



Doing the “Undoable” Deal

**2008 National Interagency Community Reinvestment
Conference**

April 1, 2008

WWW.KEYBANK.COM | WWW.SOCIALCOMPACT.ORG

A tale of two neighborhoods ...

Neighborhood A

Market Size

Population: 328,000

Households: 126,000

Market Buying Power

Agg. Neighborhood Income: \$4.7 B

Average Household Income: \$37,000

Income per Acre: \$785,000

Market Stability/Risk

Median Home Value: \$221,000

Neighborhood B

Market Size

Population: 406,000

Households: 131,000

Market Buying Power

Agg. Neighborhood Income: \$10.2 B

Average Household Income: \$58,000

Income per Acre: \$1.7 Million

Market Stability/Risk

Median Home Value: \$474,000

Retail Spending: \$420,000/acre

Why is accurate market data important?

Capturing the undercount

Neighborhoods with the highest undercount tend to be poor and predominantly minority communities. It is estimated that these communities average a 10% undercount.

- Los Angeles' undercount
 - 170, 893 – Los Angeles County; Paul Ong
 - 181, 849 – The City of Los Angeles; NAACP
- Newark
 - Estimates that their undercount averages 19%
- Census challenges
 - 130 Census challenges resulting in 750,000 people being added back to cities/towns/counties since 2000

A significant percentage of private sector investment decisions are derived from the Census.

Capturing Underserved Market Potential

ACS Poverty Rates

	ACS Poverty Rate	ACS Poverty Rate using Census 2006	ACS Poverty Rate using DrillDown-p
Cincinnati	27.8%	24%	21.1%
Miami	26.9%	23.4%	

Capturing Underserved Market Potential

Addressing Information Barriers

**The Social Compact DrillDown analysis
measures core market drivers:**

Size/Growth



Buying Power



Stability/Risk



Using more **accurate, timely** data from
30+ public and proprietary sources

Capturing Underserved Market Potential

In over 200 *undervalued* neighborhoods across the country, Social Compact has found:

Larger Markets

- 1,000,000 More residents
- 350,000 More households

Greater Buying Power

- \$32 billion more aggregate household income (+29%)
- \$12 billion by informal economy income

Less Risk, More Stability

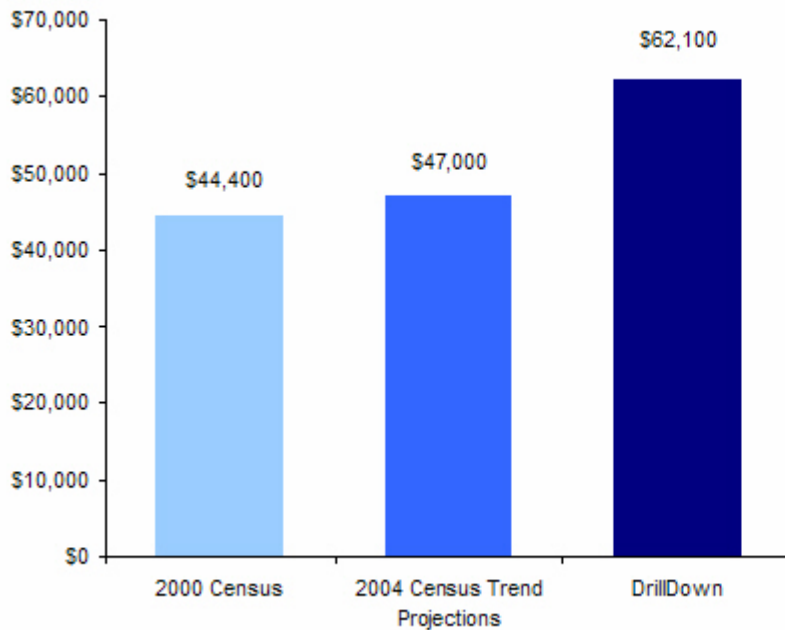
- Falling crime rates
- Booming property market
- High owner occupancy by building

Financial Services Provision

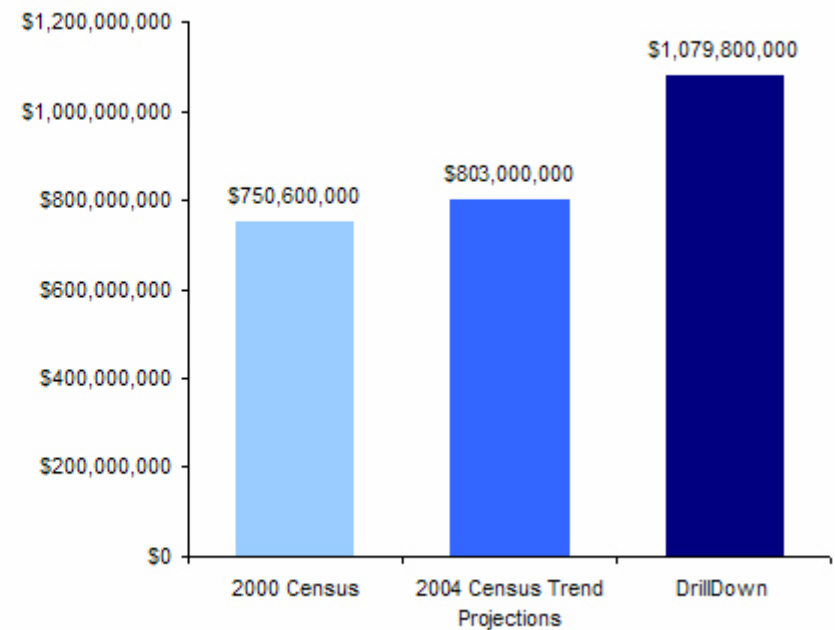
2006 Santa Ana DrillDown

Larger Buying Power = Greater Purchasing Potential

Average Household Income



Aggregate Neighborhood Income



Financial Services Provision

2006 Santa Ana DrillDown

The Market Anomaly:

- **69% of households are underbanked and/or do not have a documented credit history**

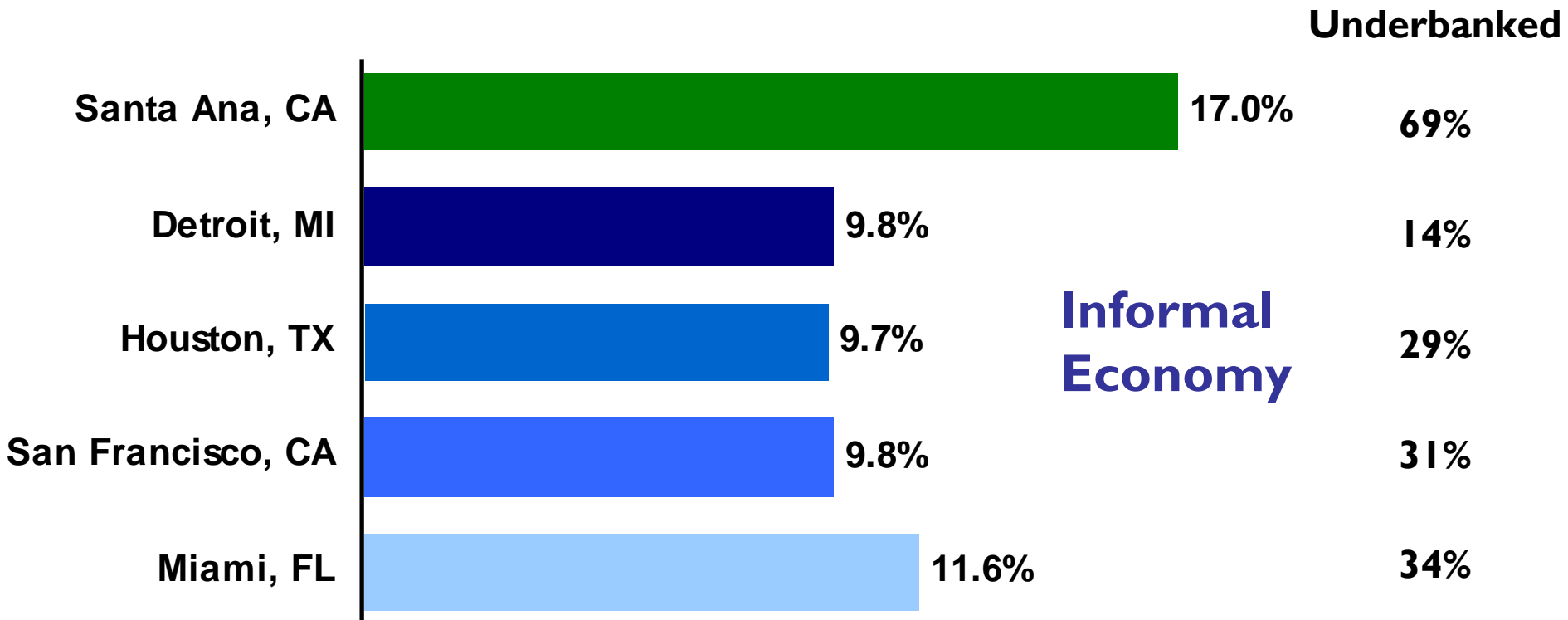
BUT

- **Average household income is \$62,100**
- **Aggregate buying power of \$1.1 billion is 44% larger than Census 2000**
- **52% of households live in owner-occupied housing that have a median home value of \$420,000**
- **At the time of the analysis, there was only one bank branch in the study area**

Capturing Underserved Market Potential

Sharpened Focus on Informal Economy Developing 10-City Survey of the Underbanked

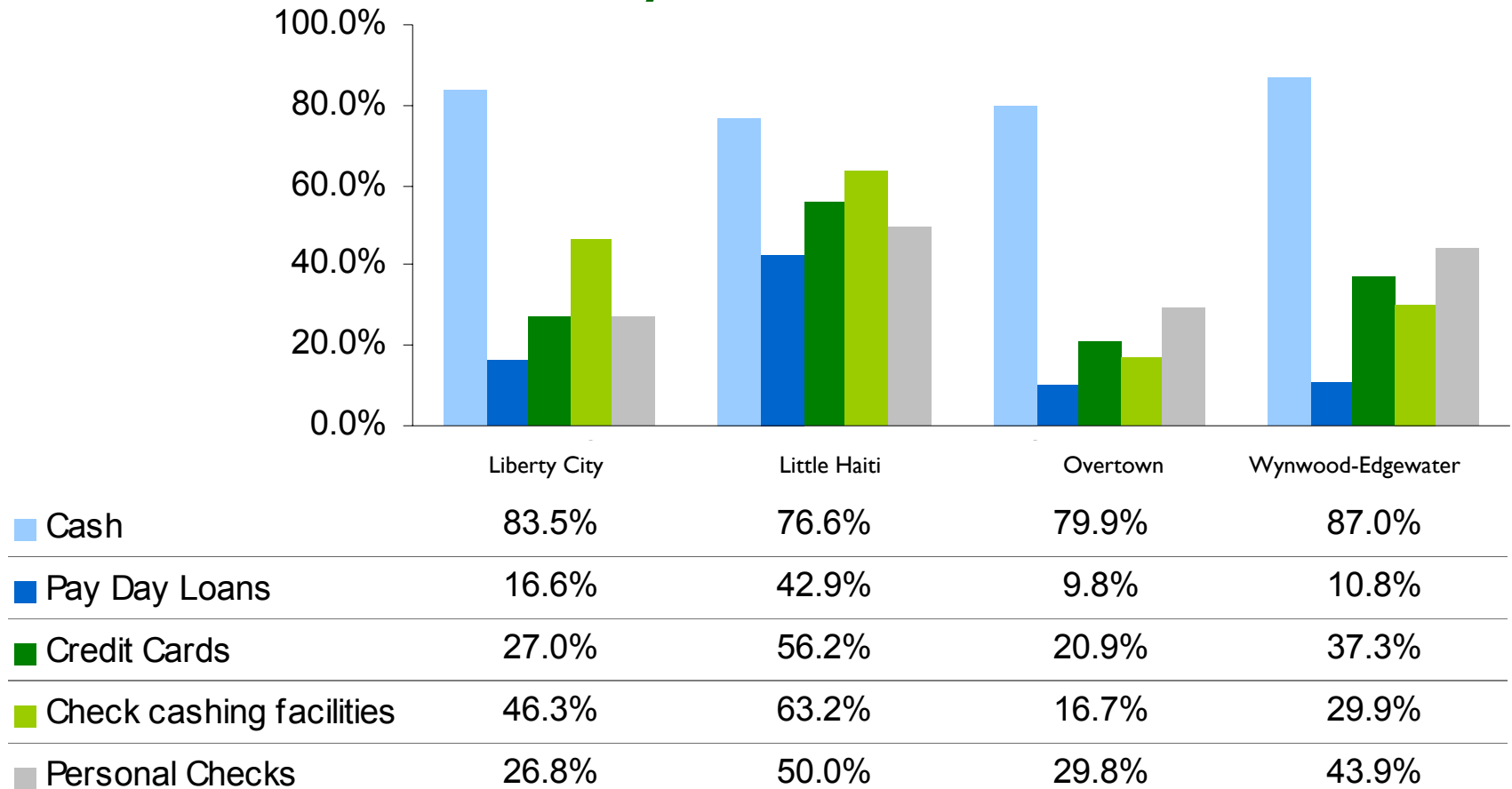
Assess financial habits, needs and perceptions of the underbanked



Financial Services Provision

2007 Miami DrillDown Findings

Survey Results: Consumer Purchasing Patterns Bill Payment Methods



Los Angeles Underbanked Survey

Three Latino immigrant neighborhoods

1st Generation

(Latin immigrants port of entry to U.S.)

- UNFAMILIAR with U.S. banking institutions explains three trends:
 1. highest number of underbanked
 - 38.6% never had a bank account
 - 52.2% don't have a bank account at the moment
 2. highest number of rejected bank loans (28%)
 3. highest interest in learning about banking
- MORE likely to send remittances (43.1% at least once a month)
- Credit card use is comparatively low (more ineligible)*

*Exception: experimental MBNA credit card at Bank of America (accepts matricula consular as an id).

2nd and 3rd generation

- MANY remain unbanked
 - (47.1% have never had a bank account)

Why?

- Don't need a bank account
- Don't have sufficient funds to open
- Don't have sufficient funds to maintain
- HIGHEST number of people cashing checks at supermarkets (38.1% often + very often)
- HIGHEST number to use credit cards for paying bills

3rd and 4th generation

(U.S.-born families; home and business owners)

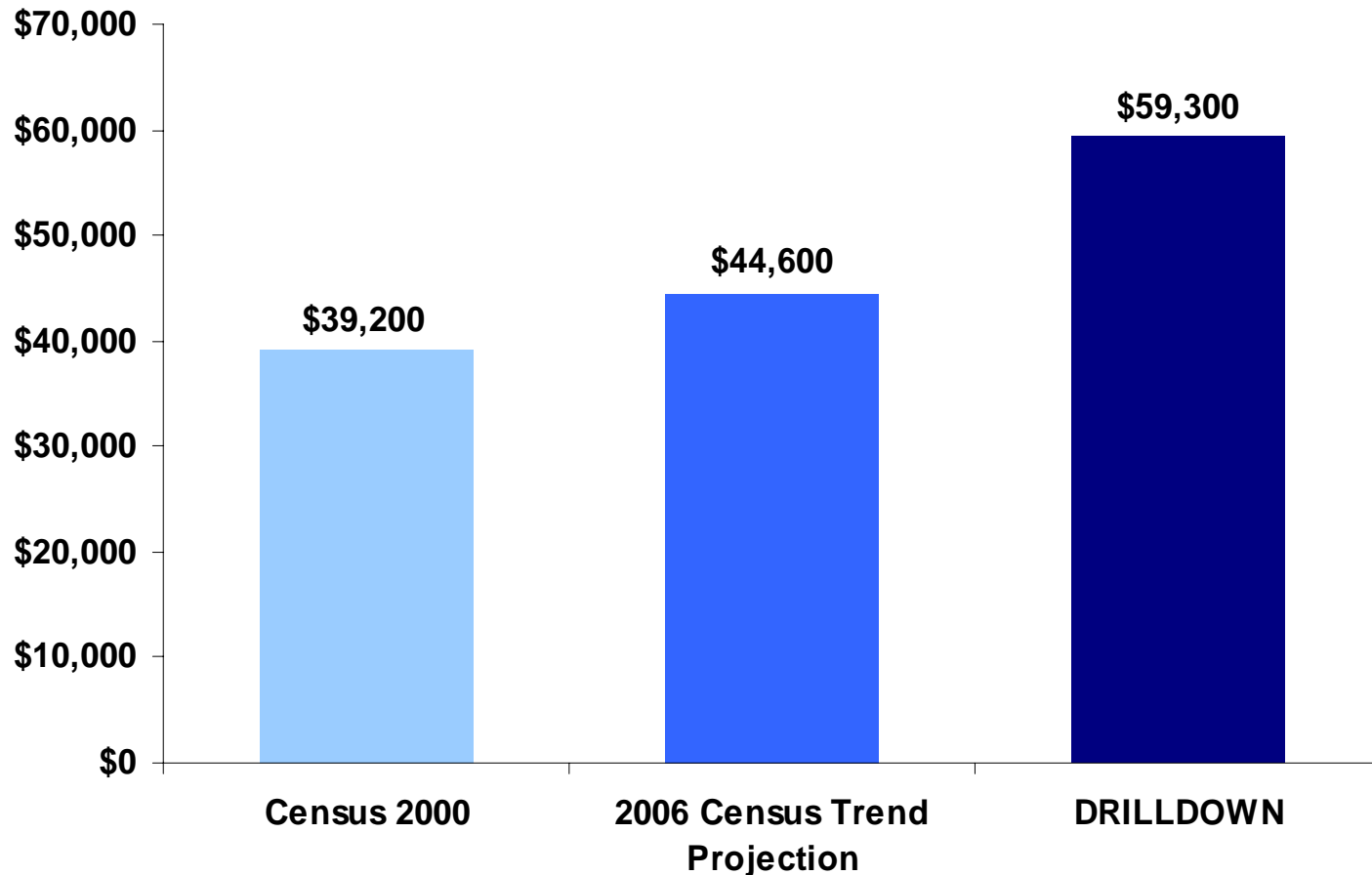
- MORE likely to have bank accounts (58.5%)
- THOSE that don't say:
 - Don't need one
 - Don't have enough funds
 - Don't have social security number (23.2%)
- CREDIT cards are used less frequently *

* Other forms of financing are available and may have more experience with the risk of credit card use.

2006 Detroit DrillDown Findings

Larger Buying Power = Greater Purchasing Potential

Average Household Income



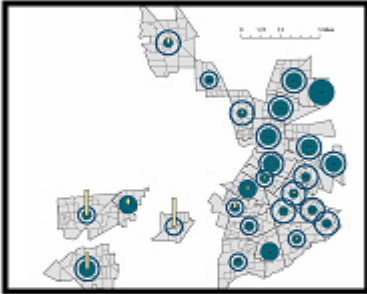
2006 Detroit DrillDown Findings

The Market Anomaly:

- **Grocery stores in the study area exceeded the ICSC national sales average of \$355 per sq. ft.; grocery stores in Greater Downtown average sales of \$855 per sq. ft.**
- **The DrillDown determined there was a \$55.7 million demand and 136,000 sq. ft. potential for grocery stores**

New Housing Units Built

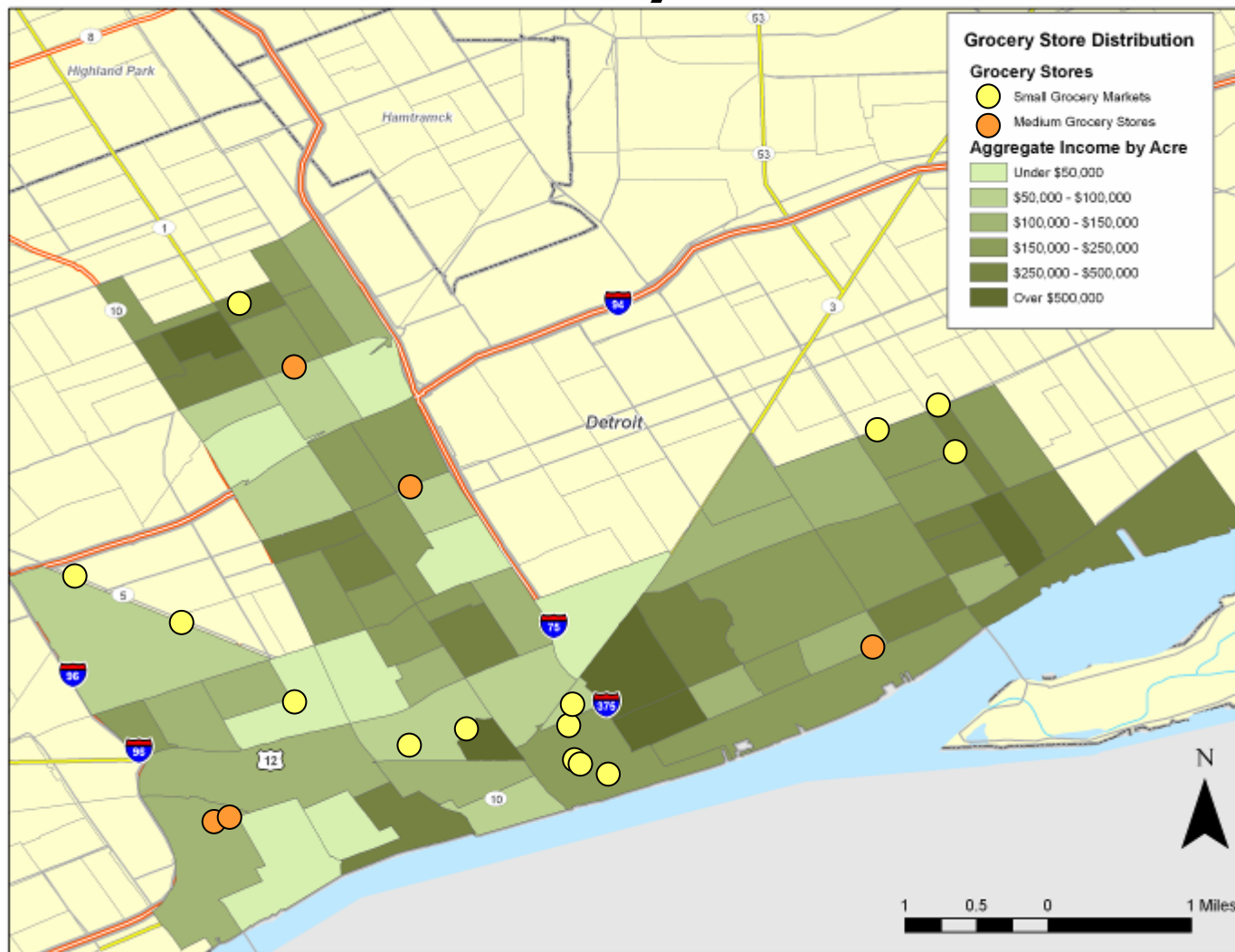
- **3,800 new housing units have been built since 2000**



What can we do with this?

2006 Detroit DrillDown Findings

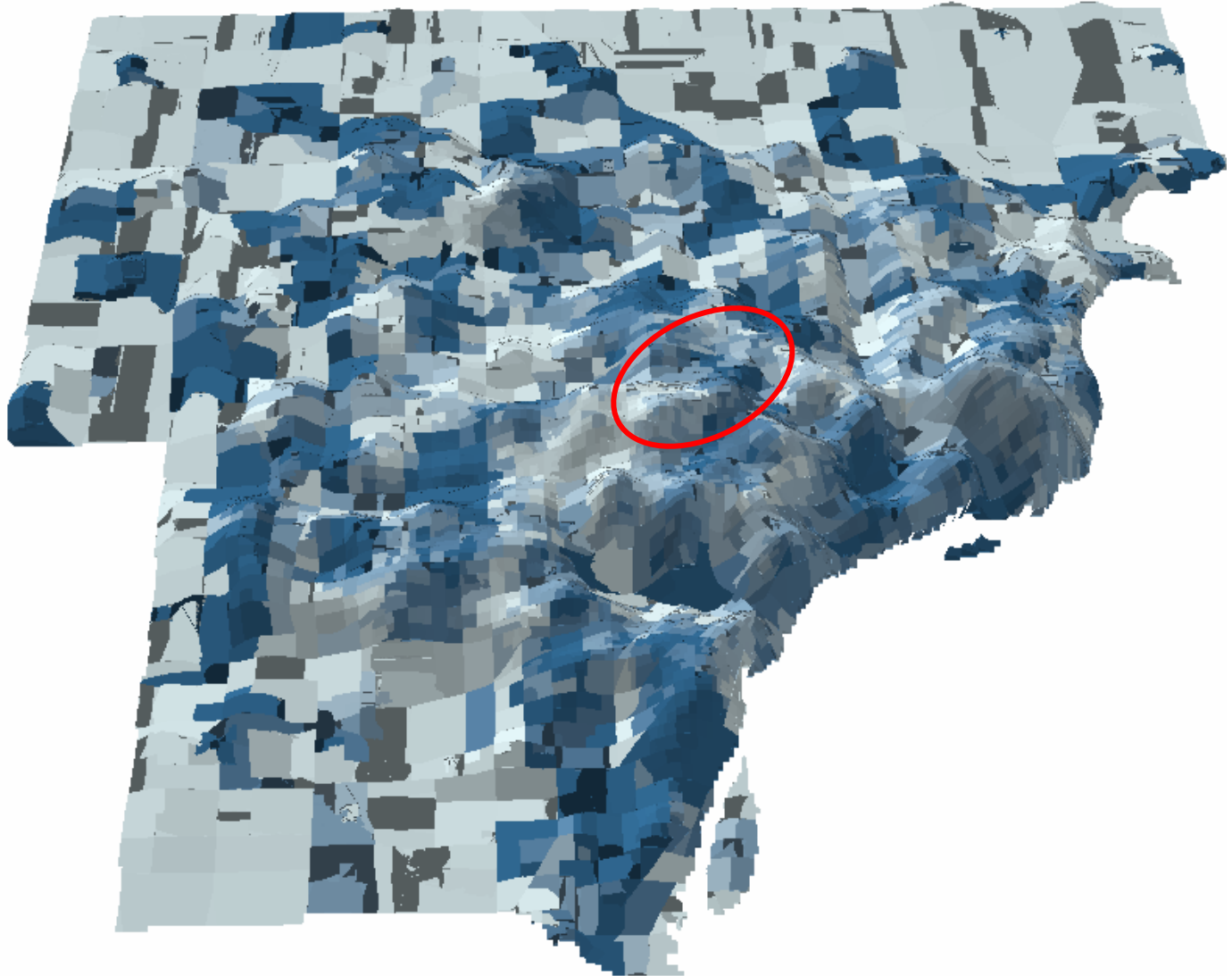
Grocery store attraction



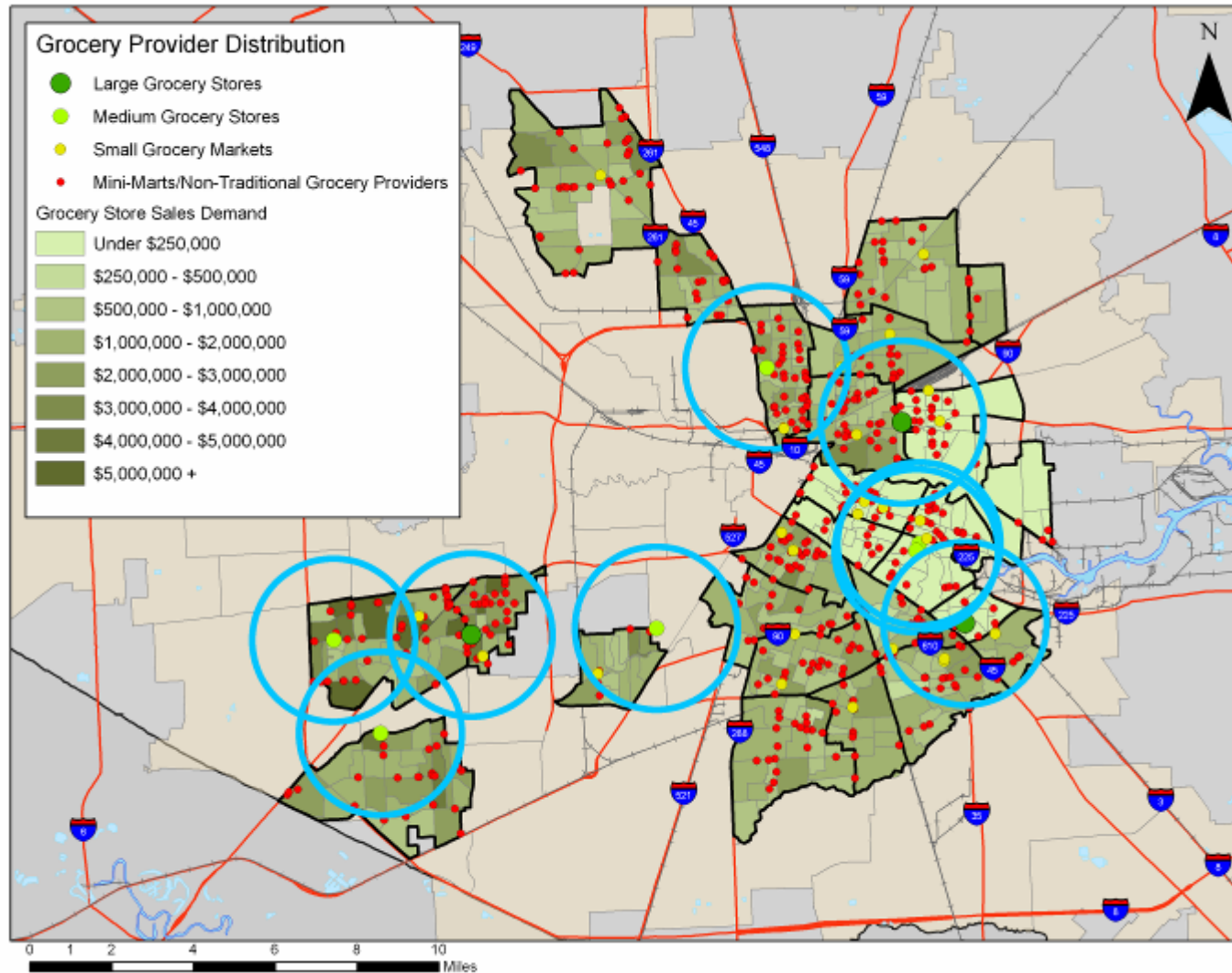
Grocery provider distribution overlaid with aggregate income density.

2007 Detroit DrillDown Findings

3D Model of Grocery Demand



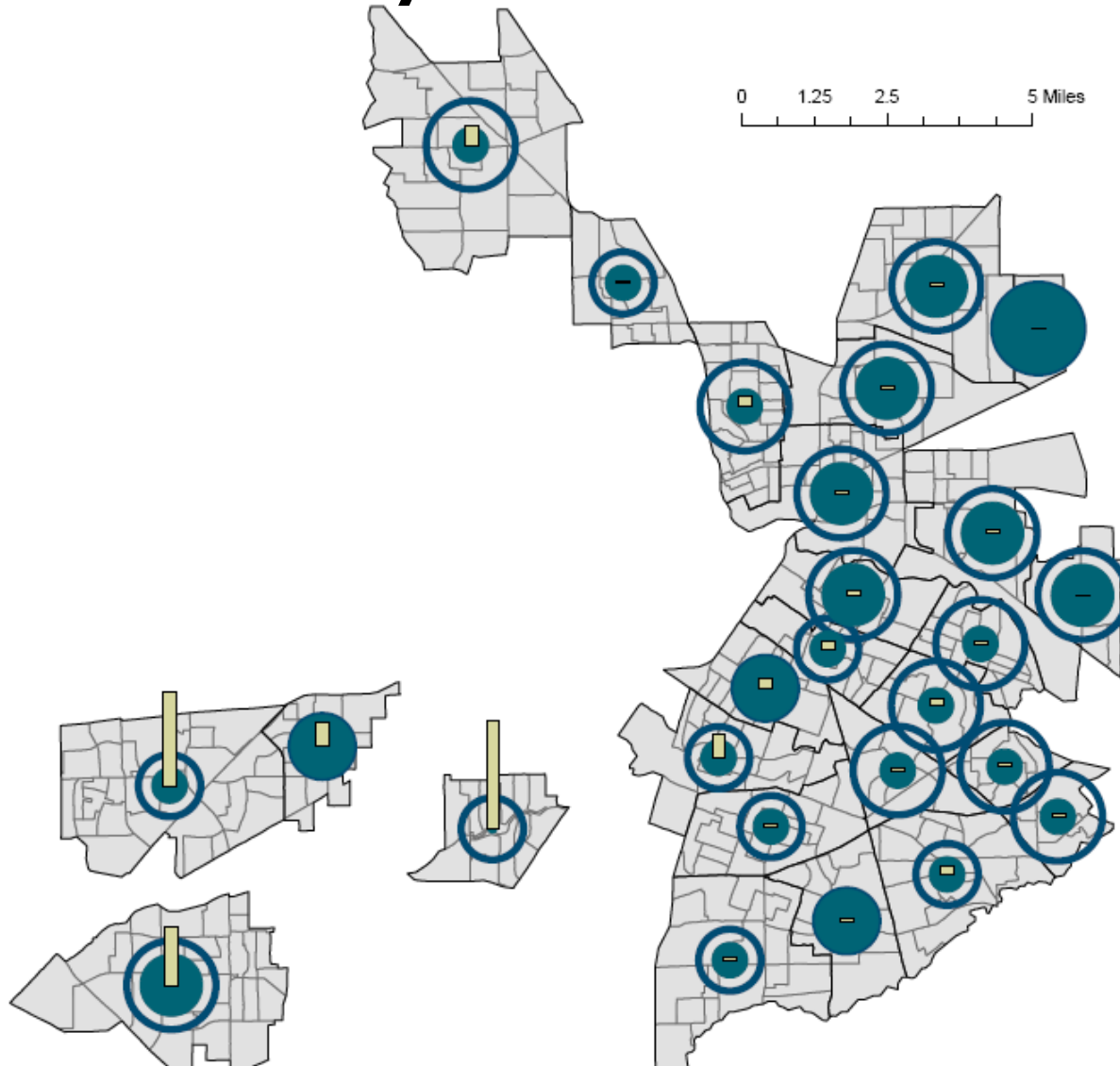
2007 Houston DrillDown Findings



Distribution of grocery providers overlaid with grocery store sales demand.

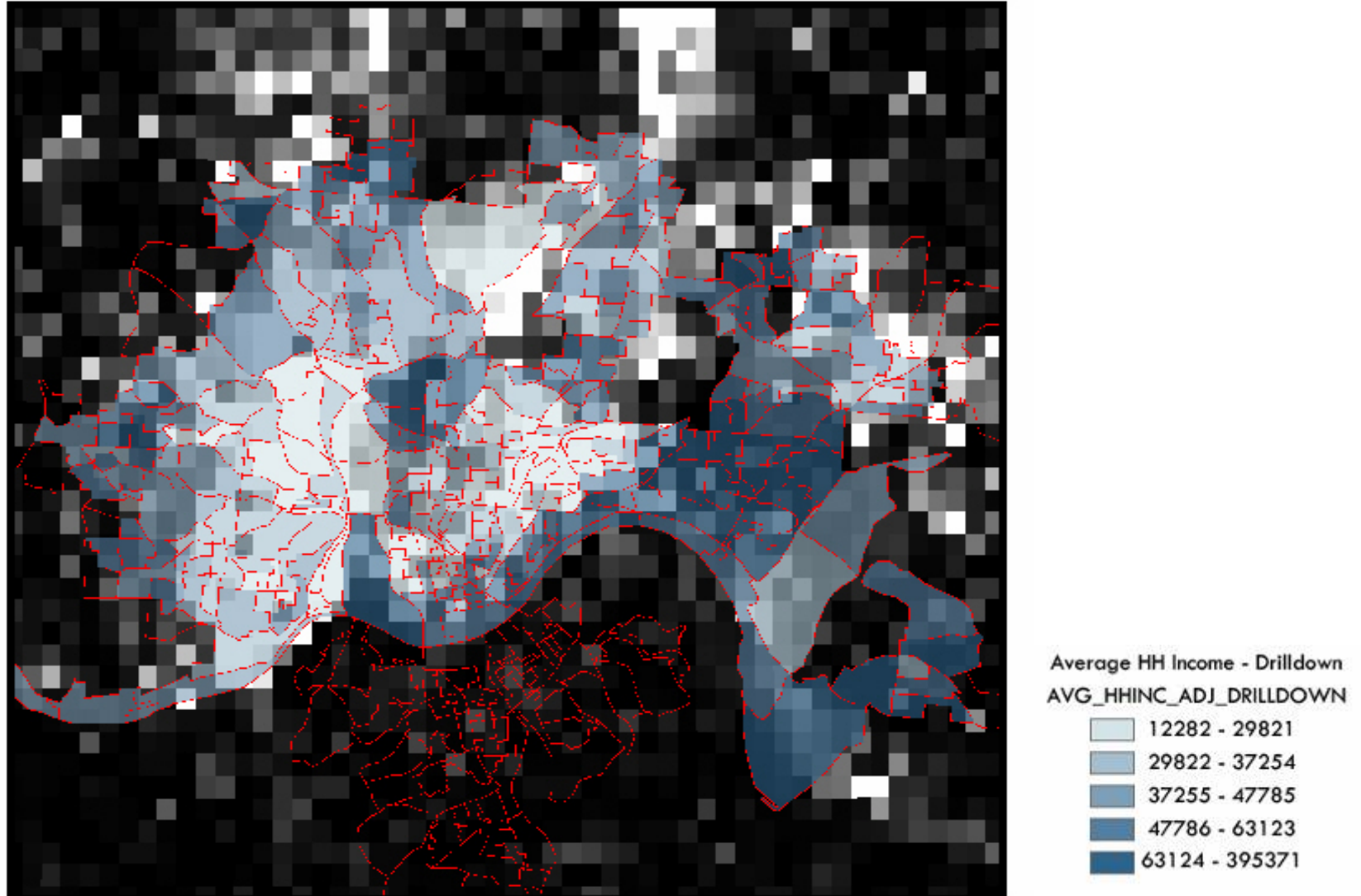
2007 Houston DrillDown Findings

Grocery Customer Attraction



2007 Cincinnati DrillDown Findings

Potential Underwriting Bridge for Risk Assessment



Capturing Underserved Market Potential

Detroit Foreclosure Impact Analysis



www.socialcompact.org



www.propertyadvisors.com

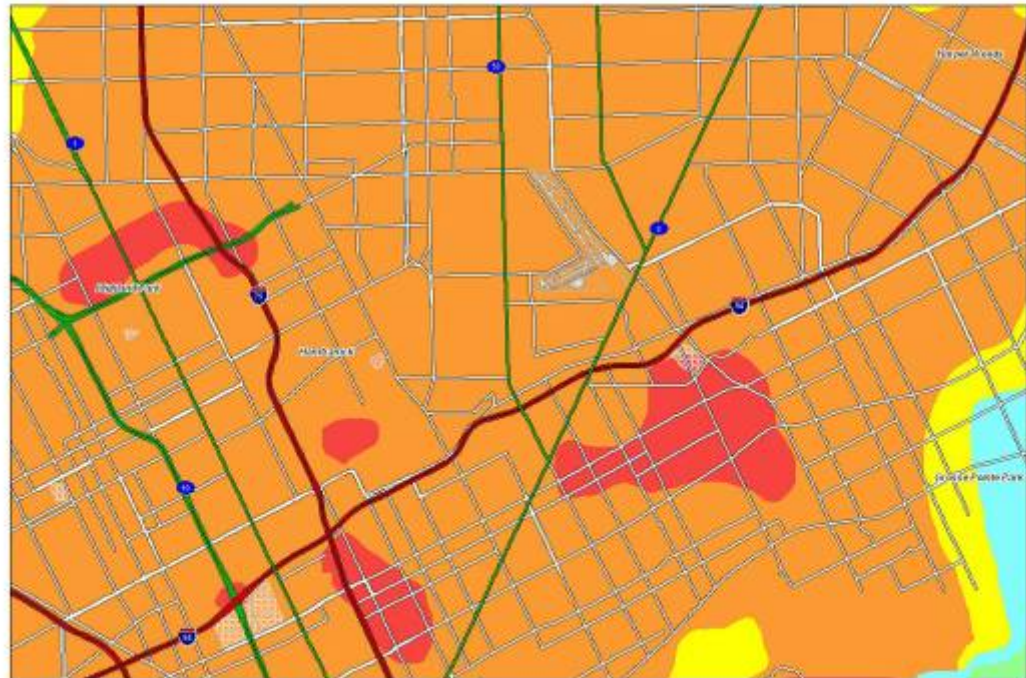
Synthetic Strategic Outcomes:

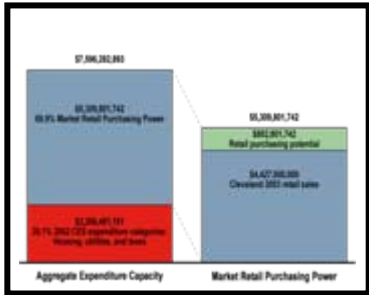
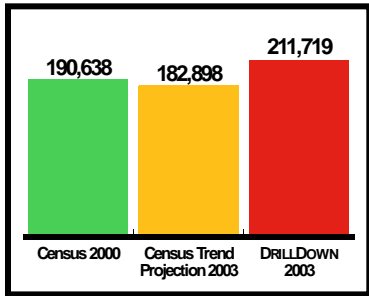
East English Village

Our Foreclosure Impact Analysis allows us to value and reasonably predict three property value scenarios based on current market trends. At right is a sample table of this outcome, outlining real estate tax implications as they may pertain to the City.

Using information from the Scorecard of Vitality and Real Estate Tax Impact Table, sophisticated mapping engines allow us to visually display the outcomes and scenarios in Hot Spot Maps. These maps allow community leaders and officials to readily prioritize the deployment of physical and financial resources. In addition, Hot Spot Maps allow for the analysis of the spillover effects from decaying communities into healthier areas.

Block Group	Mdiscount	Foldcount	Property Address	Assessed Value	Market Value	Foreclosure Value	Market RE Tax Impact	Foreclosure RE Tax Impact
11223354	3.20%	-22.80%	123 N. Street	100,000	100,200	77,200	\$80.84	(\$433.49)
12354887	4.88%	-24.80%	456 S. Street	122,358	128,084	82,258	\$108.87	(\$572.28)
13488020	1.23%	-15.69%	124 N. Street	115,885	117,321	97,711	\$27.10	(\$345.73)
14617353	-6.80%	1.00%	457 S. Street	88,566	83,477	80,464	\$115.80	\$17.03
15748886	3.69%	-3.88%	125 N. Street	78,985	79,828	74,013	\$54.01	(\$56.50)
16880019	5.88%	-18.53%	458 S. Street	145,385	153,822	118,429	\$158.98	(\$512.13)
18011352	4.26%	-17.24%	126 N. Street	68,796	71,727	58,896	\$55.72	(\$225.50)
19142888	-0.23%	-2.68%	459 S. Street	138,562	138,241	135,822	\$6.10	(\$71.11)
20274018	1.23%	-4.25%	127 N. Street	111,887	113,243	107,112	\$28.16	(\$90.40)
21405351	-1.28%	-2.28%	460 S. Street	112,676	111,437	110,288	\$27.40	(\$49.28)
22536684	-2.75%	-32.88%	128 N. Street	113,680	110,710	78,431	\$60.45	(\$712.19)
23668017	5.82%	-17.24%	461 S. Street	114,601	121,703	95,082	\$129.33	(\$376.82)
24786350	6.77%	-2.68%	129 N. Street	115,912	123,754	112,806	\$149.08	(\$59.08)
25830653	7.61%	-4.25%	462 S. Street	116,824	126,822	111,854	\$108.17	(\$84.49)
27062016	8.46%	-5.82%	130 N. Street	117,835	127,806	111,070	\$189.56	(\$130.52)
Total Tax Impact							\$817.11	(\$3,712.24)





What did Cleveland do with this?

KeyBank



Cleveland DrillDown Partners

KeyBank, N. A.

The Cleveland Foundation

Forest City Enterprise

Fannie Mae

City of Cleveland

CNDC

Neighborhood Progress Inc.

Emerging Neighborhood Market Opportunity

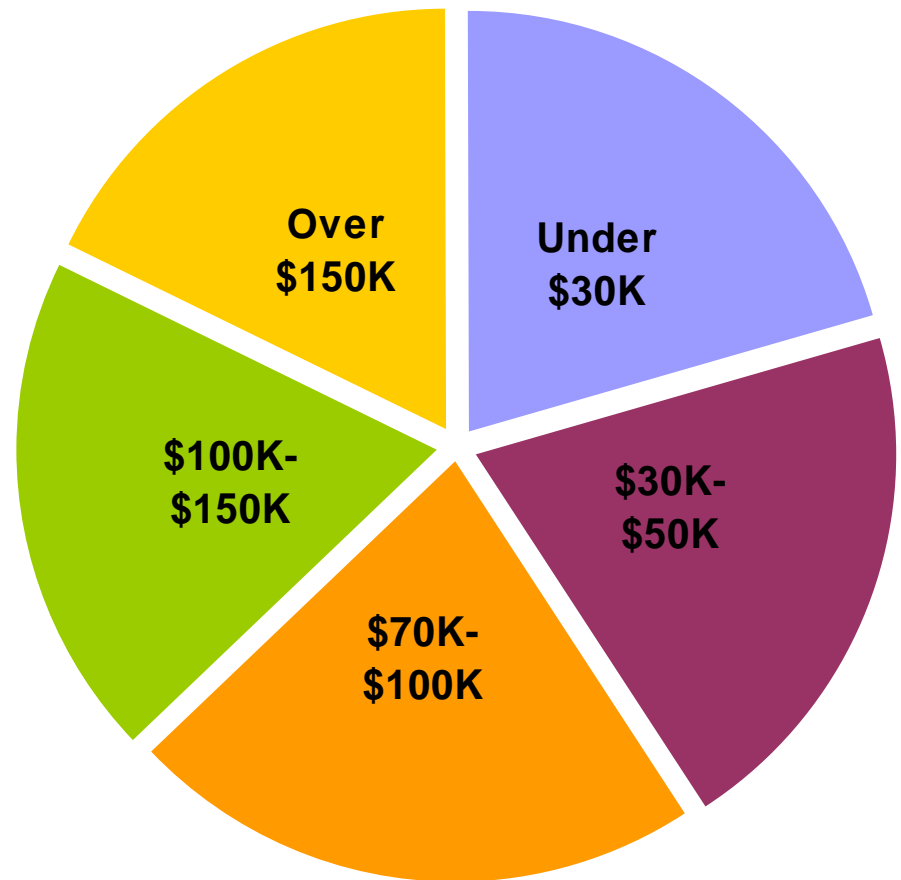
Income	Consumer Spending
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< \$30K	\$ 945 Billion
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\$ 30-50K	\$ 938 Billion
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\$ 50-70K	\$ 831 Billion
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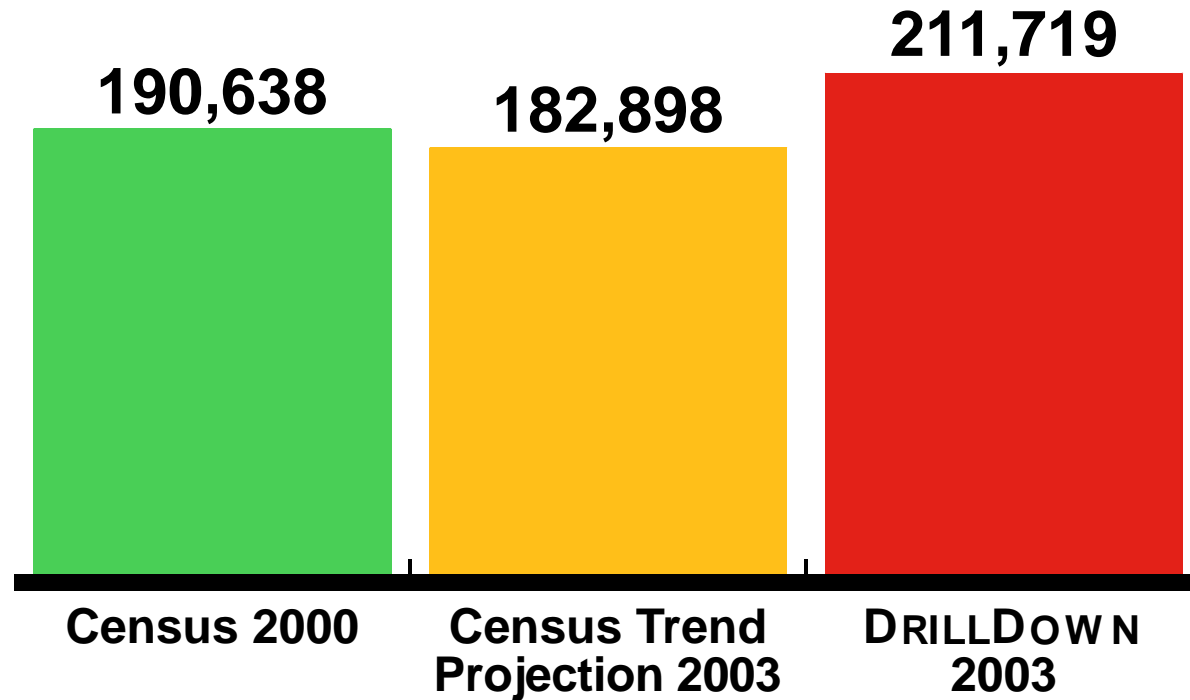
\$ 70K+	\$ 2.7 Trillion
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Consumer Expenditure Survey, 2005

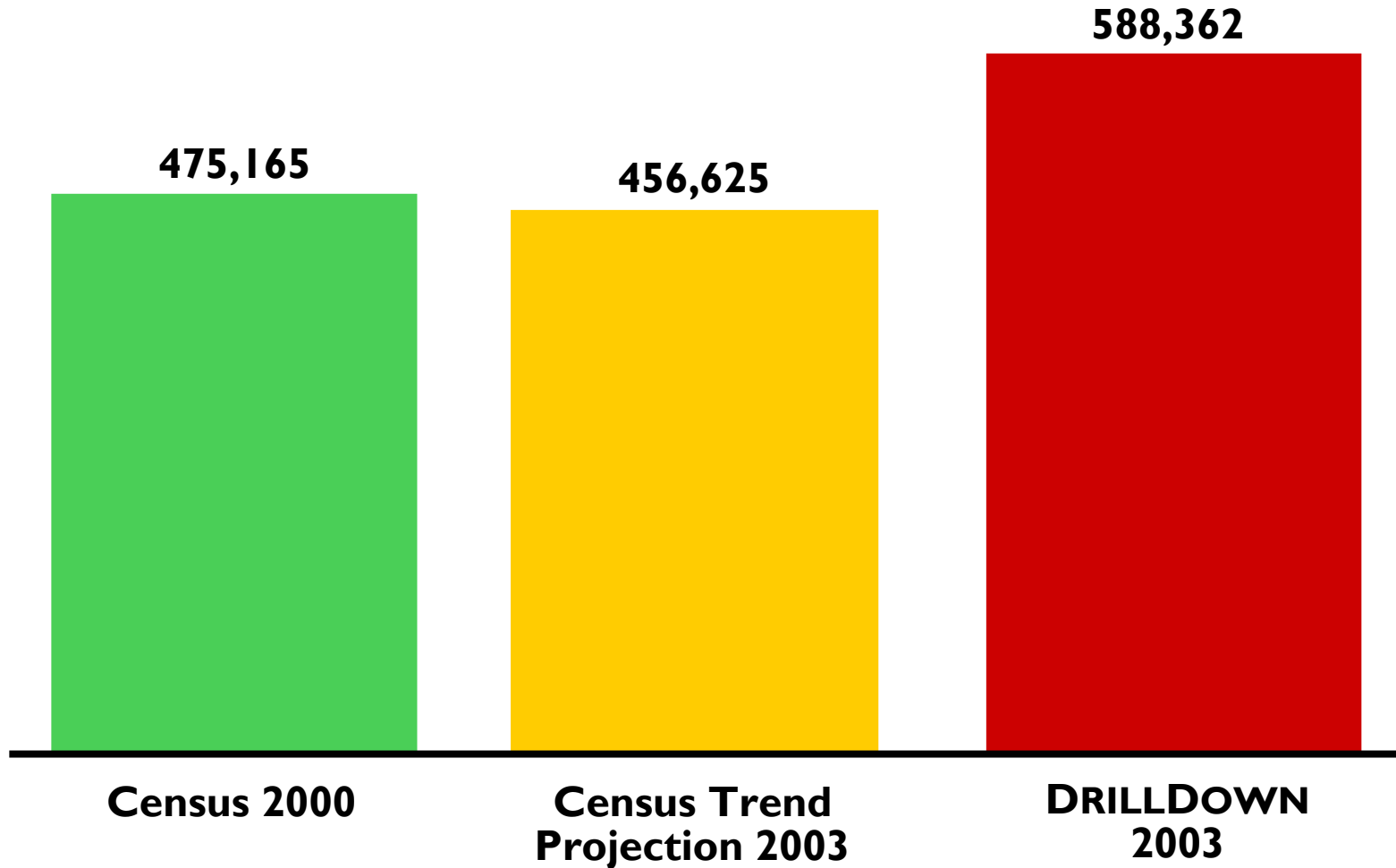
Cleveland DRILLDOWN Market

Number of households



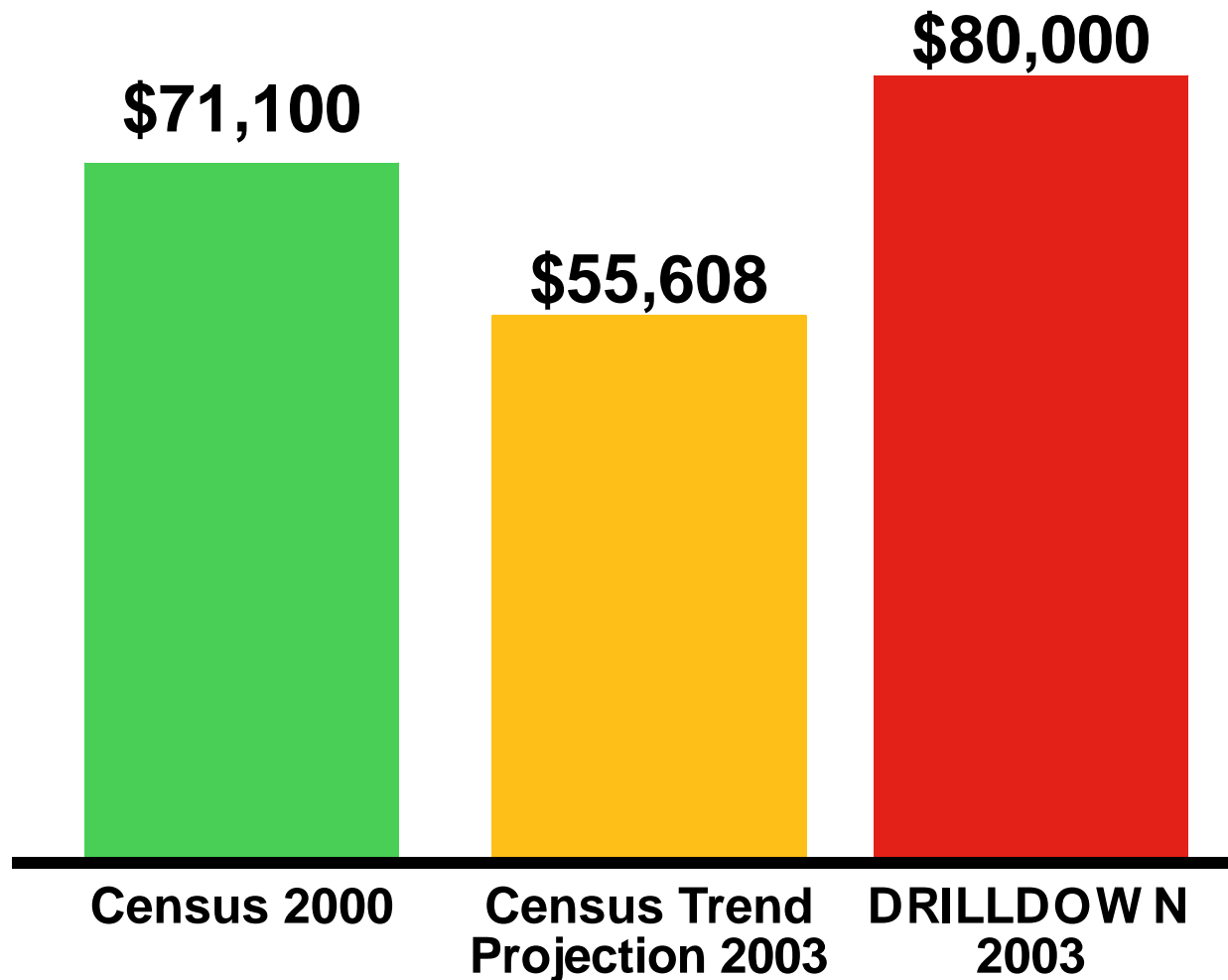
Cleveland DRILLDOWN Market

Population



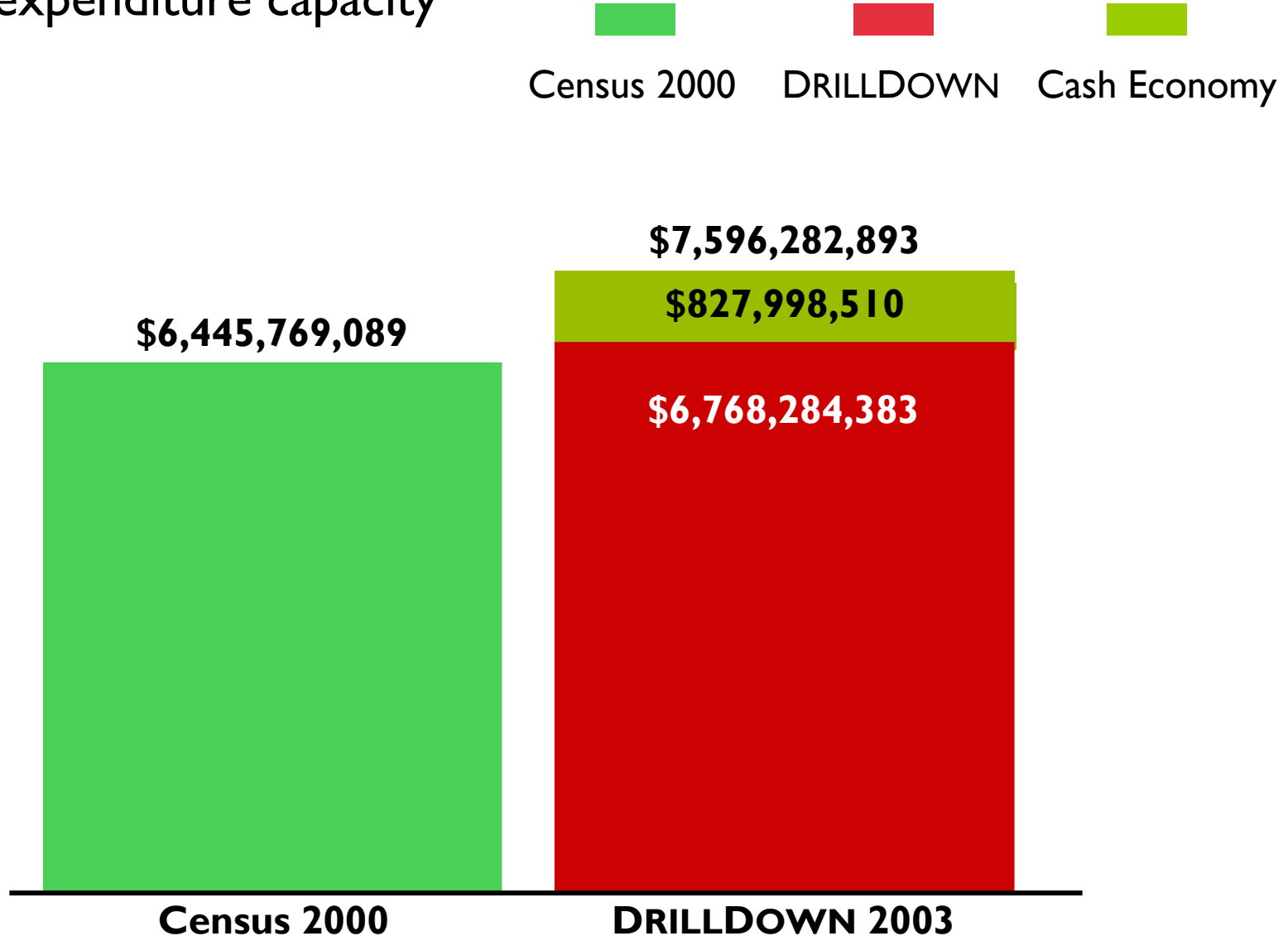
Cleveland DRILLDOWN Market

Median home values



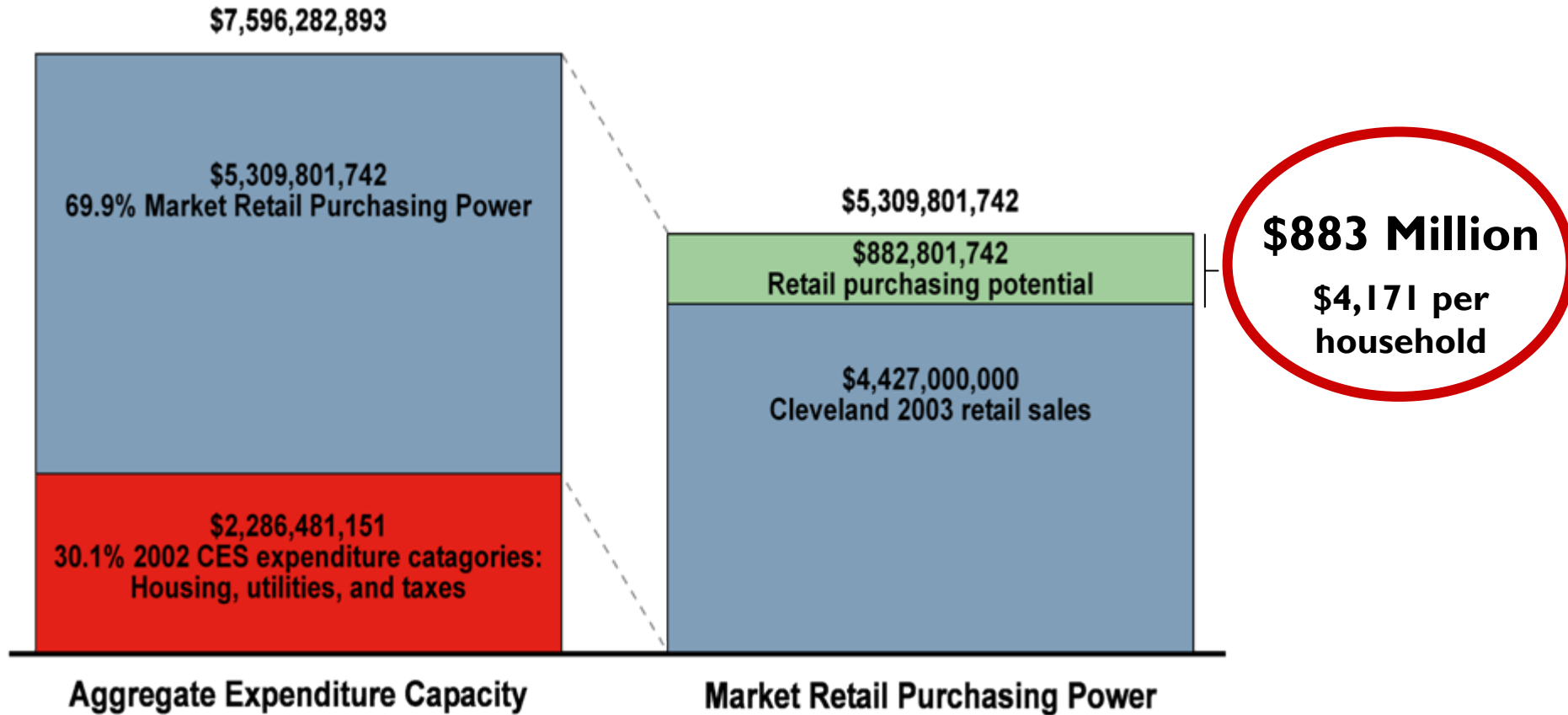
Cleveland DRILLDOWN Market

Aggregate expenditure capacity



Cleveland DRILLDOWN Market

Aggregate expenditure capacity and market retail purchasing power



Cleveland

Size/Growth

	Census 2000	DRILLDOWN
Population	475,165	588,362
Households	190,638	211,719
Daytime Population		546,735
Median housing sales value	\$71,100	\$80,000

Cleveland

Buying Power

Census
2000

DRILLDOWN

Median household
income

\$25,928

\$28,585

Cash economy overlay

\$828 million

Adjusted aggregate
household income

\$6,445,769,089

\$7,596,282,893

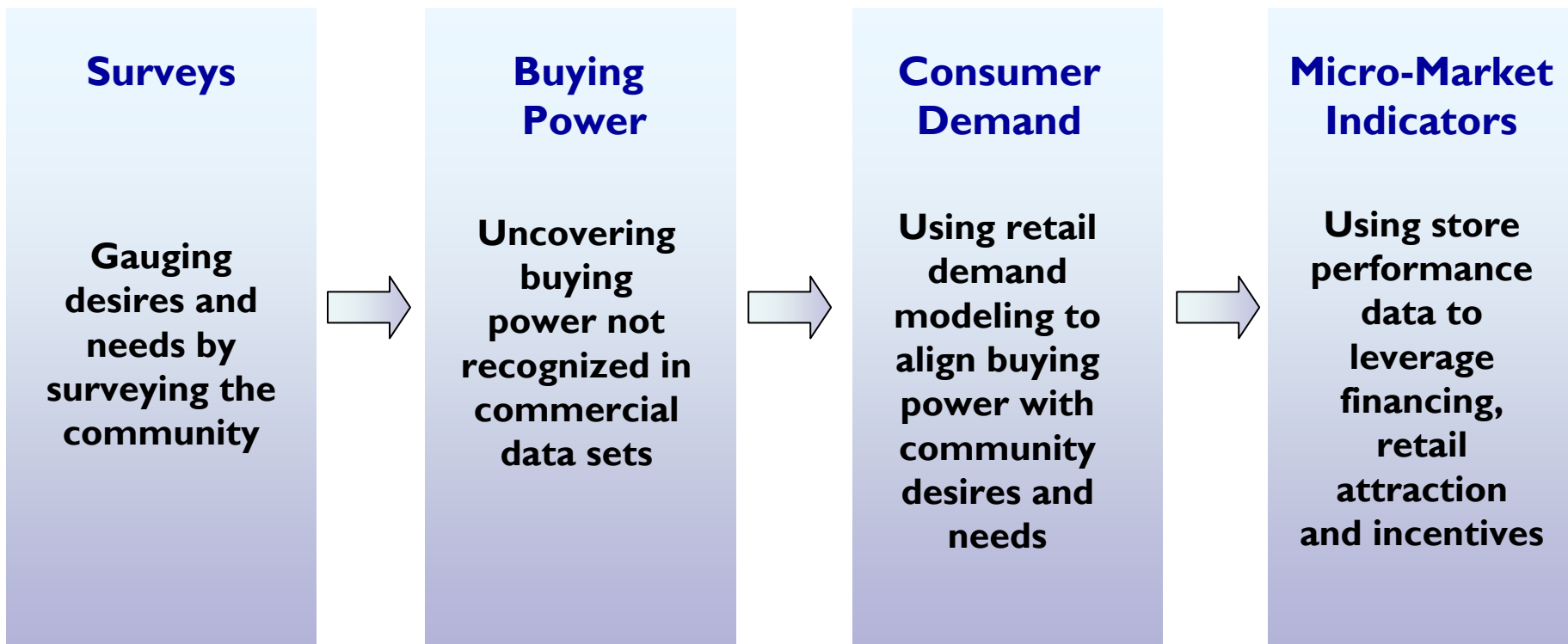
Cleveland

Risk/Stability

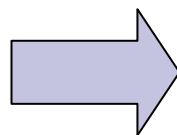
	DRILLDOWN Neighborhood
Owner occupied units	51.6%
Owner occupied buildings	78.6%
Change in reported violent crime (1993 – 2003)	-26.6%

Market Connections

Using DrillDown findings to fill opportunities



Implications for national retail attraction, small business development



Comprehensive economic development

Capturing Underserved Market Potential

Understanding Micro-Market Economies

Creating A New Vernacular for Development

- Leveraging data and technology partners
- Establishing appropriate metrics
- New tool development

Local Community Expenditure Surveys

- Gauge spending behavior in underserved markets
- Advance ways of assessing informal economic activity
- Examine shopping location patterns

Collaboration

- Explore practical application in partnership with development professionals
- Partner with communities



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