Memorandum

DATE May 30, 2017

TO Housing Committee Members: Scott Griggs, Chair, Carolyn King Arnold, Vice-Chair, Mayor Pro-Tem Monica R. Alonzo, Tiffinni A. Young, Mark Clayton, and Casey Thomas, II

SUBJECT Market Value Analysis

On Monday, June 5, 2017, you will be briefed on Market Value Analysis. A copy of the briefing is attached.

Please let me know if you have any questions.

Raquel Favela
Chief of Economic Development &
Neighborhood Services

Attachments

c: Honorable Mayor and Members of the City Council
T.C. Broadnax, City Manager
Larry Casto, City Attorney
Craig D. Kinton, City Auditor
Rosa A. Rios, City Secretary
Daniel F. Solis, Administrative Judge
Kimberly Bizor Tolbert, Chief of Staff to the City Manager
Majed A. Al-Ghafry, Assistant City Manager

Jo M. (Jody) Puckett, P.E., Assistant City Manager (Interim)
Jill A. Jordan, P.E., Assistant City Manager
Joey Zapata, Assistant City Manager
M. Elizabeth Reich, Chief Financial Officer
Nadia Chandler Hardy, Chief of Community Services
Theresa O'Donnell, Chief of Resilience
Directors and Assistant Directors

About Reinvestment Fund

- Our mission is to build wealth and opportunity for low-wealth people and places through the promotion of socially and environmentally responsible development.

- Since 1985, Reinvestment Fund has made $1.9 billion in cumulative investments and loans.

- We are supported by over 850 investors that include individuals, foundations, religious institutions, financial institutions, civic organizations and government.

- Top AERIS rating of AAA+1 and AA S&P rating.

Business Lines

Lending Investing

Policy Solutions

PolicyMap

Market Value Analysis
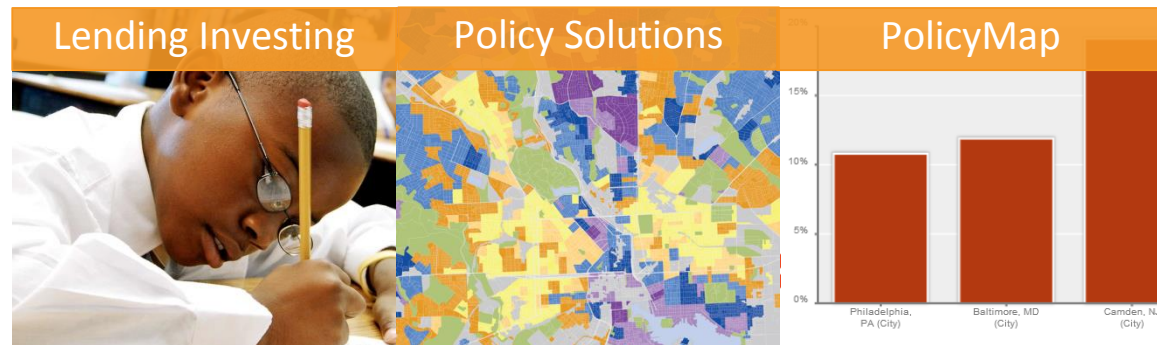
Reinvestment Fund's Market Value Analysis

The Market Value Analysis (MVA) is a tool designed to assist the private market and government officials to identify and comprehend the various elements of local real estate markets. It is based fundamentally on local administrative data sources.

By using an MVA, public sector officials and private market actors can more precisely craft intervention strategies in weak markets and support sustainable growth in stronger market segments.

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Who is using the MVA?

MVAs have been funded by government agencies, local foundations, and financial institutions in cities and counties around the country:

- Philadelphia, PA
- Washington, DC
- Baltimore, MD
- San Antonio, TX
- Camden, NJ
- Newark, NJ
- Selected (8) NJ regions
- Reading Area, PA
- Indianapolis, IN

- New Orleans, LA
- State of Delaware
- Detroit, MI
- Houston, TX
- Milwaukee, WI
- St. Louis, MO
- Atlantic City, NJ
- Jacksonville, FL
- Wilmington, DE

- Selma, AL
- Prince George's County, MD
- Allegheny County, PA
- Akron, OH
- Pittsburgh, PA
- Kansas City, MO
- Richmond, VA

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- Component of a local land banking strategy (Phila., NOLA)
- Guide capital budget (Detroit)
- Focus code enforcement (Phila., Baltimore, Indianapolis, NOLA)
- Inform Assessment of Fair Housing (Phila.)
- Benchmark quality of life measures (Phila.)
- Target statewide Strong Neighborhoods Revolving Loan Fund (DE/DSHA)
- Scoring LIHTC QAP (DE/DSHA)
- Develop CDGB ConPlan / Comprehensive plan (Detroit, Wilmington, St. Louis)
- Assess changes in the market over time (Phila., Baltimore, Pittsburgh)
- Evaluate development opportunities (Pittsburgh, Phila., Houston, Detroit, St. Louis, cities in NJ)
- Target demolition and acquisition activities (Baltimore, Phila., Detroit, NOLA)
- Engage partners – philanthropic, non-profit, government – in coordinated efforts to rebuild neighborhoods (Baltimore, Milwaukee, NOLA)
- Guide federal Neighborhood Stabilization Program Investment (States of PA & NJ, Houston, Detroit)
- Transportation planning (St. Louis)

Preparing an MVA

Preparing an MVA

1 Acquire **local administrative data** and geocode to Census block group geographies.

2 Manually inspect and **validate data layers** by driving the area.

3 Use statistical **cluster analysis** to identify areas with common attributes.

Iterative

4 Manually inspect areas for conformity with **local experts** to assess fit

5 Alter parameters; **re-solve and re-inspect** until model accurately represents area

6 Summarize and describe the characteristics of each market

Lessons from 15+ years of experience

Validating Data is Critical.

Researchers must visit the city to understand the data

Geographic Scale Matters.

Census tract and MSA geographies are too large to accurately reflect real markets.

One Size Does Not Fit All.

Measurement scales and the appropriate number of clusters are different in every city.

Integrate Local Knowledge.

All Models are tested with local experts to incorporate qualitative feedback from each geography.

Role:

Work with the Reinvestment Fund team to understand the methods, view interim results and affirm final results. Support a data-driven approach to resource allocation and planning once the study is complete.

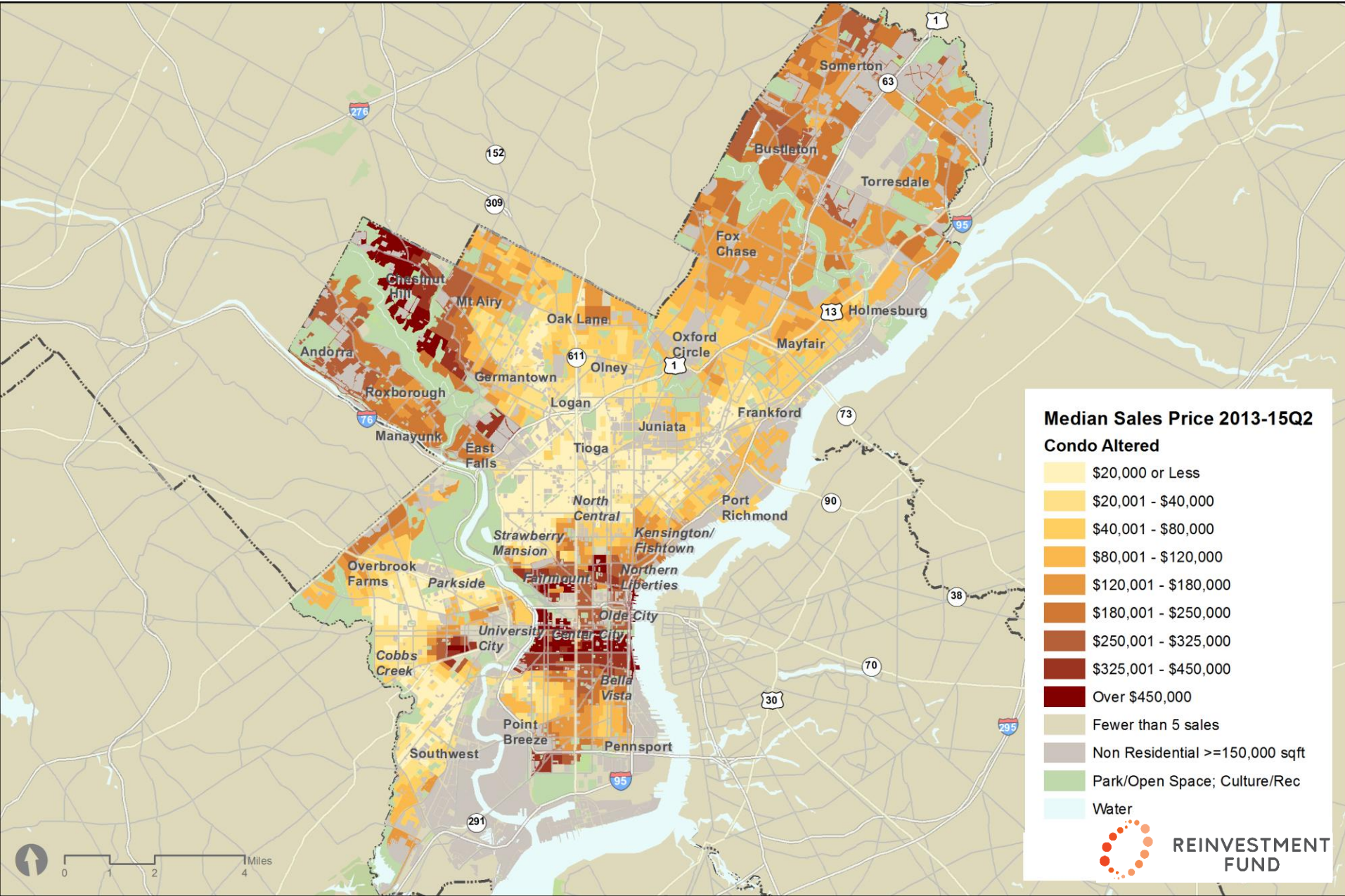**Responsibilities include assisting Reinvestment Fund & County to:**
- Identify, select and secure data
- Assist Reinvestment Fund to understand nuances of local market
- Contribute to validation of data and models
- Advise Reinvestment Fund of projects that are in the development/ predevelopment stages
- Share experiences working with data sets: understand limitations/offer alternative sources/ways to control for problems
- Recommend strategic investment action by the public, institutional and private entities once the MVA is complete.

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Our normative assumptions when analyzing markets:

- Public subsidy is scarce and it alone cannot create a market;
- Public policy and subsidy must be used to leverage, or clear the path, for private investment;
- In distressed markets, invest near strong assets (e.g., major institution of place, transportation hub, environmental amenities) – "Build from Strength";
- All parts of a city are customers of the services and resources that it has to offer;
- Government action is tailored to the market conditions;
- Decisions to invest and/or deploy governmental programs must be based on objectively gathered data and sound quantitative and qualitative analysis.

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Final Philadelphia MVA Variables

Value
- Median Sales Price 2013-15q1 (OPA)
- Sales Price Variance 2013-15q1 (OPA)

Stress
- Foreclosure filings as a Percent of Sales 2013-2015q1 (Philadelphia Courts, OPA)
- Percent of Residential Properties L&I Cited as Vacant 2011-2015 (L&I, OPA)

Land Use
- Density of Housing Units in Residential Land Area (ACS, OPA)
- Percent of Single Family Properties that are Condominiums (OPA)

Occupancy
- Percent of Owner Occupied Housing Units (ACS)

Subsidy
- HUD MF Rental Units and PHA Owned Residential Properties as a Percentage of Rental Units, (HUD, OPA, ACS)

Investment
- Percent of Residential Properties with Permits 2013-2015 (L&I, OPA)
- Percent of Residential Properties Built Since 2008 (OPA)

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Median Sale Price 2013 – 2015q2

Median Sales Price 2013-15Q2
Condo Altered

- $20,000 or Less
- $20,001 - $40,000
- $40,001 - $80,000
- $80,001 - $120,000
- $120,001 - $180,000
- $180,001 - $250,000
- $250,001 - $325,000
- $325,001 - $450,000
- Over $450,000
- Fewer than 5 sales
- Non Residential >=150,000 sqft
- Park/Open Space; Culture/Rec
- Water

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Foreclosure Filings as a Percent of Sales 2013 – 2015q2

Foreclosure Filings as a Percent of Sales 2013-2014

- 7% or Less
- 7.1% - 18%
- 18.1% - 30%
- 30.1% - 45%
- 45.1% - 65%
- Over 65%
- Non Residential >=150,000 sqft
- Park/Open Space; Culture/Rec
- Water

REINVESTMENT FUND
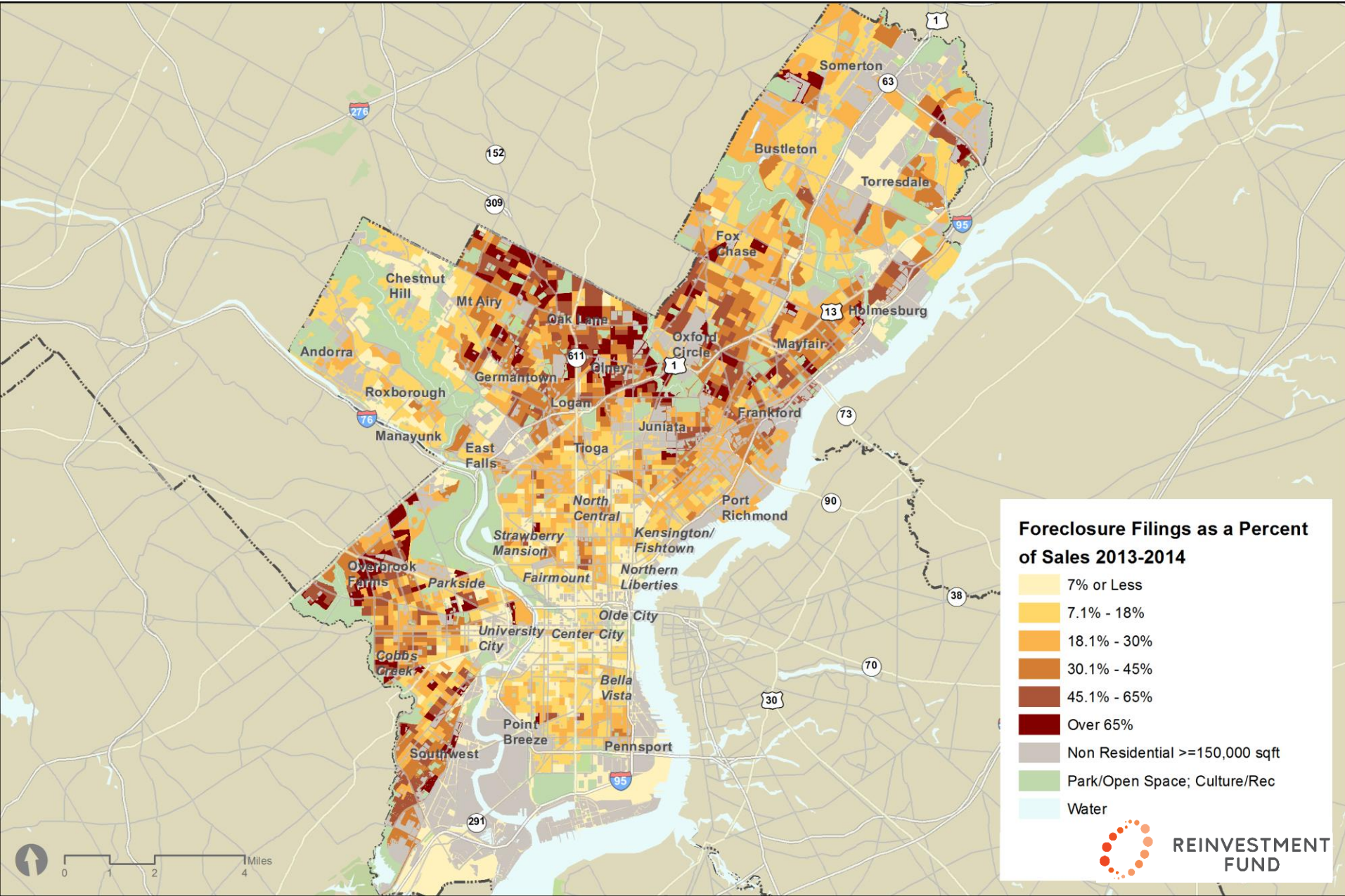
Vacant Residential Properties Cited 2010-14

2015 Market Value Analysis

Market Value Analysis 2015
DRAFT 9v1 No Splits

A 42 $458k
B 99 $330k
C 165 $191k
D 97 $148k
E 150 $118k
F 164 $76k
G 126 $50k
H 168 $29k
I 160 $17k
J 111 $10k
Insufficient Data
Non Residential >=150,000 sqft
Park/Open Space; Culture/Rec
Water

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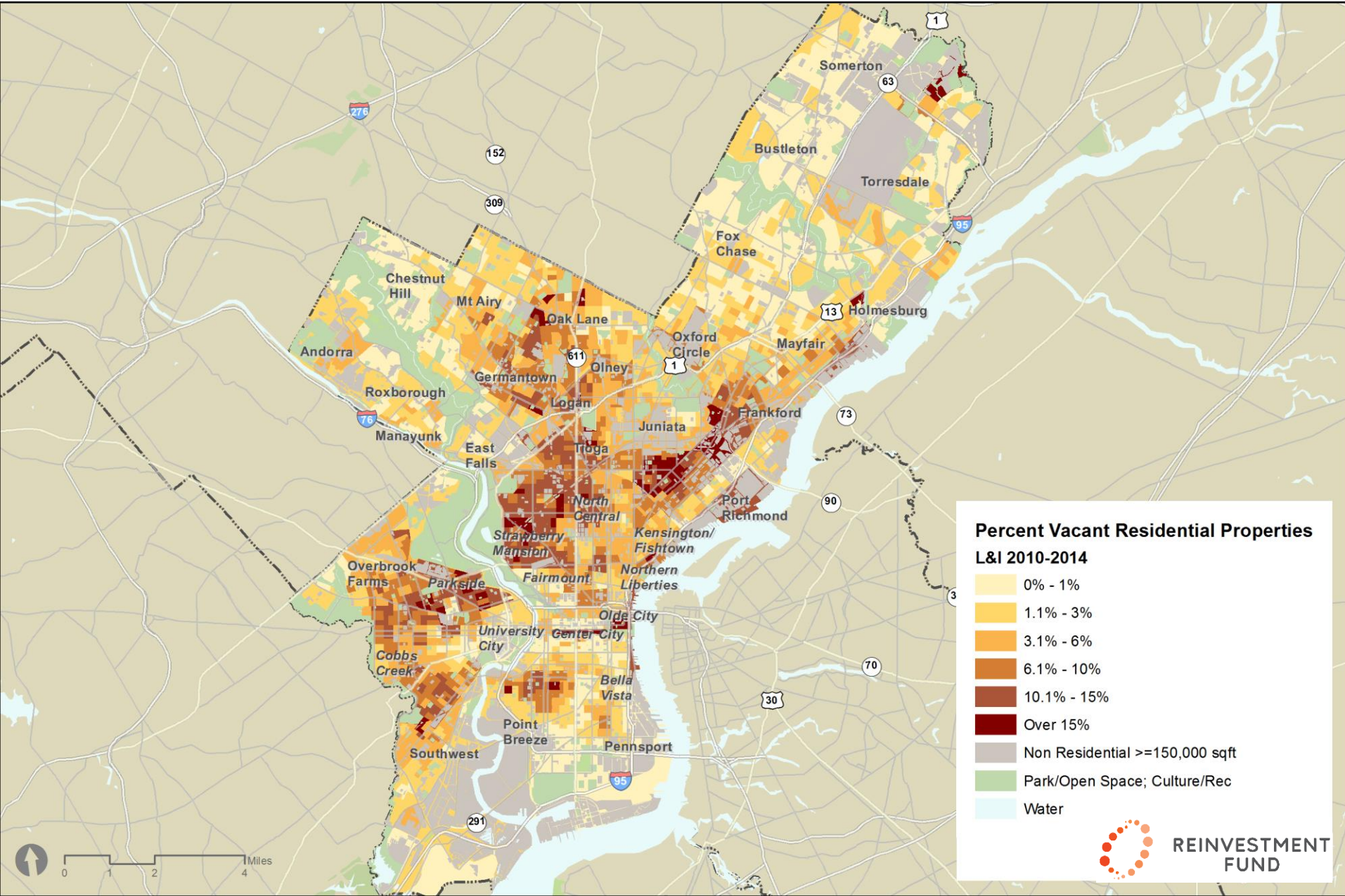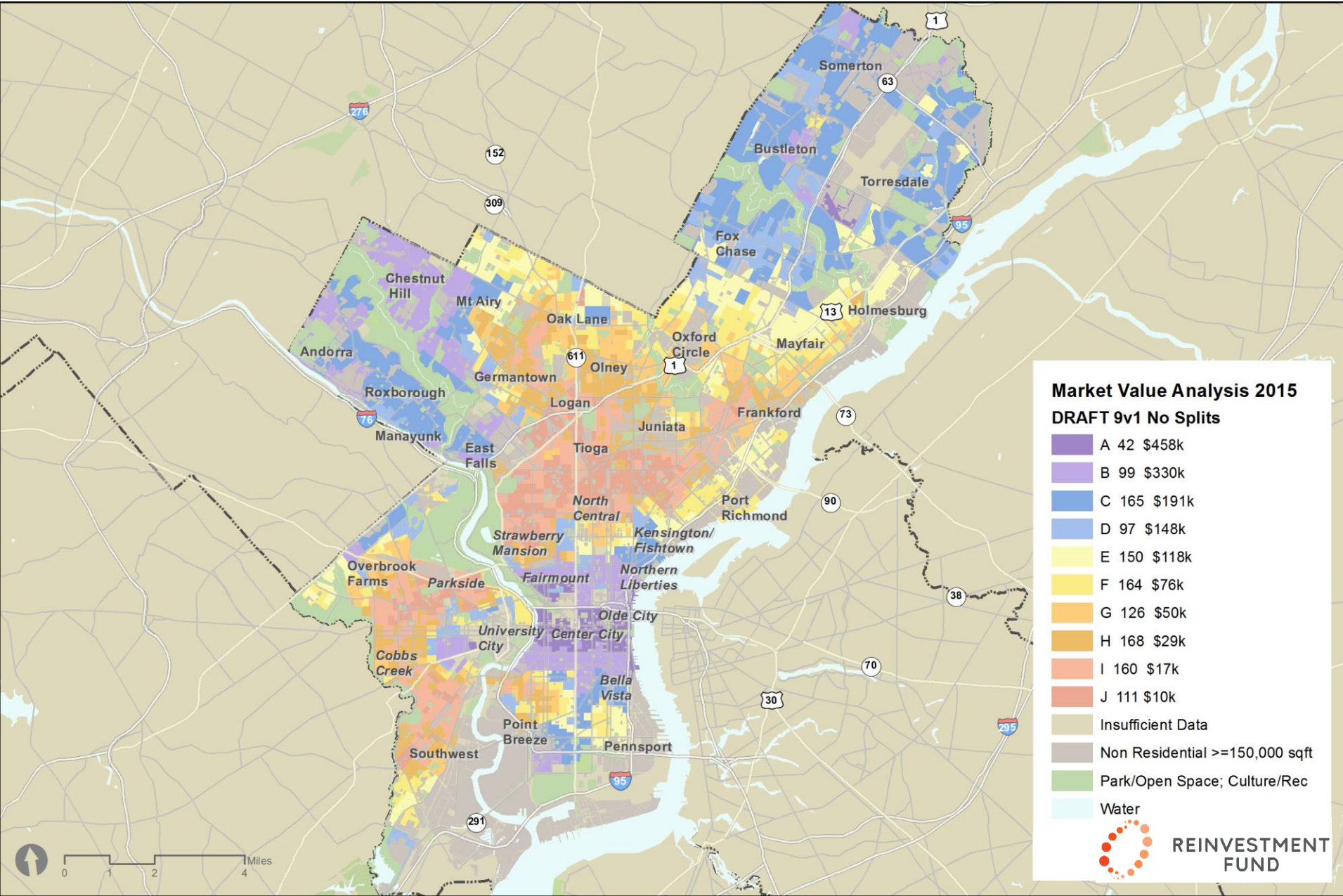
Market Value Analysis – Average Market Characteristics

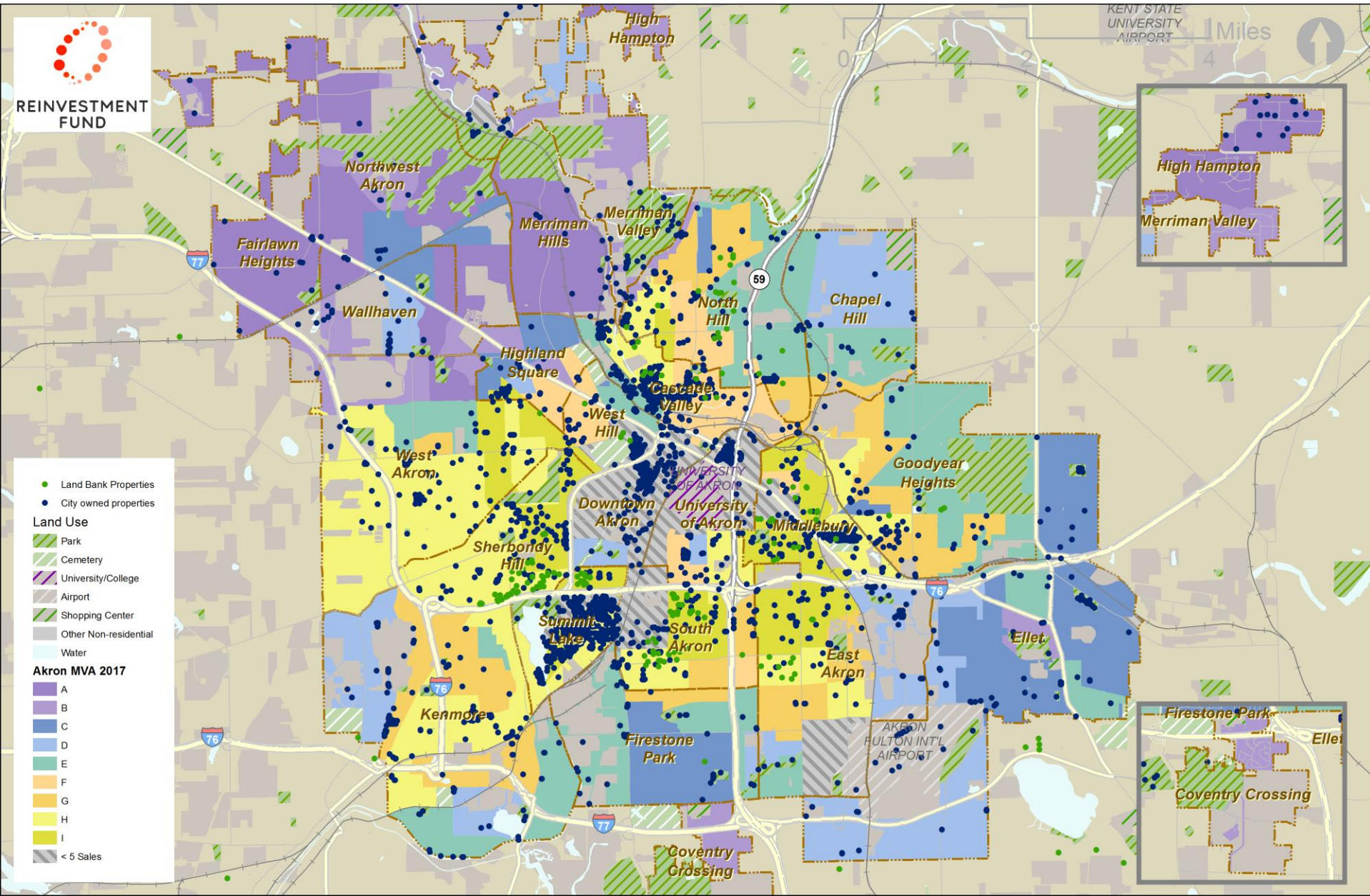| Market	Number of Block Groups	Median Sales Price	Median Sales Price (Condo Altered)	Sales Price Variance	Percent Condo	Percent New Const (08-15)	Percent of Properties with Permits	Percent Owner Occupied	Percent Vacancy	Housing Units per Acre	Forclosures as Percent of Sales	Subsidized Housing
A	42	$ 458,429	$ 595,024	0.67	67.1%	2.1%	33.9%	35.6%	3.4%	272	6.8%	0.8%
B	99	$ 330,164	$ 344,922	0.48	13.4%	5.1%	8.8%	47.7%	2.0%	50	10.0%	4.6%
C	165	$ 191,327	$ 194,649	0.39	4.6%	0.8%	4.9%	75.1%	1.7%	26	18.7%	0.1%
D	97	$ 148,248	$ 150,917	0.47	10.9%	1.2%	6.6%	33.8%	3.3%	47	28.4%	5.2%
E	150	$ 117,613	$ 117,713	0.42	0.9%	0.3%	4.4%	71.6%	1.9%	29	35.1%	0.5%
F	164	$ 75,952	$ 76,285	0.57	3.4%	0.2%	4.4%	60.3%	3.5%	36	39.4%	4.3%
G	126	$ 49,674	$ 49,708	0.68	1.4%	0.2%	4.3%	62.1%	4.5%	35	45.0%	2.9%
H	168	$ 28,794	$ 28,844	0.84	1.4%	0.4%	4.4%	51.6%	6.9%	38	38.5%	6.7%
I	160	$ 17,227	$ 17,233	0.90	1.1%	0.3%	4.1%	49.9%	9.6%	39	30.0%	7.5%
J	111	$ 9,956	$ 9,956	0.99	1.2%	0.2%	3.4%	43.6%	11.9%	42	19.0%	14.1%

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Examples of How Cities with MVAs Apply the Analysis to Related Community Issues

Measuring Change: 2011 vs 2015 MVAs
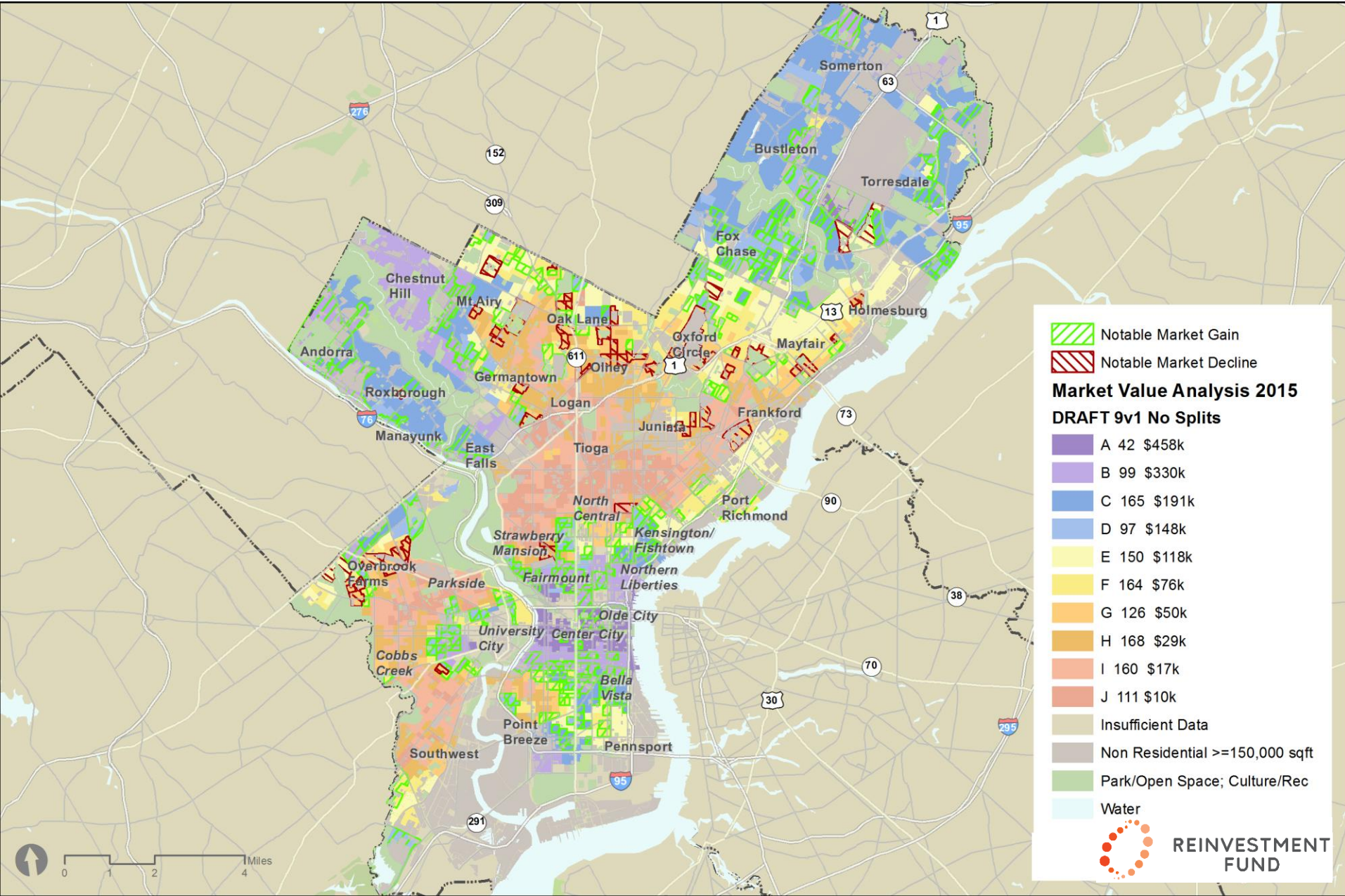
City of Akron and Land Bank Owned Properties

Equitable Development (Pittsburgh): MVA - DRR & Affordable Housing Development

Publicly Subsidized Housing by Affordability Period End Date
- ● 2015 to 2017
- ● 2018 to 2020
- ● 2021 to 2025
- ● 2026 or later
- ● Concluded

Displacement Risk Ratio, 2014-15
- Below city average
- 0.0 - 0.5
- 0.5 - 1.0
- 1.0 - 1.5
- 1.5 - 2.0
- 2.0 - 2.5
- 2.5 - 3.0
- 3.0 or greater
- Insufficient Data
- H Hospital

Miles
0   1.5   3

Housing Affordability (KCMO)

Areas Affordable at 80% MFI

Affordability-80% MFI
Median Home Values
Affordable: Below $142k
/// Unaffordable: Above $142k

Kansas City 2016
Market Value Analysis

- A
- B
- C
- D
- E
- F
- G
- H
- I

/// Primarily Rental
<5 Sales
Non Residential
/// Split BGs
Parks

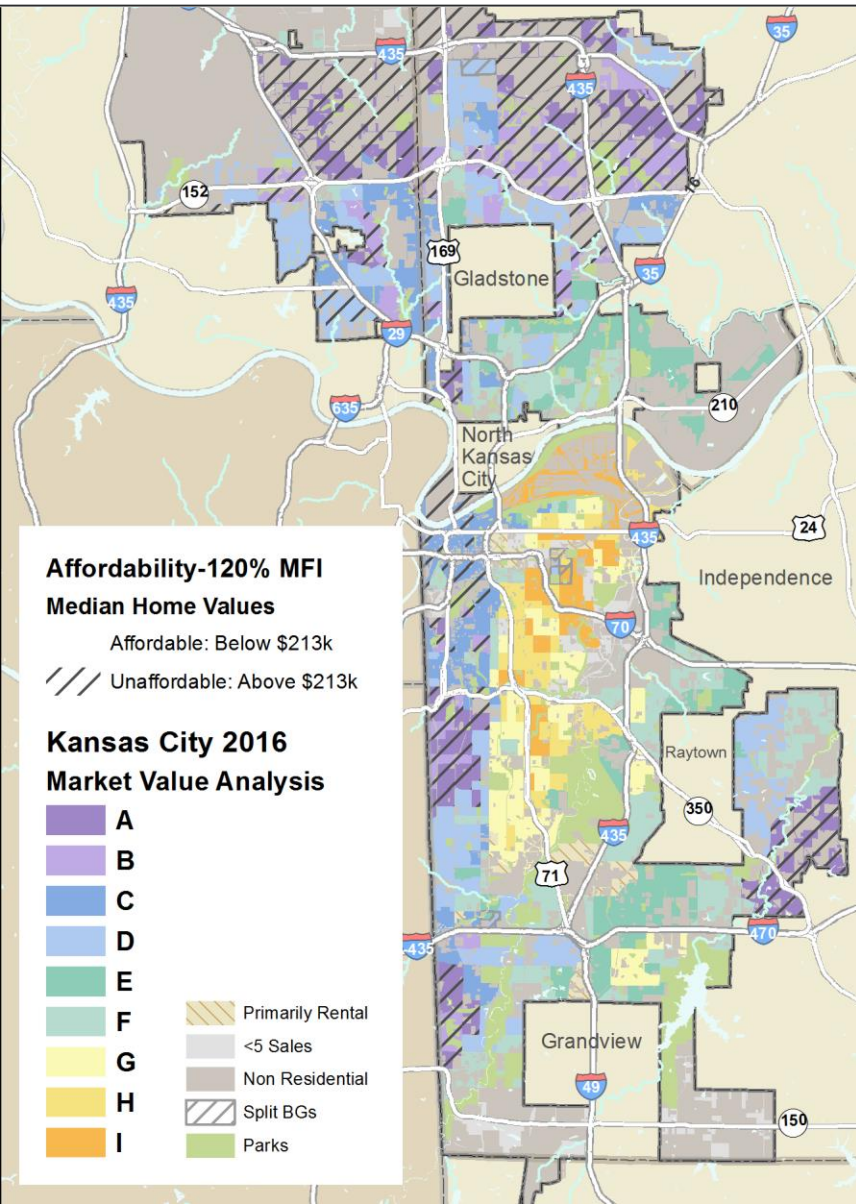80% of median family income in Kansas City was $47,337 in 2014. Our analysis assumes families earning 80% MFI can afford homes worth up to $142,010 (three times $47,337).

261 of the city's 454 block groups had median sales prices below $142,010. Of these block groups, 57% were in E, F, and G markets

Share of Affordable Block Groups by MVA Category

	Total Block Groups	Affordable at 80%
A	34	0%
B	28	0%
C	64	17%
D	69	43%
E	52	100%
F	45	100%
G	53	100%
H	35	100%
I	28	100%
NULL	33	21%
Total	441	59%

Housing Affordability (KCMO)

Areas Affordable at 120% MFI

Affordability-120% MFI
Median Home Values
Affordable: Below $213k
Unaffordable: Above $213k

Kansas City 2016
Market Value Analysis
- A
- B
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Primarily Rental
<5 Sales
Non Residential
Split BGs
Parks

120% of median family income in Kansas City was $71,005 in 2014. Our analysis assumes families earning 120% MFI can afford homes worth up to $213,015 (three times $71,005).

350 of the city's 454 block groups had median sales prices below $213,015. Of these block groups, 63% were in C, D, E, or F markets.

Share of Affordable Block Groups by MVA Category

	Total Block Groups	Affordable at 120%
A	34	0%
B	28	21%
C	64	88%
D	69	99%
E	52	100%
F	45	100%
G	53	100%
H	35	100%
I	28	100%
NULL	33	21%
Total	441	79%

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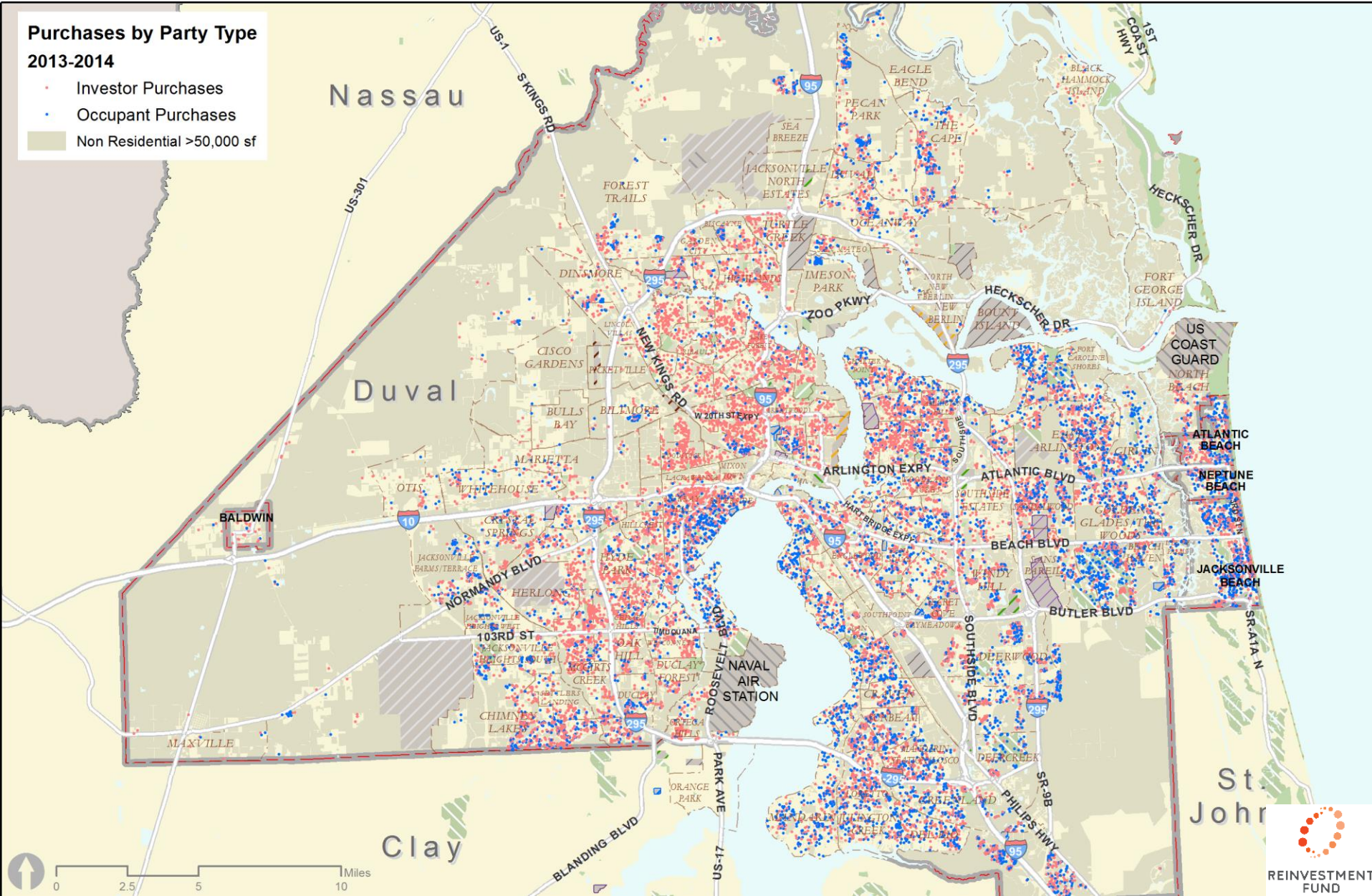
# AFH (Philadelphia): *Evictions, Market Strength and Racial Composition*

Row Labels	Rental Units	Eviction (14-15)	HH w/ Multiple Evictions	Evic as a % of Rental Units	Evictions (10-11)	Numeric Change (10-11 to 14-15)	% Change (10-11 to 14-15)
1. Strong Markets	**110,320**	**10,131**	**935**	**5%**	**9835**	**296**	**3%**
1. Low Black Pop	77,342	5,796	476	4%	5322	474	9%
2. Mid Black Pop	31,585	4,112	445	7%	4328	-216	-5%
3. High Black Pop	1,393	223	14	8%	185	38	21%
2. Middle Markets	**78,474**	**14,377**	**1,237**	**9%**	**14660**	**-283**	**-2%**
1. Low Black Pop	19,445	2,412	99	6%	2370	42	2%
2. Mid Black Pop	36,292	6,863	667	9%	7118	-255	-4%
3. High Black Pop	22,737	5,102	471	11%	5172	-70	-1%
3. Distressed Markets	**77,353**	**15,526**	**1,250**	**10%**	**15436**	**90**	**1%**
1. Low Black Pop	5,440	576	29	5%	567	9	2%
2. Mid Black Pop	26,119	5,212	384	10%	5323	-111	-2%
3. High Black Pop	45,794	9,738	837	11%	9546	192	2%

Source: City of Philadelphia Assessment of Fair Housing

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Crime Index with MVA Markets (St. Louis, MO)

Note: Both crime indicators (personal and property crime) are normalized by the resident population. Users should be aware that results in downtown are inflated relative to the rest of the city, as the daytime downtown population swells relative to its resident population during working hours.
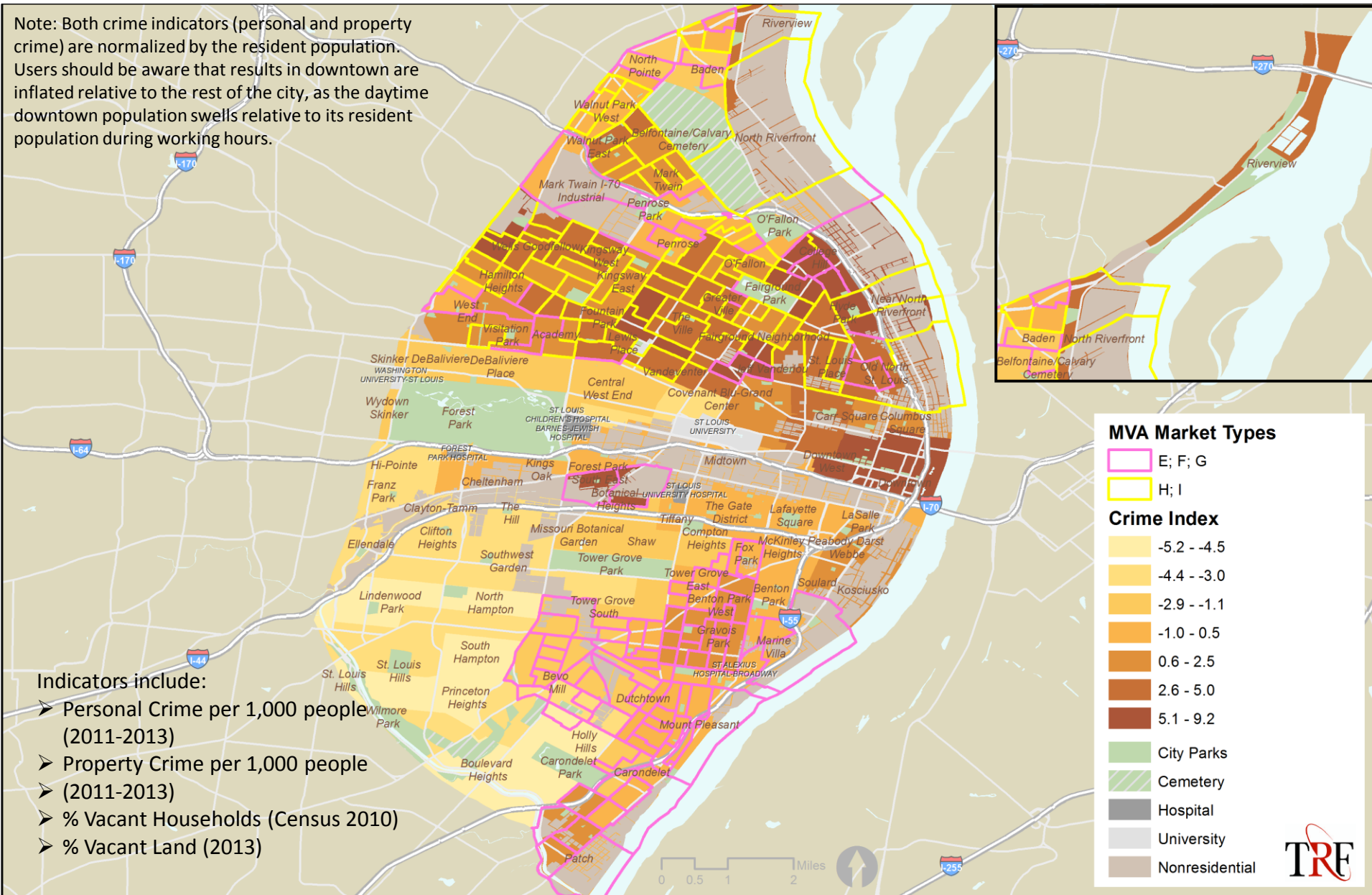
Indicators include:
➤ Personal Crime per 1,000 people (2011-2013)
➤ Property Crime per 1,000 people
➤ (2011-2013)
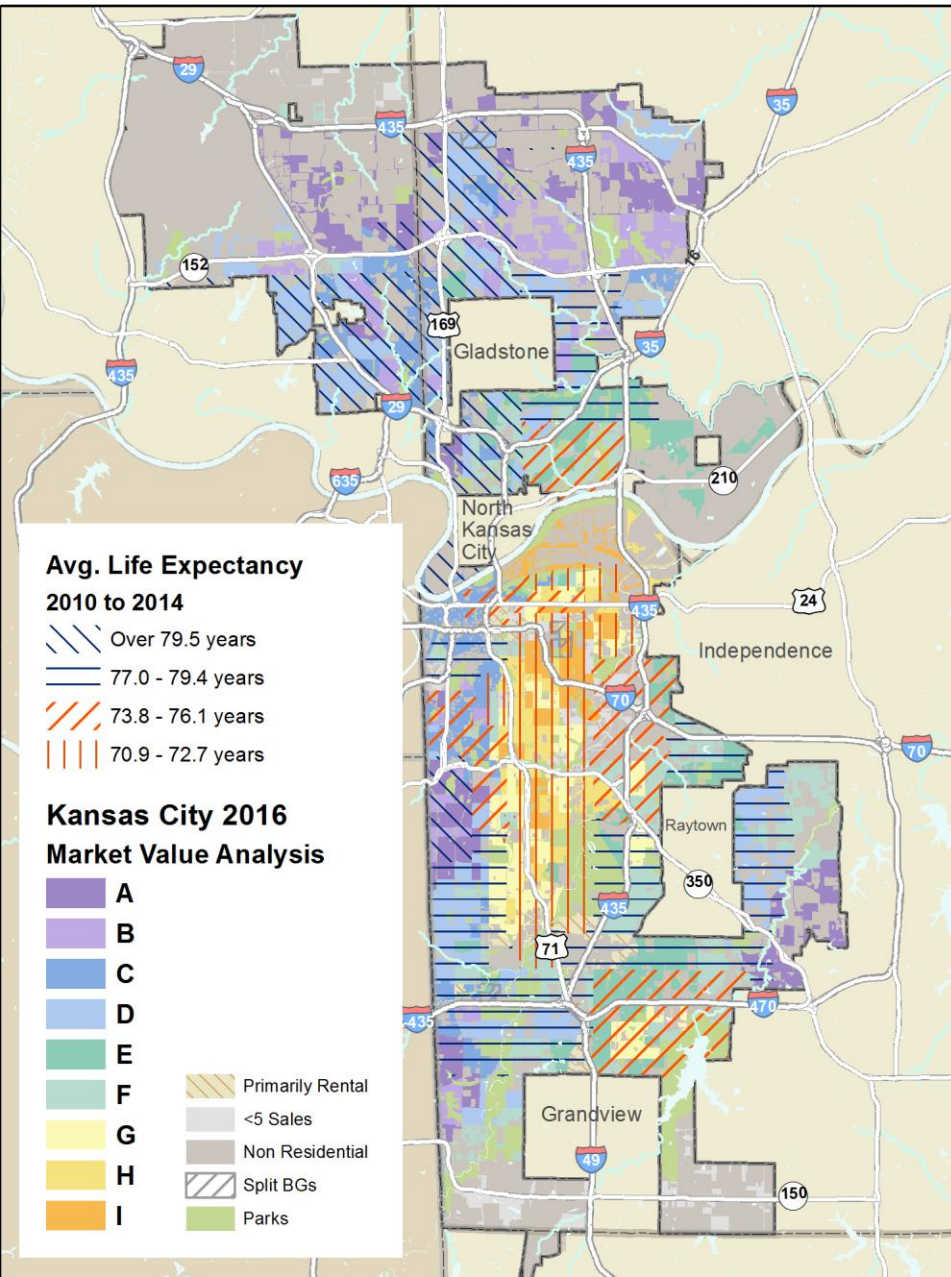➤ % Vacant Households (Census 2010)
➤ % Vacant Land (2013)

MVA Market Types
- E; F; G
- H; I

Crime Index
- -5.2 - -4.5
- -4.4 - -3.0
- -2.9 - -1.1
- -1.0 - 0.5
- 0.6 - 2.5
- 2.6 - 5.0
- 5.1 - 9.2
- City Parks
- Cemetery
- Hospital
- University
- Nonresidential
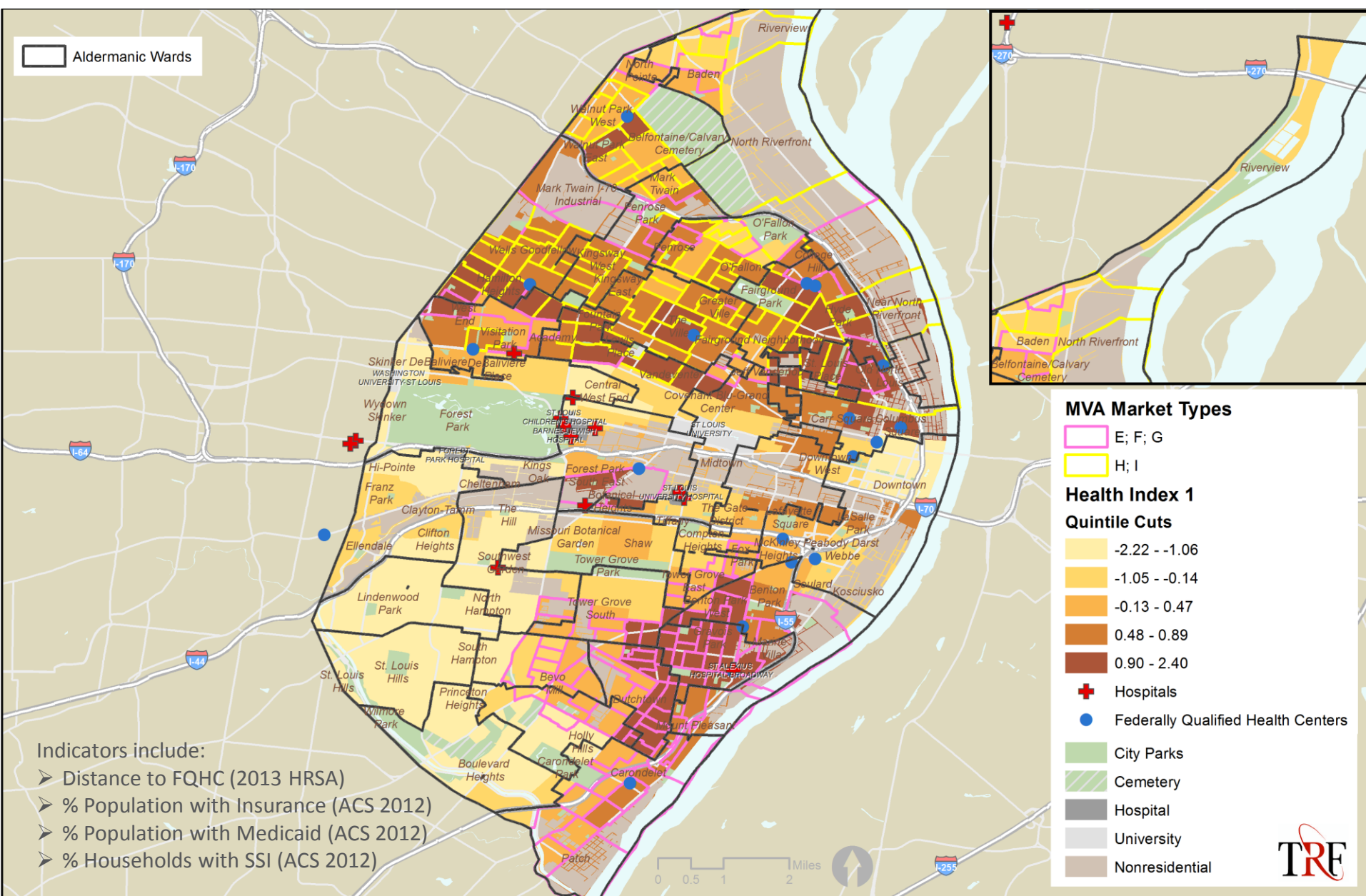
TRF

Public Health (KCMO)

Across Kansas City average life expectancies ranged from 71 to 82 years. Many of the areas with the lowest life expectancies in the city are concentrated in disadvantaged communities and distressed markets.

84% of the block groups with an average life expectancy over 79.5 years were in Blue and Purple markets, while 86% of block groups with life expectancies of 70.9 to 72.7 years were in Yellow markets.
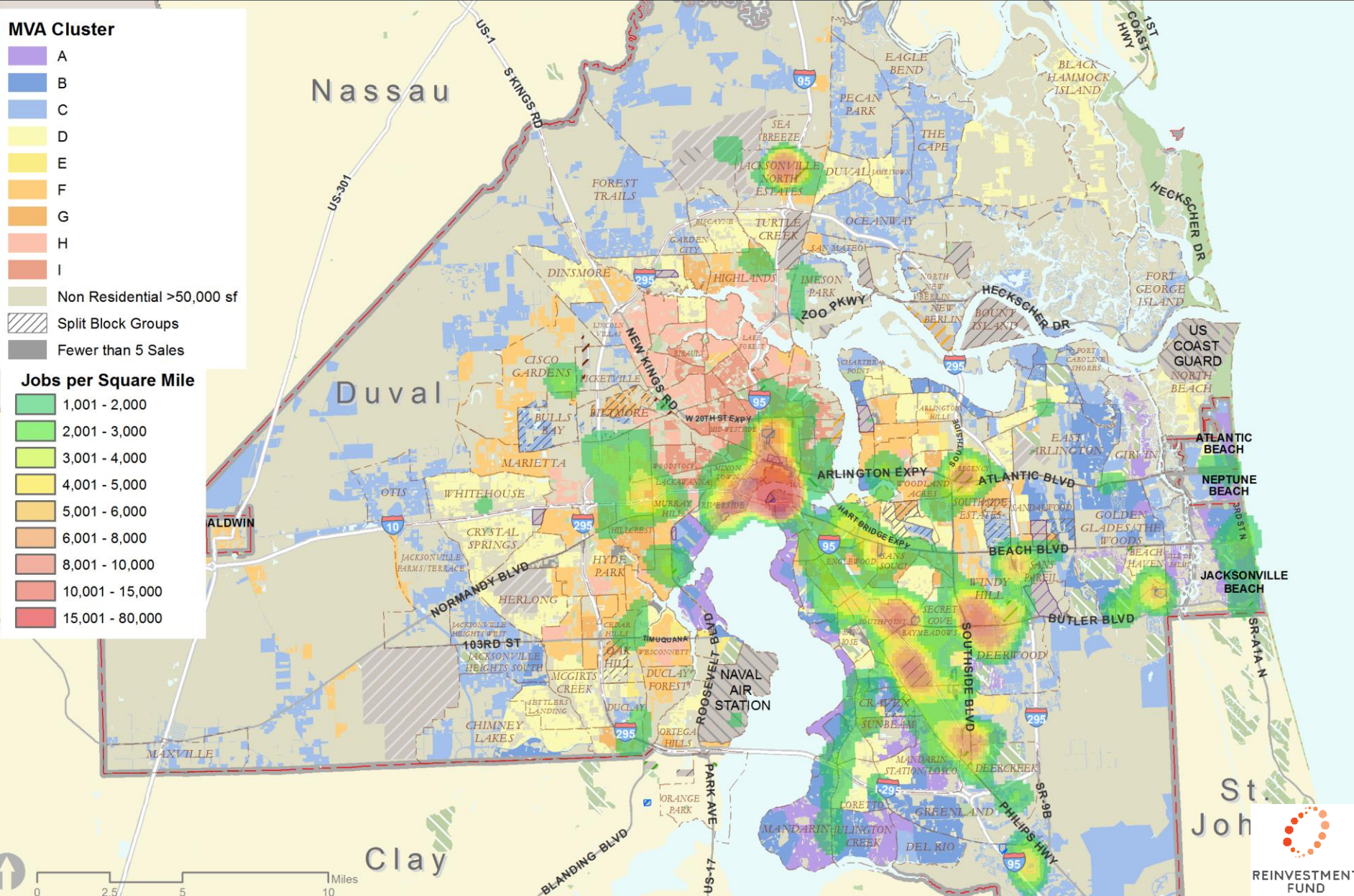
Average Life Expectancy by MVA Category

	Shortest			*Longest*
	70.9 to 72.7 years	73.8 to 76.1 years	77.0 to 79.4 years	Over 79.5 years
A	0%	3%	7%	17%
B	2%	1%	5%	18%
C	4%	25%	13%	22%
D	2%	6%	30%	29%
E	2%	19%	26%	6%
F	6%	17%	13%	8%
G	31%	18%	6%	0%
H	28%	6%	0%	0%
I	25%	3%	0%	0%
Total	100%	100%	100%	100%

Avg. Life Expectancy 2010 to 2014
- Over 79.5 years
- 77.0 - 79.4 years
- 73.8 - 76.1 years
- 70.9 - 72.7 years

Kansas City 2016 Market Value Analysis
- A
- B
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- I

- Primarily Rental
- <5 Sales
- Non Residential
- Split BGs
- Parks

Health Index with MVA Markets (St. Louis, MO)

Indicators include:
➢ Distance to FQHC (2013 HRSA)
➢ % Population with Insurance (ACS 2012)
➢ % Population with Medicaid (ACS 2012)
➢ % Households with SSI (ACS 2012)

MVA Market Types
- E; F; G
- H; I

Health Index 1
Quintile Cuts
- -2.22 - -1.06
- -1.05 - -0.14
- -0.13 - 0.47
- 0.48 - 0.89
- 0.90 - 2.40
- ✚ Hospitals
- ● Federally Qualified Health Centers
- City Parks
- Cemetery
- Hospital
- University
- Nonresidential

Commercial Corridors (Philadelphia): Ogontz Avenue*
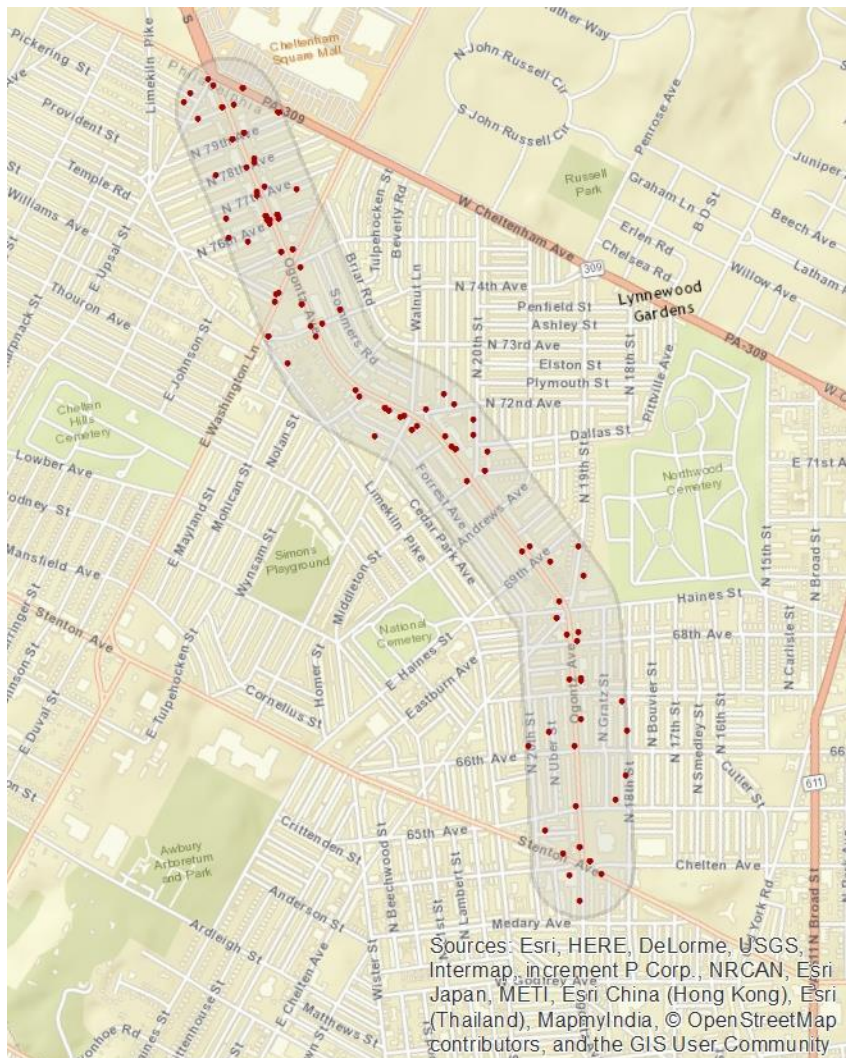
	2008	2013
Firms	173	157
Employment	2,143	2,010
Firms by Industry		
Goods producing	12	10
Retail Trade	77	61
Health Services	3	5
All Other Services	81	81
Firms by Emp. Size		
Less than 5 employees	85	72
5 – 20	73	75
21 – 50	9	5
51 – 100	4	2
Greater than 100	2	3

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* Excluded firms with less than 3 employees

MVA Markets with Low Fresh Food Access

Legend:
- City Parks
- Cemetery
- Hospital
- University
- Nonresidential

Limited Supermarket Access Areas

MVA Market Types

- A
- B
- C
- D
- E
- F
- G
- H
- I

Estimated Market Type

<5 Sales

TRF

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President, Policy Solutions

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www.reinvestment.com

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