



**Cities' Hidden Assets:  
A New Paradigm for Community Reinvestment**

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# **Reasons for Current Lack of Capital Flows**

- ❑ Little market information about potential of underserved communities**
- ❑ Lack of strategy in traditional community reinvestment programs to mirror private-sector investment strategies for which financial institutions are accustomed to responding**
- ❑ Few customized financial instruments to meet unique needs of comprehensive community development**

# **Why a Markets Focus Now?**

- ❑ **Increased recognition of market potential of distressed communities**
- ❑ **Abundance of data and increased financial sophistication in measuring and managing risk**
- ❑ **Growing realization of diminishing role of government in domestic program funding**

# **Achieving a Market Approach to Community Revitalization**

- Re-package undervalued assets into investment-grade assets**
- Create innovative financial tools**
- Re-focus government role as catalyst for revitalization**
- Design value-recapture mechanisms**
- Measure investment values**

# Re-package Undervalued Assets Into Investment-Grade Assets

- ❑ Emphasize *assets* in search of investments rather than *needs* requiring contributions
- ❑ Recognize that supply can create demand
- ❑ Use private market terminology—avoid CRA, social investment, fairness, etc.

# **Re-package Undervalued Assets Into Investment-Grade Assets (continued)**

- Borrow successful development, marketing principles from upscale suburban and resort builders**
- Demonstrate potential of assets with visual aids and imaging**

# Marketing Tools For Distressed Communities

- ❑ Choose names for projects that attract specific investors
- ❑ Phase development to ensure maximum returns
- ❑ Focus on potential *customers* rather than nebulous *consumers*

# **Naming is Powerful Tool for Revitalization**

- ❑ **Green Valley suggests verdant environment**
- ❑ **The Woodlands, Celebration, and Redwood Shores evoke image of serenity, pleasure, beauty**
- ❑ **The Pearl District de-stigmatizes**
- ❑ **Capital View, Old Town, and Park View re-image**

# Phasing Is Key Marketing Component

- ❑ **Haphazard development can undermine successive development**
- ❑ **Build to ensure each phase is more valuable than previous one**
- ❑ **Develop best sites last**

# Target Development to Specific Customers

- ❑ **Variety of information exists to pinpoint potential residents**
- ❑ **Typologies can be used to market to specific customers**
- ❑ **Strategies can identify specific households, i.e., employer-assisted housing**

# **Create Innovative Financial Tools**

- Fill gaps in financial intermediation**
- Employ structured financing, exchanges and clearinghouses, and credit derivatives**
- Work with specialized lending institutions to create continuum of credit, e.g., micro-lending, use of guarantees, project financing**

# **Re-focus Government Role as Catalyst for Revitalization**

- Assist private market in extracting value from community assets**
- Take lead in certain strategic investments**
- Aid in development of value-recapture mechanisms**

# **Government's Role Goes Beyond Financing**

- Provide key municipal services**
- Supervise and enforce building codes and land-use regulations**
- Modify existing codes and regulations to stimulate market development**

# **Government's Role Goes Beyond Financing (continued)**

- Design mechanisms to make land accessible**
- Transfer public properties to communities**
- Develop and enforce tax polices to encourage investment**

# **Design Value-Recapture Mechanisms**

- ❑ Involve current residents in development as key investment goal**
- ❑ Capture value for residents to build on progressive community development schemes**
- ❑ Community and residential input adds to community stability**

# **Value-Recapture Mechanisms Include Various Forms of Trusts**

- ❑ Trusts can take on various forms: land, housing, community, investment**
- ❑ Trust assets can include public buildings, vacant land, parks, reservoirs**
- ❑ Trusts can draw actual assets or revenue streams from assets**

# **Value-Recapture Mechanisms Include Various Forms of Trusts (continued)**

- ❑ Operating agreements can be established;  
cash flows specifically dedicated**
- ❑ Dedicated cash flows can be capitalized or  
securitized**

# Measuring Investment Values

- ❑ **Traditional tangible short-term measures of success can be misleading**
- ❑ **Intangible actions and processes can have tangible impacts**
- ❑ **A focus on development outcomes can be misleading indicator of long-term success**
- ❑ **Building social capital can enhance outcomes**

# **Market-Based Approach is Gaining Momentum**

- ❑ **Michael Porter's Initiative for a Competitive Inner City**
- ❑ **Shorebank Corporation's consumer demand information gap**
- ❑ **Social Compact's Emerging Markets Neighborhood Initiative**
- ❑ **White House's New Markets Initiative**



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