

Foreclosed Property as Community Housing Assets

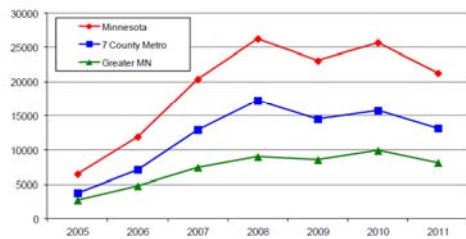


2012 National Interagency
Community Reinvestment
Conference



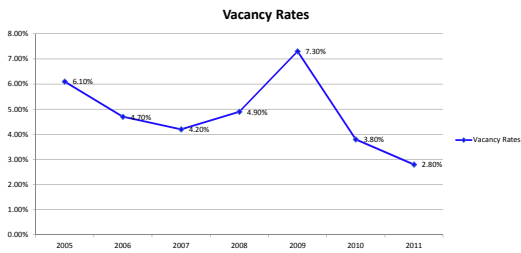
Project for Pride in Living

Market Realities Foreclosures 2005-2011

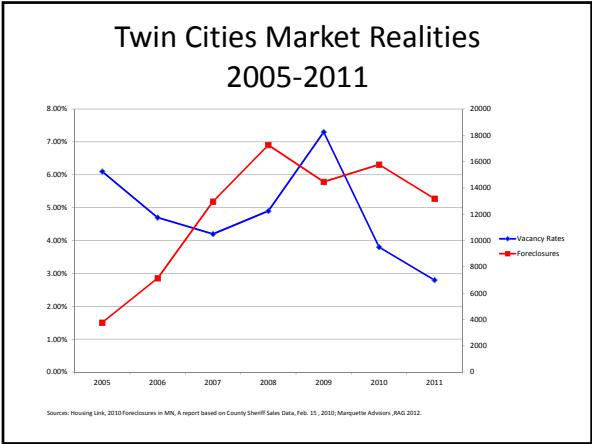


Source: Housing Link, 2011 Foreclosures in MN, A report based on County Sheriff Sales Data, Feb. 24, 2012.

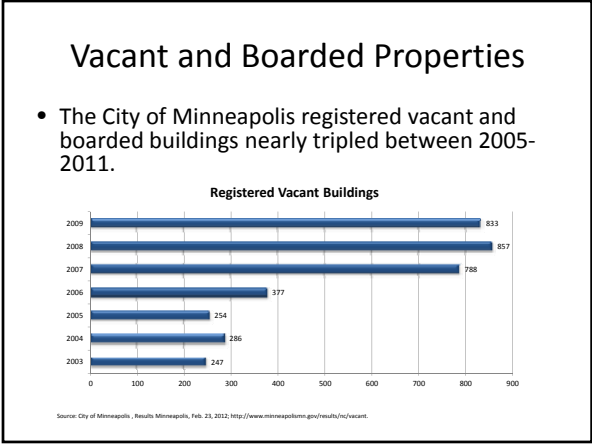
Twin Cities Market Realities 2005-2011



Source: Marquette Advisors, Residential Analytics Group, 2012.







Shadow Markets

Smaller Building Rentals



PPL's View

- Too few qualifying owner-occupant buyers for the inventory of foreclosed property
- Too little credit
- Over half of renters rent in buildings with 4 or fewer units (Alan Mallach)
- Probable buyers: inexperienced small investors; unlikely to make improvements



PPL's Unique Capacities

- 40 year old housing provider
- Own and manage over 1000 units
- 243 of these units in buildings with 8 or fewer units



Foreclosure Response

- Public Sector: Neighborhood Stabilization Program (NSP)
 - Minneapolis
 - St. Paul
- Private Sector
 - Highland Bank



Highland Bank

PPL helped resolve foreclosed portfolio of
28 properties with 42 units (detached single
family homes and duplexes)



Bank Portfolio Management Process

- Assess value and condition
- Determine rental status
 - Occupied?
 - Occupied legally?
- Clarify interim management strategy for each building
- Market, as directed



Disposition Strategies

- If empty and marketable, offer at realistic prices, as is
- Clean up, in every sense
- If occupied/occupyable, rent during the interim; market as investment property with tenant in place
- “Sell” to the City for clearance



St. Paul Experience

- City acquired foreclosed properties (using NSP funds)
- Partnered with for-profits and non-profits to rehab (few for-profits participated)
- For rentals, rehab financed through cash flow note with the City



Minneapolis Experience

- Non-profit roles in both ownership and rental opportunities
- For-profits initially proposed, but largely dropped out



PPL NSP Process

Non-profit

- Selects and evaluates properties
- Acquires and holds
- Finances 24-unit groups together (deferred financing; no amortizing debt)
- Rehabs; leases
- Secures Project-based Section 8 rental assistance



Community Housing Assets

- Rental



Have an Asset Management Plan

- Consider the skills needed for particular neighborhoods or portfolios.
- Be prepared for good record-keeping and making good reports.
- Figure out what capital will be needed.
- Know what is “too much”.
- Manage tenant relations.



Proximity Matters



Community Relations Matter

- Elected Officials
- Neighborhood organizations
- Regulatory officials
- Local Police



Project for Pride in Living

How Financial Results Vary

- Per unit costs tend to be higher
- Management fees tend to be higher
- Larger size units carry higher rent
 - Rental assistance big plus
- Huge sensitivity to vacancy



Benefits

- Buildings not vacant/boarded, remove blight
- Protect property values on the block
- Quicker resolution to problems
- Better treatment for tenants
- Much-needed larger units available



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2012 National Interagency Community
Reinvestment Conference
