



VALUATION & ADVISORY SERVICES

Brake & Throttle...

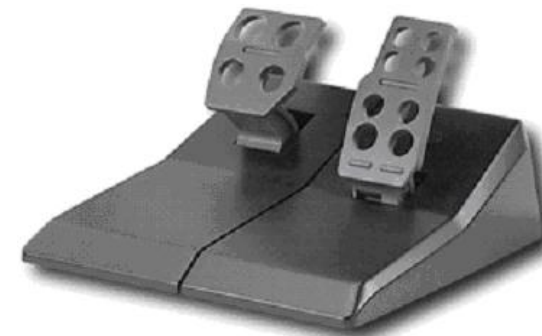
**Where is the Friction/Resistance
&**

Where is the Acceleration?

NAIOP 2012 Forecast – Jan 25, 2012



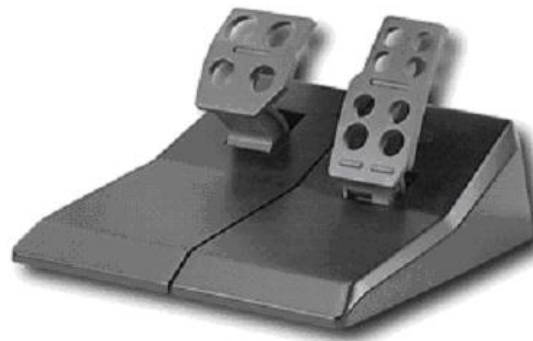
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Understanding Brake & Throttle

The Big Picture Pieces

- #1: The FED – A case of déjà vu or vujà dé (never saw this before)?**
You be the Judge.
- #2: Start of 2012 is eerily similar to start of 2011.**
2011 produced a 1.2% GDP (Q1-Q3 avg). Skepticism for 2012 GDP
- #3: KC's forecast - past & present**
Bulls, Bears & Bewildered Scoreboard
- #4: Alternative Economic Indicators that may be more predictive.**
GDP for Hong Honk & Germany, cfNAI, CESI, Nat'l Restr Perf. Index
- #5: KC's 2012 Real Estate Compass Settings by Property Type :**
North: Warehouse / South: Retail / East: Debt / West: MF & Office



The Quote of the Week:

“I think we are unlikely to see growth being derailed by the housing market.”

By: Federal Reserve Chairman Bernanke at his first FOMC meeting as Chairman in March 2006.

Federal Reserve Bank of Atlanta

June 11, 2007 Chairman Briefing
Board of Governors
KC Conway, MAI



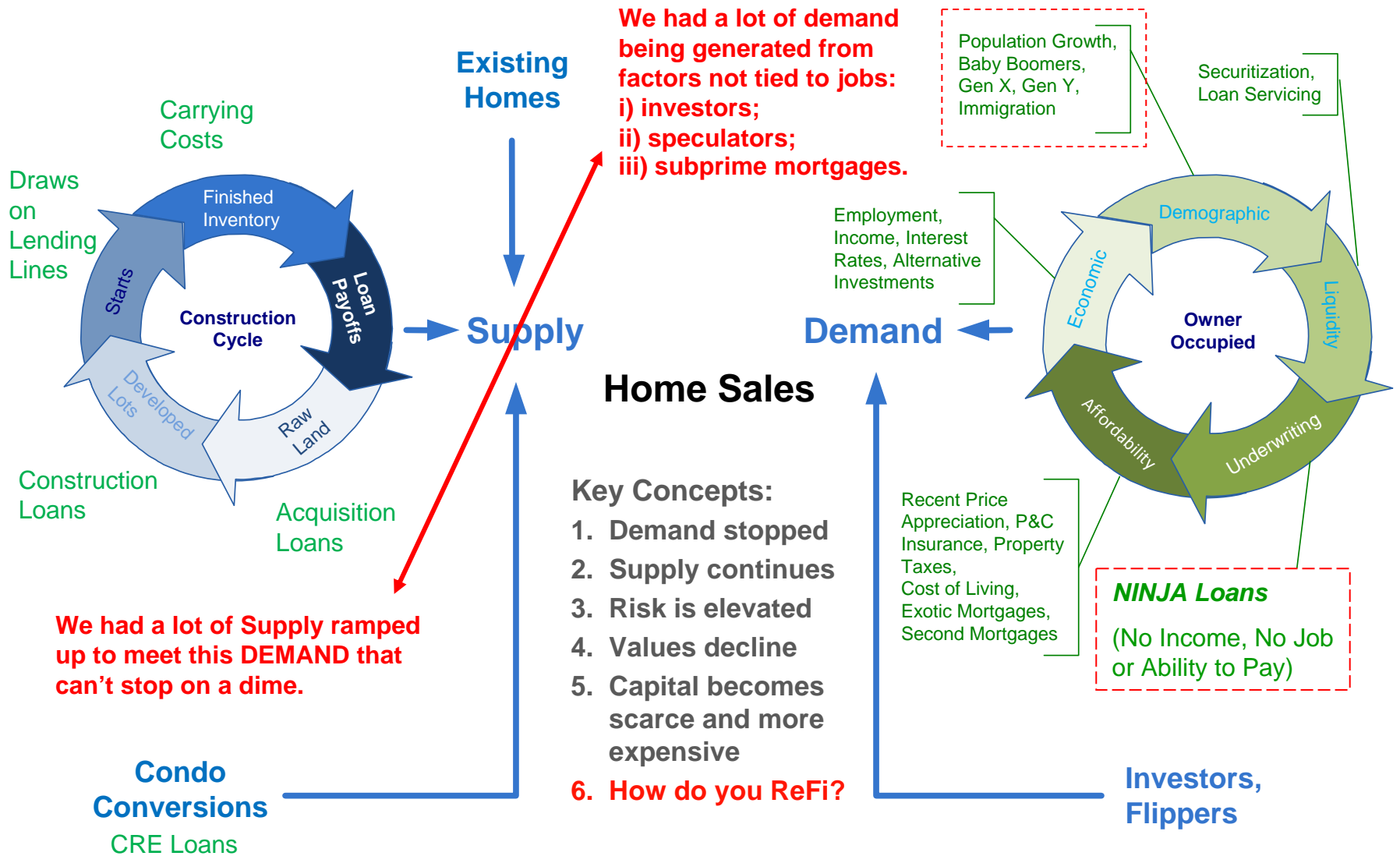
A Bank Supervisor's View of Real Estate Market Conditions

Division of Supervision & Regulation
Policy & Supervisory Studies Group

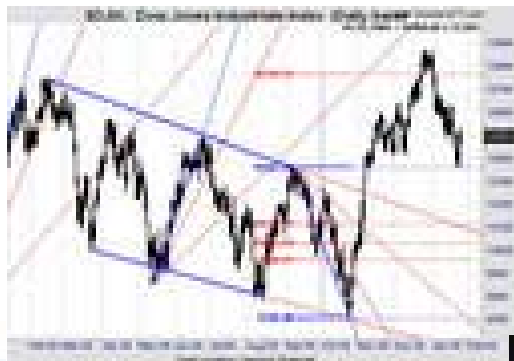
Source: Colliers *“Weekly Market Recap,”* Jan 13th edition.

How did we get here?

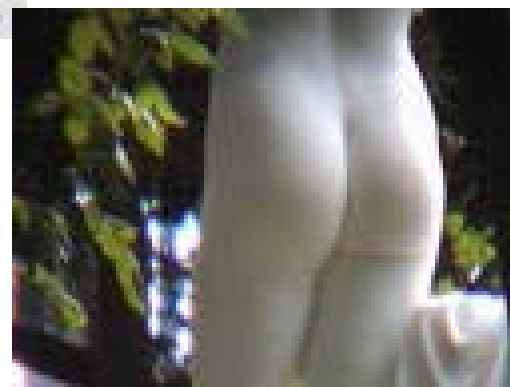
This part was Déjà vu – a misread of demand drivers – again!



Distinguishing a “False Bottom” from a “True Bottom”



It may look like a bottom, but is it the right kind of bottom?



COLD.....getting warmer.....HOT

***Where does the mess end?
How to clean it up?***



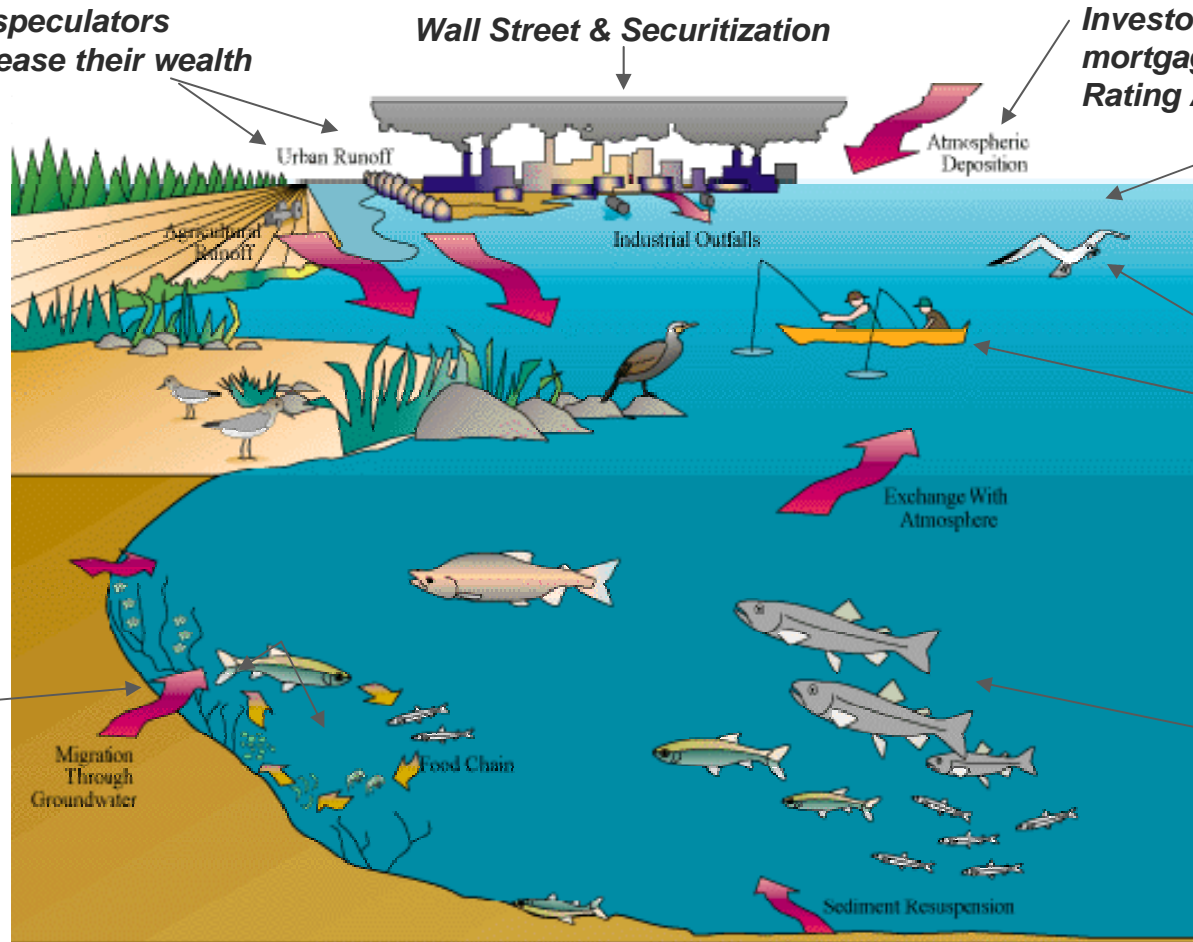
“Toxic Lake” - A look at what is contaminating the US Financial System

We need to understand and address ALL sources of contamination!

Investors and speculators looking to increase their wealth harvest.

Rating Agencies supposedly keeping an eye on everything

Credit or equity impaired borrowers seeking the American dream of home ownership



Investors (blindly buying mortgages based on Rating Agency ratings.)

Congress (just increase home ownership) & Bank Regulators.


Appraisers just looking at values from the surface fishing for “comps” to support any value.

Predatory lenders and “non-bank” subprime lenders with no oversight.

Bank Failures – Historical Perspective

CY 2011' 92 compare well to 2009 & 2012, but are we done with failures?

History of U.S. Bank Failures

- 
- Bank Failures 1929-1933 23,674 (Gr. Depression)
 - Bank Failure 1986-1994 2,369 (S&L Crisis)
 - Bank Failures 2008 25 (Onset of Fin Crisis)
 - Bank Failures 2009 250 (Height of Fin Crisis)
 - Bank Failures 2010 157
 - Bank Failures 2011 92 (FDIC Chair change)
 - Bank Failures 2008-2011 524 (Fin & Debt Crises)

Source: FDIC

Note: 3 key points from 2011 to factor into 2012 bank failure forecast:

- 1.FDIC chair Sheila Bair retired in July – acting chair is reserved
- 2.FDIC had a funding problem most of 2011 & didn't want to borrow.
- 3.Treasury is looking to recover unpaid TARP \$ from 380 banks in 2012

Start of 2012 is eerily similar to Start of 2011...

ADP 325k jobs, Unemployment drops & ISM expands

Jan 2011 Headline Economic News



- **ADP reports the largest increase in its history:** On January 6th 2010, ADP reported that for the December 2010 period, employment in the service-providing sector rose by **270,000 jobs**. That increase was not only the eleventh consecutive monthly gain in private employment, but it was the largest increase in the private employment report's history.
- **BLS reports an unexpected 50 basis point drop in the U-3 (official) unemployment rate to 9.4%:** On January 7th 2010, the Bureau of Labor Statistics reported that the U.S. added a net of 113,000 jobs in the December 2010 period, and the U-3 unemployment rate **declined an unexpected 50 bps to 9.4%**.
- **Continued recovery in manufacturing:** The Institute for Supply Management's (ISM) December 2010 report indicated that "Economic activity in the mfg sector **expanded for the 17th consecutive month.**"

Jan 2012 Headline Economic News




- **ADP reports nonfarm private employment increased 325,000 jobs – usurping the Dec 2010 record.** The December increase was **the largest monthly gain** since December 2010.
- **BLS reports a gain of 200,000 jobs and another drop in unemployment rate to 8.5%:** On January 7th, the BLS reported that the U.S. economy created 200,000 nonfarm jobs in December 2011, and that the unemployment rate fell 20 basis points to 8.5% - **after material revisions to the November data.**
- **ISM reports 120 bp increase in its PMI index:** December's PMI reading represented the third consecutive monthly increase in the index. December's reading, though, remains below the 12-month average and **610 basis points below its January 2011 start** before the Sendai earthquake.

Source: *Colliers "Weekly Market Recap,"* Jan 6th edition.

KC's Forecasts (past & present)

2011 average was Bearish...2012 Bullish start is suspect.



CY 2012 ECONOMIC SCOREBOARD

PERIOD	BULLS	BEARS	BEWILDERED
→ Week Ending Jan-20	7	4	7 ★
Prior WMR (Jan 13)	5	5	3 ★
Dec '11 4-Week Avg	5.0	4.0	5.0 ★
CY 2012 YTD Avg	6.3 ★	5.0	5.0
→ CY 2011 Avg	3.9	4.3 ★	3.9

Note: A Tie "Bulls/Bears" Score results in a "Bewildered"

K.C.'s forecast at beginning of 2011:

“Light growth (<2% GDP) as we cut Big Debt”

Q1 = 0.4% / Q2 = 1.3% / Q3 **“Finalized”** = 1.8% / **Q1-Q3 = 1.2%**

K.C.'s forecast for 2012:

“Modest or No growth (<1.5% GDP) while government can't act.”

Top-10 Alternative Eco & R.E. Metrics to Monitor?

1. **U-6 vs U-3 Unemployment ...**
2. **Chicago FED National Activity Index (cfNAI – best macro I know)**
3. **GDP – Not just for U.S. but bell-weather global economies – Honk Kong**
4. **NFIB Small Business Optimism Index**
5. **National Restaurant Performance Index**
6. **CESI – Citi Eco. Surprise Index: Economists' report card & Bias Trend**
7. **Real Estate New Supply Metric: How much new construction remains?**
8. **CRE Debt maturities: 2012 and 2013 are peak years with \$350 billion/yr**
9. **CMBS Market: Delinquency, Loss Severity, & Ratio of Loans able to Refi**
10. **“Muscle Car “ Index – something with real acceleration**

Advice concerning government economic data:

“Treat it like wine; let it age before you partake of it.”

- **GDP: Advance estimate followed by 2nd & 3rd revisions**
- **BLS Job Growth: “Labor Participation Rate” is a SWAG**
- **Weekly Jobless Claims – look at the State-Level detail**

Unemployment Rates: U-3 (official) Vs U-6 (total)

The total unemployment rate in the U.S. is >15%

HOUSEHOLD DATA

Table A-15. Alternative measures of labor underutilization

Seasonally adjusted

Measure	Dec. 2010	Aug. 2011	Sept. 2011	Oct. 2011	Nov. 2011	Dec. 2011
U-1 Persons unemployed 15 weeks or longer, as a percent of the civilian labor force.....	5.6	5.3	5.3	5.1	5.0	5.0
U-2 Job losers and persons who completed temporary jobs, as a percent of the civilian labor force.....	5.8	5.3	5.2	5.1	4.9	4.9
U-3 Total unemployed, as a percent of the civilian labor force (official unemployment rate).....	9.4	9.1	9.0	8.9	8.7	8.5
U-4 Total unemployed plus discouraged workers, as a percent of the civilian labor force plus discouraged workers.....	10.1	9.6	9.6	9.5	9.3	9.1
U-5 Total unemployed, plus discouraged workers, plus all other persons marginally attached to the labor force, as a percent of the civilian labor force plus all persons marginally attached to the labor force.....	10.9	10.6	10.5	10.4	10.2	10.0
U-6 Total unemployed, plus all persons marginally attached to the labor force, plus total employed part time for economic reasons, as a percent of the civilian labor force plus all persons marginally attached to the labor force.....	16.6	16.2	16.4	16.0	15.6	15.2

Weekly Jobless Claims

How can they be declining when one looks at State-Level data?

STATES WITH A DECREASE OF MORE THAN 1,000

State	Change	State Supplied Comment
GA	-1,105	Fewer layoffs in the construction, service, and manufacturing industries.

STATES WITH AN INCREASE OF MORE THAN 1,000

State	Change	State Supplied Comment
CA	+16,490	Layoffs in the service industry.
PA	+6,764	Layoffs in the construction, service, transportation, and manufacturing industries.
MI	+5,636	Layoffs in the automobile industry.
KY	+5,263	No comment.
IN	+5,084	layoffs in the manufacturing, service, and construction industries.
IL	+4,206	Layoffs in the service, transportation, warehousing, and construction industries.
OH	+4,084	Layoffs in the transportation, manufacturing, and construction industries.
NJ	+3,838	Layoffs in the educational service industry.
WI	+3,580	No comment.
MO	+3,236	Layoffs in the service, manufacturing, transportation, and warehousing industries.
IA	+2,610	Layoffs in the manufacturing industry.
OR	+2,192	No comment.
KS	+2,027	No comment.
WA	+2,025	Layoffs in the manufacturing, transportation, and warehousing industries.
MD	+1,901	No comment.
CT	+1,566	No comment.
TN	+1,212	Layoffs in the service, manufacturing, and construction industries.
NC	+1,040	Layoffs in the construction, textile, electronic, and transportation industries.
MN	+1,021	No comment.

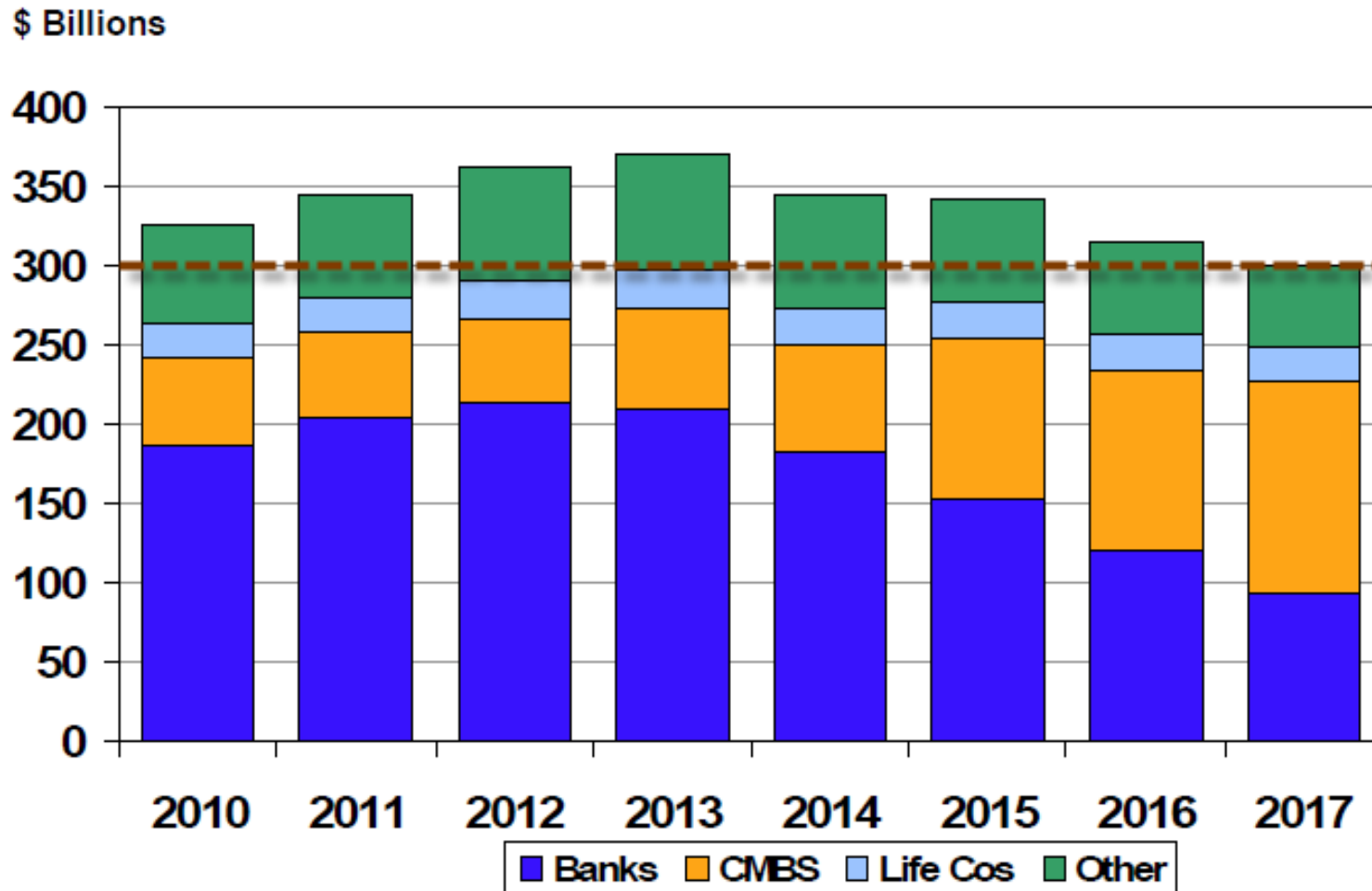
1st Week of 2012
Weekly Jobless Claims:

19 states had increasing claims
Vs
1 state with declining claims???

CRE Debt Maturities



2012 & 2013 are the peak years with >\$350 billion each year!



Sources: Federal Reserve, Trepp LLC

CMBS – Is Delinquency the Best metric to Monitor?

Look at % of CMBS loans able to ReFi or Pay-off – 39%; OR Loss Severity

TREPP: Current 30-day, 90-day, 6-month CMBS Delinquency and Change per period



% 30+ Days	
Dec-11	9.58
Nov-11	9.51
Oct-11	9.77
3 mo.	9.56
6 mo.	9.37
1 yr.	9.20

Month	Increase in Delinquency Rate
December '11	0.08
November '11	(0.26)
October '11	0.21
September '11	0.04
August '11	(0.36)
July '11	0.51
June '11	(0.23)

Source: TREPP

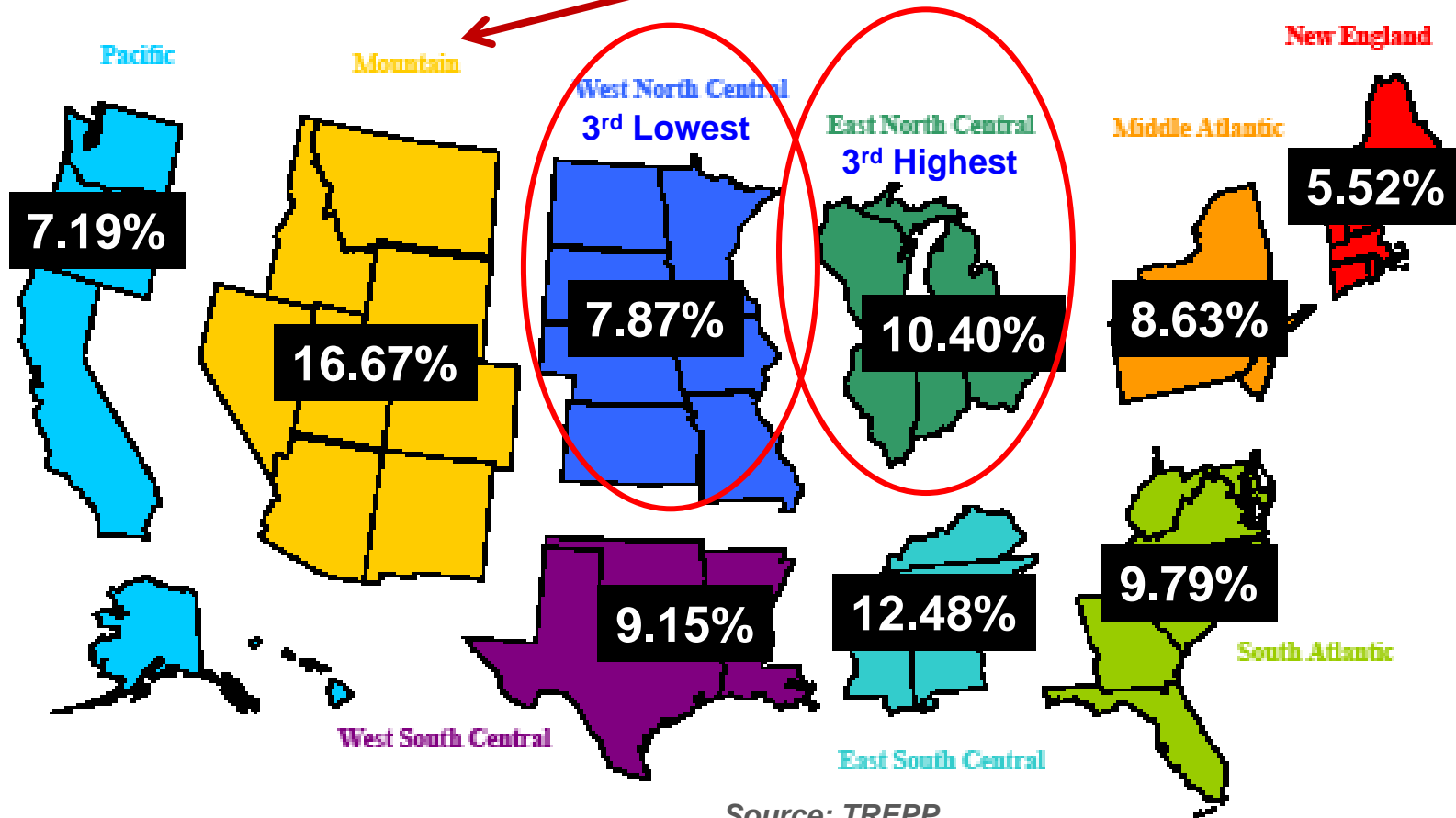


Highest CMBS DQT are MF & Hotel

Property Types - % 30+ Days Delinquent						
	Dec-11	Nov-11	Oct-11	3 mo.	6 mo.	1 yr.
Industrial	12.03	12.20	11.59	11.38	11.68	8.97
Lodging	12.20	12.28	14.12	13.30	13.87	14.31
Multifamily	15.57	16.18	16.73	16.96	16.48	16.48
Office	8.97	8.76	8.95	8.29	7.35	6.93
Retail	7.85	7.52	7.61	7.62	7.82	7.86

CMBS will not play out equally across the U.S.

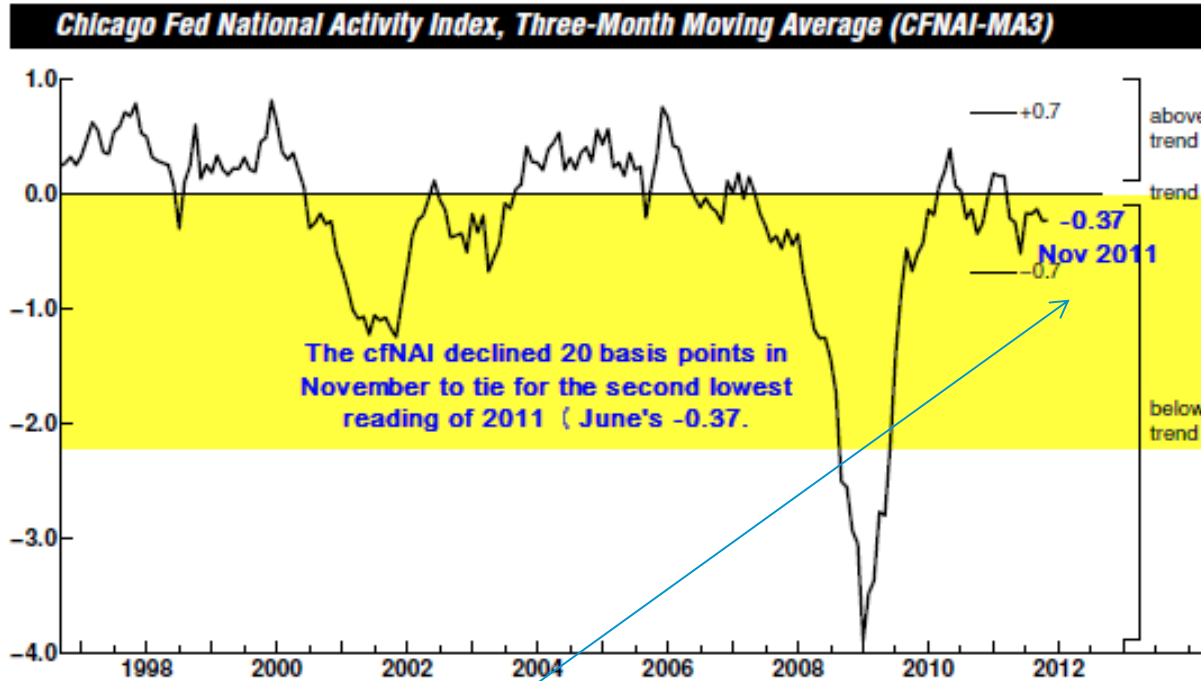
CMBS Delinquencies by GEO
Lowest – New England / Highest Mtn.



Source: TREPP

cfNAI – Chicago FED National Activity Index

Chicago Fed National Activity Index



What is the National Activity Index?
 The index is a weighted average of 85 indicators of national economic activity. The indicators are drawn from four broad categories of data: 1) production and income; 2) employment, unemployment, and hours; 3) personal consumption and housing; and 4) sales, orders, and inventories.

A zero value for the index indicates that the national economy is expanding at its historical trend rate of growth; negative values indicate below-average growth; and positive values indicate above-average growth.

What do the numbers mean?

When the CFNAI-MA3 value moves below -0.70 following a period of economic expansion, there is an increasing likelihood that a recession has begun. Conversely, when the CFNAI-MA3 value moves above -0.70 following a period of economic contraction, there is an increasing likelihood that a recession has ended.

When the CFNAI-MA3 value moves above $+0.70$ more than two years into an economic expansion, there is an increasing likelihood that a period of sustained increasing inflation has begun.

CFNAI and CFNAI-MA3 for the latest six months and year-ago month

	Nov '11	Oct '11	Sep '11	Aug '11	Jul '11	Jun '11	Nov '10
CFNAI							
Current	-0.37	-0.11	-0.24	-0.38	+0.20	-0.37	-0.18
Previous	N/A	-0.13	-0.20	-0.49	+0.21	-0.42	-0.19
CFNAI-MA3							
Current	-0.24	-0.24	-0.14	-0.19	-0.18	-0.53	-0.26
Previous	N/A	-0.27	-0.16	-0.23	-0.19	-0.54	-0.27

Current and Previous values reflect index values as of the December 22, 2011, release and November 21, 2011, release, respectively. N/A indicates not applicable.

GDP for Hong Kong & Germany - bell-weepers for U.S.

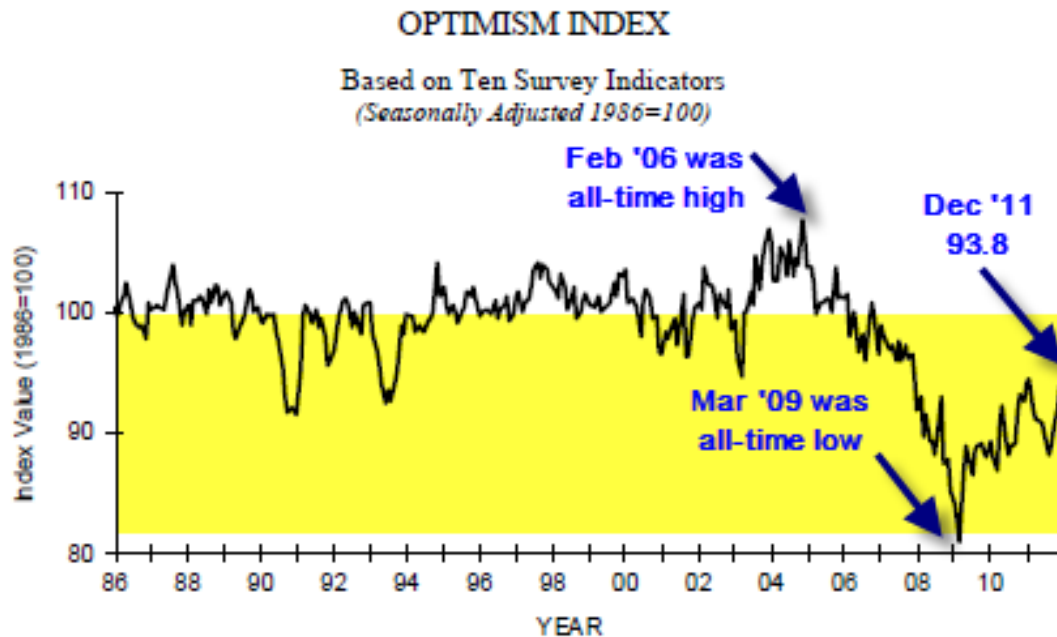
Hong Kong:

Q3 2011 (most recent)	0.1%	Slowing from 2.8% GDP in Q1 2011 to just 0.1%
Q2 2011	0.4%	
Q1 2011	2.8%	
High past Decade	6.3%	Q3 2003
Low past Decade	-3.6%	Q1 2009
Historic Avg.	1.0%	1990-2011



Source: TradingEconomics.com

NFIB Small Business Optimism Index



December's reading was up 1.8 points to 93.8 ... but it is still <100 and about where it was Dec 2011.

OPTIMISM INDEX

Based on Ten Survey Indicators
(Seasonally Adjusted 1986=100)

Note: Dec '11 93.8 reading was highest since Feb '11

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2006	101.1	101.5	98.0	100.1	98.5	96.7	98.1	95.9	99.4	100.7	99.7	96.5
2007	98.9	98.2	97.3	96.8	97.2	96.0	97.6	96.3	97.3	96.2	94.4	94.6
2008	91.8	92.9	89.6	91.5	89.3	89.2	88.2	91.1	92.9	87.5	87.8	85.2
2009	84.1	82.6	81.0	86.8	88.9	87.9	86.5	88.6	88.8	89.1	88.3	88.0
2010	89.3	88.0	86.8	90.6	92.2	89.0	88.1	88.8	89.0	91.7	93.2	92.6
2011	94.1	94.5	91.9	91.2	90.9	90.8	89.9	88.1	88.9	90.2	92.0	93.8

National Restaurant Performance Index

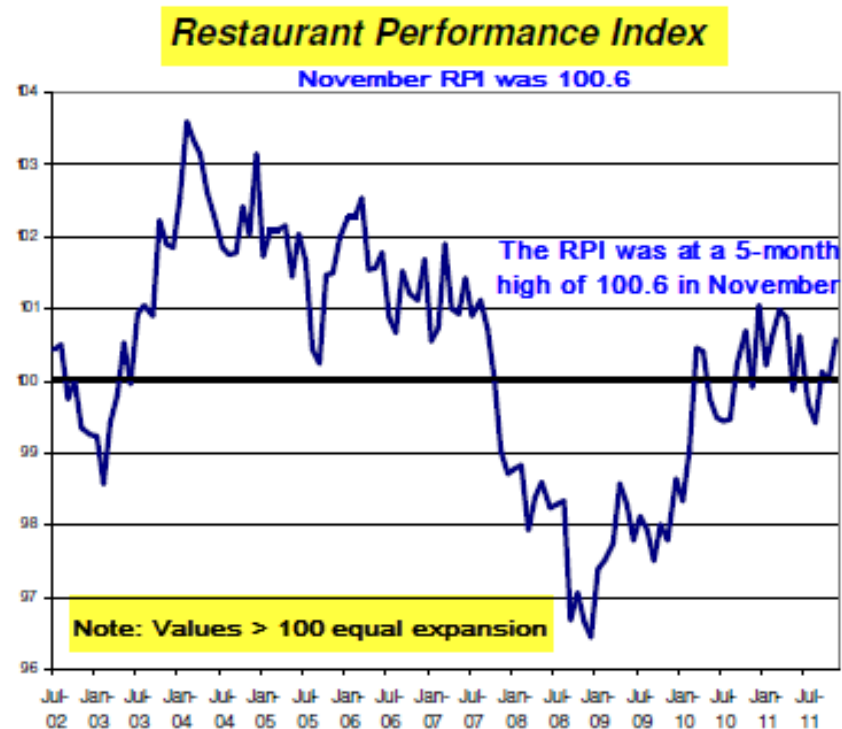
A good macro indicator for retail, hospitality and restaurant R.E.

National Restaurant Performance Index:

Next Release		Jan 27 2012
Current Release	100.6	Nov-11
Prior Period	100.0	Oct-11
Sep-11	100.1	Sep-11
Aug-11	99.4	Aug-11

Trend: **Volatile** **Aug was 13-mo low**
Sept was >100 (1st in 3 mos)

Key Note: **A reading >100 indicates growth**

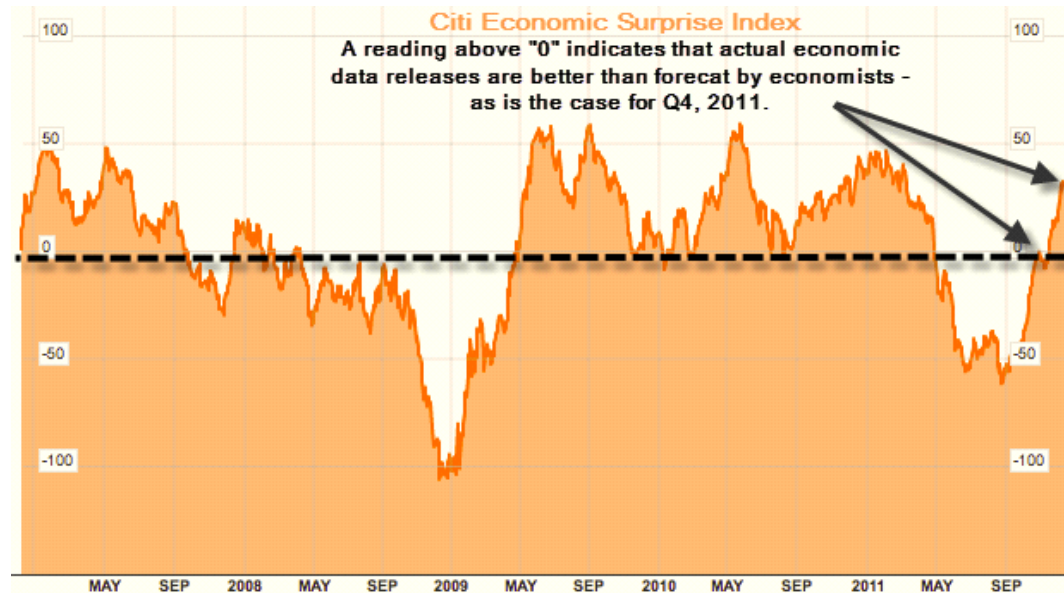


Citi Economic Surprise Index (CESI)

Citi Economic Surprise Index

CitiFX®

Citi Economic Surprise Index – US (Q4 2011)



Citi Economic Surprise Index (CESI):

The CESI is an ingenious mathematical concoction that measures the variations in the gap between economists' expectations and the real economic data. **Essentially, it is a measurement of the accuracy of economists' estimates of key economic measures against the actual result after release.** In other words, it is a combination of both:

- i. A report card on economists' advance estimates; and
- ii. A sort of sentiment survey of economists. Are they more bullish or bearish in their estimates?

A positive reading suggests that economic releases have on average been better than expected and the economic forecasts have been more bearish than what the key economic indicators are reporting.

The “R.E. Supply” metric!

It's not just enough to know vacancy and rental rates. How much is U/C?

Total U.S. Warehouse Construction @ YE 2011						
Rank	State	Construction			Single Largest Project (Name/Sf)	
		Sq. Ft. (000s)	Value (\$million)	Per Sq Ft		
1	TX	2,100	\$135	\$64	Sysco Foods/San Antonio/635k sf	
2	NY	1,700	188	111	Sysco Foods/NY-LI/400k sf	
3	GA	1,600	100	63	Lowes Hm Impr/Rome/1.4msf	
4	IL	1,100	159	145	Center Pt Props/Chicago/675k sf	
5	LA	1,000	68	68	Assoc Wh Grocers/New OrL/730k sf	
5	AL	1,000	56	56	Dollar General/B-ham/1.0 msf	
Total US		20,690	\$706	\$83	Lowes Hm Impr/Rome, GA/1.4msf	

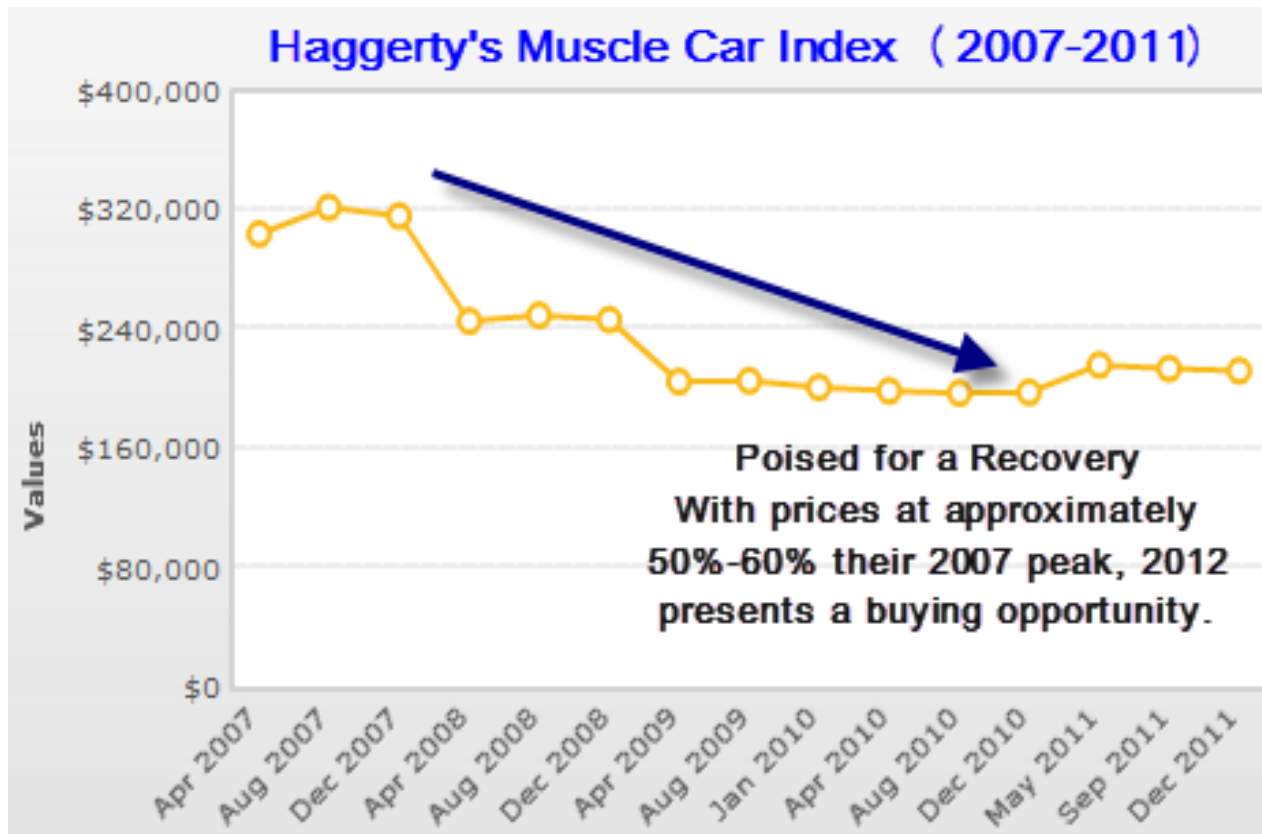
Note: States with most warehouse construction are all port markets
 Source: Dodge Pipeline as of Dec 31, 2011 (Warehouse Distr Space)

Note: One of the not-so-well told stories about warehouse CRE - and CRE in many non-core MSAs - is that :

There just isn't much new construction underway.

The “Muscle Car Index”

It has outperformed the DOW the past 5 years.



Haggerty's "Blue Chip" Index, which averages the values of 25 of the most sought-after collectible automobiles of the post-war era, has substantially outperformed the Dow Jones Industrial Average and home prices over the past five years, with a nearly 100-percent return.

Shift Gears to CRE – Let's 1st "Test Your Knowledge"

How well do you really know the current state of markets and...



TEST YOUR KNOWLEDGE - 2012.v0120

Q1: What U.S. county has the #1 job growth rate (BLS: Jun-2010 to Jun-2011 latest data)?

Q2: What U.S. MSA has the lowest unemployment rate?

Q3: What industry has 2 companies ranked among the top 10 US employers again?

Q4: Four of the top 5 US employers are in what industry?

Q5: Approximately how many US banks were closed during the Great Depression?

Q6: Approximately how many U.S. banks have failed since 2008?

Q7: What months in 2012 will the Federal Reserve NOT hold an FOMC meeting?

Q8: What did the US Treasury auction last week at a negative yield for the 1st time?

Q9: According to United Van Lines, what was the 2011 top destination for "Move-Ins?"

Q10: For the first time since 1977, what US region did NOT rank #1 for "Move-Outs?"

Q1: Ottawa; Q2: MN @ 5.1%; Q3: auto; Q4:retail; Q5: 23,674; Q6: 524; Q7: F-MAN; Q8:10-TIP; Q9: DC

State of the Economy in Midwest and 2nd-Tier MSAs

It's time to re-examine your market perceptions...

Percent increase in employment,
June 2010-11

United States		0.9
Top10 U.S. Counties		
<u>Ottawa, Mich.</u>		4.7
Montgomery, Texas		4.1
Utah, Utah		4.0
Washington, Pa.		3.9
Webb, Texas	3 Michigan counties make the top-10	3.9
Elkhart, Ind.		3.8
Weld, Colo.		3.5
<u>Oakland, Mich.</u>		3.3
Travis, Texas		3.3
<u>Saginaw, Mich.</u>		3.2
Washington, Ore.		3.2

Before today, how many in our industry knew:

- The top ranked county for jobs was Ottawa, MI?
- 4 of top-10 ranked counties for job are in the MW?
- Traditional growth states, such as AZ, CA, FL and GA, have no counties among the top-10 ranked U.S. counties for job growth?
- Minneapolis has the lowest unemployment @ 5.1%?
- For the first time since United Van Lines began keeping statistics in 1977 regarding "move-ins" and move-outs for U.S. states, the Midwest region is no longer ranked number one for "move-outs."
- Retail companies now comprise 5 of the 6 largest private U.S. employers and pose a greater risk for employment loss than autos or manufacturing?

Real Estate Compass settings for 2012

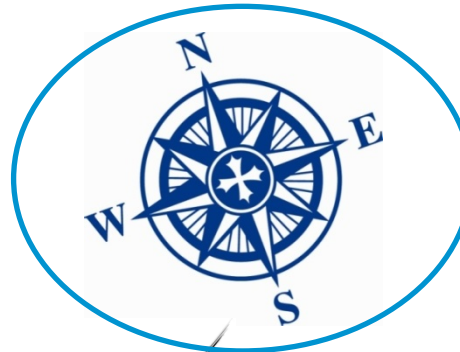
2012 is the year for Warehouse...not so much for Retail



West:

Office & Multifamily
Measured re-balancing of
supply & demand...
Market-by-Market analysis

North:
Warehouse
Smooth Sailing



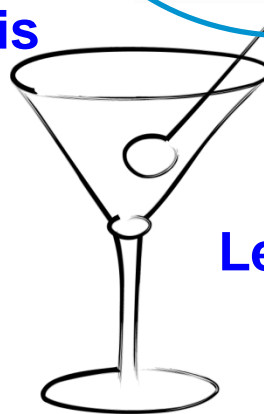
East:

US & EU Debt
Danger Zone
Banks?



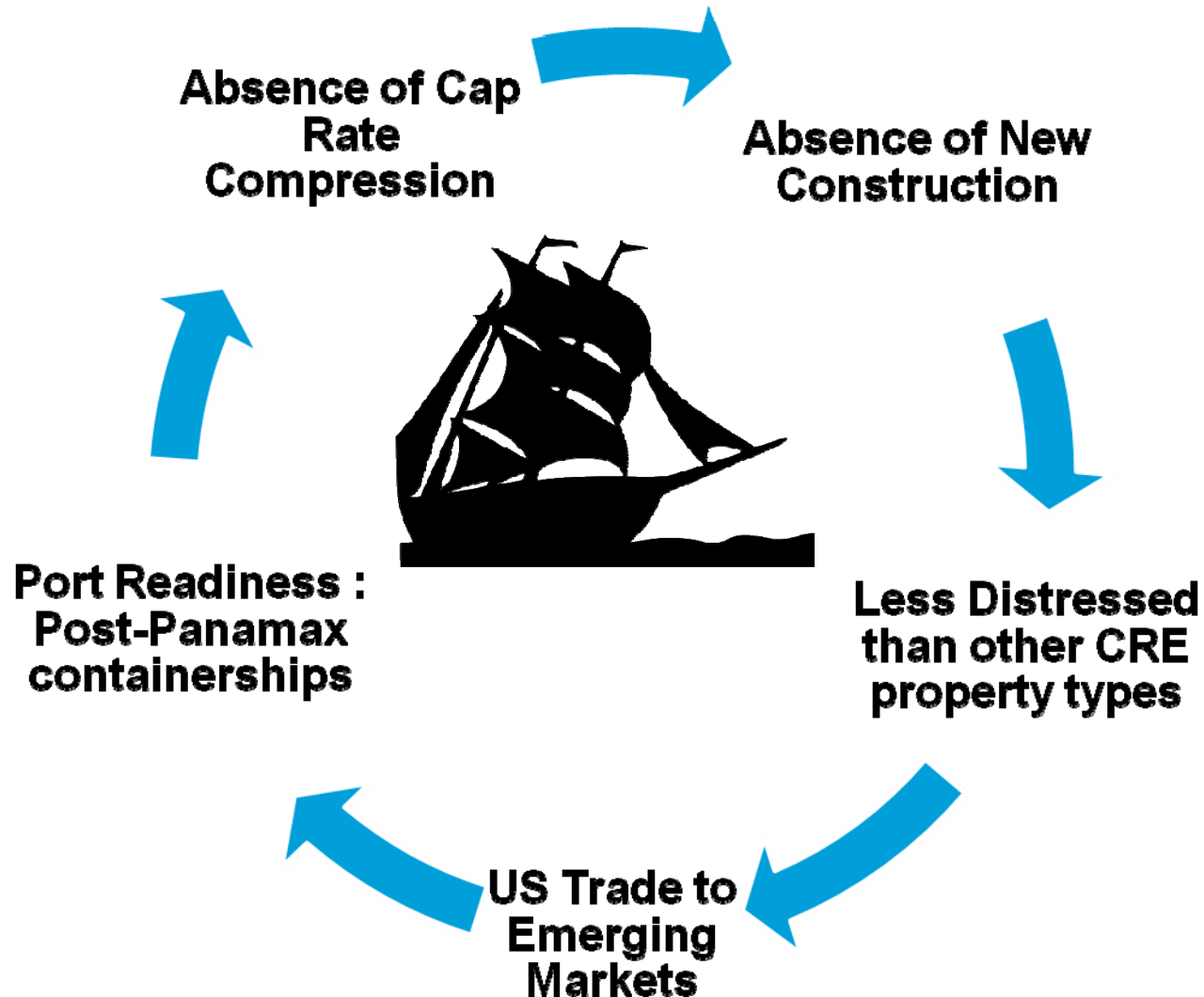
South:

Retail & Housing
Let's just have a drink – a
long road to recovery



Warehouse CRE

Why “Smooth Sailing” for 2012?



Warehouse CRE

Colliers Top-10 Predictions for 2012: Warehouse is...

Top 10 Predictions for 2012



7. Warehouse Will Be the New Star Performer

- There is less distressed warehouse debt than other property types.
- The least amount of new construction still underway among the major CRE property types.
- Has yet to see major cap rate compression. Cap rates are still above 6% for even Class A in core port markets.



Retail CRE:

Strong Holiday Sales had no “margins.”

Payless Shoes, Famous Footwear, Sears, Food Lion = 650+

Retailers with Most Store Closings CY 2011

Source: ICSC and About.com



No. of 2011 Store Closings			No. of 2011 Store Closings		
		Retailer			Retailer
1	633	Borders	16	45	Big Lots
2	405	Blockbuster	17	45	Family Dollar
3	200	GameStop	18	43	Select Comfort
4	189	GAP	19	43	Sonic Drive-In
5	160	f.y.e	20	35	Denny's
6	117	Anchor Blue	21	32	A&P Grocer
7	117	Footlocker	22	30	Ultimate Electronics
8	100	Talbot's	23	28	Dominos
9	71	A.J. Wright	24	25	Superfresh (A&P)
10	69	MetroPark	25	20	Lowe's
11	63	Friendly's	26	19	Sears
12	60	Rite Aid	27	15	Stride-Rite
13	52	Destination Maternity	28	12	Basset Home Furn.
14	50	Abercrombie & Fitch	29	11	Sony Style
15	50	Hot Topic	30	10	Staples

Where are we with respect to housing?

4-5 years through a 10 year problem
(Building pent-up demand via doubling-up of Households)



28 million “doubled-up H.Holds

22 million >age 35

6 million age 24 to 34 (Occupy WS)

28 million/2 = 14 million built-up
H.Hold demand

Vs.

8 million excess homes today

We are short 6 million homes?

- 2004-2007 we built approximately 1.8 million housing units per year
- 2004-2007 organic demand for new housing was approx. 800k units/yr

That is an over addition to supply of 4.0 million housing units

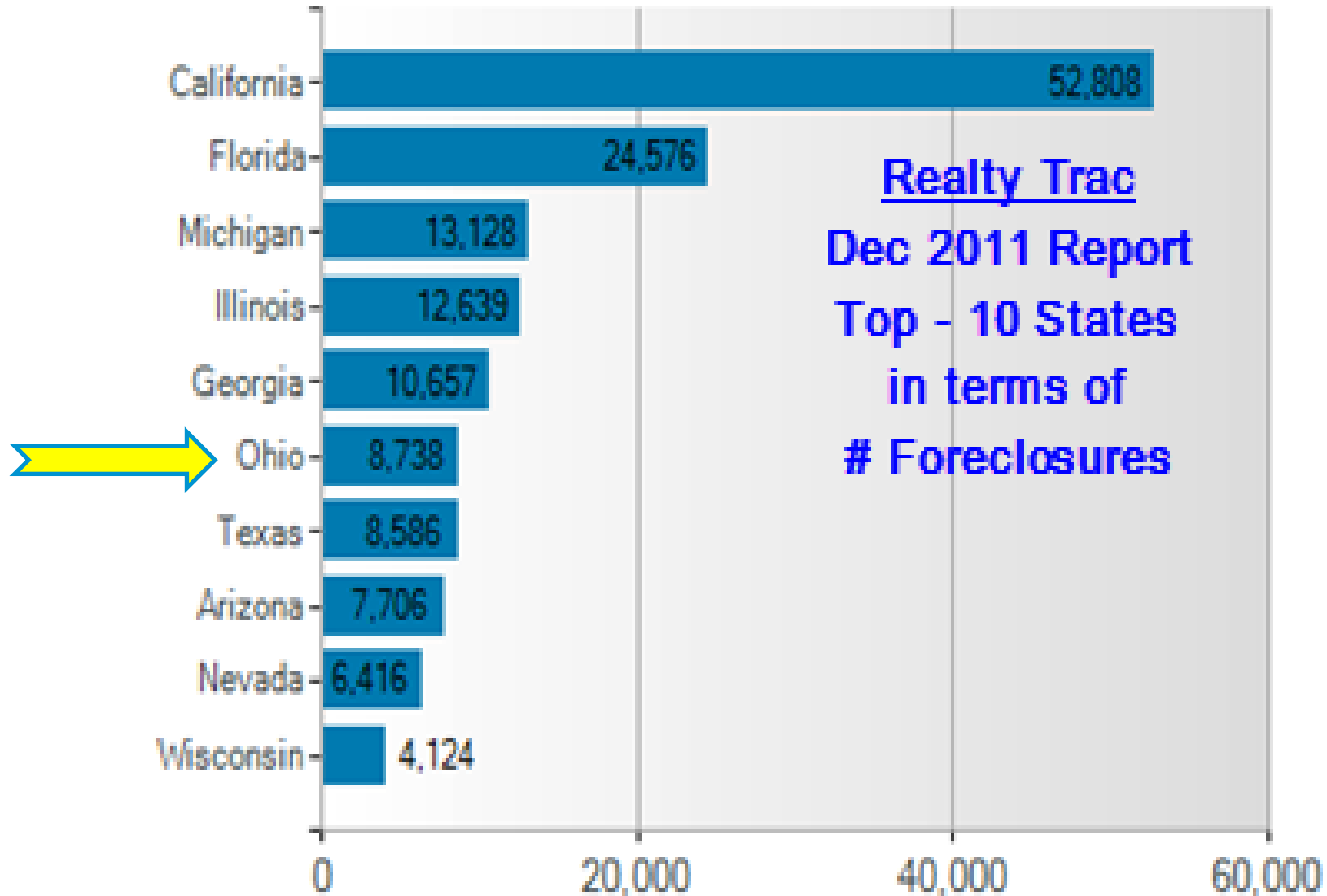
- 69% homeownership to 62% homeownership is 4.0 million extra homes

That is a return of 4.0 million housing units to the market

4.0 million + 4.0 million / 800k demand per year = 10 years

Home Foreclosures

Ohio is still among Top-10 States – OH State AG & courts



Appraisal Discussion Items: “ Faulty Appraisals”

AMERICAN BANKER <http://www.americanbanker.com/>

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By Brian Olasov and KC Conway

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Faulty Appraisals Kill Banks

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If you read through enough material loss reviews prepared by the FDIC's Inspector General — essentially autopsies on failed banks — certain common themes emerge. One of the recurring themes is that many closed banks overconcentrated in commercial real estate and development loans. The rapid decline in property values, reflected by appraisals, then rendered the bank undercapitalized.

Banks often tell the story of a downward spiral in the carrying value of their property loan portfolios as examiners require updated appraisals followed by a series of re-appraisals. In most cases, these dwindling values involve GAAP accounting and valuation definitions (market value versus fair or liquidation value) and appraisal assumptions.

Regulators fostered this confusion by not regularly updating interagency appraisal guidance. Between 1994 and December 2010, the respective regulators failed to update interagency appraisal guidance once.

Why is this point so pivotal to banks? Each downward revision and additional loan loss provision tightens the noose as loan value markdowns whittle away the bank's capital position.

Appraisal Discussion Items:

Value Impact from Expenses Rising Faster than Rents

Rents are Declining to Flat

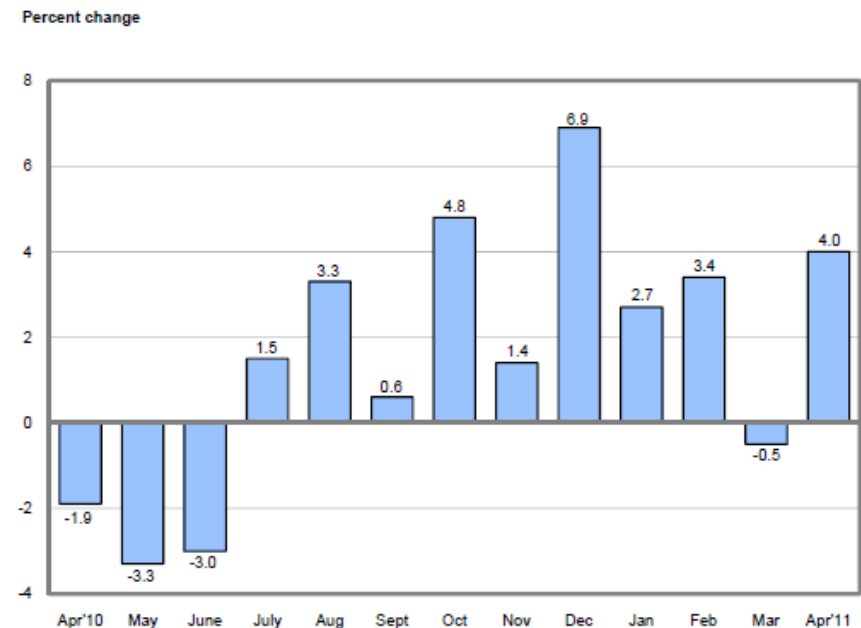
Expenses are Rising

CIVAS Discussion Item:

Recognizing the aforementioned discussion about inflation and the bifurcation between recovering and distressed markets, investors could encounter a scenario in 2011 and 2012 whereby expenses escalate at a higher rate than rents. What should appraisal assumptions be regarding the growth rate in expenses vs rents for income producing CRE over the next 12-24 months, and do investors realize the value impact from expenses increasing at a higher rate than rents?

Cap Rate Compression is masking the normal impact on value when rents are flat to declining, and expenses are rising. That is coming to an end in 2012 for all but Warehouse.

Chart 5. Monthly percent changes in the Producer Price Index for crude materials, seasonally adjusted: April 2010 – April 2011



Appraisal Discussion Items:

Value Impact from Financial Distressed States or MSAs?

Value Impact from a BK MSA

Discussion Item:

How does the distressed financial condition of a municipality or state impact property values?

As the current state and municipal crisis unfolds in 2011 and states face the end of their fiscal year 2010 budgets in 1H2011, appraisers, investors and advisory professionals need to be considering how property value is impacted. The following article from last week's NY Times might stimulate some thought on the subject.

What is the impact on expenses, like property insurance? What is the impact on financing for CRE located in a jurisdiction that is bankrupt?

A Case Study – Vallejo, CA

Broke Town, USA

The New York Times

Vallejo, a city about 25 miles north of San Francisco, offers a sneak preview of what could be the latest version of economic disaster. When the foreclosure wave hit, local tax revenue evaporated. The city managers couldn't make their budget and eliminated financing for the local museum, the symphony and the senior center. The city begged the public-employee unions for pay cuts — all to no avail. In May 2008, Vallejo filed for bankruptcy. The filing drew little national attention; most people were too busy watching banks fail to worry about cities. But while the banks have largely recovered, Vallejo is still in bankruptcy. The police force has shrunk from 153 officers to 92. Calls for any but the most serious crimes go unanswered. Residents who complain about prostitutes or vandals are told to fill out a form. Three of the city's firehouses were closed. Cities across America are facing dire financial distress. The problems of cities are everywhere. The city council of Harrisburg, the capital of Pennsylvania, has enlisted a big New York law firm to explore bankruptcy as a means of restructuring a crushing debt. Central Falls, R.I., is in receivership. Hamtramck, Mich., a small city within Detroit's borders, says it could run out of money next month.

What is the Solution?

“Un-Dam” it
Capital



“Un-Dam” it
Regulation

Section 165: Dodd-Frank



“Un-Dam” it
Unemployment



Thank You

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