



Partners

in community and economic development

Federal Reserve Bank of Atlanta
Volume 11, Number 1

Partnering For Results

This issue of *Partners* is the last one I'll be associated with as I leave the Federal Reserve Bank of Atlanta to become a part of private industry. After 18 years with the Federal Reserve, including the last 12 years with Community Affairs, this is no small step. But this change brings both opportunity and adventure in ways that I ultimately could not pass up.

The decision to leave the Fed, and especially Community Affairs, was not easy because I enjoy my job and the people I work with at the Atlanta Reserve Bank, in the District, and throughout the System. But I feel like I can take advantage of this opportunity at this stage of my career because of the confidence I have in the strength of the Community Affairs team, including the expansion of our Branch network.

Besides Atlanta, we have Community Affairs representatives in the Federal Reserve Branch offices in Birmingham, Jacksonville, Miami, and Nashville, with plans to fill an opening we have carved out in New Orleans.

I am proud of the highly competent team that Vice President Ron Zimmerman, Manager Wayne Smith, and I have assembled, and no significant changes in our program are anticipated right now. At this point, no Community Affairs Officer replacement decisions have been made. But you can be sure that no

matter how the vacancy is ultimately filled, the program is solid and in good hands. You can continue to rely on our exceptional people to provide service.

Having been part of the genesis of the *Partners* newsletter 11 years ago, I wanted to take this opportunity to reflect back on what this publication has meant to me, what it still means today, and what it can mean in the future.

The world of community development has changed dramatically over the years, mainly in terms of the expansion of opportunities for housing and job creation. Tools such as housing tax credits, down payment assistance, and other government subsidy programs have paved the way for new homeownership and jobs for literally millions of families throughout the country. Homeownership rates are now at their highest in history, and unemployment rates remain very low in historical terms.

While none of us can take personal credit for this favorable climate, we can feel good about the progress collectively. And that brings me to the theme of this edition and the theme I'd like to convey to every reader of this publication: Partnering. It's why this newsletter is named what it is. While the theme is familiar, I can not emphasize it enough.

Going back to the beginning of the Federal Reserve's creation of the Community Affairs function in 1981, and the work that preceded the Fed's role in promoting community development, no successful work is done in a vacuum. The best models for success have always been and will always be collaborative public/private partnerships. It's the leverage that is created from combining resources that allows for optimal results.

The Atlanta Reserve Bank has developed a specialty of providing technical assistance with financing

Continued on next page

In This Issue

Successful Community Development Corporations Require Strong Partnerships - A single family housing success story	3
Park at Hillside - A model for multi-family housing.....	5
Urban America Sees Opportunity With Inner-City Real Estate - A Commercial Property Success Story.....	6
Federal Reserve Bank of Atlanta's 2000 Annual Report.....	8
Partners Database Survey.....	9
Professional Development Opportunities.....	11

tools to address public / private partnerships. In Atlanta, Community Affairs is structured to be part of the Department of Supervision and Regulation, and our staff members are also trained as bank examiners.

The skill of finance is the real impetus to effecting results. While planning and promoting community development are important parts of the mix, the rubber hits the road only when we get the numbers to work. And it's partnerships that are the best vehicle for everything to come together.

The best way to communicate the value of partnerships is to point to successful models. Beginning on the following page, we feature a successful housing partnership among Banc of America Community Development

Corporation, community organizations, and the City of Nashville.

We also feature a successful economic development partnership with UrbanAmerica taking the lead in revitalizing a Miami shopping center. This redevelopment not only helped to bring new life to a fledging neighborhood, the shopping center has allowed for new job opportunities for local residents.

I feel great pride when I reflect back on the industry successes over the last two decades. There's a lot we can all feel good about. I also want to thank each of you for your part in the various achievements, and I've enjoyed getting to know so many of you. The fond relationships among the people in this industry have been a funda-

mental part of the great satisfaction I've had doing this work. I hope our paths will cross again.



For this newsletter to serve you better, we are including a survey we need for you to complete. Not only is this information vital for us to keep you on our mailing list, we sincerely want your ideas.

The Federal Reserve Bank of Atlanta's 2000 Annual Report is now available. Please see the article inside about how to obtain your copy.

*Browse Proceedings from The Federal Reserve's
Community Affairs Research Conference*

Changing Financial Markets and Community Development

Topics Include:

- ◆ Conference Summary
- ◆ The Unbanked and the
Alternative Financial Sector
- ◆ New Industry Developments
- ◆ Wealth Creation
- ◆ Evaluation of CRA

Speeches by the Federal Reserve's

**Chairman Greenspan
Governor Gramlich**

Now available at ...

www.chicagofed.org/cedric/index.cfm



Successful CDCs Require Strong Partnerships *Banc of America CDC*

Bank of America operates one of the oldest and largest bank-owned community development corporations (CDC) in the United States. Since its inception in 1978, Banc of America CDC has invested more than \$700 million in affordable housing developments nationwide, producing more than 20,000 units of affordable multi-family and single family housing. Working in collaboration with nonprofit community-based organizations and local governments, the CDC acts as the primary developer, providing the development expertise, as well as the debt and equity financing. The CDC currently operates in 17 cities across the country.

CDC Efforts in Tennessee

Bank of America started its CDC efforts in Nashville in April 1997. Since then, the CDC has rehabilitated more than 1,850 units of affordable multi-family housing in both Memphis and Nashville. These projects included some of the cities' most distressed complexes. In late 1999, the CDC started developing in-fill single family affordable housing, and 17 new homes have been brought to market to date. These neighborhood initiatives will eventually result in more than 200 new homes in distressed areas. In total, the CDC has over \$71 million in projects developed or under construction in Tennessee.

Neighborhood Stabilization

The CDC has completed the large-scale rehabilitation of four multi-family projects in Memphis and Nashville, with one project currently underway in Nashville. While each of these projects is quite different in terms of the degree of rehabilitation and investment required, as well as the financing structure and the partnerships involved, each has served its function of providing safe, affordable housing for low- and moderate-income families and introduced a stabilizing force in distressed neighborhoods.

The CDC puts many sources of funding together to balance its mission, which includes providing affordable housing to those who need it most—with sustainability—along with the business need to make a profit. In all of its projects, the CDC provides a significant equity investment. While some of the projects are conventionally financed, many are financed by two common mechanisms—tax exempt bonds provided by the Tennessee Housing Development Agency and Low Income Housing Tax Credits. Utilizing these sources increases a development's ability to cash flow at rents affordable to low- and moderate-income families and individuals (those at or below 80 percent of area median income). In addition, the CDC seeks investment partners to provide additional equity, including FannieMae and local development authorities.

Integrating Social Service Provision

In addition to physical rehabilitation and providing managerial services, resident amenities are a key component of building a successful community. A unique feature of the Banc of America CDC multi-family redevelopment projects is the Make A Difference Centers. These centers provide after-school educational programs for children as well as adult education classes. The centers have libraries and computer labs. In Nashville, the CDC has partnered with the Woodbine Community Organization (WCO) to operate the centers. WCO brings additional resources to these programs through its connections to local businesses, organizations, and foundations.

The Single-Family Approach

The CDC also develops single-family, affordable homes in high impact locations within the Nashville market. CDC project locations are generally distressed





neighborhoods that lack significant home ownership, but have community-based organizations focused on revitalization. Local government commitment to revitalize the area is also a necessity. In general, the single-family projects are financed exclusively through Bank of America debt and equity. In all instances, the CDC will target a neighborhood where there is an existing housing concentration in order to maximize the impact on the surrounding area.

The CDC also targets neighborhoods where it can either enhance work already underway by the public sector or where private investment has been absent for a significant amount of time. Frequently, the CDC will provide an initial private investment that can act as a catalyst in attracting additional public and private investment to a neighborhood. The CDC usually relies on the community-based organizations working in the area. These allies are instrumental in identifying potential homebuyers and assisting them throughout the homebuying process. In addition, they can often obtain additional financing resources and help promote the CDC to local government officials and other community organizations.



In 1999, the CDC formed a partnership with WCO to develop up to 100 single-family homes in selected neighborhoods throughout Nashville. One of the target neighborhoods for this partnership—the Hope Gardens neighborhood—lies just north of the central business district. The Tennessee Housing Development Agency designated the area a Bicentennial Neighborhood in 1996. As a result, it has been the target of significant revitalization efforts by both the public and private sectors. To date, the partnership has built approximately 10 new homes, helping stabilize this distressed urban neighborhood and attracting other revitalization efforts and development on the part of local community and faith-based organizations.

Bank of America CDC has several other single family initiatives underway in Nashville. In partnership with WCO, the CDC was selected by the Metropolitan Development and Housing Agency (MDHA) to develop the single-family component of the HOPE VI redevelopment of Preston Taylor Homes. In an effort to meet the goals of the HOPE VI program, MDHA determined that the best way to encourage mixed income development is to provide the opportunity for homeownership. HOPE VI funding for this component will be used to provide mortgage assistance in order to ensure affordability. This project is typical of the public/private partnerships in which the CDC succeeds by including the local housing authority and a nonprofit organization.

The CDC has also formed a partnership initiative with MDHA and another local non-profit, Residential Resources, Inc., to revitalize an extremely distressed neighborhood in East Nashville adjacent to one of the CDC's multi-family projects. This is a common approach of the CDC where a significant investment is made in a multi-family project as the hub of a revitalization effort, and single family projects are undertaken in the surrounding neighborhood in order to protect the initial investment and further stabilize the neighborhood. The first phase of this project will be at least 25 new homes in a concentrated two-block area.



Like most affordable housing developers, Banc of America CDC is constantly working with its partners to further develop and refine its formula for a successful development project. A well-funded and experienced CDC is typically more effective in bringing substantial private capital into projects and neighborhoods where private sector capital is often lacking. While some nuances of the business and market change, the basic operating principals illustrated in Banc of America CDC's projects in Tennessee are constant.

Park at Hillside

Nashville, TN

The Park at Hillside offers an excellent example of how Banc of America CDC—in collaboration with local government and community organizations—works to tackle significant redevelopment projects. Utilizing multiple financing sources, the CDC and its partners revitalized one of the most distressed Section 8 properties in Nashville. Now the development provides safe, affordable—and economically sustainable—housing.

The Scale

- ◆ \$10 million investment.
- ◆ Comprehensive redevelopment of distressed 290-unit multifamily complex.
- ◆ Building unit overhaul, perimeter fencing, new property management, new amenities and a Make A Difference Center, an on-site educational activity center with activities for residents of all ages.

Partnerships

- ◆ Development partnership with the Metropolitan Housing Development Agency (MDHA), which included equity and other development assistance.
- ◆ Woodbine Community Organization operates the Make A Difference Center.

Multiple Funding Sources

- ◆ Bank of America CDC equity.
- ◆ MDHA equity.
- ◆ Tax-exempt bonds from Tennessee Housing Development Agency (THDA).
- ◆ Letter of credit on tax exempt bonds from Bank of America.
- ◆ Permanent credit enhancement through Fannie Mae.
- ◆ 4% Low Income Housing Tax Credits from THDA.

Catalytic

- ◆ Reduced crime. Former apartment complex was one of the biggest sources of crime and blight in the neighborhood, and crime incidents are down significantly since completion of the rehabilitation.
- ◆ New development and property improvement. Banc of America CDC built six new houses in the neighborhood since the rehabilitation, and additional rehab by existing property owners of the neighborhood is now underway.

Economic Integration

- ◆ Neighborhood revitalization without displacement. Revitalization allowed low-income residents to remain in affordable and safe housing while curing the major ill in the neighborhood.
- ◆ Mixed-income social and economic benefits. Affordable units allow for mixture of Section 8 and non-Section 8 residents. Previous property was exclusively Section 8 creating a concentration of extremely low-income population.





Urban America's Richmond McCoy

Investment Profile

In September 2000, UrbanAmerica purchased Lakes Mall in Lauderdale Lakes, Florida. The 255,773 square-foot shopping center is anchored by several national tenants – Sports Authority (including the Sports Authority corporate headquarters), Big Lots, Office Depot, and Smart & Final – and is located in a moderate-income census tract.

UrbanAmerica was able to attract Starbucks into a custom-built out-parcel and is constructing a second build-to-suit out-parcel for an Island Grill restaurant. With a chain of five successful restaurants in Jamaica, Island Grill's first U.S. location is expected to do well in a community that has attracted a significant West Indies migration in the past few years. Financing the leasehold improvements or build-out for the small business owner is a valuable ingredient to the success of UrbanAmerica investments.

The Lakes Mall acquisition represented a \$6.25 million investment by UrbanAmerica and has created approximately \$196,000 per annum in vendor contracts for local companies. The mall brought 36 new full-time jobs for local residents through the vendor contracts and has generated approximately \$665,350 in annual household income for local residents – resulting in approximately \$98,000 in annual disposable income.

Urban America Sees Opportunity With Inner-City Commercial Real Estate

by Ana Cruz-Taura

If you ask community development practitioners what is the biggest hurdle in spurring effective urban revitalization, most will note a frequent disconnect between capital and commitment to the community – between money and socially-conscious development.

UrbanAmerica, L.P., is committed to creating a model for fiscally and socially prudent investment in inner-city commercial real estate by acting as a catalyst for economic development and private sector investment in low- and moderate-income communities.

Formed in 1998, UrbanAmerica raised an initial \$60 million in capital from a list of well-recognized and respected investors committed to the company's mission. The company ended 2000 with \$165 million in assets in selected markets throughout the nation including Detroit, Las Vegas, Washington D.C., Atlanta, and several Florida cities. Drawing from the expertise of its management and board of directors, UrbanAmerica seeks specific investments that would allow for targeted returns of approximately 20%.

To better understand UrbanAmerica's methods and successes to date, one need only visit a few properties with Chairman and Chief Executive Officer Richmond McCoy. McCoy will point out how UrbanAmerica looks for credit-anchored retail, office, and special purpose commercial projects with existing, stable cash flow. The company then enhances the investments by improving the properties structurally and aesthetically, increasing and solidifying occupancy, and strengthening each property's standing in the



community by attracting consumer traffic and offering employment opportunities to local residents.

Low- and moderate-income neighborhoods, including Federal Empowerment Zones, Enterprise Communities, and State Economic Development Zones, are seen as offering the greatest opportunity for both affecting socioeconomic change and maximizing investment return. In addition to the attraction for banks to lend in these areas under Community Reinvestment Act considerations, such locations typically offer tax credits and other economic development incentives to facilitate financing. Incentives are a valuable aspect toward investment strategy," notes McCoy. "They are most applicable to properties that need rehab or for new development of real estate because incentives stabilize the investment."

The initial round of investment in 2000 resulted in approximately 700 properties submitted by national real estate brokers, community development corporations and referrals from the National Congress for Community and Economic Development. Of these, 400 properties were determined

to be "CRA qualified." Twenty-five percent of that group was assessed as economically qualified. Of these, UrbanAmerica made bids on 40 selected properties, which resulted in 16 acquisitions during the year.

Acquisitions are fundamentally based on credit and location. Credit considerations weigh in because the properties are often leveraged with 75% debt. Location is considered not only in terms of the actual property site, but also in terms of the community that surrounds the property.

Several indicators have been identified as key market attributes to guide investments. "We look at economic engines that contribute to the long range stability of the investment," says McCoy. Many of these indicators zero-in on those factors that have been proven to fuel successful economic revitalization throughout the country.

For example, the cities where investments are made must have local government officials who are dedicated to revitalization of distressed areas. In addition, an established vision, and ample available resources for development and growth must

already exist in the communities. In essence, UrbanAmerica is not only leveraging capital, but is also leveraging the existing redevelopment trend in target communities.

In following its mission, McCoy points out that UrbanAmerica has positioned itself as a sound and profitable community development investment opportunity for financial institutions. Not only are the properties acquired in predominantly low-and moderate-income areas, but the investment and redevelopment process is conducted to stimulate the local job market for residents – including local contractors and vendors – to increase the residual effect of the economic injection to each community.

Growth plans for the company include raising an additional \$100 million in capital in 2001. The existing fund will be capped at \$110 million to support roughly \$400 million in assets and a \$400 million pipeline. Then a second fund will be started following the same investment principles.

UrbanAmerica's primary exit strategy is to launch an IPO and become a Real Estate Investment Trust (REIT), but the company is also interested in the eventual sale of properties from its portfolio.



Real Estate Investment Trusts

A REIT is a company that invests its assets in real estate holdings. The REIT purchases, develops, manages and sells real estate assets with its investors sharing in the usual benefits of a landlord, such as earnings and depreciation, on a high volume scale and without the obligation of day-to-day management of properties.

REIT investments, while containing risks, can be advantageous because they offer liquidity to an investment portfolio and are believed by many to be one of the strongest vehicles to hedge inflation.



FEDERAL
RESERVE
BANK
of ATLANTA

2000 Annual Report

*The promise of our future is
linked to the success of our past.*

Since the Federal Reserve Bank of Atlanta was founded in 1914, the southeastern economy has experienced remarkable change. The Atlanta Fed has embraced and championed change, yet our core principles—integrity, efficiency, effectiveness, and prudence—remain unchanged.

At the onset of the new millennium, we at the Atlanta Fed find ourselves in a new world of monetary policy, bank supervision, and financial services. But our role remains the same: to help preserve and protect the American economy and financial system.

The Atlanta Fed's 2000 Annual Report presents a retrospective of our work through the century just past and looks forward to tomorrow's challenges.

To request a copy of the Federal Reserve Bank of Atlanta 2000 Annual Report, order it on-line at
www.frbatlanta.org/publica/ordform.htm
or contact Lynne Anservitz, Public Affairs Department, 1000 Peachtree Street, NE, Atlanta, Georgia 30309-4470,
lynne.anservitz@atl.frb.org, 404-521-8020.



We Need Your Help!

We hope that you enjoy receiving the Partners newsletter and would like to remain in our database. In the spirit of this spring cleaning season, we are trying to update our records on your organization. In addition, we would like to get information on how we can better serve you. Let us know about interesting topics that you would like to see featured in Partners, as well as in what form you would like to receive future issues of our newsletter. Whether it is hard copy, electronic version or both – we aim to please!

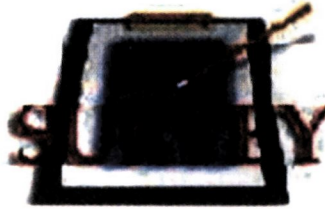
Please help us by completing the very brief survey attached on the next page. If you are a national, state, or local organization that provides financial and/or technical assistance to community development organizations, we would like to include limited information about your organization on our public website. However, we will only make your information available as indicated on the survey.

Unfortunately, if we do not hear from you, this may be our last correspondence. So DON'T GET LOST! Complete and detach the postage paid survey and drop it in the mail today!

Thanks for your cooperation!

Partners Database Update

&



We hope that you enjoy receiving our *Partners* newsletter and would like to stay in our database. The very brief survey below will help us update our records on your organization.

This page is a postage paid self-mailer; just fold it in thirds (address side out), seal it with tape or staple it, and drop it in the mail. Thanks.

*Organization Name			
*Address 1			
*Address 2			
*City, State, Zip			
Contact Name		Contact Title	
*Phone #		Fax #	
*Website		e-mail address	

Note: The asterisked fields will be provided on the public website for organizations, if desired.

How would you classify your organization? Check the category that best describes your organization.

- | | | | |
|---|-----|----------------------------------|-----|
| Academics, Colleges, Universities | [] | Housing Developers | [] |
| Business Owners/Entrepreneurs | [] | Intermediaries | [] |
| Certified CDFI's | [] | International Organizations | [] |
| Civil Rights | [] | Law Firms | [] |
| Community and Economic Development | [] | Native American | [] |
| Community Development Finance Groups | [] | Nonbank Subprime Lenders | [] |
| Faith-based/Church Organizations | [] | Regulated Financial Institutions | [] |
| Finance/Mortgage Companies | [] | Regulatory Agency Officials | [] |
| Foundations/Philanthropic Organizations | [] | Secondary Market Organizations | [] |
| Government Officials/Staff | [] | Small Business Developers | [] |
| Government-Sponsored Enterprises | [] | Trade Organizations | [] |
| Grassroots Organizations | [] | Venture Capitalists | [] |

Please provide your organization's mission statement and a brief description of its activities.

(Note: This information will help us showcase your organization on the Federal Reserve's new public website, in accordance with your preference noted in the next question.)

May we include your organization on the Federal Reserve's website?

(Note: Only the asterisked fields above will be made available on the website for organizations.)

Yes: []

No: []

How would you like to receive future issues of *Partners*?

(Note: If you would like to receive an electronic version and the e-mail address you prefer is different from that shown above, please note here: _____)

Hard copy mail: []

Electronic version: []

Both ways: []

Please tell us what topics you'd like to see featured in upcoming *Partners* newsletter articles, or use this space to provide other feedback.

Fold Here first where address will show



PLACE
STAMP
HERE

**Partners Survey - Attention Sherrie Caldwell
Community Affairs
Federal Reserve Bank of Atlanta**

1000 Peachtree Street, N.E.
Atlanta, Georgia 30309-4470

Fold Here second where blank space and address will show

Thursday, September 13, 2001
8:00 a.m. - 5:00 p.m.
Washington, D.C.

A CONFERENCE ABOUT

SMART GROWTH AND COMMUNITY DEVELOPMENT

Working Together Smartly

Co-sponsored by:

Local Initiatives Support Corporation
 National Neighborhood Coalition
 The Federal Reserve Bank of Richmond

With Support from:

The Federal Reserve Bank of Atlanta
 The Federal Reserve Bank of Philadelphia

A CONFERENCE ABOUT

**SMART GROWTH AND
COMMUNITY DEVELOPMENT**
Working Together Smartly



**The Federal Reserve Bank of Cleveland &
The Federal Reserve Bank of San Francisco**

**Federal Reserve
Bank of
Cleveland**

Proudly Present...


THE 2001 NATIONAL COMMUNITY DEVELOPMENT LENDING SCHOOL **July 22-26, 2001 Case Western Reserve University, Cleveland, Ohio**

Join us for five days of intensive training on the key issues and current industry trends relevant to community development lending. Training for community development lenders in single-family and multi-family housing, small business, commercial real estate and community-based facilities lending stresses the day-to-day mechanics of how to underwrite community development loans and ensure their long-term profitability.

For program and registration information, please check the following website:

www.frbsf.org/news/events

or contact Fred Mendez at (415) 974-2722.



International Summit on Community & Rural Development

Duluth, Minnesota, July 22-25, 2001

The Community Development Society, Minnesota Rural Partners, and the National Rural Development Partnership invite you to join community development practitioners, researchers, policy makers, and citizen leaders from around the world in a joint international conference. The theme of the conference is "The Times They Are A Changing: Working Partnerships for Viable Communities." This conference embraces common efforts to foster meaningful collaborations, extend community development networks, and integrate community-based research, policy, and practice toward the goal of building healthy and sustainable communities.

For further information, visit <http://www.minnesotaruralpartners.org>, or call Marc McLaughlin, Minnesota Rural Partners, (507) 829-5636.

Invest in the Future: Approaches to Financing Quality Child Care in New Jersey

Jamesburg, New Jersey, October 2, 2001

The conference is sponsored by the New Jersey Community Loan Fund and the Federal Reserve Banks of New York and Philadelphia. It will highlight investing and lending models for quality child-care facilities in New Jersey. Target audience includes nonprofit organizations involved in child care and all financial institutions in New Jersey, especially banks with assets of less than \$1 billion.

For further information, please contact Nora Campbell, Office of Regional and Community Affairs, Federal Reserve Bank of New York, (212) 720-6369, nora.campbell@ny.frb.org.

For other events that may be of interest to you, visit www.frbchi/cedric.html.



COMMUNITY AFFAIRS

VICE PRESIDENT
Ron Zimmerman

EDITOR
Courtney Dufries

ASSOCIATE EDITOR
Wayne Smith

Free subscription and additional copies are available upon request to Community Affairs, Federal Reserve Bank of Atlanta, 1000 Peachtree St., N.E. Atlanta, Georgia 30309-4470, or e-mail us at Partners@atl.frb.org or call 404/589-7287; FAX 404/589-7342. The views expressed are not necessarily those of the Federal Reserve Bank of Atlanta or the Federal Reserve System. Material may be reprinted or abstracted provided that Partners is credited and provided with a copy of the publication.

Printed on recycled paper

Partners
In community and economic development

Community Affairs
Federal Reserve Bank of Atlanta
1000 Peachtree Street, NE
Atlanta, Georgia 30309-4470

First Class Mail
Presorted
U.S. Postage
PAID
Permit No. 292