VISION DURING CRISIS:
REINVENTING NEIGHBORHOOD REVITALIZATION

Held at the Federal Reserve Bank of San Francisco, Los Angeles Branch, on March 1, 2012

SUMMARY PROCEEDINGS

Vision During Crisis:
Reinventing Neighborhood Revitalization
Federal Reserve Bank of San Francisco, Los Angeles Branch
950 South Grand Ave. | Los Angeles, CA 90015
Held March 1, 2012

Summary Proceedings

The Federal Reserve Bank of San Francisco, the U.S. Department of Housing and Urban Development, and the USC Sol Price School of Policy and Planning sincerely thank David Pirko and Veronica Cruz for their comprehensive and insightful documentation of this important event.

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I. INTRODUCTION[1]

Rampant foreclosure, chronic unemployment, disappearing subsidies, and restricted access to credit have destabilized our neighborhoods. During this time of great need, resources at the public, private and nonprofit levels for housing and community development are diminishing. Experience has taught us that it is during times of change that innovations and new paradigms are created. To address the impact of single family foreclosures on local economies and to identify programs that could serve as catalysts for sustainable economic development, nearly one hundred principal stakeholders gathered at the Federal Reserve Bank, Los Angeles Branch on March 1, 2012 for the *Vision During Crisis: Reinventing Neighborhood Revitalization Conference.*

Hosted by the U.S. Department of Housing and Urban Development, the USC Center for Economic Development at the Sol Price School of Public Policy of the University of Southern California, and the Federal Reserve Bank of San Francisco, the theme of the conference was Neighborhood Revitalization; encompassing economic development, job creation, and housing issues. Given the current economic environment, a natural focus of the convening fell on disposition policies for Real Estate Owned Properties (REO) and the roles of traditional and non-traditional funding mechanisms.

In the face of dwindling budgets and the elimination of redevelopment agencies earlier this year, this summary evidences a vision and it serves as a tool for subsequent conversations on the subject of the future of affordable housing to be held by the private and public sectors and throughout academic channels.

It attempts to answer:

- What key issues were uncovered
- What resources were discussed
- What solutions were recommended

The following pages provide insight into the issues and solutions brought forth by the participants in their small group discussions and the responses from the industry leaders and observers on the panels that followed them.

[1] The organizing group began planning the conference in the summer of 2011 prior to the statewide elimination of redevelopment agencies. It was the intention of the group to bring together key constituents for a discussion on financing tools or mechanisms for housing recovery from foreclosure and the need for subsequent community stabilization. As the planning process matured, the theme of the conference shifted to incorporate economic development. The role of the group was to plan the conference and produce the conference summary. Comments and recommendations expressed are those of the individual speakers and participants and not reflective of any group consensus.

II. CONFERENCE AGENDA

Welcome and Introductions

David Erickson, Director, Center for Community Development Investments
Federal Reserve Bank of San Francisco

Melody Nava, Regional Manager, Community Development
Federal Reserve Bank of San Francisco

Opening Remarks

Mercedes Marquez, Assistant Secretary, Community Planning & Development
U.S. Dept. of Housing and Urban Development

Leonard Mitchell, Executive Director, USC Center for Economic Development
Sol Price School of Public Policy, University of Southern California

Setting the Stage/Vision of Stabilized Housing

David Erickson, Director, Center for Community Development Investments
Federal Reserve Bank of San Francisco

Jim Park, Founder and Co-Chief Executive Officer
New Vista Asset Management

Reinventing Neighborhood Revitalization

James Kennedy, Interim Executive Director
California Redevelopment Association

Roadmap to the Vision *(working lunch)*

Moderator:

Ralph Lippman, Executive Director
California Community Economic Development Association

Small Group Facilitators:

Susan Howard, District Community Affairs Officer
Office of the Comptroller of the Currency

Forescee Hogan-Rowles, President
Community Financial Resources Center

Cecile Chalifour, Deputy Director, California Lending
Low Income Investment Fund

Mark Asturias, Housing Manager
City of Irvine

New Directions Panel

Moderator and Presenter:

Imran Farooq, Associate
USC Center for Economic Development

Panelists:

Orson Aguilar, Executive Director
The Greenlining Institute

Alon Cohen, Consultant
Center for American Progress

James Yacenda, Vice President and Community Investment Officer
Federal Home Loan Bank of San Francisco

Dan Rosenfeld, Senior Deputy for Economic Development
Office of Supervisor Mark Ridley-Thomas, Los Angeles County, Second District

Policymaker's Response Panel

Moderator:

Jeffrey Schaffer, Vice President and Market Leader, Southern California, Enterprise Community Partners

Panelists:

Jim Gray, Manager, Counterparty & Portfolio, Office of Housing and Regulatory Policy
Federal Housing Finance Agency

Lynn Jacobs
Ventura Affordable Homes, Inc.

Linn Warren, Director
Department of Housing and Community Development, State of California

Benson Roberts, Director, Small Business
Community Development and Housing Policy, U.S. Dept. of the Treasury

III. KEY THEMES

During the conference the speakers and participants discussed several recurring themes:

Community Economic Development

The nature of the work in community economic development is changing. In the post-recession economy most organizations have fewer staff members, less resources, and greater responsibilities. In response, it is incumbent upon all in the profession to seek new ways of working more effectively.

To prepare people for jobs and education, workforce development systems require transformation. Proper responses are inhibited by local government budgetary constraints (due to reduced revenues), the high cost of benefits for public employees, and the dissolution of redevelopment agencies.

There appears to be required willingness to explore new ways of financing. Demonstration comes in the form of more rational budgeting, successful targeting of dedicated revenues, employing social impact bonds, and privatizing the management of assets.

Human Capital Development is a promising strategy. Comparative data on regional economic hardships and the prevalence of child obesity suggest a spatial overlap is occurring between public health workers and community developers.

The Housing Sector

Housing and community development are vital in overall economic recovery efforts. A "triple bottom line" effect occurs when the housing sector is revitalized and more affordable housing is created; people are put back to work, and local neighborhoods become stabilized. Additionally important to the U.S. economy is the influence of the global market on our economic development.

Public/Private housing finance partnerships are central to the redevelopment of abandoned and foreclosure homes in economically distressed areas. The goal of public finance is to leverage private funding to achieve neighborhood stabilization and remove blight.

The roles of government, the private sector, and nonprofits in providing affordable housing of the future are uncertain. The dissolution of redevelopment agencies in

California has created a need for public policies around the development of tools to meet new goals. It will take willing collaboration to define them.

Foreclosure and Real Estate Owned Assets

Increased foreclosure activity is imminent in parts of the region. Despite the current downward trend of delinquencies, heavy foreclosure activity is anticipated. At the same time household income in urban areas seems to be increasing, while in outlying areas it is decreasing, suggesting that poverty is becoming suburbanized.

Minority communities have been disproportionately affected by foreclosure. In California sixty percent of foreclosures affected minority families, suggesting that in the current economic crisis there are housing and civil rights concerns.

Homebuyers face significant challenges in qualifying to purchase real estate owned properties. Major financial institutions hold the majority of REOs. How and to whom they dispose of them will greatly impact neighborhood conditions for years to come. Owner occupant purchasers are hampered by tightened mortgage credit qualifying guidelines and equity investor purchases are on the rise.

Half of all real estate owned properties in California are occupied. Without policies to the contrary, massive relocation of people and families lie ahead.

IV. SUMMARY RECOMMENDATIONS

The following recommendations were derived from the four break-out groups and the two panels of the conference. Supporting comments for each can be found in the appendices in section 6.

ECONOMIC DEVELOPMENT BREAK-OUTS A AND B

- Promote economic development job training, readiness and placement
- Create partnerships between anchor financial institutions, non-profits and social enterprises
- Invest in education
- Audit unused state bond proceeds and unsold infrastructure bonds
- Develop hiring tax credits for businesses
- Develop a permanent source of funding for affordable housing

SINGLE FAMILY HOMEOWNERSHIP BREAK-OUT

- Create market-specific stabilization plans
- Construct fee for service commission models
- Create an intermediary to better facilitate lease-purchase programs
- Increase capital flowing through to nonprofits

MULTIFAMILY RENTAL HOUSING BREAK-OUT

- Locate mixed use housing near jobs
- Create permanent jobs with mixed use projects in transit districts
- Revise and expand the Community Reinvestment Act
- Encourage greater use and investment in NMTC tax credits and COIN
- Incentivize developers to hire locally
- Streamline the development permit process
- Use experienced partners to bring additional intellectual capital and financing to projects

NEW DIRECTIONS PANEL:

- Use full recourse junior liens to enable regional business to evenly compete with Wall Street in acquiring REOs
- Provide special financing options for nonprofits and CDFIs to preclude recourse
- Transform the housing stock to become more water and energy efficient
- Use accelerated depreciation and tax credits to promote sustainable building standards for property rehabilitation
- Expand REO programs using local actors to tap into hyper-local knowledge
- Consider pilot programs for scattered-site asset management
- Require that investors work with non-profits or utilize a lease-to-own program on REOs turned to rentals, where there is no affordability built in.

- Encourage Fannie Mae and Freddie Mac to set rents at affordable rates and scrutinize investors to prevent them from taking advantage of low-income communities.
- Make REO inventory available to CDFIs and/or released in accordance with HUD Neighborhood Stabilization Program funding requirements.
- Ensure that minority communities are at the heart of economic revitalization planning in order to combat predatory lending schemes.
- Make contracts available to minority firms.
- Prevent negative social externalities by avoiding the ‘lowest-bidder’ practice in REO resales.

POLICYMAKERS PANEL

- Enable CDFIs to acquire bulk purchases of scattered sites in neighborhoods
- Enable CDFIs to test scattered-site projects with lease-to-own contracts
- Authorize the proposed extension of the New Markets Tax Credit program through 2013,expanding it to $5 billion
- Authorize the proposed manufacturing immunities tax credit
- Streamline the process of bulk sales and create tools for efficient and affordable sale of REOs to non-profits
- Capitalize on the sustainable development intent of SB 375 by securing more than one permanent funding source for affordable housing

V. CONCLUSION

Within our shared goal of Neighborhood Revitalization in difficult economic times the Vision During Crisis Conference explored topics vital to economic development, job creation, redevelopment, REO disposition, and affordable housing.

We learned that these components are interdependent and that comprehensive neighborhood revitalization is only possible through understanding and defining of our roles in relation to one another.

The conference agenda was designed to flow in a cascading motion, with each discussion building upon the preceding one. The morning break-out sessions aggregated insights from participants, which were incorporated into policy proposals. At day's end, a wide spectrum of policy makers responded to and framed those proposals in the context of their administrative environments.

The participants at the conference have each faced a convergence of funding threats in the recent recession, the least of which is the dissolution of redevelopment agencies throughout the state. They came to the conference to exchange information and receive updates that will aid them in forming strategic responses to the housing and economic development crisis. To that end we hope we have accomplished what they came for.

The conference brought to bear a unique collaboration of economic and community development leaders to inspire and facilitate the discussion, mirroring the spirit in which the conveners—the U.S. Department of Housing and Urban Development, the University of Southern California Center for Economic Development, and the Federal Reserve Bank of San Francisco—planned the event. The process attracted progressive thinkers from government, education, and the nonprofit community to enrich one another's perspectives.

A number of participants desire to cultivate an environment that focuses on the possibilities of what can be achieved through collaborative solutions, and this dialogue is already continuing in various forms. HUD and the Federal Reserve Bank are convening additional regional discussions, and HUD is incorporating events to garner feedback on its process of retooling policy and program implementation.

Next steps include the exploration of web-based resource tools for technical assistance, market-based planning tools to leverage existing resources, and an examination of effective jurisdictions that are transcending the economic crisis.

VI. APPENDICES

APPENDIX A: SPEAKER AND FACILITATOR PROFILES

WELCOME AND INTRODUCTIONS

- ***David Erickson, Manager, Center for Community Development Investments***
  Federal Reserve Bank of San Francisco

David J. Erickson is director of the Center for Community Development Investments at the Federal Reserve Bank of San Francisco and edits the Federal Reserve journal *Community Development Investment Review*. His research areas in the Community Development Department of the Federal Reserve include community development finance, affordable housing, economic development, and institutional changes that benefit low-income communities. Erickson has a Ph.D. in history from the University of California, Berkeley, with a focus on economic history and public policy. He also holds a master's degree in public policy from the Goldman School of Public Policy at Berkeley and an undergraduate degree from Dartmouth College. His book on the history of community development, *The Housing Policy Revolution: Networks and Neighborhoods*, was published in 2009 by the Urban Institute Press.

- ***Melody Nava, Regional Manager, Southern California, Community Development***
  Federal Reserve Bank of San Francisco

Melody Nava is the regional manager for community-based economic development throughout Southern California for the Federal Reserve Bank of San Francisco. She is responsible for bringing together bankers and CDFIs with community groups, developers, and government agencies to develop solutions to pressing neighborhood issues in low-income communities, with emphasis on building the capacity of nonprofits to develop assets through affordable housing, small and micro businesses, jobs generation, and financial and health education initiatives.

Ms. Nava has invested more than 25 years in all aspects of originating and servicing residential retail, wholesale and correspondent mortgage lending and has an extensive background in community development finance, with emphasis on institutional compliance with the Community Reinvestment Act. In addition she has previous experience in the fields of wealth management and employment services. She is active with several community-based groups and serves on advisory committees of the Orange County Community Housing Corporation and the Clearinghouse CDFI. She is a former board member of SAMCO and an advisor to Neighborhood Housing Services. Born in Burbank, California and raised in Vancouver, Canada, Ms. Nava holds a master's degree in community economic development at Southern New Hampshire

University and a business degree from Pepperdine University's School of Business and Management.

OPENING REMARKS

- ***Mercedes, Marquez, Esq., Assistant Secretary, Office of Community Planning and Development U.S. Department of Housing and Urban Development***

With a career working on affordable housing and civil rights, Assistant Secretary Mercedes Marquez administers the key programs that promote affordable housing, community development, and special needs assistance programs, including the Community Development Block Grant (CDBG) Program, the HOME Investment Partnerships program, Homeless Assistance Programs, the Neighborhood Stabilization Program (NSP), and Disaster Recovery funds. These programs represent a current portfolio of more than $50 billion.

Assistant Secretary Marquez comes to HUD from Los Angeles, where she was the general manager of the Los Angeles Housing Department. Prior to serving the City of Los Angeles, Marquez was vice president of McCormack Baron Salazar, Inc., a national firm specializing in the development, consultation, and management of urban communities. Márquez has also practiced law, specializing in public interest litigation including slumlord, fair housing, public housing, sexual harassment, employment discrimination, and constitutional issues cases. For Márquez, this is a second tour of duty at HUD, having first served as the senior counsel for civil rights and fair housing to HUD Secretary Andrew Cuomo during President Bill Clinton's second term.

- ***Leonard Mitchell, Esq., Executive Director, USC Center for Economic Development, Sol Price School of Policy and Planning, University of Southern California***

Leonard Mitchell has had a 35 year career promoting and facilitating regional and local economic development, the development of eco-industrial parks and sustainable communities, and the finance and law of real estate development, economic development, and international trade. Leonard Mitchell has had a distinguished career as a public servant, businessman, attorney, consultant, author and educator. Mr. Mitchell was on the transition team for President Carter and was responsible for recommending to the President-Elect cabinet and sub-cabinet appointments for the Treasury Department and members of the Board of Governors for the Federal Reserve Bank, Washington, D.C., Council of Economic Advisors, Office of Management and Budget, Export/Import Bank, Overseas Private Investment Corporation, Trade Representatives and the President and U.S. Director to the World Bank. Prior to USC, Leonard Mitchell was the Principal of L. Mitchell & Associates, Counsel at Law and Consultant to executive level management on business development, community development, and organizational management issues. Clients included the U.S. House of Representatives, the U.S. Secretary of Commerce, the National Minority Purchasing Council, and various educational institutions. Mr. Mitchell holds a Masters of Arts in Education Administration from Goddard College, Masters of Business Administration from The George Washington University, and J.D. from Antioch School of Law (now the Dave Clark School of Law, University of District of Columbia, Washington, D.C.

SETTING THE STAGE/VISION OF STABILIZED HOUSING

(See page 11 for David Erickson's profile)

- ***Jim Park, Founder and Co-Chief Executive Officer***
  New Vista Asset Management

Jim Park is Founder and Co-CEO of New Vista Asset Management (NVAM) and Community Asset Solutions (CAS). NVAM works with its bank clients to integrate neighborhood solutions to the disposition of REOs and to create affordable housing opportunities for minorities and other traditional underserved communities. CAS is a real estate service provider focused on providing exceptional service to minority consumers and real estate professionals. Additionally, Park currently serves as the President of the Asian Real Estate Association of America (AREAA) as well as its Foundation. AREAA is a national nonprofit trade organization focused on expanding sustainable housing opportunities for Asian American and immigrant communities. In his previous work, he was the Vice President at Freddie Mac, where he managed initiatives focused on supporting minority homeownership and community development efforts. Also, Park worked at FHA where he oversaw all legislative and policy issues impacting the Federal Housing Administration. He also was the Housing Policy Director at the National Community Development Association, which represents 500 cities and counties on housing and economic development issues.

Mr. Park recently ended his service as the Chair of the Federal Reserve's Consumer Advisory Council, which provides advice on federal regulatory issues to the Federal Reserve on matters that impact consumers and communities throughout the country. Park also serves as the Chair of the Asian Pacific American Institute for Congressional Studies – a nonpartisan organization focused on developing the future elected leadership within the Asian American community. In addition, Park served on the board of the Low Income Investment Fund, a national nonprofit CDFI focused on housing, childcare, and charter school financing. He is a past President and founding board member of the National Coalition for Asian Pacific American Community Development. He served on the board of the National Association of Hispanic Real Estate Professionals and is a board member and trustee of the National Housing Conference. Finally, Park is a co-founder of the Housing Renaissance – a nonprofit organization dedicated to creating an open forum for top housing CEOs, industry leaders and consumer advocates to pursue initiatives that strengthen the real estate market.

REINVENTING NEIGHBORHOOD REVITALIZATION

- ***James Kennedy, Interim Executive Director***
  California Redevelopment Association

Prior to his appointment as Interim Executive Director of the California Redevelopment Association in September 2011, Mr. Kennedy was with Contra Costa County in various capacities for over 35 years prior to his retirement in March 2011. Appointed as Redevelopment Director in 1987, his organization was responsible for redevelopment, housing, economic development, infrastructure finance, and Community Development Block Grants. Mr. Kennedy oversaw a staff of 18, with a current year budget of over $100 million. The County administers five redevelopment project areas in the unincorporated county including two project areas with transit-oriented development initiatives.

He is the Immediate Past-President of the California Redevelopment Association, a member of the Board of the ABAG Finance Authority, the Kennedy-King Memorial Scholarship Fund Board of Directors, and a former member of boards of the Contra Costa County Workforce Development Board, the Martinez Community Foundation, and the YMCA Family and Children's Services Advisory Committee. Mr. Kennedy holds a BA and MA degree in Economics/Geography from San Diego State University.

ROADMAP TO THE VISION

- ***Ralph Lippman, Director***
  California Community Economic Development Association

Ralph Lippman has been the director of the California Community Economic Development Association since 1997. CCEDA's two hundred twenty members produce results through a range of community building strategies that include real estate development (housing, commercial, industrial and retail), business assistance and lending, job training and creation, and social services. CCEDA provides its members a clearinghouse for information and action that advance the field and elevate the discussion through training and continuing education, technical assistance, advocacy and public policy.

Dr. Lippman served previously with the Community Redevelopment Agency of the City of Los Angeles and lectured in public affairs at Pepperdine University and the University of Southern California. He worked as Director of Program Development for the School of Continuing

Education at USC; with Cabrillo Economic Development Corporation; as the L.A. director for the Local Initiatives Support Corporation; and as director of the Los Angeles Collaborative for Community Economic Development. He earned his Doctorate in Public Administration from the University of Southern California and completed the Program for State and Local Executives at Harvard University's John F. Kennedy School of Government.

Dr. Lippman currently sits on the board of the California Association for Local Economic Development and the United Way of Los Angeles Cabinet. He is a member of the advisory board for the Federal Home Loan Bank of San Francisco, Comerica Bank, Bank on Los Angeles, and JP Morgan Chase, and formerly served as a director of the National Congress for Community Economic Development, and the Rural LISC Steering Committee.

- ***Susan Howard, District Community Affairs Officer***
  Office of the Comptroller of the Currency

Susan Howard is a District Community Affairs Officer with the Office of the Comptroller of the Currency. Her duties include working with banks, community groups, and government agencies to identify lending, investment, and service opportunities in seven western states. Prior to joining the OCC, Ms. Howard was employed in the banking industry for over 20 years, and held various line and community development lending and compliance positions. She also served on several boards and committees that have ties to the community development field, including the East Bay Asian Local Development Corporation and the National Trust for Historic Preservation. She currently serves on the board of the California Community Economic Development Association and the advisory board of Pasadena Neighborhood Housing Services, Inc. Ms. Howard is a graduate of California State University at Los Angeles and resides in Pasadena.

- ***Forescee Hogan-Rowles, President & CEO***
  Community Financial Resource Center

Forescee Hogan-Rowles is President & CEO of Community Financial Resource Center (CFRC), a nonprofit Community Development Financial Institution whose mission is to enhance the economic wealth and capacity of residents and businesses throughout Los Angeles County.

Ms. Hogan-Rowles serves as a Federal Home Loan Bank Advisory Board Member, serves on the Board of Directors of Vermont Village Community Development Corporation, Community Financial Resource Center-Board of Directors and formerly served on Comerica Bank-California-Community Advisory Board (2000-2010), Commissioner-Los Angeles Department of Water and Power (2005-2010), Commissioner-California Commission for Economic Development (2006-2010) and Opera Noir Board of Directors (2003-2008). Ms. Hogan-Rowles earned her BA degree from Loyola Marymount University and her MBA from Pepperdine

University. She and her husband Steve Rowles reside in Los Angeles, California and have three children.

- ***Mark Asturias, Housing Manager, City of Irvine and Executive Director, Irvine Community Land Trust.***

Mr. Asturias has over 25 years of experience in the fields of redevelopment and affordable rental and for-sale housing programs. He has extensive experience in all aspects of housing, and has held senior staff positions with the cities of Garden Grove, Thousand Oaks and Anaheim. He has worked at the City of Irvine since 2005 managing Housing and Redevelopment activities including affordable housing programs and projects, administration of the housing set-aside fund, the City's inclusionary housing program and the federal Community Development Block Grant Program. He is also the Executive Director of the Irvine Community Land Trust that the City of Irvine established for the purpose of holding land in perpetuity for affordable housing.

NEW DIRECTIONS

- ***Imran Farooq, Associate, USC Center for Economic Development University of Southern California***

Dr. Imran Farooq is an associate to the USC Center for Economic Development and has previously worked at the Riverside County Economic Development Agency. Dr. Farooq's work to revitalize neighborhoods is the subject of a local PBS documentary called SOS: Sustaining Our Society and has also been profiled by national media such as The Huffington Post. Dr. Farooq is actively involved in the community and sits on several boards that include: Chairman of California Assistant Majority Leader for Policy's (Assembly Member Wilmer Amina Carter) Economic Development Advisory Committee, Board of Directors for Inland Regional Economic Development Corporation, County of Riverside Workforce Investment Board, Board of Directors for Building Industry Association - Baldy View, County of San Bernardino Flood Control Advisory and Founding Board of Directors of the Inland Empire chapter of the US Green Building Council (2007-2009). Dr. Farooq received his Bachelor's Degree from the University of California at Berkeley, his Master's Degree from the University of Southern California and Doctorate of Policy, Planning and Development at USC.

- ***Orson Aguilar, Executive Director The Greenlining Institute***

Orson Aguilar is part of the new wave of civil rights and community leaders focused on ensuring that the American Dream remains accessible to all Americans. Born and raised in East Los Angeles, Aguilar received his Master of Public Affairs at the Lyndon B. Johnson School of

Public Affairs at the University of Texas at Austin. He continued his education at the Congressional Hispanic Caucus Institute (CHCI) and the Greenlining Institute Leadership Academy.

Aguilar joined The Greenlining Institute full-time as Program Manager at age 25, and in 2009, at age 35, was unanimously selected by the Institute's board to succeed retiring founder John Gamboa as the organization's second executive director ever. Aguilar has become a nationally recognized advocate for communities of color on issues such as the environment, community reinvestment, philanthropy, and leadership development. He has presented in front of Congress and at countless trainings and conferences around the country. He has authored numerous reports and editorials on key issues facing the nation, including columns published in the San Francisco Chronicle, Sacramento Bee and American Banker. Aguilar regularly meets with Fortune 100 CEOs and with leading financial regulators, including Federal Reserve Chairman Ben Bernanke. Named an upcoming Latino leader by the nation's largest Hispanic newspaper, La Opinion, Aguilar also recently received the 2011 Congressional Hispanic Caucus Institute Distinguished Alumnus Medallion of Excellence.

- ***Alon Cohen, Consultant***
  Center for American Progress

Alon Cohen is a consultant for the Center for American Progress and also serves as senior vice president and general counsel for a Washington, D.C. startup. Prior to that, Cohen was an attorney in private practice for four years focusing on commercial litigation and securities enforcement. He has authored several papers and articles on housing, primarily focused on the subject of foreclosure mediation.

In his work with the Center for American Progress, Alon has consulted with congressional staff regarding foreclosure prevention and has spoken before several state bodies regarding proposed or existing foreclosure mediation programs. He maintains regular contact with state administrators, legislators, and community groups to assess and improve foreclosure response. Alon is admitted to practice law in Washington, D.C., and Virginia. He holds a B.A. in interactivity and security studies as well as a J.D. from Boston University.

- ***James Yacenda, Vice President and Community Investment Officer***
  Federal Home Loan Bank of San Francisco

Jim Yacenda has been the Community Investment Officer of the Federal Home Loan Bank of San Francisco since 1981, having joined the Bank in 1979. He has helped direct more than $4 billion in special credit and housing subsidies to financial institutions in Arizona, California, and Nevada to assist the financing of community development and affordable, low-income, and special needs housing, working in partnership with the Bank's more than nearly 400 financial institution shareholders. His department administers the Bank's Affordable Housing, Community Investment, Community Lending and Community Support Programs.

Jim has served on the boards of a number of nonprofit housing and community-based organizations in northern and southern California along with several national community development advisory commissions and task forces. He was a founding board member of the Low-Income Housing Fund, now the Low-Income Investment Fund, and was involved in the support of forming the Clearinghouse CDFI. Prior to joining the Bank, he was the founding executive director of La Habra (Orange County) Neighborhood Housing Services.

- ***Dan Rosenfeld, Senior Deputy***
  Office of Supervisor Mark Ridley-Thomas, Los Angeles County, Second District

Dan Rosenfeld is Senior Deputy to Los Angeles County Supervisor Mark Ridley-Thomas, with responsibility for economic development, land use, sustainability and transportation issues. Mr. Rosenfeld has alternated in his career between public and private-sector service. He has worked previously as Director of Real Estate for the State of California and City of Los Angeles.
In the private-sector, Mr. Rosenfeld served as a senior officer with The Cadillac Fairview Corporation, Tishman-Speyer Properties, and Jones Lang LaSalle. He was a founding member of Urban Partners, LLC, a nationally recognized developer of urban infill, mixed-use and transit-oriented real estate. Mr. Rosenfeld is a graduate of Stanford University and the Harvard Business School.

POLICYMAKERS' RESPONSE

- ***Jeffrey Schaffer, Vice President and Market Leader, Southern California***
  Enterprise Community Partners

As Vice President and Los Angeles Impact Market Leader at Enterprise Community Partners, Jeff Schaffer oversees Enterprise's programs advancing the development of affordable housing in Southern California. In addition to training and capacity building, policy leadership, and delivery of financial products, special initiatives of the Los Angeles office have included launch of Restore Neighborhoods L.A., a new agency partnering with the City of Los Angeles in its foreclosure response efforts, and the New Generation Fund, a $100 million property acquisition and predevelopment lending facility. Schaffer serves on the boards of RNLA, the Southern California Association of Nonprofit Housing and the L.A. Business Council.

Prior to joining Enterprise, Jeff Schaffer served as Assistant Vice President for Grant Programs at the Conrad N. Hilton Foundation, where he managed a $60 million grant portfolio including initiatives for the mentally ill homeless and international potable water development. Schaffer also was associate director at both Beyond Shelter and Shelter Partnership in Los Angeles, worked as a public relations account executive, as a congressional field representative, and served as a Peace Corps Village Development Advisor in Micronesia. Jeff Schaffer earned his undergraduate degree in political science and Spanish literature from the University of California, Berkeley, and a master's degree in public administration from the University of Southern California, where he is an adjunct associate professor at the School of Public Policy, Planning, and Development. He also serves on the professional advisory council of the TK Foundation.

- ***Jim Gray, Manager, Counterparty & Portfolio, Office of Housing and Regulatory Policy Federal Housing Finance Agency***

Jim is the manager of the Counterparty Team in the Office of Housing and Regulatory Policy at the Federal Housing Finance Agency. OHRP looks at the housing policy implications of regulatory decisions affecting Fannie Mae, Freddie Mac and the FHL Banks.

Prior to FHFA, Jim led the Cornerstone Partnership, funded by the Ford Foundation, at NCB Capital Impact, a national Community Development Financial Institution. The Cornerstone Partnership seeks to change the way homeownership programs work to substantially increase the number of first time homebuyers and the total wealth generated without increasing current subsidy levels. During the Clinton Administration, Jim was a Senior Advisor to FHA Commissioners Apgar and Retsinas.

- ***Lynn Jacobs, President
Ventura Affordable Homes, Inc.***

Lynn Jacobs is the former Director of the California Department of Housing and Community Development. She administered funds that helped create over 125,000 affordable homes and shelter spaces for Californians.

Prior to accepting the governor's appointment, she founded and served as President of Ventura Affordable Homes for over 20 years, a position she currently retains. Lynn has founded and served as President of Affordable Communities in Ventura County. She was President of the Building Industry Association/Southern California Greater Los Angeles/Ventura Chapter in 2000 and was on the Board of Directors for the California Building Industry Association. Lynn has written numerous articles for publications and received many awards, including the National Building Innovations in Affordable Housing Award in 1997. She earned her B.A. Cum Laude from Harvard University/Radcliffe College and a Certificate of Completion, Senior Executives in State and Local Government Program, Harvard University Kennedy School of Government.

- ***Linn Warren, Director of the Department of Housing and Community Development State of California***

Linn Warren, Director of the California Department of Housing and Community Development (HCD) which operates under the aegis of the Business, Transportation and Housing Agency (Agency) in Sacramento. Director Warren's position includes oversight for administration of the Department's housing finance, rehabilitation, and community development programs; the State's housing policy, planning and code-setting processes, and regulating manufactured housing and mobile home parks. The Director leads the administration of $2.1 billion in Proposition 46 and $2.85 billion in Proposition 1C bond funds for affordable housing. Linn received a BA from the University of California, Santa Barbara in Business Economics and holds the Mortgage Bankers Association designation as a Commercial Certified Mortgage Banker.

Prior to joining HCD, Linn held various positions at the California Housing Finance Agency (CalHFA). From 1995 to 2005, he was the Director of Multifamily Programs and led numerous program and policy initiatives. During his tenure, the Multifamily Division developed a groundbreaking special needs lending program with subsidized financing targeted specifically to projects housing homeless and developmentally disabled residents. Linn developed an innovative program for preservation of federally assisted projects. During his 10 years as CalHFA's Multifamily Programs Director, the Division funded 270 projects with loans totaling $1.7 billion. Prior to his tenure at CalHFA, Linn worked as an advisor to local governments, including San Jose and Sacramento. While working at these cities, Linn developed new asset management evaluation and monitoring systems, led efforts to reposition public housing assets, developed NSP plans and amendments and developed debt restructuring programs for homeless assistance providers. More recently, Linn was Program Director for the Keep Your Home California Program, a two billion dollar initiative, funded by the U.S. Treasury aimed at preventing California home mortgage foreclosures to keep distressed borrowers in their homes.

- ***Benson Roberts, Director, Office of Small Business, Community Development and Housing Policy, U. S. Treasury Department***

Benson F. (Buzz) Roberts is the Director of the Office of Small Business, Community Development and Housing Policy at the U.S. Treasury Department. He was previously Vice President for Policy and Program Development at the Local Initiatives Support Corporation (LISC), the nation's largest nonprofit investor in low-income community development. He was involved in the creation of such federal policies as the Low Income Housing Tax Credit, the New Markets Tax Credit, the HOME housing partnerships program, and the Capital Magnet Fund. He has been a board member of several national nonprofit organizations and coalitions and the author or co-author of various books and articles on affordable housing and community development.

APPENDIX B: COMMENTARY

OPENING REMARKS

Mercedes Marquez, Assistant Secretary for Community Planning & Development, U.S. Dept. of Housing and Urban Development

Mercedes Marquez, Assistant Secretary (AS) for Community Planning and Development provided welcoming remarks and shared the Administration's perspective on the significance of housing and community development in the overall economic recovery efforts. AS Marquez expressed the importance and timeliness of the conversation around integrating housing and other related issues. AS Marquez spoke about the "triple bottom line"; creating more affordable housing, putting people back to work, and stabilizing neighborhood and communities.

One of AS Marquez's top priorities has been the implementation of the Neighborhood Stabilization Program (NSP), a national program established to finance the redevelopment of abandoned and foreclosed homes in economically distressed areas. The goal of the NSP is to leverage private funds to reduce foreclosures, and increase homeownership and stock of affordable housing while eliminating blighted properties from the community.

NSP is about confidence. When neighbors see a NSP home-- rehabilitated with energy efficient designs and landscaping--it sends a tangible message that these neighborhoods are not forgotten and investments will continue to flow. After seeing distressed and blighted properties being rehabilitated and sold to homeowners, immediate neighbors are painting and landscaping their own properties.

NSP has broken every record. HUD had 18 months to obligate $4 billion and was able to obligate 99.4%. The outcome of NSP investments is that nearly 73% of homes sold in NSP clustered areas saw an increase in sales price and vacancy rate improvements. NSP created or supported 88,000 jobs and treated 90,000 housing units, all in a targeted way.

Affordable housing and community development is being viewed in the national dialogue as economic development, a vehicle for job creation. HUD is involved in conjunction with Treasury in creating new housing policies. The President proposed in the American Jobs Act $15 billion for Project Rebuild, an NSP program.

The question of the day is what is the role of government, foundations and nonprofits in providing affordable housing and community development? Local government, nonprofits and developers have to seek ways to leverage resources and seek place-based solutions.

Leonard Mitchell, Executive Director, and Imran Farooq, Associate, USC Center for Economic Development, Sol Price School of Public Policy, University of Southern California

Neighborhood Revitalization is the comprehensive theme of this conference to encompass economic development, job creation and housing issues. There is warranted attention on how we are competing for jobs and businesses with foreign countries but there are also other factors; Foreign Direct Investment and financing are options especially relevant when traditional sources of funding are limited.

How can our policies be informed in relation to developments happening in China, India or the European Union? This recession is forcing us-- now more than ever-- to re-examine our position in the world and the influence that the global market has on our own economic development.

Redevelopment is a huge issue here in California but we should also keep an eye on how Enterprise Zones are going to be reformed. We are not here to echo the negativity of scarcity, but to seek to facilitate the same type of resilient spirit and progressive ideas today.

David Erickson, Director, Center for Community Development Investments, Federal Reserve Bank of San Francisco

Following on the comments of the opening speakers, David Erickson offered a goal for the day; for everyone to find new ways of doing their jobs more effectively, carving out as many strategies as possible.

To provoke ideas around the vision for stabilized housing, Erickson led off with a series of slides depicting heat maps of foreclosure, unemployment and racial demographic data from which to draw conclusions on the top challenges affecting the current economy.

As an example, zip code level mortgage loan data illustrate that while delinquency numbers are trending downward, the decline is at a slower rate. At the same time, home prices are stabilizing and a significant number of foreclosed properties are re-entering the market. However, there are major problem areas ahead as the data indicate that heavy foreclosures are imminent in parts of Los Angeles County, the Inland Empire, and Orange County.

Another disturbing example, city level data from the American Community Survey of the U.S. Census Bureau suggest that income statistics for particular urban cities of Los Angeles County from 2000 – 2010 show significant increases while others areas show rapid decreases, telling of the suburbanization of poverty and the need for attention to it.

Racial data for the same period indicate substantial continued out-migration of African Americans from the center of Los Angeles and increased growth of the Latino/Hispanic population everywhere but in East Los Angeles.

Overall, a conclusion can be drawn from the data that while major tools devised nearly thirty years ago, such as the Low Income Housing Tax Credit, have had tremendous impact on housing millions of low-income people, there are a great many unmet needs, like those presented in HUD's Worst Case Housing Needs Assessment report. Moreover, we must discover a new paradigm for old ways of thinking for such ideas as making markets work specifically for low-income people or referring to low-income areas as "emerging".

One possibility is the movement toward human capital development. To illustrate, two similar heat maps of Los Angeles County were shown, one with data on economic hardships and the other on the prevalence of child obesity. The striking similarity of the "hot spots" created an important "AHA!" moment; it is likely that workers in health and those in community development are doing similar work and don't know each other. Like the two slides, we must begin to work side-by-side to achieve greater outcomes.

Jim Park, Founder and Co-Chief Executive Officer, New Vista Asset Management

Looking at the impact of foreclosure on neighborhoods, community development, and sustainability, one result is that minority communities have been disproportionately affected. This is particularly true in California where 60% of foreclosures affected minority families. In the crisis we face, there are implications for housing and civil rights. So much in the way of assets is sitting with major financial institutions. How REO inventory is sold and managed has an important impact on value, blight, who lives in these communities, and who has an opportunity to build wealth in the future. Park noted that his organization spends a great deal of time looking at data and trending and from a high level, they show that home prices have declined; but more critically, people are losing their homes, and many of them will not have the opportunity to get back into the housing market anytime in the near future.

Tracking owner-occupancy data for virtually every institution that holds REO assets--including HUD, Fannie Mae, Freddie Mac, Chase, Wells Fargo, etc.--it has been a consistent trend that the level of properties going to owner occupants has been on a steady decline over the last seven quarters. In Los Angeles during the third quarter of 2010, over 70% of properties went to owner-occupants. The percentage is now 60%. Some reasons are that more aggressive investors and massive pools of conglomerates are acquiring huge portfolios; there is a convergence of many negative factors including tightening of credit, which makes it very difficult for individuals to purchase.

At the end of 2011, there were a quarter million Californians at some stage of delinquency. It's likely that the number will be much higher throughout this year with more REOs hitting the market. We know that REOs tend to drive down prices in most markets because most institutions want to get properties off their books. This is a necessary evil. But the big issue is that more than 50% of these homes are occupied.

So as we move through the cycle, we need to consider how to manage the massive relocation of individuals and families, protect their rights, and give them the right incentives, getting them into the right position. If we don't look at this, we will have massive hit back and response from the marketplace, asking how we can dislocate this many people all at once without giving them the sufficient rights and opportunities. We have to think not only about the future, but about what can be done today to insure these individuals and these homes will end up in the right place where people can sustain themselves.

REINVENTING NEIGHBORHOOD REVITALIZATION

James Kennedy, Interim Executive Director, California Redevelopment Association

The dissolution of redevelopment agencies in California prompts a public policy need and community imperative to design the "Next Generation" of tools to address jobs, affordable housing, infill/transit-oriented development, infrastructure and brownfield development issues. The disposition of surplus public lands will be highly visible as redevelopment agencies unload their real estate assets. State Senator Steinberg authored SB 1151 that mandates oversight committees of the Redevelopment Successor agencies to create a management strategy for disposing of their properties in an optimal fashion (to discourage fire sales). There are a variety of existing tools that will expand in relevance due to the circumstances such as:

- Regulatory planning approaches such as density bonuses, inclusionary housing and permit streamlining will have even greater emphasis as public tools to 'entrepreneurially' stimulate development.
- Traditional public financing is still available through conduit revenue finance and new market tax credits.
- Less common funding mechanisms are business improvement districts, landscape improvement districts and infrastructure finance districts. The criteria and policies associated with each of these resources are being examined by State legislators to potentially increase effectiveness.
- Self-help approach for municipalities can include general obligation bonds that can finance housing and economic development.
- Public-private partnerships and community-based cooperation through economic development corporations will increase their role over time.

ROADMAP TO THE VISION

Ralph Lippman, Executive Director, California Community Economic Development Association

As moderator for the Roadmap to the Vision session, Lippman introduced the segment, which was designed to gather opinions and comments from stakeholders. The primary purpose was to form small discussion groups to look for feasible solutions--ones that could be given to the governor within18 months. Complicating the challenge for the participants was the reality of the following immediate related issues impacting community revitalization:

1) Education and workforce development systems need to be improved and transformed to prepare people for jobs; Budgetary pressures created by legacy costs of pensions and benefits for city employees need to be addressed; reduction in revenues to cities loom large; The test will be in how to build an infrastructure necessary for a competitive 21st century economy and how to connect low wealth residents to it.

2) How to drive meaningful innovation in the absence of redevelopment and among the pressures of day-to-day work is the real challenge. It is not in how to manage decline, but how to devote resources and energy to creating bright futures for our cities. There is increased public sector interest in partnering with the private sector to produce efficiencies, although achieving scale is the hardest part.

In looking to the future it was noted that people appear to be interested in the exploration of new ways of financing. Evidence of it includes more rational budgeting, successful targeting of dedicated revenues, employing social impact bonds, and privatizing the management of assets.

ECONOMIC DEVELOPMENT BREAK-OUTS

SUMMARY RECOMMENDATIONS:

- Promote economic development job training, readiness and placement
- Create partnerships between anchor financial institutions, non-profits and social enterprises
- Invest in education
- Audit unused state bond proceeds and unsold infrastructure bonds
- Develop hiring tax credits for businesses
- Develop a permanent source of funding for affordable housing

Group A Commentary

Participants discussed strategies for a new model of economic development following the foreclosure crisis. The group focused on how best to connect workforce development to economic development to create policies that will allow people to stay in their homes in order to gain and maintain employment. Of major importance is connecting employers to qualified job seekers. However, it is a tall order in that many in our workforce are without the education and skills to compete in the economy due to job skills mismatches. In order to create a more sustainable workforce, there must be a skills ready workforce. The provision of job training, job readiness, and job placement programs are essential to closing the skills gap.

Collaborative Efforts

In order to sustain a workforce and maintain neighborhood stabilization, it is necessary to establish partnerships with anchor institutions, non-profits, and social enterprises in order to attract private capital, increase entrepreneurship, bolster business development, and spur job creation. Partnering with nonprofits and social enterprises in particular, is seen as a great opportunity to not only channel philanthropic funds, but to attract and retain employment as well. The group also stressed the importance of investing in education, especially for its long-term sustainability implications.

Best Practices

Several initiatives and organizations were noted that could serve as models for this work. One such initiative was Taller San Jose, a program in Santa Ana, California that provides undereducated young adults with job training, mentoring, coaching, and job placement. Additionally, NeighborWorks America was identified for the opportunities it provides in developing communities and, more specifically, for having created the Center for Foreclosure Solutions, a partnership between leading non-profits and mortgage industry sector members that addresses the foreclosure crisis through housing counseling and mortgage payment relief. Additionally local universities and public agencies play a key role in workforce development in Los Angeles, such as three of the region's top academic institutions (USC, UCLA, and Caltech) and the LA Metro transportation system

Group B Commentary

In the second session on economic development, participants discussed solutions for the problems facing neighborhoods suffering from the housing foreclosure crisis. Together they successfully formulated several problem-solving approaches.

Lease-to-Own

It was generally agreed that lease-purchase programs provide access to homeownership, particularly for first time homebuyers without means to initially qualify for credit. One of the strengths of the programs is the financial education training component, widely recognized by lenders and nonprofit housing counselors as a primary precaution in preserving homeownership and preventing foreclosure. Lease-to-own programs are known to be administered under the Neighborhood Stabilization Program for both homeownership and rental housing.
The participants in the discussion debated whether the Lease-to-Own program should be implemented to assist existing delinquent homeowners or homebuyers of REOs. Although the program is targeted at those looking to buy their first home, it would be easier to incentivize participation in it as a foreclosure mitigation tool if it were made available during pre-foreclosure in the first 90 days of delinquency.

Permanent Source of Funding

The group identified the need to establish a permanent source of funding for affordable housing, most likely at the state level. There is proposed legislation to this effect suggesting that a new document recording fee serve as the source. (Editor's note: this legislation did not pass and there is no such source of funding available in the market today). Additionally, the group supported having state bond programs and unsold infrastructure bonds audited to identify possible sources of funding for economic development activity.

SINGLE FAMILY HOUSING BREAK-OUT

SUMMARY RECOMMENDATIONS:

- Create market-specific stabilization plans
- Construct fee for service commission models
- Create an intermediary to better facilitate lease-purchase programs
- Increase capital flowing through to nonprofits

It is uniformly believed that there will be several million more foreclosures in the next 3-5 years, which will hamper the recovery of state and local coffers. Nationally, HUD invested over $6.8 billion to address the single family foreclosure crisis in the hardest hit communities through its Neighborhood Revitalization Program, however, without continued funding on the horizon, we must look to local government, the private sector, and nonprofits to develop market-specific, market-driven stabilization plans. Moreover, private sector participation will be more critical than ever to achieve long-term neighborhood revitalization. To that end, it is incumbent that we create ways to incentivize that participation in order to yield positive outcomes.

In the midst of reduced property values that currently provide opportunities for affordable homeownership, homebuyers are forced to compete with private equity investment firms for access to foreclosed units. Investors can buy in bulk, paying cash and creating rental communities in place of homeownership. One solution arising from the group's discussion is for the private markets to provide capital to nonprofit housing organizations to acquire REO properties for rehab and resale to lower income homebuyers and to work with nonprofits to manage REO rental assets

Barriers to the Preservation of Homeownership

At issue are policies that stand in the way of mitigating mortgage loan delinquency. In an economy where many homeowners find themselves challenged with less income or temporary unemployment and owing considerably more mortgage debt than their homes are worth, the costs of homeownership are too high to sustain. It is believed that permanent loan modifications in the form of reduced interest rates, remaining terms, and reducing principal loan balances would greatly benefit the preservation of single family housing in Los Angeles. Accordingly, it was suggested that similar to previous recommendations, training of homeowners should be an important component, vital to the long-term success of loan modification efforts. The training should be in the form of personal financial education and financial responsibility.

Other challenges exist today in preserving homeownership. Young adults are choosing to rent rather than become homeowners and it is believed that one reason is they seek to avoid the perceived pitfalls of homeownership that developed in the most recent recession, many of which persist. Another challenge is the nature of commission-based real estate commissions. It was advocated that the real estate industry consider a fee for service model instead.

MULTIFAMILY RENTAL HOUSING BREAK-OUT

SUMMARY RECOMMENDATIONS:

- Locate mixed use housing near jobs
- Create permanent jobs with mixed use projects in transit districts
- Revise and expand the Community Reinvestment Act
- Encourage greater use and investment in NMTC tax credits and COIN
- Incentivize developers to hire locally
- Streamline the development permit process
- Use experienced partners to bring additional intellectual capital and financing to projects

A robust multi-family housing market is an important contributor in creating healthier communities, sheltering low wage earners and enabling the workforce to be closer to job centers. There are more multi-family building permits pulled each year than there are for any other form of residential development, suggesting that multi-family development has greater job impact. To yield greater numbers of permanent jobs, the group recommended stronger emphasis on infill development in urban centers over large-scale development of apartments and the proliferation of mixed-use retail and residential construction, particularly near transit stations. A drawback to mixed use development was noted; the difficulty of obtaining mortgage financing given the necessity for loan underwriters to rely heavy on projected retail cash flows.

Other Considerations

The group acknowledged that new ways to leverage funding for these projects are necessary. Recommendations included attracting service oriented retail businesses such as pharmacies and medical offices and revising the Community Reinvestment Act (CRA) regulation to expand bank compliance responsibilities in the area of mixed-use housing in transit-oriented developments as an eligible CRA activity. It was also recommended that coverage of CRA responsibilities spread to insurance companies and payday lenders. It was thought that the addition of insurance companies would lead to more funding sources due to greater competition among lenders and investors, with the potential end result of lowering the cost of financing. For example, if insurance companies were covered by the CRA, the insurance investment network, COIN (California Organized Investment Network) would ideally be better capitalized to finance tax credit projects. For payday lending, it was suggested that closer scrutiny and greater accountability of such lenders with respect to fair access to credit and fair lending standards of the CRA could lead to greater community stability.

Improving the Development Process

Greater local allocations of the New Markets Tax Credit program for financing multi-family rental housing are believed to be a tool to enhance economic development and create permanent jobs. Another suggestion was to incentivize developers and contractors to engage in local workforce development efforts by hiring locally. To further tie-in this connection, by promoting mortgage revenue bond financing and the use of HUD Section 3 financing for new jobs, local jurisdictions could further positively impact overall economic development.

An ongoing challenge for multi-family developers is the difficult and complicated development environment in which they operate. Greater productivity could result if parking requirements were reduced thereby lowering total development costs. Additionally, streamlining the municipal planning process would result in shorter development periods, as would engaging experienced and knowledgeable partners, and the advent of more financial resources to leverage project debt.

NEW DIRECTIONS PANEL

The first panel of the day was comprised of innovators in community economic development. Their charge was to share their perspectives on the ideas and recommendations of the participants, addressing recommended policy changes for catalyzing broad-based recovery in neighborhoods and communities. The final panel consisted of policymakers providing responses from their purviews at the national and regional levels.

SUMMARY RECOMMENDATIONS:

- Use full recourse junior liens to enable regional business to evenly compete with Wall Street in acquiring REOs
- Develop special financing options for nonprofits and CDFIs to preclude recourse
- Transform the housing stock to become more water and energy efficient
- Use accelerated depreciation and tax credits to promote sustainable building standards for property rehabilitation
- Expand REO programs using local actors to tap into hyper-local knowledge
- Consider pilot programs for scattered-site asset management
- Ensure that REOs turned to rental programs where there is no affordability built in require investors to work with non-profits or utilize a lease-to-own program
- Expect Fannie Mae and Freddie Mac to ensure rents at affordable rates and should scrutinize investors' purchases to prevent taking advantage of low-income communities. Inventory should be made available to CDFIs and/or be released in accordance with HUD Neighborhood Stabilization Program funding.
- Combat predatory lending in minority communities, citizens should be at the heart of economic revitalization plans.
- Bring contracts to minority firms.
- Prevent negative social externalities by avoiding the 'lowest-bidder complex" in REO resales.

Strategic Interventions

The moderator—also a panel member associated with the Sol Price School of Public Policy at USC's Center for Economic Development--advocated that the government's role should be to facilitate maximum market efficiency. This approach would streamline the greatest number of qualified small businesses and ensure the highest financial returns for Government Sponsored Enterprises (GSE). He asserted that this strategy would promote local economic development and job creation.

He also suggested that the bulk acquisition of REO single family homes can be managed similarly to commercial financing. The inclusion of a full recourse junior loan would allow for unprecedented accountability without creating new regulations. This strategy would empower regional businesses to compete with large Wall Street companies.

Special financing options should be available for nonprofits and Community Development Financial Institutions that preclude recourse. The foreclosure crisis is an opportunity to transform the existing housing stock to become more water and energy efficient. As a result, the panel member recommended accelerated depreciation and tax credits to promote sustainable building standards in the rehabilitation process.

The slide presentation on this strategy is available by contacting Dr. Imran Farooq at ifarooq@usc.edu.

An observation was made that “doing more with less” is possible when dedicating funding sources. For example, managing dedicated resources for transit oriented development focused on neighborhood revitalization, employment, economic development, housing, public safety, air quality, and physical fitness is likely to lead to a leaner, meaner, more efficient redevelopment process. The Los Angeles International Airport connection to public transit was given as an example.

REOs to Rentals

The panel addressed the return of 2,500 vacant REOs to the market in intervals of 25 units as rentals, contracted for periods of 3-5 years, under a Fannie Mae demonstration project. The guiding tenets for its success are asset management, purchase and financing, rehabilitation, and ongoing property management.

A prediction based on current economic trends suggested that more REOs are coming, with the potential for decreased homeownership rates and home prices, and the resultant tightening of lending standards, as well as greater numbers of absentee landlords. In order to keep people in homes it will take principal loan reductions and other loan modifications by Fannie Mae and Freddie Mac.

<u>POLICYMAKERS PANEL</u>

SUMMARY RECOMMENDATIONS:

- Enable CDFIs to acquire bulk purchases of scattered sites in neighborhoods
- Enable CDFIs to test scattered-site projects with lease-to-own contracts
- Authorize the proposed extension of the New Markets Tax Credit program through 2013,expanding it to $5 billion
- Authorize the proposed manufacturing immunities tax credit

- Streamline the process of bulk sales and create tools for efficient and affordable sale of REOs to non-profits
- Capitalize on the sustainable development intent of SB 375 by securing more than one permanent funding source for affordable housing

The final panel of policymakers provided responses from national and regional levels to comments and recommendations by the New Directions panelists. It began with a series of questions on programs already underway and future thinking.

It was recognized that the most effective work at the Federal level takes place when coordination occurs between different federal agencies. The combined efforts on neighborhood revitalization and several pending pilot programs were given as examples by the Treasury Department. For example, the Performance Budget Partnership and the congressional authority for one hundred percent bond guarantees to CDFIs (up to one billion dollars a year over thirty year terms with interest pegged to treasury rates).

Additional Treasury updates from Washington D.C. on tax policy included the Federal Administration's proposed extension of the New Markets Tax Credit program through 2013, expanding it to $5 billion from the current $3 billion limit. A proposed manufacturing immunities tax credit is being discussed that would operate similar to New Market Tax Credits to confront manufacturing layoffs in distressed areas

REO Composition and Strategies

The FHFA discussed its position on the inventory of REOs, indicating that Fannie Mae and Freddie Mac control less than half of all REOs; the remainder of which are controlled by FDIC regulated institutions and private label securities. It was stated that 1.1 million mortgage loans in some stage of delinquency are a bigger problem than REOs in light of the fact that Fannie Mae and Freddie Mac control about 70,000.

The agency is currently looking at ways to deal with REO disposition as the number of REOs increases, to include making bulk sales as efficient as retail sales and creating tools for efficient and affordable sale to non-profits.

In general, the agency's highest priority is to keep people in their homes. If it is not possible, properties will be moved through the foreclosure process as quickly as possible. The agency believes REOs into rental housing will provide affordable housing to families and the workforce, while at the same time reducing the glut of homes available for sale on the market. Investors seeking to buy REOs for rental must have a detailed portfolio management plan, be well capitalized, have management experience and must be prepared to provide counseling to tenants;

a costly and time consuming process for the agency to vet. FHFA is looking for feedback on the REOs to rentals pilot program.

In response to comments about transit oriented development the agency FHFA noted that TOD is also about transit affordability and that as data for the costs of transportation become available it may be prudent to take such costs into account when computing housing affordability

Asset Disposition

The California Department of Housing and Community Development stressed the importance of sustainability as the key to asset management, warning that absentee landlords often do not manage property maintenance and sometimes walk away. It was suggested that CDFIs test scattered-site projects with lease-to-own contracts and that bulk acquisition of properties scattered over a neighborhood would be difficult to manage given that several lenders could have financed them.

In response to how nonprofits might collaborate with the private sector, Ventura Affordable Homes explained that a great deal of development has occurred with public-private partnerships that could have been more successful if the private sector had been more willing to collaborate with the public sector. Additional comments were provided on developments coming out of Sacramento on a permanent funding source for affordable housing. It was acknowledged that there is great private interest in supporting a document recording fee that could be attached to residential and commercial real estate sales to fund affordable housing. Moreover, it was noted that for every new housing unit created there are three permanent jobs in support of the program. There was the suggestion that a small portion of the fee could be directed to the California Real Estate Association for funding fraud investigation as a way to gain support from the real estate industry. The California Department of Housing and Community Development joined in the discussion to say that any program approved should capitalize on the intent of SB375 on sustainable development, utilizing many funding sources as opposed to one fee.

APPENDIX C: CONTACTS

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Presentation materials are available on the websites at the University of Southern California, the U.S. Department of Housing and Urban Development, and the Federal Reserve Bank of San Francisco.