

**Testimony for the Information Policy, Census and National Archives Subcommittee of the House on Oversight and Government Reform Committee. Monday, October 29, 2007 at Carillon Park in Dayton, Ohio.**

I am **Theresa Gasper**, the founder and President of Full Circle Development LLC, a company whose mission is to *revitalize neighborhoods one house at a time*. I am one of the two investors, along with Michael DiFlora of The Home Group, behind this year's RehabaRama in South Park, which just wrapped up this past Sunday, October 21, 2007. This is the first year that this type of event has been produced using private funding. Michael & I made a very conscious decision to use our private capital vs. applying for any grants or public funding. While both of our companies are 'for profit', this was primarily a philanthropically motivated project. The only public funding involved was the City of Dayton contracting with the Home Builders Association of Dayton to market and stage the show. All property acquisition and renovation was done through private investment.

While Census Data can be a useful tool in determining the demographics of a neighborhood, unfortunately it only reflects a moment in time and is often not a reflection of current demographics. In a neighborhood such as South Park, with a large population of investment or rental properties, the turnover can be high and not captured by a ten-year census. A lot has changed since 2000.

My primary reason for selecting South Park was a very personal one - it's the neighborhood I grew up in. I was saddened and frustrated watching this and other inner city neighborhoods fall into a state of decay and decline, due in large part to the economy and predatory lending. In spite of that, I felt there were many converging trends that made this an ideal 'test market'. For example:

- New Urbanism – many individuals are drawn to an urban atmosphere which is typically more vibrant, walkable, dynamic & unique. Not all individuals want a loft condo in the City Center, but still want a house with a yard for gardening or for their children and/or pets to play safely. For years the American Dream has been about living in the suburbs, in the house with the white picket fence, the cat in the window, the dog in the yard, and two cars in the driveway. Today more people seem to crave the diversity of an urban environment – they want to live in a neighborhood with a housing stock that is as diverse as the people living there. They are tired of the cookie cutter look of the suburbs.
- An emerging “anti-sprawl” sentiment – people are beginning to understand the negative impact of urban sprawl and are seeking ways to reduce their footprint on the environment. I recently met a couple from the DC area who were house hunting as a result of a job transfer to Dayton. She told me she could understand sprawl in a large city where you need to move away from the center to find more affordable housing. She couldn't understand it here in the Midwest because the affordable housing is in the City and the expensive homes are in the suburbs. How many million dollar homes in the 'burbs can we afford? How many farms are we going to develop?
- The rising cost of fuel – people are tired of paying nearly \$3/gallon and of long commute times. More and more individuals are looking to live closer to their place of business or to the performing arts community. We are seeing a lot of empty nesters move back into urban areas

because their kids have grown, the school system is no longer an issue, and they are often downtown for the arts, ball games or other events.

- Craving a sense of community – the culture of the dot.coms and working virtual may work in large metropolitan areas, but I believe (especially since 9-11) people are craving a sense of community and want to *know* their neighbors. South Park does an incredible job of promoting social activities, as well as meaningful projects, to engage their neighbors and foster that sense of belonging. It is because of the dedicated neighborhood leadership and volunteers that our work began in South Park and not another Dayton neighborhood.
- Time & talent constraints – there don't seem to be as many 'urban pioneers' these days – those individuals who buy a distressed house and renovate it with blood, sweat & tears. Urban living is trendy, but many people just don't have the time or the talent to renovate a home on their own. We are providing relatively maintenance free homes in a historic, urban neighborhood that are move-in ready.
- Pricing of adjacent neighborhoods – the Oregon District is the neighborhood just south of Downtown and adjacent to South Park. The two neighborhoods are geographically divided by SR 35. Oregon has long been the premier historic district but is now being viewed as too expensive, considering many of the homes are in need of another renovation in the near future. South Park is still a very affordable neighborhood and one where the property values will stand a better chance of appreciating; something that's a rarity in today's housing market.
- Our goal has been to reduce the number of vacant and/or distressed rental properties, completely renovate them and create owner occupied dwellings. There are some 'rules of thumb' that are readily used and agreed upon, at least in our market. One is that in order for a neighborhood to remain stable, at least 60% of the structures must be owner occupied. Second is that a vacant property can reduce the values of the adjacent properties by approximately one percent (1%).

Michael & I believed that we needed to gain critical mass to have an immediate impact. South Park is the largest historic district in the City of Dayton and one of the largest in the state. There are more than 700 houses just in the historic district. When we started, there were 80+ vacant homes. Between the two companies, we own approximately 30 houses and one vacant lot.

Full Circle Development has focused primarily on the 600 block of Oak Street, which was widely viewed as the most blighted and distressed block in South Park 18 months ago. Today FCD owns six properties in that block, is under contract on another, and is awaiting release of another from the Dayton Metropolitan Housing Authority (DMHA) once HUD approves its release from inventory.

The projects on that block include renovation of two single cottages, the joining of two other cottages into one single family dwelling (all the living space on one side and the private space on the other); a double that is being converted to a single family, and a former shot gun that is being expanded into a story & a half home. In other words, we are looking at creative usage for historic homes that are more desirable to today's lifestyle.



Our process has been to walk or drive through to visually identify distressed properties. From there we refer to the tax records to determine who owns the property; is it owner occupied or is there an absentee owner; and, does that owner have multiple properties in the area. We also look to see if the property has any delinquent taxes. Our primary focus is on vacant, absentee owned properties that are delinquent. We try to avoid owner occupied dwellings, unless we are contacted by the owner or a neighbor informs us that the owner is interested in selling. Often times the houses we acquire are bank owned properties due to foreclosures.

While Michael & I still have an available inventory of homes to renovate and sell, there are still dozens of vacant structures. We are buying incredibly distressed properties and until you replace the roof, windows, plumbing, wiring, kitchens, baths and deal with any other hidden surprises, it is very difficult to break even, let alone make a profit. If we are going to attract other like-minded, quality investors to work either in South Park or other neighborhoods, it has to be a profitable model. There aren't too many philanthropically motivated individuals like Michael and I who are going to be willing to do this at a loss for long. One of the biggest expenses is the acquisition cost. Especially now that our efforts are very visible, property owners are artificially inflating their asking prices. Sometimes we are forced to pay more than a property is worth just to get it out of the hands of slumlords.

As I first mentioned, this is the first time RehabaRama has been done with private investment. However, I believe that in the future, we will need a combination of public & private funding to be successful. I believe Wright Dunbar was effective because the City cleared the lots and sold them for \$1 each. More than financial contributions, we need assistance with Police, Housing, Street & Sidewalk Maintenance, etc. And we truly need assistance in acquiring difficult properties, as described below.

Often times, some of the worst properties have been abandoned or are tied up in an estate or in probate. No one is sure who owns the property or who has the legal right to sell it. In one case, an elderly woman in her 90s passed away leaving her house on Oak Street to her two sons. Before the will could be executed, one son passed away and the other (who lives in Oklahoma) suffered a stroke leaving him in a vegetable-like state until his death several months ago. He did not have a will or power of attorney, and no one in the family knows what to do with the property, which has now been sitting vacant for more than five years. Their attorney has advised them to stop paying the property taxes so the City will take it back. The City does have a REAP program designed to gain control of properties that have been vacant for a minimum of six months and that are at least two years delinquent in their taxes. It can be 18 months once the process is initiated until title can be transferred.

We need a way to quickly and effectively gain control of properties that have clearly been abandoned. Another typical scenario is a property goes into foreclosure, the bank realizes they will never be able to recoup their losses, so they halt the process, but the former owner assumes they've lost control and abandons the property. It languishes and we have no effective or cost effective means of acquiring the property and renovating it. So it sits abandoned, and contributes further to the decay and decline of the neighborhood.

One of our biggest headaches has been vagrants who are scrapping illegally in the neighborhood. South Park is very close to a high concentration of homeless shelters & day facilities. Many of the clients of these facilities are mentally ill or substance abusers. They don't like to stay in the facilities other than for meals and often time break into vacant structures to sleep and to stash their (often stolen) belongings. They go through all the trash cans on collection day, through the construction dumpsters and they also break into vacant homes and steal building materials or the copper plumbing, an event we can almost predict when copper prices increase dramatically.

South Park recently had an alley sweep where we uncovered the stash of a known homeless, scrapper named Tim. Tim was storing stuff on the porches of three vacant homes and the garage of a fourth. Several days later, another stash of his was discovered in the back yard of another vacant property. While I recognize that he's ill and homeless and is trying to make a living, he is stealing materials and literally 'trashing' multiple properties with his stash of junk.

One of the unintended consequences of revitalization efforts in low to moderate income areas, is that it creates opportunity for homeless, vagrants, thieves and scrappers. Where there is construction, there are building materials and tools. Another is that some neighbors are not happy with the changes we're bringing to their neighborhood. During RehabaRama, we had numerous neighbors out on their front porches with the stereos blaring, signs of protest in their windows and in some cases screaming at the tour goers about being rich people trying to run them out of their neighborhood. They don't view this project as an opportunity for them to have quality neighbors who care for their homes, they feel threatened.

We are often accused of trying to gentrify the neighborhood and push out the poor by making the houses too expensive for them. I maintain that there is an abundance of programs in place for low income and affordable housing, but who is looking out for the middle class? I worry less about the person whose property taxes will increase as the result of our efforts (and none of their own), because that also means the **value** of their property has increased. I worry more about the person who has made an investment in their home (which is typically a family's single biggest asset), and its values are being reduced because of absentee landlords who don't properly screen their tenants and allow unlawful activities to occur. Our goal is not to gentrify the neighborhood, but to eliminate the number of vacant properties and reduce the crimes that are associated with vacant properties (vandalism, drug traffic, etc).

I would like to add that along the way we've had a lot of cooperation from the City of Dayton in the area of housing inspections, the Landmarks Commission, and the Dayton Police Department. The City has limited resources and, our secondary goal is (as The Home Group slogan states) "Raising Dayton's Property Values One Neighborhood at a Time." We believe increasing the property values will increase the tax base and give the City & County more resources to provide increased and improved services such as housing & code enforcement, police, fire and other quality of life projects. By targeting structures that have been vacant for as many as 7-8 years, we not only make that house a productive property again, but we increase the property values of the homes immediately adjacent to it. In other words, a rising tide raises all boats.



While the City personnel have been cooperative, often times their hands are tied by ineffective laws or ordinances. Dayton needs a strong, dedicated Housing Court with tougher consequences. Absentee owners know how to work the system and avoid properly maintaining their properties. They are rarely fined, or if they are, it's cheaper to pay the fine than make the repair. A new city ordinance has been enacted that requires the disclosure of any housing violations prior to selling a property, but often times the buyer doesn't know about them until they get to the closing table. Many property owners still are not disclosing unresolved issues, but the Title companies provide the documentation at closing.

While the housing market is currently very soft, Dayton stands to benefit from the BRAC realignment and expects the relocation of individuals from Virginia, San Antonio and Monterrey CA to WPAFB. Many of those individuals will prefer an urban experience to a suburban one and are an ideal target market. By revitalizing South Park now, we will be ready for the new arrivals to our City next year and beyond.

I would be remiss if I failed to mention another obstacle we are facing with many real estate agents in the region. The aforementioned couple from DC was working with an assigned relocation specialist who essentially refused to show them anything other than suburbs. Most agents immediately take potential buyers to Springboro, one of our southern most suburbs. We've heard story after story about people specifically asking for a historic neighborhood or wanting to see downtown lofts only to be told "you don't want to live there" and are then escorted south again. This particular couple did some research and found a Historic Home Specialist, and eventually found a home in one of Dayton's historic neighborhoods, Grafton Hill. My point is that our revitalization efforts will be in vain, if the real estate community fails to show City of Dayton neighborhoods and continues to steer people to the suburbs.

I belong to a task force that is currently seeking funding to hire the services of Richard Florida's Creative Class Cities program. While Florida's research is sometimes viewed as controversial and unproven, I strongly believe that economic development efforts should be focused on attracting TALENT, not companies or jobs. Companies look for three primary features in a location – a pool of appropriate talent, good schools and the infrastructure to support their line of work. If a region has the talent base needed, companies will naturally relocate to that region without the City or County governments' need to fight over or give away the ranch to them in the form of tax credits and incentives. To do so just further erodes the tax base, and creates the decline of the very things important to that company's site selection.

South Park is a fantastic representation of a Creative Class neighborhood. Its residents include architects, attorneys, physicians, professors, musicians, artists, published authors, entrepreneurs, teachers, nurses, realtors, firefighters, police officers, ministers, historians, IT professionals and more. Dayton has strong elements of the Creative Class, and by using the framework provided by Florida's consulting group, we will, through the participation of hundreds of citizens, emerge with initiatives designed to attract and retain more of the Creative Class to our region.

In closing, while we're focusing initially on 30 houses, the goal is to revitalize a neighborhood, create a model that others can duplicate, and improve property values so the City & County have a greater pool



of resources to further improve the region. Many do not view housing as a critical component of economic development, but I beg to differ. I agree with Richard Florida's research that says "Place or Territory" is a very important consideration to the Creative Class. My plan is to continue working in South Park for at least another two years to keep the momentum going. If we are truly successful in turning this neighborhood around, I would like to teach others how to replicate our efforts in other neighborhoods – either within the City of Dayton or around the country.

Thank you for the opportunity to testify as part of this hearing, it will be my pleasure to answer any questions you may have.

Respectfully submitted by,

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