HUD NSP Training - Marketing and Disposition Strategies for NSP Properties, 5/2/13

Kent Buhl: Let me get us to the main portion of our content, "Marketing and Disposition Strategies for NSP Properties." For many grantees, the disposition of NSP properties is the most challenging task. Complying with rules and regulations can be difficult in certain markets. There are particular complexities around holding renovated properties, land banking lots and structures, finding lending products that work for the customers and tailoring the disposition strategies to make sense in a given neighborhood and local real estate conditions.

Each NSP grantee is dealing with a unique set of conditions, so this is not a one size fits all situation. Today you'll hear recent HUD guidelines on disposition and a variety of strategies that deal with marketing or otherwise disposing of NSP lots and houses. Some of the approaches will work in stronger housing markets while others make sense in weaker markets.

The goal of the webinar is for the participants to hear what has worked for others and to learn some steps that can help market remaining NSP properties. And this webinar is designed for all NSP grantees, staff and partners.

So let's take a look at the poll results for who's in the audience today. There we go. And let's open these poll results up, and you should be seeing those. So how many NSP houses are you dealing with for disposition. As you might expect, a wide range, the full range, but the largest single group of respondents, it's one to five. How many NSP lots are you dealing with and the --

Hunter Kurtz: We're not seeing anything right now.

Kent Buhl: You're not. Let me try that once again. Thanks, Hunter. That can be squirrelly sometimes. How about now?

Hunter Kurtz: Thank you.

Kent Buhl: There you go. Okay. Thanks. So for NSP lots, the largest group of you are not dealing with lots at all, and the number of lots decreases -- the number of people dealing with lots decreases as the number of lots gets larger. That didn't make any sense, did it. You can see on the graph what's going on there. The percentage of houses that have been difficult to dispose of and again, most folks are in the 20 percent range, roughly. And for lots, most people again, not dealing with lots, but the answers there are all over the map. Have you used real estate agents to sell property? Most have.

And for those of you who have, over a variety of success or in some unsuccessful results there. And in marketing houses, what are the two greatest obstacles and creating a pool of qualified buyers and selling poorly located homes are the top two answers there, followed by getting workable loans. And in disposing of lots, for those involved with that, the biggest problem is other, not represented here. And of those that are represented here, meeting the HUD rules and managing the lots during disposition are challenges.

Good. So thank you for answering those, and now that we have a sense of the disposition situation of the attendees, let us meet the panelists. So today we have David Boehlke, of the Healthy Neighborhoods Group, a nationally recognized expert in neighborhood revitalization and healthy neighborhoods. We've got Jennifer Hylton with HUD and we have two of your NSP peers. Juanita Jones is the assistant director of operations for the Detroit Land Bank Authority and you'll hear that referred to today as DLBA. And Juanita oversees their real estate development, design, construction, sales and marketing. And Jill Claybour is here from the city of St. Louis, where she's the acting executive director of the Community Development Administration and in the midst of NSP activities.

So hello to all of you. And we also of course have with us the familiar and comforting presence of John Laswick. I don't think David Noguera is with us today, but Hunter Kurtz. I know John and Hunter are with us. And with that, let me turn this over to David Boehlke, who is going to give us a bit of an introduction. I'll get him unmuted there, and there we go. Hi, David.

David Boehlke: Hello. And hello to the rest of you out there -- 167. I'm pretty impressed that this many people are really going to spend a couple of hours learning about this issue.

Essentially, we'll be repeating so of the same themes through here. But on this first question of what is marketing and disposition, for our purposes right now, we're looking at the options being the fairly standard ones. You sell the property, you donate it, you lease it, you rent it or you land bank it. And that's pretty much what the communities that I'm working with around the country are facing with particularly those remaining properties they haven't been able to get sold.

The challenge in marketing and disposition really isn't just the sale or movement of the property. It's actually the reality that this was never really a housing program. This was a neighborhood stabilization program. And as such, we want to make sure that when the properties are marketed or disposed, they're really done in such a way that it strengthens the market of the neighborhoods in which we're active. That means that obviously just selling at some fire sale price can have a negative outcome for many of the nearby neighbors who see their homes as less fully rehabbed, and therefore, even less valuable than the properties that you're selling.

Likewise, if we're holding properties for long periods of time because we're keeping the price up, this may essentially signal the market that even good homes aren't able to be sold. So the challenge is that we're not just dealing with housing and lots, we're really dealing with trying to influence neighborhood markets. Now the strategies -- and a lot of them will come out today -- will be all the ones that many of you are used to. It will be real estate listings, it will be open houses, it will be engagement with neighbors on becoming marketers themselves. You'll be dealing with partnerships with organizations in your communities. You'll be repricing the buildings as part of your strategy. You might be doing additional curb appeal. But all these are really strategies to get the properties disposed of in a way that stabilizes and eventually strengthens the neighborhood market.

Now, we have really two spectacular presentations today. I've just really been impressed by both of them. The Land Bank Authority is going to tell us a lot about what they've done in Detroit. In particular, they've taken on some very large and difficult properties, with some impressive results. And if you know the Detroit market, you know how hard it is to have impressive results in a city with that soft a market.

Likewise, the city of St. Louis has approached this in an incredibly scientific way, where they've kept excellent data and they really can tell you which properties are being dealt with which way. Again, at a level of sophistication that is really impressive.

I have to do my magic ball here. How do I do that? I'm sorry. I'm new to this. Wrong point. There we go.

So we start out with the classic question what is marketing and disposition. As I stated earlier, just about anything comes under this title, whether you sell it, rent it. Sometimes you consider a lease option or rental. Whether you donate it, whether you are dealing with land that you acquired or a rehab building or something that you've newly constructed. These are all the entities, the items that you're interested in terms of marketing and disposition.

In order to understand what we're talking about, we're pretty wide open. Remember, it's not just something the program continues to own. It is a piece of ground or a building that can be owned by the grantee, it might be owned by a sub-recipient, or it might be under the control of a developer. But those are all properties that need to be dealt with because they're NSP properties. Obviously, for disposition purposes, if you've already sold it and it's occupied or if it's in some kind of final use, we're not concerned anymore. The maintenance of the building, the issues around rental, that's not the issue of marketing and disposition at this point.

Fortunately, we have a really excellent new resource. I believe it officially got released yesterday. As you'll see on your screen, there is something called home sales. Stablecommunities.org and it's the introduction to their new guide on marketing properties in NSP neighborhoods. It's an excellent resource. If you have a chance to see it yet today, you'll see how it ties into everything else we've been talking about.

Kent Buhl: Thank you, David. And now, we're going to switch to Jennifer Hylton, who will show up under the name of John Laswick because they're all sitting together at HUD. Hi, Jill. I mean, Jill -- Jennifer sorry -- lots of J-people today.

Jennifer Hylton: Hi, everyone. So this part of the presentation is going to go over the rules and guidance about what you can and can't do. We've gone over this before if have been on other webinars, so probably not the first time you're seeing these. But no matter what, some things to always keep in mind is that any NSP project has to do these three things. So [inaudible] eligible use, be an eligible activity, and meet a national objective. So those are three boxes we always check on every single activity you do with your NSP fund.

So when we talk about disposition, we're going to talk about it in this presentation in three different ways, and this is just kind of the way we've laid out the guidance, hopefully everyone has been able to look at the disposition and demolition guidance piece that we published in March. And this is just the way we decided to explain the concept of disposition in three different ways.

So we'll go through each of these approaches and explain one and give examples of what we're talking about. So it's, as an allowable expense and eligible activity, so that's just when you have disposition costs in another activity. The second one is when it is the eligible activity in end use. In that case, we're talking about side lots. And in the third case, it's an eligible activity used to dispose of a property for an ineligible end use that meets a national objective.

So there's lots of limitations with that third one and we'll go over all of those. So in this case, we just have the disposition costs associated with another activity. So whether it's a public facility in NSP 1 or now we can do -- you can all do special economic development activities, which was published in the closeout notice that now lets you do this. You're going to have disposition costs in these activities.

Okay. So a public facility, everyone knows hopefully that you've been able to do public facilities under NSP 1 through eligible use E. So for those vacant and demolished properties, you can turn them into a public facility and in this case, I think it's a neighborhood center. So we took a house, rehabbed it -- a vacant home, rehabbed it and turned it into a neighborhood center. So it's a public facility and meets the low-mod area national objective.

All right. So this is new to most folks. And I think some people are still surprised that you can do this, so we're trying to spread the word as much as possible. We're going to do another webinar on these kinds of activities soon and we're going to have some guidance hopefully out and some examples, since this is new to our NSP grantees.

But you can now do special economic development activities. If you want to do the research, in the CDBG regs, you can go to 572.03 and look them up. But you can do this under eligible use B for NSP 1, NSP 2, and NSP3. And then under NSP 1, you can also do it under eligible use E. So with NSP 1, you can do it under B or E. And NSP 2 and NSP 3, only under eligible use B. So keep that in mind when you're thinking about property types and what property types fall under those eligible uses.

But when we added special economic development activities, we also added back the low-mod area -- sorry, the low-mod jobs national objective. So that's a way you can meet a national objective through the special economic development activities, either through jobs -- through an area benefit, which you all know really well, or through this limited clientele which has been eligible too. And we're going to go through examples of each one.

So this is an example of meeting the area national objective with a special economic development activity. So in this case, it would be a parking lot for a grocery store that serves this low-mod area. So the low-mod area benefits from the grocery store. You're building a parking lot there, and that's a special economic development activity. So that's something you can do now with NSP funds.

An example of when you can use the low-mod clientele national objective is a for profit clinic that's designed to serve patients on Medicaid or welfare. So because the clinic is designed to serve that specific population, you could qualify it under the low-mod clientele national objective.

And the third is the jobs national objective. And in this case, it's a home daycare center. So you've given some money to build this -- or to rehab a home into a home daycare center. It creates and retains jobs principally for low-mod middle income persons. So that's how you meet the jobs national objective.

Okay. So in all those cases, you would have disposition costs associated with activities that are eligible. In this case, the actual eligible activity is disposition and it's also the end use because we're talking about doing a side lot program. So you can do this under eligible B, C, or D. And then again, with NSP 1, you can always do stuff under E that you can't do in the other programs.

So it's a vacant or demolished property and you're -- basically what you're doing is you've acquired this property with NSP funds. You've demolished a blighted structure. So now you've got a vacant piece of land and you can give it to an adjacent homeowner as a side lot. And what we've said is that you can meet the area national objective with that activity.

So because you demolished a property -- and this is just in NSP that we're doing this, so want to be specific about that. So in NSP, you've acquired and demolished a property, you've met a national objective with the acquisition and demolition, as an area benefit. And we're allowing you to dispose of the property as your final activity and that area benefit just kind of goes over to the disposition activity as well.

So all three of those activities meet the area national objective and you've done what you needed to do. You do not have to qualify the neighbors income. So we want to stress this too, because there's been some competing guidance on this. But it is an area benefit so you have to qualify the area and not the person's income who you're giving the side lot to.

All right. The third and sort of most complicated case for disposition is when disposition is an eligible activity for an ineligible end use that meets a national objective. So we talked about how in NSP 1, you can do these things that you can't do in NSP 2 and NSP 3. And this is our way to let you do those things.

So you can do a public facility under NSP 2 and NSP 3 under eligible use B if it meets all these criteria. Public facility is just an example, but it has to meet all these criteria. So you can't develop -- so let's say in this case, let's talk about a neighborhood center. So you want to build -- acquired a foreclosed property and you want to rehab it and create a neighborhood center. You're using NSP 2 funds. Right, so normally that would not be eligible.

But you've acquired and you've done the rehab. So in this case once you actually start doing the development of the neighborhood center, you would have to use other funds. So in that case, you need CBG funds or some other funds to come in to actually develop the neighborhood center. You can't use NST money to do that because it's still ineligible.

You've got to acquire the property under B, C, or D for NSP 2 and NSP 3. And then again with NSP 1, you get that exception where you can do things under E. But with NSP 2 and NSP 3, if you acquire a property under E, always remember that you have to do housing. So everything we're talking about here for NSP 2 and NSP 3 has to be acquired under B, C, or D.

So we'll go to the next slide. So you have to show that obviously what you're doing -- the activity that you're doing contributes to neighborhood stabilization. You can choose a way to do that, to just illustrate that in your case file. The initial acquisition and demolition has to meet a national objective. So in this case, when you acquire, you're acquiring and demolishing a building -- sorry -- you're acquiring and demolishing a building, meeting the area national objective with that. And you've got to describe this in your action plan. So it should be something that your citizens know that you're doing, basically.

All right. So maybe this will make this whole explanation a lot clearer. So we're talking about neighborhood playground. So it's a vacant piece of land. Let's say it was foreclosed because it's got to be under eligible use B if it's NSP 2 or 3. So it's a foreclosed vacant land. You want to build a swing set, a neighborhood playground. That would meet a national objective. So it would meet an area national objective but it's not eligible for NSP funds. So you can get the lot ready and then you would use other funds to pay for the swing set and the equipment on the playground. So you meet a national objective, you're fine. You just can't use the NSP money to build the playground.

And these are just other examples of when you would be doing this. Community gardens, community art center, youth center, so all these things -- commercial development that meets the national objective. As long as it's meeting a national objective, at the end of the day, and you're using non NSP funds, you can do this with these properties you've acquired with NSP.

All right. Change of use. This is when -- we just want to stress about meeting a national objective. You need to meet a national objective on every property that you put NSP money into. But if for whatever reason, you've demolished a property, you met a national objective, but you can't continue to meet the national objective, you can't sit on the property any more, or someone wants to come around and buy the land, so you just want to take it out of the program, what we're encouraging you to do is we can't just arbitrarily, okay, all those properties can get out of the program. So we want you to contact your field office, call your CPD rep, and we can work with the reps to see if the change of use provision applies.

And it will explain it in the next slide a little better, the table. So if you have spent more than $25,000 on the acquisition of a property and any improvements. So in this case, we actually do not consider demolition to be an improvement. I don't know why. We just don't and it's actually better for you, because then we're only including the acquisition costs into this $25,000 calculation. So you acquire the property, you demolished it. You met a national objective. We're looking in this second column. And you spent less than $25,000 on the acquisition.

So what you can do is, you want to remove it from the program, you go to HUD, you call your field office, you find out if that's possible. We'll basically just be looking at the cost and what was actually spent on the property to make a determination of whether you can remove the property from the program.

If you've spent more than $25,000 on the acquisition, and again, we're just talking about acquisition, or improvements, you have to reimburse NSP for the fair market value. So it's not -- in this case, because you met a national objective with your acquisition and your demolition, or whatever you did to the property, you met one national objective. You have to reimburse for fair market value and not necessarily what you put into the properties. So depending on the markets, you could be paying HUD back more or less than what you put into it. It just depends on your market.

In the third column, this is when the case when you've never been able to meet a national objective. So let's say there wasn't any demolition, you just acquired this property, you don't want to demolish it. There's just nothing for you to do with this property and you realized it was a mistake to acquire it in the first place. And because you never met a national objective, you have to reimburse the program for anything that you spent on that property, including any activity delivery cost associated with that address. So any hard costs, any soft costs that go back to that address have to be reimbursed to the program if you are never able to meet a national objective.

I think that's it. I think that's the last slide for me.

Kent Buhl: It is. Thank you, Jennifer. I appreciate that. And we'll be taking in a couple of questions, if there are any, on these kinds of HUD rules and compliance issues for disposition, so let me take just a moment to remind you how to do that.

And so for most of you, it will be a written question. You use the Q&A box on the right side of the screen to ask questions, and just a reminder, the default for who you ask the question of is all panelists and we ask that you don't change that. Please leave it as all panelists so that all of can see the questions that come in. Thank you very much.

And a reminder too, for those of you if your audio gets squirrelly, you can phone in. And if your streaming audio is in and out, that's happened with at least a couple of people today. That happens sometimes. Just click the phone request button underneath the participant list and that will give you dial in information. So let's see, any questions coming in. And so far, there are not.

So let me turn this back to David Boehlke for a quick discussion of this before we go to Juanita Jones. Welcome back, David.

David Boehlke: Thank you. I was really pleased that so many of you participated in the poll because it gives us a good sense of what are some of the now disposition problems that you're running into. And what I was struck by is how many people are dealing with just a few properties or just a few lots. And so it's more about having a targeted way to deal with the remaining sites rather than we're talking about those that have the majority of their properties presenting a disposition challenge.

When we tried to thing this through originally, what we recognized was that we were talking to the whole country and that some places clearly are dealing with marketing challenges because their market is still soft, or because the latest inflow of foreclosure has given you a lot of competitors. So some parts of the country have serious marketing challenges. Other, the challenge would be some kind of rules or regulations. This would example of what Jennifer just said. You bought the property, you did the lead and asbestos. You dealt with those issues and it just makes no economic sense to rehab the building.

Somebody comes along and says, yes, but I'm willing to buy it and rehab it. Well, now they can't just do fair market value. They have to meet all that you've been put into it. So there are serious market -- rules and regulations that sometimes run contrary to what the market would say the building's worth.

There are also complexities around how you're going to hold these buildings. Some of you are holding fully rehabbed buildings, in many cases for months, and that has a lot of expenses. Some of you are dealing with the issues of even just maintaining land bank lots and structures, and there's a lot of cost in terms of that, particularly as now we're back into a mowing season across most of the country. You're going to see your expenses going up again.

And so disposition becomes difficult because you have to also be maintaining it during a long period of time. And then of course, what we've heard from so many of you is even when you have the right property, um, you found what you believed to be the right buyer. You're still dealing with finding the right lending product that works for those customers because we're still dealing with many places in the country where credit scores are causing -- in many cases, I've been in programs where more than half of their families are failing because of credit score issues.

The reality is that from a disposition direction, I think that most of you will find ways to meet the factors we just talked about. But from a marketing direction, things are going to all over the board. Some of you have properties that you're having trouble dealing with because they made sense years ago, but it's now three years later after the purchase and they no longer make sense. I certainly know one place where the buildings were very good decisions on what was a very good block, but due to just a complete upheaval of gang behavior, the NSP program now has two properties in excellent condition on a totally devastated block.

So what made sense at one time, oftentimes doesn't make sense today. And even trying to figure out how to market that building, I know that program is very concerned about is it really appropriate to be selling homes on a block that the police and the neighborhood have identified as the riskiest in the community. So there are severe problems that have happened because of events that you had no control over.

Another thing is that scattered sites are just tough to sell. When there's only one house on the block that's being deal with and a number of the others are all perhaps owned or rented -- home owned or rented, but are somewhat shabby. If you have the only good house on the block, it's oftentimes difficult to get a commitment on the part of a new buyer, because they're looking around themselves and saying there's not enough energy happening here. What we know is many times in the HUD program, when the initial program and even the more recent ones asked you to target very carefully, perhaps only one neighborhood.

We still know that some of these neighborhoods are quite large and the number of properties you've been able to influence in those neighborhoods still remain quite small. So you end up with a situation that actually you're not in one neighborhood. That you're in a series of neighborhoods that are kind of glued together under one name. And so it's difficult to get any kind of sense of scale in the marketing of those properties. Some houses may just prove to be unsellable. When you got into it, the amount of termite damage, or the amount of settlement issues kept making it a more and more difficult property to manage.

I mean, ultimately, every property is salable. But now what's happened is you've got so much tied up into the property or it's so poorly located that it's difficult to figure out how you're going to get out of this box. And certainly one that I know of is a really quite nice property in the south, really quite lovely home, three bedroom, two bath, and the family next door are hoarders. And if you've ever watched the national television show about hoarders, you can imagine what it's like trying to market a property next to a very large site that is essentially a junkyard.

So sometimes properties are just very difficult to sell and you'll have to have quite unique strategies. Other places, the real estate market simply hasn't really recovered yet. We all look at the national figures and we see things coming back. But certain parts of the country, that return is still very slow. There's still a lot of foreclosure happening. There is a set of competitive properties.

By that I mean, the suburban areas are now coming on the markets with their foreclosed properties and that's making it very difficult for you to sell your real estate, because you can go across a line, you're in a different school district, you've got equivalent housing. Your housing may be in better condition, but they have lower taxes. This is the old fashioned issue of what happens when you've got real estate that isn't competitive.

The next thing we're finding around the country is that even if you get strong buyers, and that is a big question, that it's very hard to get them financed. So you really have two issues. How you get your pool big enough to be buying all these properties, but secondly how you make sure that you have the lender relationships that get people through the system.

I have been dealing with one program that I thought was doing a very good job of building up their pool, but I was disappointed to find out that one of their new home buyers with a 650 credit score was turned down. 650 in our world is probably pretty strong. This person only had 10 months on the job and it was considered to be too risky a deal. Only a few years ago, that would have been an easily funded situation. So we're finding we've got very difficult financing in a lot of your markets around the country.

This may not apply to all of you, but many of you are finding tough times getting the right customers and then tough times getting the right customer with the right lending product. And then certainly one of the others is finding the right realtor for your situation. One of the programs

I'm dealing with has a very committed long term realtor from the neighborhood, but that realtor is really only been focused on selling low end properties to families of very modest means.

Well, one of the goals of NSP was to try to move that equation up a bit, finding stronger properties with stronger families. But what was happening is the realtor is only bringing in marginal buyers that would have required the program to keep subsiding the properties more. They've now had to go through a very extensive process to identify a new group of realtors and by next week will be selecting a new realtor to represent them. Finding the right realtor that's aimed at your kinds of properties and how you want to drive your market is a very big marketing challenge.

In the case that we're going to right now, I think you'll get an excellent example of how a community with good properties at good sites have to deal with some of the things we just talked about in order to make this work well.

And thank you, Kent. I'm now handing this over to Juanita. And at the end of her presentation, I'll bring some more comments in that will tie this together. Juanita, it's yours.

Juanita Jones: Thanks, David. Good afternoon, everybody. My name is Juanita Jones and I am the assistant director of operations for the Detroit Land Bank Authority. And we just want to talk a little bit about the marketing and it should actually say disposition strategies -- so my apologies for that -- that we're using here. So our central strategy is really we were focused very early on in our project plan for NSP where we piggybacked the city's NSP target areas and looked at all of those collectively to determine what two areas would be the most marketable for for sale housing where we could spur that market.

And those two areas wound up being the Boston Edison historic district on the city's West Side, and then the East English village area on the city's East Side. So once we determine that, we were able to work towards increasing the visibility of our program in both those target markets. And so what we did is we engaged with the local CDC in one of those areas and a couple of homeowners associations in each of those areas. Collaborating with them, with those entities to participate in their annual events such as annual home tours or holiday tours at our historic art fairs.

And then, we also engaged a realtor that had Detroit neighborhood experience and went on about creating the highest quality level rehab that we could within the constraints that really all of us were facing with the program parameters. And then, finally, we're working on developing disposition plans to assist the local nonprofit developers and for profit historic property developers in giving us alternative ways of disposing of our properties.

As a land bank, we were really focused on doing large scale neighborhood stabilization where we could. And that also went along with the fact that we were working with quite a bit of money to push out the door in a small time frame. So we wound up between NSP 1 and NSP 2, purchasing about 157 properties across the city. So we knew we were not going to be able to rehab them all with the funds that we received.

But what we tried to do is anchor ourselves in the neighborhoods and create some momentum where we can begin to bring the comps up and the values up and just -- that neighborhood pride up again so that we could begin to really spur that market so that the actual private market investors and developers will begin to come and follow behind us.

So this map shows you the focus areas that we're working in. The big orange area is called the greater downtown Detroit area. And actually, there's a recent study that was commissioned by the Hudson Webber Foundation called the Federal 7.2 Square Mile Report based on that area. And so East English Village is about 11 miles from that area. That's over there in the green. And then that yellow area up at the north of the slide is the Boston Edison area and it's just about a mile outside of that greater downtown Detroit area.

And so given that, we looked at this report. I mean, I've just recently looked at the report because it just came out. But it sort of brought all of this together. In that 7.2 mile area, we've got over 36,000 people living in that area. And collectively, we've got over 300 regional outlets and 300 restaurants. This area has really become a mecca for young professionals, the college educated, singles or couples who want to be where the action is. They want to be near downtown, near activities and things to do. And it's also home to a string of historic neighborhoods that come from central business district down towards the river heading up north.

And so in the city of Detroit, you've got the Woodward Avenue corridor, which separates the city from the east and the west and it's beginning to be a really really bustling place that people want to be and major employers like Blue Cross Blue Shield, GM, Quicken Loans, etc. are bringing new employees into the city by the thousands. And as a matter of fact, this report indicates that since March 2010, they've brought in over 10,000 new employees into the city.

And so that said, the downtown loft and apartment housing marketing is at 97 percent occupancies since 2012, and since 2006, there's been about over $6 billion of real estate investment in that one area. And so what we did was wanted to piggyback our single family housing program from what we already know intrinsically outside of what the report is delivering to synergize. Folks coming into the city, they have apartment options, but what's happening in the single family neighborhoods, which predominantly is the landscape for the city of Detroit, which is quite different from some other cities.

So we looked at taking on Boston Edison and East English Village as an extension of this whole where do people want to come to live in the city of Detroit. And picking areas that are quite still near to workplaces where major employers are. And so we focus on these two areas that are very solid areas, but they are beginning, since the foreclosure prices, to be real tipping point areas for middle income resident. And that was the focus we thought best for the land bank to take on because the city planning and development department had a ton of money as well. And they were taking on the sort of standard low to moderate income families. So in that view, in that perspective, we felt like we had everything covered. The entire marketplace was covered.

So the other part of increasing our visibility and target areas, we piggybacked one of Mayor Bing's platform issues which was called Detroit Project 14. And that was his program to entice the Detroit police officers to return back to residency in the city of Detroit. The residency for police officers was lifted some time ago and so as part of one of his initiatives, he created this program to entice them to come back. And it's been a pretty successful marketing tool. It's just that it took it a while to get its legs. And so originally, the Project 14 was specifically for police officers, and then over the life of it -- this started in 2008 I want to say. Over the life of that effort, it's gone from police officers to fire fighters and then other city employees.

So originally, we held focus groups with police officers and tried to help the city figure out how to really generate some interest in that program and leverage the NSP dollars and its program with providing them with high quality housing that we would be rehabbing comparable to what they could get out in the suburbs because that is a big part -- a big part of the abandonment for the city is that when this foreclosure crisis came along for Detroit, it actually did something positive, so to speak, for a lot of families in which they were able to now find opportunities to actually leave the city's borders to find housing that they could afford now that they were not able to afford before.

So they were lifting their sensibilities about what my dream house is and what my dream neighborhood looks like. And that's a good thing and a bad thing for a community like ours, because we're trying to focus on bringing people back and keeping people in the city.

So we've had some pretty good success with the program. I think we've housed about five police officers -- I'm sorry -- three police officers and one firefighter within the program. And these are some of the structures that we completed that were competitively marketable to these folks and that they've secured from us.

And so in thinking about this, if we had to do it all over again, what would we do, we would actually beef up the marketing that we did. We had a great original plan that I'm pretty sure all of the grantees did, where at the beginning, you felt like you had just enough time to figure out everything under the sun that you could possibly do. And then when you needed to start the work and start delivering on expenditure time lines, all of that sort of got scattered and fell away, particularly if you were short staffed, like the DLBA is.

And so doing it over again, we'd have somebody separately on staff that was specifically focused on that all the time, so that that stuff wouldn't fall away. And then, we'd engage the major employers, do those mass texting events, do a little bit more on Facebook and Twitter. We did do a bar-hop in the East English Village neighborhood and it was really good because what it did is it highlighted our assets but it also helped residents that were already there come to really know their neighborhoods even more. Because it was a walking tour and so they were walking all the blocks in that neighborhood, not even recognizing that these bars had popped up overnight. And some of them had been there for years, but to these residents, it felt like it was overnight.

So we found that those kind of events were really engaging for not only the residents, but also other folks that were able to come and participate as part of these tours. One of the other things that we thought about trying to do was giveaways of some sort. That never really go fleshed out, but we do think it's still a valuable asset to be able to do for folks.

And engaging local partners, this is all part of that same thing where we work with the CDCs and the homeowners associations to piggyback their events, their tours. They all have annual tours for either a holiday or the fall, etc. And one in particular is the Central Detroit Christian CDC. They're based in the Boston Edison historic district. And through that group and our relationship with them there are two membership bases out of two different churches that found us and came to our program. And that connection with that CDC produced five families coming into the neighborhood.

And so we've got the first family is the Hennephies [ph]. This is a quick little story. In July -- this was July 2011 I believe. The family -- Fannie Mae was selling the property that they were interested in and they were in line to buy the property. It turns out that the DLBA was also negotiating a bulk sale deal with Fannie at the time.

And so what happened is somehow or another Fannie Mae wound up giving the big bad DLBA the property inside the bulk purchase, and so this family was not happy about that at all. And we had to kind of just work through that. And so we committed to them very early on that we would do everything we could to work with them to make sure that if they could indeed afford the property and meet all the requirements of the NSP program that they would get that house. And they did.

So that picture is that family, the family of seven inside one of the houses that we did in Boston Edison. And then they brought another couple that they knew from our church and they're in one of our properties. A new family, young professional. And then they brought another couple and we don't have the pictures of these families, but we have the houses that this has all spawned. And then another and then another. And so those connections were really valuable for us. Just work the local area and the local nonprofits that are doing business in those communities because they know the assets better than we while, because they've been working them longer. So that was very successful for us.

If we could do it over again in terms of engaging local partners, we would work with more historic preservationists. One of the things is connected with this folks, these groups very early on in our planning process. But as we got, as we figured out, okay, we want to do this right, we want to make sure that we're restoring appropriately, meeting Section 106 and all the SHPO requirements, etc., we focused so heavily on that, and so heavily on this instruction that we didn't go back and say okay, so how can we best use these preservationists and their network to create and cultivate buyers, and not only buyers but developers because a lot of folks want to actually take historic properties, well preservationists want to take historic properties and do it their way, the way that they see fit related to the period, or some other specific characteristic that they want to restore in a property that maybe under NSP we weren't able to do.

In particular, you'd have -- I've ran into people who would say no, no, no, don't take out any of the plaster. Just leave all of the plaster. But when you've got significant levels of lead-based paint on that plaster, it's not always practical or possible for us to do that and still meet the HUD requirements about abating that lead. So there are things like that I think we can do a better job of going forward and as part of one of our do-overs.

Tours as event driven marketing -- the live tours we piggybacked the neighborhood association events. I talked about earlier. In Boston Edison, that drove over 1,000 participants to a couple of our houses our there in one weekend. In East English Village, in one Saturday afternoon, we had over 400 participants viewing all of the properties we had out there. And then these are big community events so there are bus tours and vans and hot dogs and music and kids and the whole nine yards. So it's a very fun, friendly thing that the neighborhood gets out to do and it does drive a lot of attention out there.

And they're also able to bring their own press and marketing from being an organization that does it every year. So that meant that much less work that we would have to do to get the word out. So those are very successful for us as well. These are just some photographs from one of our fall tours in East English Village, very successful over 400 people, like I talked about.

And then, we also did virtual tours, as we had a photographer to create beautiful pictures of the before and after on these properties and we were able to use those photographs in creating virtual tours that realtors could use. We also set up a few You Tube videos to just be able to distribute to people that were expressing interest in the properties. And those have been very successful as well. Very well received.

If we could do that over, we would focus more heavily on private tours with specific employers, have those van tours where we could roll them around and give them their own special Quicken Loans weekend, make it possible for them to have a speedy process in terms of purchase agreements and delivering the information about the program. I know in the poll, one of the questions was, "What are one of your challenge areas about getting the word out?" And communicating the rules is a challenge area for us and I'm sure for other grantees as well.

But having these more intimate settings we think would actually allow us to do that in a better, more coordinated way. It's just finding the time, the space and staff to actually put that together. So in our next life, that's what we would focus on, and then distributing the virtual tours in more places.

As it related to realtors, we had a really good realtor who had good neighborhood experience, but that neighborhood experience was really only related to the West Side. And so we spent months and months having no activity reported on our East Side units while we were selling out the West Side units. And so we got to the point where we realized that it really is -- I mean, the territory in Detroit is -- I mean, the territory in Detroit is very geographically split. And so East Siders don't live on the West Side and West Siders don't live on the East Side. They just won't cross those borders for whatever psychological reasons we create. It's real and it's there.

So we recently procured a different realtor who is a specific East Side realtor and within three weeks of procuring them, we've got four units under contract or pending execution of a contract. So it does make a difference. And it's a situation where the realtors, we kind of thought we'd just hire them and they'd go on and do their thing and get property sold. But not so much because we actually have to manage them too and make sure that they're on task and they're doing the number of showings that need to be done and reaching out to the employers, etc. All the things we talked about, we need somebody actually out there doing it. And so that becomes another layer of management for a contractor that you've procured.

And then the product, we created standout products because we knew that was going to be important up front, because it is a buyers' market here, and a lot of our neighborhoods -- in fact, the whole city has been painted so poorly that it is -- it can become difficult for people to make that decision. Do I go inside the city of Detroit or do I stay in Detroit, or do I go out to a suburb, where I can now afford a better property or a perceived better property, perceived better neighborhood etc.

And so we wanted to be able to give folks what they could get in those other communities. So we upped the finishes to really nice cabinets, nice countertops, the pools and all the sort of jewelry that makes a property really sell itself. And then the rest of it was we have a a lot of people that are very committed to Detroit and they want to come back and they want to help be part of that renaissance and all of that. And all that stuff was working for us.

So we did our part we think in creating the product that they would want, that they knew they couldn't really get anywhere else, because it's all new. They didn't have to buy a foreclosure and wonder if that roof was going to fail in two years, or wonder if that water heater or the furnace was going to fail and then they'd be back spending a lot of dollars. So this gave us an opportunity to really set ourselves above the other options out there in the marketplace.

And as part of all the work we did in the historic districts under the program, just yesterday actually we had the ceremony, the governor's office had the ceremony presenting the awards for 2013 for those that they'd selected and awarded the governor's award for historic preservation. And we were just really honored and excited about receiving that award this year. And as I understand it from one of our partners, we're the only land bank that's ever been nominated to receive such an award.

So we're really excited about that. And then these are just a few pictures of how we treated the spaces that buyers are really looking for. They're really looking for kitchens and they're looking for bathrooms. Master bath, master bedrooms and en suites if possible. But those folks that come to the historic districts know that it's a long shot for that stuff, but if they see the glimmer of something that is modern, then they're even more excited about the products.

And so we think that was a good -- that was a worthwhile effort in how we expended dollars to create that synergy and give people what they wanted inside our existing, beautiful neighborhoods that they may not have seen otherwise.

The other thing that we did is made sure that we were doing this -- it looks like my slide was -- the other thing we did is we made sure that we were doing this -- the rehab in a way that is very energy efficient for -- I don't know exactly how this animation, this [inaudible] I'm trying.

Kent Buhl: Try clicking back one more slide and then going forward.

Juanita Jones: Oh, okay. There we go. Yeah. So creating products that are energy efficient as well as gorgeous. And so most of the properties that we did we were able to successfully able to get them to perform under 85, which is the Hertz index rating we were shooting for in our area. And so we were pretty excited about that. If we could do that part of it over, the product part of it over, what we noticed is that the lack of education and experience with doing green building in our area is pretty huge, especially those contractors who are already familiar with doing affordable housing.

So from our perspective, we're really excited that HUD has gone to the next mile and said hey, for NSP 3 we want to -- we're going to require you guys to meet Energy Star rating 3 and just sort of really kick it up a notch and raise the bar. And we're excited about that because we think it is the most critical aspect of creating sustainable affordable housing. We've been doing affordable housing for a long time and some of that housing has recycled back into our portfolio. So to do it better is what we would strive to do on the next round of housing redevelopment for us. And become a vehicle for the construction community to actually find those products that are not available here, or not readily available in our distribution channel.

Because we'll get guys saying what is a green label certified carpet, what is that about. And we want to actually start to encourage these folks to look beyond the standard FHA requirements on carpeting etc, and just do better. And once we know better, we think they can do better. So that's one of the focuses that we would have going forward.

Disposition of property, so developers -- again I talked about this earlier. Because we have so much excess property and not enough funding to do all of those properties, one of the things we're working on is providing assets to, in a donated fashion or ether through a development agreement, to nonprofit developers like a Habitat for Humanity or a local CDC that's a housing producer and other even for profit experienced historic property developers so that we can continue to spur that market that we've created.

I don't know where I am on the slide. I think that's --

Kent Buhl: Now we'll go back to David in a moment to take us through this slide. Thank you Juanita. Boy, very lovely homes you've shown us there. And lots of practical experience. We do have at least -- we've got a number of questions lined up and some of them, let's see, Stephanie and Kate, we'll get back to you at the end. Those were questions for Jennifer.

We'll get to those a little later on. There's some others from Sabel, [ph] if I'm saying that right, and Paul, that we'll also get to at the end that are kind of more general. But we do have a question from Lee for you, Juanita. And Lee asks can you explain a little more about how you worked with the bar-hops.

Juanita Jones: Sure. You want me to take that now?

David Boehlke: [inaudible]

Juanita Jones: You want me to take that now or you want to wait?

Kent Buhl: Yeah. Go ahead.

Juanita Jones: Take it now? Okay.

So what we did is the community actually put this together and so they created -- they got a van together, like a couple eight-person shuttle vans that they got from a local car dealer in their area who donates with them often on their events that they're bringing to the community.

And so they created this event that night, and they got the vans out there and they would take people from one area if they needed to -- if they were coming into the city, into the neighborhoods, they would have a place for them to park and then they would pick them all up and roll them over to the starting bar. And they created a map of the neighborhood and documented all the bars and restaurants. And so then from there, they just all collectively went in and had drinks and fun, etc., at each of these bars. And they did this all night long and had a ball.

And so what we were able to do by participating is we had these little coasters that we had created with those, I forget what you call those things now -- that little -- the thing that you put on your smart phone and it takes you to a website. I forget what they call that thing. So we created these posters and more material that we were able to put out during all of this, all the fun and activity, that we were able to leave at the businesses and give out while we were doing the tours. And it was just a way to say we're here, we're in your neighborhood. We're rehabbing houses. We're hoping that you will bring your family and friends to our properties and help us create markets and move folks in.

It's just a way to kind of be really friendly and interested in their neighborhoods and helping everybody sort of get more familiar. Because sometimes, we just kind of come home, we don't even know there's a new restaurant on that corner, because we go our route to work every day, so that's what this was able to bring out, just more sense of community pride for the neighborhood.

Kent Buhl: Great. Thank you Juanita, and thanks for that question, Lee. So at this point, let's go back to David. Hi, David.

David Boehlke: Hi. I just wanted to make a few quick comments. I had read a little bit about the Detroit Land Bank in advance, and so I put a few things together on the slide. I frankly, am just amazed at the quality of their work and Juanita, you're so impressive in what you've done. I think there are people all over the country their mouths hanging open wishing they had those buildings and your set of advantages. So congratulations.

One of the things we've learned from the land bank's experience there is they actually had a plan that gave them competitive advantage. Remember, we're not dealing with neighborhoods or properties that are always in the best locations. We're always dealing with places that have had some serious enough trouble that we'd have to at least think of them as second choice places or worse. So having a plan that thinks of it from a competitive advantage direction is critically important. And if you get a chance, go back and review Juanita's comments, you'll see I there how much they thought in terms of being competitively positioned.

What they did particularly well is working with the neighbors the way they did. That chart that showed the first house to the second house to the third, to the fourth to the fifth, this is a case of using each of your buyers. They're your new neighbors, to generate more cases. But also the way they reached out to the rest of the neighbors is just an excellent example of doing first rate marketing at a neighborhood level.

And I know that you mentioned the bar-hop, but there were other neighborhood events that were mentioned where there were clearly built in excellent housing opportunities. And I know for a lot of us that means we as people working with marketing have to use a summer evening, because that's when the customers can be there, or we have to do something on Sunday after church because one or two of the churches in the neighborhood are willing to participate. These are all examples of doing that extra step you have to do to be effective at disposing of properties, particularly the properties as you get into more difficult properties to sell.

Oops, I think I did that backwards, folks. I'm sorry. There we go.

What I also saw was this use of -- to look at building a customer pool. Having 400 participants visit one neighborhood was stunning. To have 1,000 participants on another Saturday in another neighborhood is just, it's incredibly successful. What that is creating is a customer pool. And for Juanita's direction, she could say to me, but remember most of those didn't buy. But you also have to remember that those that looked will be part of the pool for the next wave of properties you bring on. See you have already done your work for your next set of sales. Very impressive.

And finally, although this was not part of their strategy because you were able to work with some special financing issues and special assistance to the city employees, in most places around the country, the price of the house is still a big burden for the first families that walk through the door because they see a number. What they really need to hear is the monthly payment. In most of the cases, if we can get them to think in terms of a monthly payment that's at or below what they're used to for their rents, we've got them as potential buyers when you have a quality product.

So for people to make that decision when they're literally standing there as you stated with the desire being able to buy on the day the properties are open, one of the biggest tools you can give people is determining what their monthly payment will be so they feel they can control their future. So, with that said and I could identify a dozen other things Juanita, that you did. With that said, I think we need to now look at a different situation.

In the case of St. Louis, they took -- as I mentioned earlier -- another set of challenges and were able to come up with a way to manage it that is very impressive. And do we have Jill here on the line?

Jill Claybour: Hello, yes. This is Jill.

David Boehlke: Oh, hi. Yes. Well, Jill, would you take over now and explain what you did in St. Louis to manage your disposition problem?

Jill Claybour: Well, I certainly -- I'm happy to do that. I just want to add that I was just amazed too at the quality of the inventory that Juanita is working with, but also at the sophistication of the effort that she and her colleagues have put together. And I guess maybe a little envious of their ability to really implement strategically. So we're working with data that kind of reflect the fact that we went at this a little bit different way.

David Boehlke: [inaudible].

Jill Claybour: Yeah.

David Boehlke: And that's really what I wanted you to emphasize.

Jill Claybour: Sure. Well, to kind of set the table for how we get to the disposition strategy, we kind of have to go back to our original program design. We embarked on an NSP program from the standpoint of a long standing scattered site rehab and resale program that we'd operated in some of the same and bordering neighborhoods for years. That was a program called Operation Impact. A former Impact employee I see is at our call today. And I think it's fair to say that over the years, the initial success of Impact had caused in a sense, its dilution, so that there was political pressure to spread that program wider and wider. And we were getting less and less focus and concentration out of the program.

But we had the mechanics in place already that were very NSP like. So we embarked on expanding by using NSP funds. We were able to target quite a bit more tightly because of the requirements of the NSP program, but I would say still not nearly enough. What we've been able to achieve I think is we have gotten control -- as you see on the slide -- of a lot of problem properties. We have set a very, I think, high by achievable standard of historic preservation. How these properties, the kind of curb appeal they have, the amenities that the unit offers and sort of the sense of investment in the neighborhood that these properties are providing. Of course, obviously affordable home ownership, and that we'll talk a little bit more about.

Kent Buhl: Jill? Can I interrupt for just a second here. Wendy, you've got the slides? Are you okay with advancing them?

Wendy: Sure.

Jill Claybour: Oh, I'm sorry. I'm standing here not even looking. I can do that too.

Kent Buhl: There you go. Great. Thank you.

Jill Claybour: I can advance these slides. I'll go -- I'm only now at that slide, so I think I just talked through that one slide. And I did want to add at this point too, that was also have besides creating some rehabbed residential units, we did take advantage of the little more flexibility with NSP 1 and ended up with the result being a pretty amazing early childhood center. So we've gotten our feet wet with a little bit of creativity on the disposition of some of the properties. So let me see if I'm advancing this correctly. I thought I knew how.

Kent Buhl: Okay. If you haven't had a chance to work with it yet, Jill, I can make you the presenter if you're comfortable advancing them yourself.

Jill Claybour: Oh, okay. I don't know if I am.

Kent Buhl: Okay. Well, if you look above this slide, you'll see the box that says 46 St. Louis NSP.

Jill Claybour: Yes.

Kent Buhl: To the right of that is the little red pointing [inaudible].

Jill Claybour: Yes. Right. Sure, but I can do that. Okay.

Kent Buhl: There you go.

Jill Claybour: Okay. So yes, we acquired 87 properties as you can see, which right away kind of points to a problem. We acquired 87 properties just within NSP 1. We also found that in that collection of scattered site properties, we were unable to address the need for our 25 percent set aside. So we used eligible properties that have come into the land bank through tax foreclosure that formed a site for a Lytech [ph] project that enabled us to meet that requirement. So that's how our inventory expanded even a bit more.

As you see, yes, all these properties were held in a land bank called the Land Reutilization Authority that's been in existence here for many years, and we hold a lot of properties to this day. And of course, we met challenges as I'm sure so many grantees have across the country. I think we greatly underestimated the difficulty of acquiring properties. Again, maybe because we thought we knew the business.

Our inability to come in quickly on an acquisition compared to a cash buyer who didn't have to deal with environmental requirements and so on meant that the properties we had envisioned we could pick up affordably and turn around with a modest level of work never came into the program in the first place. So that we were getting properties in much worse shape and we had 100 percent gut rehab properties.

Then yes, we also learned pretty quickly as did our friends in the suburban county that adjoins us that we weren't going to really get any bank participation on our construction financing. We had not built that assumption into our performance goals for the program. So of course we were tying up a lot more money all along the way, doing 100 percent financing.

Yes, and it's also true -- I don't mean to just to read slides -- but this was another contributing factor to our falling short of our initial projections on market absorption and sales is that things got worse because they got better, and I'm sure a lot of people encountered that. So prices were falling, appraisals were coming down, people were getting harder and harder challenges in getting loans and foreclosures were continuing at a rapid pace.

So where we had thought a certain amount of investment would give us a pretty good handle on the situation in a neighborhood, the inventory of REO properties was expanding on us constantly. And finally, yes, we had not budgeted for the increased costs associated with Energy Star, although I will certainly second what Juanita said. We welcome this. We think it's a wonderful marketing tool that we haven't probably exploited enough yet and that it is probably the most important thing we can do to give the buyers long term sustainability in these homes.

We made a decision to do Energy Star on NSP 1 and because we have a variety of programs we use to assist with get financing, NSP spurred us to make it a blanket requirement so that our program participants weren't confused about what to do if I have some of this money and some of that money. So we've totally changed how we approach things because of the energy star requirement.

I do want to point out that I'm not quite clear on what Juanita was saying, but it sounds to me as though the land bank had a bit more program control than we did because at no time were we ever acting as the developer on these properties. Either a for profit or a nonprofit was the developer and we were participating as a program assistant lender even though 100 percent of the money was ours. And so it was sometimes difficult for us to assert ourselves as far as our thoughts about marketing or how properties should be handled even though we controlled the purse strings, which sounds a little odd. But it's just the reality.

Yes, our buyers needed more assistance, although I'm not sure the slide is absolutely accurate. But I'm not sure that just upping the buyer affordability down payment assistance has really provided that much more of a stimulus. I think the sticker price and the monthly payment price are the most important thing as we're competing with a lot of other low cost property in the market. If people can get qualified at all, then the amount of the down payment assistance has become I think less important.

Like it's probably equally important and it's our own program of decisions that, in retrospect -- well, it's hard to know how to get around it. With this many properties, we were never going to be able to do them with NSP and based on our perception on what the sales prices should be, and what we thought people could afford, we mixed a lot of home money into most of our NSP properties. So we've lowered our eligibility threshold and thereby even further raised the bar on finding eligible, bankable buyers. So, and yes we have money tied up in units that are occupied but not sold.

So that kind of gets us through our challenges. We do have some fabulous staff people here, who from day one have tracked and analyzed nearly every factor of nearly everything we do. And with Wendy's help and thanks to Enterprise, we've been able to use that to come up with really good analysis of where we stand and where we think we may be headed. Our staff is divided up geographically. Our residential development people are called housing analysts and they work with any sort of program in their geographically. So they're working with CDBG, HOME, NSP. They're working with the Lytech projects and so on.

They have comprehensive knowledge. We don't really specialize by program. But they know their areas. They've worked like -- I'd say like dogs on this properties because in many cases, we're working with nonprofits with limited capacity and the housing analysts have been acting as sort of de facto developers without authority in many cases. But they have reviewed every property and we've looked into what our disposition planning inventory needs to be.

You'll see that have looked property by property at any one of a number of factors and tried to categorize and classify those properties into groups that will fall into different disposition schemes. We are doing our utmost to ensure that even if a property is not completed as originally envisioned that it does not become something that returns to being a detriment to the neighborhood. So that's absolutely essential.

You can see here's a little display of the kinds of information that we have now on each property with an estimated amount of get financing needing and what we propose to do. We are facing 48 to 49 properties to dispose of in some way and have divided them into the below $25,000 and above $25,000 and then looked at where they fall into neighborhoods.

HUD has also encouraged us, and rightly so, to try to think of these things in neighborhood clusters as we work with the field office on our disposition strategy. So of course, that is what we're doing and trying to see where we can get some economies of scale and the eventual rehab of these clusters. And then looking at some of the strategies that were discussed earlier in the webinar for the more scattered properties.

So those strategies include, yes, land banking with eventual pursuit of rehab, which is kind of looking back at the program we're running in the background all the time. Looking at some limited demolition. That has to be very limited to very serious threats to life safety because almost every property we've acquired is in a national register historic district or eligible area.

And particularly in the districts we have to not only be cognizant of the process we need to go through with SHPO to receive permission to demolish a property, but if we do too much demolition, we could damage the integrity of these historic districts. The historic districts in the state of Missouri are eligible for a state as well as a federal historic tax credit. That tax credit is available for owner occupied properties, not just rental properties. It's a 25 percent state tax credit and it's transferable. So it's an extremely powerful tool that we need to try to preserve.

I will say also however, that for our own purposes, in government assisted units, the challenges of blending Energy Star and the Secretary of Interior standards in order to qualify for the historic tax credit have raised some interesting questions about are there times perhaps where the credit -- strictly for our own projects, whether it's always worth it. But certainly, it's worth it in the private market.

We've also of course looked at the disposition options without meeting the national objective and are looking at ways to buy some of these properties out of the program. Many of them had very low acquisition costs and through the land banks existing sales program, we think we can lift those properties for the amount of the NSP investment in them and perhaps move them into responsible ownership that frees them from some of the guidelines that make the costs so high for rehabilitation.

So see these are some of the guidelines that we are trying to make sure are in place so that we're maximizing the possibility that these properties will be assets to their neighborhoods. And they include everything from trying to convey with a clear title, to directly benefiting households, and most important, we really are trying to prioritize residential uses. And I think that probably got me to the end of my section and maybe even beyond. I'm not sure.

Kent Buhl: Very good. Thank you, Jill. I appreciate that look at what's going on in St. Louis and a lot happening there as well. We do have a question here for you from Chu who says, "The houses look great. What was the average gap per property?"

Jill Claybour: Our average gap for property is around -- well, considering that the gap as opposed to the investment, the average gap is probably about $150,000. That's exclusive of construction financing gap. We've had them higher.

Kent Buhl: Very good. Thank you. Let's see. And so at this point, we've got a couple more comments from David and then we'll circle back to the other questions. So let me hand this over to David, and get him unmuted.

David Boehlke: Okay.

Kent Buhl: There you go.

David Boehlke: You got me. Again, I just want to make a couple of quick comments on what we heard today from Jill. This is a very interesting presentation and a couple of things that I'm impressed by is this notion of responsible disposition. When a property is not going to work otherwise, have a strategy about how you're going to make that property not become a liability. That's an excellent approach to dealing with disposition as you get to the troubling units at the end of your list. What I really got out of hearing from Jill though is it repeated a notion that was said earlier in the day about not one size fits all.

Clearly they've had to come up with some very tailored solutions to different parts of the city. And I think that they recognize the challenges. If you noticed how they put together their chart, they understood exactly what they were putting into properties and what they could expect to get back out of that property, who the buyer might be, what the end use would be. So it's just an exciting approach to managing their challenges rather than being managed by them.

What I also got out of Jill's work is the way you collected data meant that you knew so much about each building that your data led to your work plan, instead of a work plan being laid on top of a situation. So many times we find the grantees have had so many properties that over time, they've lost track of the specific characteristics of some of them.

So without knowing where it's sited, what the issues are for that property, what the rehab concerns are for that property, it's very difficult to have a specific strategy for resolving that. And

I think you've shown an example of how to do that by having an understanding of each site. Once you have that understanding, you can come up with the multiple approaches.

And I was impressed. Your methodology was to have these area people that kept track and brought the information in. Most of the NSP grantees don't have that luxury, and I think we have to urge them to think about creating a profile for each building or lot where they really begin to get that information down on paper.

They stand on the street and they say what does this house contribute, how can it contribute more. Who is the customer we're going for, what would that customer want on this house and start creating that profile for each building. Then they can create the strategy that will make sense in that neighborhood with those local real estate we can learn a lot from how St. Louis is managing from understanding the properties and how that's driving their work outcomes.

So Jill, I would like to congratulate you as I do Juanita, to think that they're managing such large scale programs and in both cases, doing it so effectively. Now, I guess the other thing I can say to the people in attendance on this call. When you hear such good programs, you've got to recognize each time they kept talking about changing plans, that plans don't stay the same, conditions change.

You've got to be prepared for those changes. If it can't be sold, if you can't do a classic disposition of rental or sale or lease, then you've got to create alternatives. And I think we were hearing those from both programs that nothing stays the same and what your job to do is to act like a conventional real estate entity and think from market and think what plans that you can come up with will respond to those market conditions.

So with that, Kent, I hand it back to you and the questions.

Kent Buhl: Terrific. Thank you, David. Thank you Jill, Thank you, Juanita and Jennifer. And let's go back to Jennifer. I'll unmute you there.

And Stephanie asks about side lots, and are they eligible under both NSP 1 and NSP 3, using the area benefit national objective? And would that be without needing to qualify the neighbor?

Jennifer Hylton: Right. So the answer is yes. They're eligible under 1, 2 and 3. And it is an area benefit, so you do not have to qualify the neighbor. I think the one thing to remember though is that for NSP 2 and NSP 3, you can't do it under eligible use E. So you've got to acquire the property under another eligible use. So B, C, or D. So that's really the only difference between NSP 1 and NSP 2 and NSP 3. And this is all also in the disposition guidance we put out. If you want it in writing, it's also in that guidance so you can see that you do not have to income qualify the neighbor.

Kent Buhl: Very good. And thanks for that question, Stephanie. And Kate also has a side lot question. "Would side lots have to be re-platted to protect them as side lots and prevent resale?"

David Boehlke: Well, we were kicking that around. We read this earlier. We don't think so, but we would recommend that you might want to put some deed restrictions on it or something like that to prevent a resale. I mean, you don't have to qualify them as area benefit. You don't have to give it away. You could sell them. So there's different ways to protect that. But I think in most of the sort of Eastern neighborhoods, Northeast and Upper Midwest, the big issue is maintenance. So what I've seen I guess just -- I don't know if this is a policy or it just works out this way. But the side lots seem to be well mowed. And so I think there are maintenance requirements that go along with them.

And I think -- but all of that, I don't think requires re-platting so much as some sort of covenants and deed restrictions that specify a certain level of maintenance and reuse, resale restrictions and that sort of thing. On the west coast in stronger markets there's probably more use for that. Most of the places we've seen side lots are in markets where there just is not a lot of demand, and therefore not a lot of risks I guess.

Jennifer Hylton: And because this isn't a housing activity, there is no affordability period. So you don't have to do any kind of affordability period based on the NSP investment since it's not housing. So that's just something to remember, too.

Kent Buhl: All right, good. Good question, Kate. Thank you. And let me just remind you that you can ask questions in the Q&A panel on the right side of your screen and that's where we're finding these questions we're addressing now.

This one is from Musabahl [ph] and I might be mangling that. I'm sorry if I am. But the question is, "Could any of the panelists address the issue of ongoing property maintenance costs for weeds, graffiti, and illegal dumping? This has become an ongoing cost problem for us on our remaining NSP 1 properties. How are you or other grantees dealing with this problem?" And if any of you in the audience have any suggestions for how you're dealing with it, you can just submit that in the Q&A as well and we can share that more broadly. So Juanita or Jill -- is Jill yep, Jill is still there.

Jill Claybour: Yes.

Kent Buhl: Or David. How -- what are your thoughts of dealing with the issues of ongoing property maintenance costs?

Juanita Jones: Well, here in Detroit, we haven't quite figured it out yet. We're just hoping summer doesn't hit. So right now, things are pretty okay. They're not growing too quickly, but it is an issue that we're trying to determine how we build in streams of revenue to be able to address these issues. It's part of one of the things we're doing with our disposition plan in trying to get our -- the actual grantees of the funding to release program income to us so that we can go on to do that and continue to keep up the investment we've made so we can continue to drive the market.

Jill Claybour: Well, I can just say that as far as the ongoing maintenance for our properties, it really has been -- I guess less of a challenge so far, because again, we were kind of piggybacking on an almost NSP like program that existed and using an existing land bank that holds thousands of tax foreclosed properties. So we already had provide -- we already provide them annually some ongoing operating money to assist them and that's just continuing. Now, it's not at a standard that it probably ought to be. We probably ought to be -- not only probably I wish we could go in and kind of shrink wrap these properties because our level of maintenance is a little short. But for the time being, we have a system in place.

Kent Buhl: Good. Thank you. We've got a couple of questions -- a few questions here from Paul. And I'll just take those one at a time. Paul is wondering, "Has anyone tried to get a higher for sale appraisal based on the value of the house as a rental property instead of the traditional comparison with three recent nearby sales?" And anybody can jump in if you've tried to do that. Have you heard of that, David?

David Boehlke: You know, the problem of these low appraisals around the country have stymied many programs. And I'm frankly sitting here saying that's a very clever approach. Maybe what we needed to do is to go out and see what the property would have borne if was considered an investment property, because we know the situation that rents are exceeding house payments. So I have not seen it done and I've worked with dozens of these programs, but it is something I think worth considering if appraisals are really beginning to undermine your ability to move the properties.

John Laswick: This is John. I mean, I agree that it's a clever idea, but I'm not sure how that would benefit you though because you still would have to sell it. I don't know that you could use a rental appraisal on an owner occupied property.

David Boehlke: Well, John, what I think he's getting at is that at least you'd have a document that says this property is worth this much so you can begin to figure out how much you'd be willing to put in as left over money or a second mortgage on the property that would be credible.

John Laswick: Well, I mean, Juanita didn't tell us the cost of her units, but I know that it's -- it exceeds the gap in St. Louis of $150,000, at least in the Boston Edison properties.

David Boehlke: And I'm thinking of the more modest stuff like in Muskegon that's $30,000 or $40,000 houses.

John Laswick: Right. I don't know.

Juanita Jones: In Detroit, we aren't really moving to the model of having the units that were planned to be for sale be moved to rental in that way. Where we did request a different appraisal is just what you were talking about David, where we had a low ball appraisal on a property and we pushed back and requested additional appraisals to try and make the case.

And eventually all of that sort of activity helped drive prices up, values up. Actually, our last value we had done out there was $145,000, John, and we've been keeping you in the loop on these appraisals since the days we were getting them back at $65,000. So we've come a long way. But we have not had that situation where we want to take a for sale property and make it a rental property and an income approach as opposed to a sales comparison approach.

John Laswick: Right.

David Boehlke: And I don't think we're necessarily saying that, but I do think when you go out and aggressively try to get appraisals raised, it would be interesting to have an income appraisal as a comparison.

John Laswick: But, I was going to make this point, and so Juanita's given me a good excuse. She mentioned early in the presentation something that Dave said, which is basically pick the right neighborhood to start out in and that's easier said in the beginning. But they did that. And they focused and they tracked those appraisals and they know exactly what the first one was, and what the second was. And it went from $60,000 to $80,000. And not that many months ago, they were celebrating they finally got on in six figures. These are for houses that cost $300,000 plus to bring back.

But the point of that is that you can build your value base if you are strategic about it, you're doing good work, you're pushing back on stupid appraisals. But it's hard and it's slow. But you can make that kind of progress.

David Boehlke: And this is especially important for Juanita because she's going to have so many properties that she wants to sell to developers. And those developers have to have a price point in that market that can make sense for them.

Juanita Jones: Absolutely.

David Boehlke: And see you're making the numbers argument.

Kent Buhl: Here's another question from Paul. Are grantees offering a bonus above standard commission rates to motivate real estate agents to push the NSP houses to their buyers and is there any guidance on allowable bonus amounts?

John Laswick: We just checked with Paul on that one. Hunter?

Hunter Kurtz: Yeah. The -- you should be procuring your -- obviously we assume you're talking about the real estate agent that is working for you. And that would be someone you would have to procure And if you were going to offer them a bonus in addition to the standard commission, you would need to re-procure the real estate agents and include that in the procurement process that this is additional pay you're going to pay them.

John Laswick: Right. Yeah. I mean, the problem is in places like Ohio, they might be selling a house or a vacant lot that's worth $10,000 or $20,000 or $30,000 and so a 6 percent commission is hardly worth the effort. But what works, if it's a standard practice in the marketplace to have a minimum price for example, so that at least you're covering your costs, then that kind of thing can be okay. But it has to be part of the deal up front.

Hunter Kurtz: Yeah.

Kent Buhl: That makes sense. And let's see. Let's go to a question from Judith who asks are there any strategies for increasing the number of buyers for homes with 50 percent household income limit. Ideas on how to market a property that have a significant affordability rate down. That's a tough, tough income to reach. Has anybody been doing that?

David Boehlke: Well, the couple of things that I've run across where people are at least reaching out and that is they're working with the ministers of local churches to speak to them directly about the households that they have that they could recommend to this that they know 150 percent mark.

Similarly, there's one program I know where they've done it very judiciously through the school system because it's an almost all very low income school. So there are places where these customers exist and I think through health department programs, through school systems, through churches, you can get the story out.

But again, even for that income group, the important thing is to talk in terms of what their likely monthly payment will be because then people can wrap their minds around whether they even want to come in and see your building.

Kent Buhl: That makes a lot of sense. Thank for that question, Judith.

And let's see. Katie has a follow-up thought on placing covenants or deed restrictions. "What benefit does placing deed restrictions have on maintaining a lot if you don't know the city or locality will give a citation? So the remedy for violating the deed restriction would be to sue and that costs money."

David Boehlke: Well, Kate, I'm not a real estate lawyer, so I don't really know. I mean, you can re-plat them. It just seems like a lot of work to me. I don't -- but I think in these markets where there are a lot of side lots, that there is very little risk of flipping the properties, if that's what you're concerned with. It's different in stronger markets. And maybe that, maybe re-platting it is necessary there. But most of the places where there's hundreds of side lots, they're not going anyplace in the next decade.

Kent Buhl: But I think the thrust of this question is how can deed restrictions be used to encourage the household to maintain the lots that they take on, or will they just simply get the lot. There's a deed restriction that says they have to maintain it to a certain condition and they not do it.

David Boehlke: Well, I don't know the answer to that question. But I mean, I think it goes back to what we were talking about earlier, about lots next to sort of different neighbors. I mean, if the neighbor next door is like you were talking about, a hoarder with a junkyard in his lot, you probably don't want to give him a side lot. So I mean, I think you have to use some of your own judgment in determining whether or not you're going to give somebody a side lot or not.

Kent Buhl: I do know though many programs feel that they have to make the lot available to any neighbor who adjoins one of these lots.

David Boehlke: But you're not going to give every lot to -- not every lot in your program is going to be a side lot.

Kent Buhl: No, no. But I'm saying that when they choose to make a given lot a side lot, that sometimes --

David Boehlke: Right. But that's at the point that you need to consider what the situation is.

Kent Buhl: Right. And so otherwise, they just have to hold it if they feel the owner will not do a good job with it.

David Boehlke: Right. I mean, you need to consider other options for disposing of that lot.

John Laswick: You could lease it to them. You could give them an easement as additional side yard, back yard or whatever. That's one thing. And if they have plans to build on it or something, then you need to do something more substantial legally.

Kent Buhl: And Katie adds that since they spend time and resources to clean the foreclosed title, that she's not particularly in favor of placing a deed restriction. So varying opinions out there, but all that is helpful.

And Lana ask, "After purchase a rehab of a foreclosed property that remains unsold due to the market, have any NSP 1 grantees explored utilizing the property as a home ownership center for a CHODO or leasing or selling to a nonprofit for a shelter? And if so, what national objective would that meet?"

John Laswick: I kind of missed the first part of that question, Kent. So this is disposition of NSP 1 --

Kent Buhl: "Could they take a property and make it a home ownership center for a CHODO, for example, or sell it to a nonprofit for a shelter?

Jennifer Hylton: Yeah. I mean, you can do that. Absolutely. I mean, if it's -- as long as it meets the area national objective for a public facility.

John Laswick: Yeah, it might be LMMC if it's a home ownership center for a CHODO or something; all their clients are low and moderate income.

Jennifer Hylton: Yeah. So as long as it meets a national objective and you're talking about NSP 1, under eligible use E, yeah, you can do it.

David Boehlke: But just in case I missed the word, wasn't one of the questions Kent, that they could use it as a shelter?

Kent Buhl: Yes.

Hunter Kurtz: So like a homeless shelter?

David Boehlke: Right.

John Laswick: We designate those as public facilities, which are eligible under NSP 1, eligible use E. We had a lot of frustration at the beginning because we don't consider them to be housing. So that's one of the things that don't meet LH 25, low income set aside or other housing goal, but they can be public facilities and meet an LMMA or LMMC kind of benefit.

Kent Buhl: And we do have another question here from Paul. "Is anyone considering a negotiated sale of all its remaining rehab houses to a private sector buyer already in the subsidized rental business?" And a resounding silence.

David Boehlke: That would be great if that were to happen. There's obviously nothing -- as long as they are going to continue to be various restrictions on the property, there's nothing wrong with that.

John Laswick: Yeah. I think the problem is most of these still have higher construction and or operating costs than are economical so selling them is fine. But however buys them is still going to have to meet some kind of national objective. And if that requires a subsidy then you've still got a problem.

Kent Buhl: Well, let's see. We've come to the end of the questions there.

Let me just remind everyone that this session will be archived on HUD's website and you can get to through the NSP learning center on the resource exchange and I think you can also get to it now through the 1CPD site, but in any case, it will be there and a written transcript will also be added as soon as that is completed.

We've got some upcoming NSP webinars; a number on open forum; Q&As; a DRGR later in June.

Hunter Kurtz: Well, can I just point out two things? On the webinar on May 7th, we're going to talk a little bit about the closeout process and we have rescheduled the acquisition webinar from a couple of weeks ago for May 14. That just firmed up this afternoon, so that will be coming up shortly.

Kent Buhl: Very good. Add that here. And let's see. Then we also want to tell you that when you leave the webinar, you'll be automatically directed to a SurveyMonkey site, and we do appreciate your comments. They are helpful to us and to HUD and particularly any written comments you may have would be helpful too. And just a note though that that is just reaction. Your assessment of this webinar, that's not a good place to ask content question. For those, you can go to ask a question on the HUD websites.

And so we'd love to thank at this point, Jennifer Hylton at HUD, David Boehlke, Juanita Jones from DLBA and Jill Claybour from the city of St. Louis for being with us, along with John Laswick and Hunter Kurtz. We appreciate your presentations, your time putting all this together, your expertise and thoughts.

So thanks for sharing all those with us, and we thank all of the participants for being here as well and hope to see you soon at another NSP webinar. Take care, everyone.