

Renters, Homeowners & Investors: The Changing Profile of Communities

February 26, 2013

Renters, Homeowners & Investors: Wrap up Session

JOSEPH FIRSCHEIN: My name is Joseph Firschein. I am the community affairs officer here at the board, and I've got 2 colleagues from the reserve banks, as Dave mentioned, Cleveland and Philly. In the interest of time I'm not going to go over their bios, because as we've been saying all along, they're in the packets. I will say just very briefly, though, that these 2 individuals and the banks that they're from have been significant contributors, not just to today's event, but to a number of things we've been doing over the course of the last several years. In the case of Cleveland, you know, as you just saw from the last panel, there's a great deal of expertise at that bank on a whole variety of topics, including neighborhood stabilization, community reinvestments and low-value properties. And we've done a lot at the board with Cleveland on that. And then in Philly's case in addition to neighborhood stabilization, there's a great deal of expertise on, among other things, industrial small, or industrial cities. There's a great conference that the Philly Fit puts on every other year that I'm sure many of you go to, and there's a great deal of discussion on these very topics. So we're glad to partner with them. So the role of this panel is very simple. We're going to take 25 minutes and we're going to do kind of a lightning round where we basically -- I've been taking notes throughout the day. I know a lot of you have as well on ideas. But we really want to make this forward-looking, so we're just going to start first with Theresa and then with Paul, organize first Theresa's mandated as panels 1 and 2, and Paul's is panels 3 and 4, and just as many ideas as we've heard as that you can think of. And they're going to start, but hopefully this is going to be from you as well. And we're just going to be writing down ideas. We're going to try to segment them by 3 basic categories of actors, 1, public sector at any level, federal, state or local; 2, private sector -- and, you know, this conference has a lot of discussion about that; and then 3, nonprofit/academic/other. And so we

just urge you as you're sitting and thinking of other things that are next steps that could be done. It could be research, it could be an idea that you heard that you think could be expanded, scaled, whatever it is. We just want to take as much of that down. And we're going to be putting out notes later on some of these ideas. We're not going to say anybody who has an idea is going to be, you know, forever, you know, held accountable. We're just getting a list at this point. We'll get you later. And then the last thing I will say while the Fed is happy to take suggestions and ideas on what we can do, both at the board level and as well at the reserve bank's level, we're hoping this can be more than just an assignment just for us, although we're -- again, we're happy to take assignments, but really to make it a broader list of ideas across the sectors that we just mentioned. So with that, I think I'm going to start with Theresa, right, if you want to come up and -- or do you -- from there? I don't know what you're --

THERESEA SINGLETON: I can sit here; if it's fine with you.

JOSEPH FIRSCHEIN: Okay, great; and then we'll just go from there.

THERESA SINGLETON: Great. Thank you, Joseph. Good afternoon. I just wanted to hit a couple of high points before I summarize some of the recommendations that I think I heard in the first 2 panels. This morning we started, and kind of the key word that I heard was "heterogeneity." We talked a lot about the diversity that exists, and how it impacts this issue that we're all talking about today. We talked about the diversity of markets, the diversity of investor types, diversity in neighborhoods, diversity in residents, in conditions. And the key take-away from that was that there is no one size fits all solution. But within that context of differences, we're asking you all to help us identify some tools and strategies that might be available to help move us forward and address some of the challenges we've talked about today. I focused on the

first 2 panels on investment. The first was one that focused more on the research end, what do we know; and the second focusing on the practitioners within the space, a nonprofit practitioner and a for-profit practitioner. I identified 4 themes or areas around which there were some recommendations that were offered, and I'd like to remind you of some of those if I could. The first was around reforming or rethinking current policies and regulations. I think there were a number of suggestions that were bandied about, and there were some examples of this later on in the day, around how we might think about rethinking or reformulating tax foreclosure process, the lien foreclosure process, how we might strengthen local code enforcement; thinking about reexamining or modernizing CRA or other federal policies that direct and drive investment. And another provocative conversation around what's really the capacity of land banks? If we view these as resources, we need to think very critically about what they can and cannot do within the context within which they exist. The second area or theme that at least I identified was around creating incentives. And there were a number of goals that were identified today. If our goals are to work to bring homeowners back into the market, what are the incentives that we can put into place in order to make that happen? If the incentive is to bring the middle class back into some of these communities, what are the incentives that are needed there? And how do we create those incentives and how do we make certain that those incentives are aligned with the diversity of stakeholders that are engaged in this issue? The third point is more of a point, more of a theme, and there weren't recommendations that were identified, but there's this -- there was a conversation about how this is a much larger issue than just housing, calling into question this whole notion of comprehensive community development. We talked about issues of education, issues of employment, and how that's really playing into these conversations about foreclosures and neighborhood stabilization. So what does that mean if we've got this -- a problem that's

larger than housing, how do we put together the collaborations and the resources that are needed to address those issues? And then lastly -- and I think we spoke a little bit -- Joseph brought this up, is around data and research. We didn't talk a lot about this, and some of the conversations were about the -- more on the anecdotal side, but we did have some good data that we shared today, but the question is do we have the data that we need and are we using it in the most effective way? And so I guess that would be my last question that I would throw out there before we start talking about those panels, what's the research that is needed, how are we using the data that we have, and what is the data that's needed? Paul.

PAUL KABOTH: Do you want -- just as a process question, do you want to take suggestions on those, or do you both want to do your framing first and then we'll open it up?

THERESA SINGLETON: Let's do the framing first and then open it up...

PAUL KABOTH: Okay, sure.

THERESA SINGLETON: ...if that's fine.

PAUL KABOTH: So I have the second 2 panels, and the first of the second 2 panels this afternoon was on, you know, the community responses. And the themes to me that came out of that were quite clearly the broader measures of I guess success or revitalization. And those measures were more social or community oriented. So from a community perspective they weren't looking at, you know, net operating income or ROI or those types of things. It was more about community engagement and making sure that there was continuity in the neighborhoods, continuity in the schools. The second thing that came out of that panel to me was that the communities have used a variety of tools, you know, such as investor registration, partnerships for code enforcement, which we also heard in the last panel. So there was this idea that there are

tools in place, there are ideas that communities have either tried successfully or experimented with to try to drive the behavior toward this, again, more socially community oriented responsibility. The third theme was the idea of professional or my word, "responsible" property management, and how important that is as both a solution to some of the problems that we've seen through research or anecdotal experience to low-value properties or vacant and abandoned properties, and that it's not that much of a challenge. When I say, "Not that much of a challenge," that with the use of information technology it becomes -- the property management and the issues around property management become very transparent, both to maybe an absentee owner, as well as the tenants. And then the last theme from the community panel was the need for broad partnerships to address these issues. I think that came through -- well not directly, but very clearly from, you know, the folks that are working in the cities, whether that's from a nonprofit, or city council that the problems that communities are facing with vacant and abandoned property require a broad partnership to solve, which sounds obvious but, you know, for example, the idea that, you know, Oakland put together a land trust that has partnerships there. The example that Tony gave in Slavic Village, which was a public/private partnership with safeguard properties, and for city enterprises, that these larger scaled problems require larger scale responses, which then require broad-based partnerships. And while I don't presume that you forgot, I'll summarize the last panel, at least in the themes that I heard. And one that it's maybe not a theme, but a point. So I had to look up heterogen-- what was that?

THERESA SINGLETON: Heterogeneity?

PAUL KABOTH: Heterogeneity; okay see I can't even say it so I'm probably in the wrong business. But so my orientation on low-value properties; so this panel was very focused on a specific area of the market that doesn't work, low-value property. And my panel -- my

orientation on that thought process was that it was generally an urban problem, that it was generally in cities with declining populations, which it is, but it's more widespread than that. So that was illuminating to me that we have this problem whether they're in declining or weaker market cities as well as stronger market cities. But there were 3 themes that came through very strongly for me for the last panel. And I think it was clear through the examples, the idea of planning, that the cities that provided examples, Cleveland, Detroit and Baltimore -- you know, Baltimore had a 6-point plan, which required a lot of analysis. So there was a lot of thought that went into that, and a lot of use of data. Detroit had a long-term plan, the Detroit Works, the idea of looking at a longer term solution to the issues that they had. And, again, there was a lot of data and a lot of analysis that became part of that. And then of course the example that we had from Cleveland, which is the NEO CANDO that Tom showed, was the use of data in terms of how do you aggregate properties and how do you be responsive in this idea of a public/private partnership; which is the following theme that I heard, again, very strongly from both of the panels was this idea of public/private partnerships or interactions to solve the problem of low-value properties. So in Detroit you had this private individual or this private organization come to do the Blight removal. And in Baltimore you had this mixture of incentives and penalties for redevelopment. So while we would think of code enforcement as something that is a penalty, something that is forcing behavior, which it does, there was also this mixture of incentives to work with the city for redevelopment. And then at last the one example that I would pull from Cleveland would be the idea that the land bank has this deed and escrow program. So even if you're not experienced in rehabilitation or redevelopment, you still can forge a partnership with a governmental entity to achieve kind of the revitalization that you look for. And then the last thing that I took out of the panel was that even with all of these types of policy options, the

partnerships, the incentives, the penalties, there are still parcels that remain; right, there are the other parcels, the stuff that's leftover. And those require much different orientation and much different solutions, and often that is demo. And while that's not a very popular subject in many cities, certainly when you're looking at themes of trying to build community engagement, it is a necessary tool in many cities that are in weaker markets with these extremely low-value properties that don't have value, that actually are just costs. So I'll stop there. And I guess -- okay I'll turn it to you [inaudible] --

JOSEPH FIRSCHEIN: Well, I mean, so I'm -- whoa. So I think what we should do is -- I mean, let's just open it up. So people have mics and, you know, if people want to even suggest more than one. I just think, again, let's be as specific as possible. I see a hand in the back there, and then we can go next. And we just -- if you want you direct it to anyone, or just make a statement, we can just go from there.

I guess a couple of observations for the Fed to take home; the thing that really struck me today is that foreclosure impacted neighborhoods to a certain extent have fallen out of the headlines. And what today has brought home for me is the fact that there are still really serious areas of disinvestment that, you know, communities we've heard from today are really working very hard to address. But my question is how do you keep them in focus and how do you bring resources at a time when it's not the national crisis that it was a few years ago? Second --

PAUL KABOTH: Can I ask a clarifying question there just to be --

Sure.

PAUL KABOTH: So do you mean resources to the foreclosure problem, the foreclosure issues that remain, or to the effects of foreclosure?

Effects of foreclosure; the recovery from foreclosure. Second, on Raven's data, much like Mac, I was really just sort of on the edge of my seat when she stopped, and I really encourage that the Fed take a look at making the dataset available, really taking the next step and looking at the data to see if there are similarities. I was particularly intrigued by the -- I think it was the middle column on the suburban areas. If you looked at some of those, the statistics were tougher than they were in the urban areas. And I know one of the things that we see I'm from Minnesota in the Twin Cities areas is that sometimes the areas that are toughest to address are those where they're in a small suburb that has very little staff, very little traditional resources, and yet the housing stock is as old and the vacancy rates are as high as they are in the traditional cities of Minneapolis and St. Paul that tend to have larger staffs and more resources, that sort of thing. And finally, one thing I didn't hear mentioned at all today and that I'm terribly curious about is what, if any, impact have the Hardest Hit funds had in the communities. I know Michigan is a Hardest Hit state. I know that Ohio is a Hardest Hit state. And I'm just curious, has that just happened -- has the impact of those funds just happened separately from these recovery efforts, or have they in fact been important tools? And I also don't know what kind of data is being collected about the use of hardest Hit Funds by Treasury, and that that's a -- if there is a dataset there, that's one that may be rich for some additional research in the future.

THERESA SINGLETON: Right.

JOSEPH FIRSCHEIN: That's great. And just we're not going to respond to each and every one of these, but just a comment on the second point you made about how great would it be to get Raven's data. So for those of you that didn't see or hear the speech that Governor Duke gave in New York -- what was it, Amanda, October of 2012?

AMANDA ROBERTS: [Inaudible].

PAUL KABOTH: In New York; we made --

At ten a.m.

PAUL KABOTH: That's scary that you knew that. [Laughter] So Raven's data was a big part of that speech, and did something a bit unusual. We actually attached to that speech a dataset. It may not be the exact dataset that was being discussed, but to the extent that that's not enough and people still have questions, just let any of us know and we'll see if we can make that available. And then the point about hardest hit funds, we'll definitely put that down as a question. The name that came to mind, though, is who might know about that is your former consumer advisory council, colleague and former HFA colleague in Philadelphia who did a lot with that, and I remember he was a big -- he was very outspoken on hardest hit funds, and so that would be a starting point. But I don't know if either of you know of any work either on that issue or on anything else before we turn to the next question.

Yes. I can speak to the Hardest Hit funds in Ohio. We had worked with the Ohio Housing Finance Agency, and when I say "worked," we had met with them and were going to work with them on an analysis of the Hardest Hit funds. There have been some issues with those funds in that the -- I'm not sure what the appropriate phrase "the take-up rate," or the "usage," hasn't been what was expected in those funds. So the participation hasn't been great enough that we feel confident that we could do any type of analysis. We deferred that for a year into this year, and we hope that we can do that analysis. But, you know, to answer your question, is it an important policy tool in Ohio, I think the answer is no, because it just hasn't been utilized as much as was expected.

I would say the same thing [inaudible].

JOSEPH FIRSCHEIN: Okay. Let's keep the questions and the lightening round coming. I think there was one right here.

Two observations; one is we've been organizing what we call sort of a vacant property research network with support from the Ford Foundation. So we're trying to gather current scholars in predominantly academia and policy shops, obviously inventorying a lot of the work that the Fed has done. But I think there is an opportunity there to focus not only just on cataloguing the information that's out there, but try to come up with a better way of translating it so that with all of the data that's out there, that policymakers, either on the public sector, or folks on the ground, the nonprofit sector, can figure out ways to use a lot of that research and data, and actually get the word out there. And we've been talking to some folks, some of our professors are looking at impact of articles, one of the things that their analytics, in terms of social media. The death knell is for academics to write a chapter in a book. It has very little impact, and yet it's something that is great for academics in tenure. You know, professional journal articles are one thing, but certainly, again, the Fed's research and a lot of other academic research could be sort of coordinated or facilitated so it gets in the hands in a more digestible format. So certainly it's something we can all work with, and maybe more a specific strategy and how you sort of cross some of these boundaries in the public, you know, cross sectors. What we didn't talk about with Cleveland, Tony, is their VAPAC, which is their Vacant and Abandoned Property Action Council. So, I mean, it's been in place for about 10 years. We're in the process of doing a little bit of a case study about them. And one of the first things when they brought all these folks together they decided to do was take NEO CANDO to scale. And then, you know, they helped with the land bank. So part of it was on policy reforms and they kept kind of moving, you know, the ball

forward, and then the other was, you know, on the tactical side, you know, when you really get into the neighborhoods. But, you know, this was sort of a working group that has, you know, continued to meet over the last 10 years. And that concept, I think, could help someplace like Detroit in trying to implement, you know, the Detroit Futures Plan and I think, you know, in Baltimore where they've got some of the connections together. But anyway, that's, I think, one very specific strategy that we didn't talk about, but I think could be explored more in more depth.

THERESA SINGLETON: Can I just ask this? The literature -- the vacant property research collection that you all are doing, is that available somewhere? Does it live somewhere right now?

Yes; it lives in a database that we're building using the Zotero [phonetic] platform. So we can send links -- well I think right now we've got maybe about 800 articles. And, you know, then there's another group overseas when the Shrinking City Research Network is trying to populate stuff not the shrinking cities side. So but yes, it is publically accessible. We haven't done a good job of promoting it yet so that's something we need to do too.

PAUL KABOTH: Let me just -- Joseph was mentioning this vacant VAPAC, Vacant Action Council, but we have an expert in the room on that, and I'm going to call her out, Mary Ellen Petrus, actually does a lot of facilitation for that group. We've worked very hard to keep that group going. And it is a group that works across a variety of organizations. It works across multiple local city and county and local government, law enforcement, the sheriff, the courts, CDC's. And it is an interesting model. And it has been beneficial, although after maybe Mary Ellen has a glass of wine she'll give you the real story on how frustrating it is sometimes to get

things moving forward. But nonetheless, it is a model that has worked and we've -- you know, it's shared a lot of information with other communities in our district. Other ideas? No one?

Joseph, Allen Fishbein with the Federal Reserve. One of the things -- we heard a lot of good discussion on the case studies this morning, and about the investment patterns. But we also heard some discussion that things may have changed in the last 12 or 15 months with some of the investment patterns and perhaps larger investors moving into certain markets. To some extent this is an inherent problem with research. You're always looking through the rearview mirror to some extent. But I'm looking your way, and some other ways that whether there are efforts underway to kind of maybe update some of that research, at least in some cities and look to see whether things have changed.

PAUL KABOTH: Okay. That's a good one. I see over there. Yes.

DEBBIE GOLDBERG: Yes; I'm Debbie Goldberg with the National Fair Housing Alliance. So I have to apologize, I missed the central -- the middle portion of the day because I had to duck out for another meeting. But while I was in the room, one thing that struck me was that the conversation was really focused on properties, you know, what's left after families have moved out, and not very much on the changing kind of demographics of the communities that are -- in which those properties are located. And just as we think about, you know, moving forward and what additional research is needed and what strategies we might need to put in place, it seems to me that it's really important to recognize that the foreclosure crisis has had really a disproportionate impact on communities and families of color, and that we needed to recognize that, and we need to be looking for ways to make sure that those families can get a foot back into the housing market and into home ownership where that's appropriate so that they can

rebuild the wealth that has been lost. I mean, I think when we think about the broader economic issues, some -- which Mac raised I guess in a slightly different context earlier, the implications of the amount of wealth that has been drained out of communities of color are really profound, and I think very -- likely very long-lived unless we take very deliberate steps to intervene. And I think that's a piece of the conversation that at least I didn't hear. I hope it happened while I was out of the room and someone will fill me in over a drink. But if not, I urge you to put that on the agenda.

JOSEPH FIRSCHEIN: That's great. Definitely. Okay; others? We're just going to get as many as we can out anyway with just a few minutes left.

[Background Talking]

Wow, we might actually end on time. So we know this isn't the comprehensive list. I know that when Tom was talking he was -- Tom Fitzpatrick, he was saying that there's some data needs. As a researcher I know the very first conversation I think we had with Eileen and a group of people that sort of ultimately led to this, Eileen mentioned about the possibility of having some more longitudinal case studies over time, so that's another sort of to do. I know that that's of interest. So we're not going to necessarily make the list that we've collected here, the comprehensive one. I'm going to give my colleagues just a last chance if there's anything else you want to say and --

THERESA SINGLETON: No. I've just really appreciated the conversation. Thank you all for your patience and your participation today.

JOSEPH FIRSCHEIN: Yes; I would echo that, and thank you for coming. [Silence]