

July 15, 2010

The enclosed Wall Street Journal articles highlight two major inter-related issues facing our economy: (1) private sector job growth is sluggish, as June's jobless report shows, with construction jobs down 22,000, and (2) the banks are following a policy of "extend and pretend," freezing capital in bad real estate investments. The value of the nation's commercial real estate has fallen by over \$3 trillion, causing correspondingly large losses to loom at many banks.

No stimulus idea addresses both these issues simultaneously better than *Red Fields to Green Fields*, which promotes economic growth, construction jobs, and healthier banks by converting vacant and underutilized commercial real estate to a combination of parks and adjacent land "banked" for future development.

The *Red Fields to Green Fields* plan is simple: a \$200 billion 0% interest fund, provided by the banking system led by the Federal Reserve, to help finance the acquisition of underutilized developed urban real estate to be held as green space; and an additional \$20-30 billion for property demolition, construction, and ongoing park maintenance, raised from a combination of public, private and non-profit sources.

As summarized on the attached handout, hundreds of thousands of new construction jobs would be created immediately to do the conversion. A *Red Fields to Green Fields* plan would also stabilize local property values and remove bad loans from bank balance sheets. Banks could then apply their capital to new loans to support economic growth.

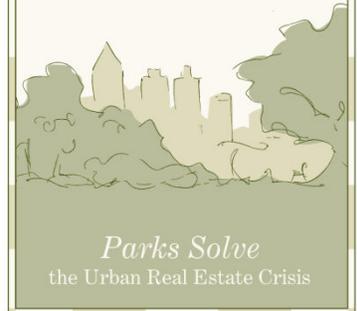
We have attached an insightful report by Don Rissmiller, Chief Economist of Strategas. In it he notes that bank reserves have skyrocketed, but are not being used to support the economy:

There are already \$1 trillion of excess reserves in the system, so right now *it's like we've dropped money out of helicopters and it has all fallen into bank vaults*. Excess reserves get into the economy through bank lending – what "reserves" do is reserve against bank lending (which has not been growing). Freeing up the banks (which are behaving like "zombies" now in part because of the potential for additional asset impairment) to return to normal would open the door to this liquidity.

Rissmiller also estimates the multiplier effects of a *Red Fields to Green Fields* effort. Since the program captures both the ***infrastructure spending multiplier of 1.5x and the banking reserve multiplier that can approach 10x***, we believe no other program can match the positive effects *Red Fields to Green Fields* can have on the economy.

Government-university partnerships in 6 cities (Atlanta, Cleveland, Denver, Miami, Philadelphia, and Wilmington) have already developed specific *Red Fields to Green Fields* plans (summaries attached). At a June 16 presentation meeting, keynote speaker and White House Urban Affairs advisor Derek Douglas highlighted the overlap between this plan and many current federal initiatives. Studies for 5 more cities (Detroit, Hilton Head/Savannah, Houston, Los Angeles, and Phoenix) are underway and will be

RED FIELDS TO
green fields



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presented this fall. You or your staff would be very welcome to attend these presentations.

I urge you to consider the job creation and other economic benefits of establishing and supporting the low-cost financing that is needed for *Red Fields to Green Fields* plans to proceed in cities across the country. Please call me to set up an appointment where we can present this project and the results of the completed case studies to you and your staff. Thank you.

Sincerely,

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Enclosures:

- *Red Fields to Green Fields* summary
- "U.S. Jobs Picture Darkens" - *Wall Street Journal*, July 3, 2010
- "To Fix Sour Property Deals, Lenders 'Extend and Pretend'" - *Wall Street Journal*, July 7, 2010
- The Multiplier Effect of *Red Fields to Green Fields* - Don Rismiller, Strategas
- "White House Urban Policy Representative Supports *Red Fields to Green Fields*"

Distribution: White House – President Barack Obama, Lawrence Summers, Christina Romer, Austan Goolsbee, Cecilia Rouse, Derek Douglas

Federal Reserve – Chairman Bernanke, Don Sichel, K.C. Conway, Anna Alvarez Boyd, Matthew Lambert, Presidents and Community Affairs officers of each district and selected branches

FDIC – Doreen Eberley, Jim Gallagher

Treasury – Timothy Geithner, Aaron Klein, Daniel Schneiderman

HUD - Shaun Donovan

Congress – Johnny Isakson, Carolyn Maloney, John Lewis

City Parks Alliance – Catherine Nagel

Elizabeth Warren