improve the property. So that's really step one. Step two is, every 90 days you inspect the house. There's no substitute for being on premises, seeing how the house is lived in, part of it is to help the tenant. If you see grease splatters on the range, that's a risk. So it's--you call that out with the tenant and help them understand that their--either cover their grease cooking, right. I mean, fairly elementary things. But it's a very proactive approach to property management. That honestly is the only way to manage hundreds of scattered properties.

Scattered-site housing management probably the most difficult around. It's at--you know, the high-rises are easy, relatively. But scattered-site in terms of staying on top of the market is a real challenge and nothing substitutes. As Tom said is a feet on the street, being able to go by enough times, be able to inspect it enough times, and certainly vacant properties are just a huge risk and a huge liability and quite frankly uninsurable. And so, it really is engaging residents, but having a good property management system in place that you can go by. We have some good servicers in our community. We have some good property managers through our nonprofit partners, like Cleveland Housing Network. And the other component of property management, which we haven't talked about, is vacant land. And the city has taken on an enormous task of managing vacant land. All the land goes in--most all the vacant land goes into the City Land Bank. The County Land Bank does manage some, but it move it, transitions the deed to the city. And I think last year in the City of Cleveland we did something like 45,000 service visits on vacant land and cut them and keeping them clean, which brings up a whole another component of what it takes to manage abandoned land. So demolition has a downside. It also, not only, you know, we're--it's great that we remove the blight but then we have to manage the vacant land. On the City of Cleveland has been very creative, working with our nonprofit sponsor like Neighborhood Progress Inc. and the other foundations. We've been able to partner and do what we called re-imagining. And re-imagining has really helped us--helped people expand their own houses with a side yard expansion. So they now have a bigger plot of land. It's been very creative. And looking at how we do urban agriculture and urban farming, I think I've talked to somebody here today about Chateau House, which is a vineyard of a--it's going to producing wine pretty soon. And then, we've been able to do urban agriculture to pretty high level. So, we've been looking at managing land a lot of different ways. But vacant land has also been a priority for us to deal with, as well as working with our other partners like the sewer district who's now looking at ways of getting water out of the sewers and into the table-shed as it should be, and cutting off of overflow.

You know, one of the things that I've been thinking about here as we've been having this conservation is, you know, we have, well, larger investor at the table. We have a city official and a nonprofit. And my question is really, you know, what's the role of the small investor? The person that lives next door to the house, that was recently abandoned and decided that I'm going to take care of at least the property that's right next to me. I'm going to make sure that it's going to, you know, come up to standard and be a manager of this place and steward it in my community. Can you talk a little bit about small investors? Have you had that experience in Cleveland?

We've been--We've been promoting small investor quite a bit. They're an important part of our recovery. We understand, nothing has had--no disrespect to the large investors, but nothing beats the local investor who has a stake the community at least an area or has investment within strategic part of the community, says, I want to be in the Tremont area, I want to be in Slavic Village area. In fact, to the County Land Bank, we have a specific category of investor purchase properties. Slavic Villages has been offering, and working with local investor as well, with pretty much the same caveat of, you know, here's what our minimum standard. That's what we expected to invest in the properties. And it's worked out well. Our single-family housing, even in our worst markets, runs very well. And I think we've heard that from other panels. In Slavic Village, they owned some 300 scattered-site single-family houses and their occupancy rates are 100 percent. And so, that's one of those convincing factors that we need to continue to take the bad houses off the line and really squeeze that supply and demand issue. But the small investors have been a big part of, you know, finding somebody who's buying five, ten properties. The other component of that is most of them are cash. They don't have to rely on bank clients to succeed but they worked out a cash flow and they've been able to work a house at a time and get them back in the cash flows. So that's how--it takes some of the pressure off us because we don't need to have a big pool of houses go into a partnership or to an investor. It could be the smaller investors who come in and work strategically with us throughout the neighborhoods.

You know, one of the questions that I have, we've heard a lot of great strategies and some great ideas on how to combine these strategies, but is this enough? What else do we need to do at the local level?

I would just--

What kind of assistance do we need?

Well, I would--I mean, I'd spoke about it a little bit. We need the federal government to continue to step up. I mean, in markets where you have such an excess supply of distressed, dysfunctional, obsolete housing that's dragging down the market, we have to take that offline. We can't let it churn to out of country investors who have no intentions of making any legitimate investment and we have to be able to look at--being able to pivot. We know that the Hardest Hit Funds in Ohio have not been used, very--used very little. So, let's take those resources and put them back to good practical use in using demolition. We need to also continue to work with our GSEs and make sure that GSEs--we've had some hiccups with the GSEs and not wanting to dispose the low-value properties but we have way too many occurrences of when they did dispose of low-value properties to investors that's not been successful. So, you know, I looked at the models that are out there and there are some very good successful models, but we need the resources and the backing. I mean, the state laws that are out there need to firm up homeownership or ownership period. On a local level, we've required--if you buy a property in a corporate--in a corporate name, you need to register that corporation with the State of Ohio instead of having XYZ Company. It's XYZ Company that's registered with the State of Ohio so we can find you. But people have been dodging. And so, we need the State to--step up and enforce those in a much--a much greater level. We don't have enough resources we've talked about. The easiest thing is to have the city come in and take on responsibility in boarding and cutting and maintaining. But we don't do a good job of collecting because we can't chase people down and we need to toughen the laws. If you're going to own real estate, you're going to be responsible if we have to come in and maintain. And certainly, we've passed on laws that if you had a condemned property, if you dump it, you're still going to be responsible for that demolition if you dumped it to a party that we still end up demolishing later on. So we have to put laws into effect that continue to hold people responsible. As much as I'm an advocate for investor property, the investor needs to understand his responsibilities as well.

You had a question?

Yeah. Sandy Johnson, Camden Redevelopment Agency. My question goes to REOs and the first program where banks, you know, were to turn over properties to responsible parties. In our NSP2 grant actually, the REOs were not in our census tracts even though we signed up for the first part--first program. So my question is this. Does any panelist have an experience with REOs in the first program and/or second iteration of first program? And if so, what were the challenges and how did you overcome them?

I think we've purchased probably half of our acquisitions through the National Community Stablization Trust. So, once that came online, it was definitely made our process a little bit easier. But I think for the, you know, 20 or so acquisitions I can think of, we've looked at over 400 properties and we're--even in 2009, 2010 being outbid by investors and having a tough time just spending the NSP money, so.

Yeah, we did not have a difficult time spending NSP and so our requirements to the County Land Bank is, we were taking all the HUD low-value properties and we didn't have a choice of picking which ones you want or didn't. So we took them whether they were in a target area or not. We took all of them in the county area but we also had to use our resources, do demolition. But we have been a much--we've been much more successful in repurposing housing. Recently, I think the County Land Bank is up to 400 rehab houses in the City of Cleveland and somewhere around 600 overall in the county. So we've been able to find buyers now, get properties back online. We didn't have a choice on the HUD, the low-value properties, we took them all.

So you did use the first program?

Is it the first look program you're talking? The--

The REO first program.

This was all through the HUD houses, not the REO. [Inaudible Remark] Yeah, okay. No we didn't do the first program.

Has anyone in the room had that experience?

[Pause]

Great. Are there any other questions? [Inaudible Remark]

PETER TATIAN: Thank you. Hi, Peter Tatian from the Urban Institute. I'm interested to know a little bit more how you engage with the community in dealing with some of these things particularly, Tony, from your perspective as an elected official, and there's a lot of tough decisions that are being made, sounds like, you know, demolishing properties, putting things in land banks, so they might not be redeveloped for some time, how do you manage expectations in the community by what this process is? What kind of input do the residents get and how do you make sure at the end of the day the tough decisions are being made and everyone at least understands what's being done?

Everyone is not going to be happy. It is like a beautiful contest, sometimes you have to pick one winner and lots of losers. Well, I was blessed because I came out of the community development world so I work in our neighborhood through all the block clubs that we have and community engagement has always been on the forefront. And sometimes investors are happy about that process because when they come and look for change of views or different type of facility whether it's permanent support of housing or something of that nature, I go right to the community engagement side. Said, "We're going to do a community meeting." At the end of the day, it's my responsibility to make our decisions, but I want to get community input. When it comes to looking at how we invest within the community, we go through a process within the 5 square miles, with all the different block clubs for people who want to participate on model block to be engaged. But at the end of day, we can only so many model blocks in the neighborhood. At the same time, we look at other assets that we bring. If that's a road project, again, a road pavement is very scarce but we try and be strategic and do our most hardest hit roads first and then do them in areas that other investment is going on so that we can have a multiplier effect. So it's not just, well, we have three of four roads that have potholes, which one are we going to mill and fill, that's going to be the one that has other investments going on. But at the same time, we talk to residents to say, "As we're moving through this target area, we're going to be coming to another target area next." And so the most important thing we can do as a municipality is kind of the mod is warm, safe, and dry in vacant houses, it's--or clean and green for vacant houses. So we, you know, we make sure we cut the grass, we make sure we keep the houses secure, but in the meantime, we don't make commitments that we could tear them all down 'cause we can't. We just make sure we manage the crisis at hand for areas that don't see that model block investment going on. So working within the block clubs becomes a very important tool. The other part of that is making sure we have active and vibrant block clubs. The foreclosure crisis has churned a lot of our leadership. And leadership development has become an important tool in our community and our nonprofit Slavic Village development spent a lot of time developing new leaders. And just as an example of our neighborhood changed pretty significantly, we have a lot of younger kids in our community. So we went from vary senior just a short 20 years ago to very young, single female had a household with kids. And so our organizers started working with youth in a way that, you know, what are some of the needs? And so that's how we started working around Active Living by Design because we realized, we needed to increase the recreational opportunities for kids including having these kids design a skateboard park, be engaged in our runs, be engaged with our garden programs. So we have a program we call, Y16 which is--or P16, I'm sorry. Y16 was reinvesting in the old partnerships. P16 which is one of our educational components where we deal with kids from a very young all the way to college. And P16 has then very successful in identifying needs for the kids and both in terms of education as well within the community.

[Pause]

ALYSSA LEE: Well, wonderful. We have time for one more question or closing comments in which case, I just want to thank the panelists. I think it's, you know, really interesting when you have a group of individuals, and companies, and nonprofits, and city officials who have to face the people that have gone through these crises on a daily basis, have to look at the properties directly, and have to figure out ways to create solutions where there don't seem to be solutions. And so I want thank the creativity that's been demonstrated here around how we can address this issue and also thank you for highlighting some of the challenges and even opportunities as we move forward.

We have an incredible challenge out there and it's our responsibility to stay upbeat. I have seen some of the--my short time on council, I've seen some of the most horrific acts happen around vacant and abandoned properties from gang activities, to crazy ex-boyfriend shooting a baby, and the mother and himself in vacant properties. We have seen horrible, horrible things happen. But I think through public engagement, keeping people positive, letting people know that we're working hard makes a difference. And I know some of my partners are here today, Justin, who's in the back of the room. NPI did a video that you guys can play. You guys can watch later during the reception. It's a little music video and it has all the highlights and clips of what the community development corporations have been doing in our neighborhoods. But it's part of what we need to do to continue to build the fabric in our neighborhoods.

Got it?

Great. Oh, thank you. I would just say one more thing. I think what Tony said about leadership development is actually really interesting because that scale of displacement in Oakland between 2000 and 2010, there's a 24 percent decline in the African-America population in Oakland. And we have, you know, good portion of our city is historically been majority African-American. So I think, really, rebuilding those community ties and connecting to the residents that are essentially left behind and new residents is a key thing.

We've talked about the changing profile of community. But at the end of the day, we're all here and we're talking about--still talking about how we can build communities. So with that, I just like to have you join me in giving the panelists a round of applause. Thank you.

[Applause]