



## Banking on Economic Development: Financial Institutions and Economic Development—A Changing Paradigm



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**Moderator:** Welcome to the Federal Reserve Bank of Atlanta's Economic Development podcast series. I'm Odetta MacLeish-White with the Federal Reserve Bank of Atlanta. Today, we're talking with William Best, senior vice president for PNC Bank and chair of the International Economic Development Council.

*The banking industry has taken some reputational hits in the wake of the foreclosure crisis and subsequent recession. However, banks have been and will remain key players in local, regional, and national recovery efforts as businesses look for capital, families apply for mortgages, and communities seek funding partners for their redevelopment efforts.*

*Mr. Best joined PNC Bank in 2003 as senior vice president for community development banking in its New Jersey office. He is responsible for the bank's commitment towards the growth and prosperity of low- to moderate-income communities.*

*Prior to his position with PNC, Mr. Best was executive director of the New Jersey Redevelopment Authority, a state financing agency, where he served for six years in three administrations.*

*Mr. Best currently serves as chair of the International Economic Development Council, a nonprofit membership organization serving the economic development profession. As chair, he plans to focus on strategies and lessons for recovering from a recession, as well as increasing IEDC's international, educational, federal, and organizational partnerships.*

*Bill, thank you for joining me today.*

**Bill Best:** Thank you, Odetta; good to be here.

**Moderator:** So, Bill, what has been the historic role of banks in economic and community development?

**Best:** Well, historically banks have been a responsible partner in the community. They've done that by facilitating social entrepreneurs among community groups as well as with small and minority-owned businesses. I think the banks continue to be very involved with building capacity by investing in financial and human capital in these communities.

Actually, banks have been part of the conversation to not only establish trust, but also to establish a catalyst for the public-private partnerships. They will often function as lenders and investors in these partnerships to make community and economic development deals happen. They do that by trying to mitigate the greater financial risk. For instance, they work very diligently with tax credit deals, affordable housing developments, service to nonprofits—that means grants as well as servicing on their boards—and banks make a significant and, sometimes, an irreplaceable impact on our communities. Banks have played an important role in economic and community development in our neighborhoods and throughout our cities.

**Moderator:** So, Bill, in the wake of the foreclosure crisis and recession, how has the role of banks in economic and community development changed?

**Best:** Well, the industry has changed significantly as a whole. Banks are now spending a lot more of their time on supporting foreclosure prevention than they did prior to the economic crisis and this recession. This activity includes loan restructuring and financially supporting efforts of nonprofits and government agencies engaged in foreclosure prevention activities.

Also, banks have become more focused on financial education than ever before. Not only are we focused on precounseling, but we are also now focusing on postcounseling; that has become more prevalent. There's a strategic focus on the banks' resources these days. There's a focus not only on the resources, but their impact and accountability.

**Moderator:** Bill, speaking on a very practical level, what elements or components would you look for in a redevelopment plan that might increase the chances of your support?

**Best:** Odetta, I have to tell you, I've seen a lot of plans at this business. I look for a holistic approach to the plan. I'm looking not only for projects to be developed, but for the land use overall.

For example, I'm looking to see the affordable and mixed-use housing, if the plan has mass transit, parking if commuters are involved. Of course, jobs, education, neighborhood parks that may be included in the plan. The plan should clearly be defined and should speak to the needs of the community with input and support of all of the stakeholders, which would mean community groups, the public sector, and the private sector are on board with the plan. Also, I would like to see how projects would address economic and social challenges. I'm looking for how the plan would ideally prime economic development and become, not only a catalyst, but also self-sustainable.

Depending on the geographical area of the project, I might look for different things. For instance, in older, urban areas that suffer from significant disinvestment, I'm looking for elements of market rate housing and retail projects to demonstrate that the projects can support the debt and investment, and if the projects spur a neighborhood revitalization of the surrounding areas.

In suburban areas that are being redeveloped, I look for affordable housing units to be created as a way to ensure that mixed-income residents are given the chance to live in the redevelopment area. Of course, I would like to see the implementation and exit strategies with the various project investments in these plans.

**Moderator:** *In your role with PNC Bank and with the IEDC, have you seen any recent innovative partnerships that spotlight how banks and the communities they serve can partner to accomplish an economic development project, in spite of our current challenging financial environment?*

**Best:** There's a recent project that comes to mind. It's a collaboration of a nonprofit organization, a CDFI, a local economic development loan pool, state government, and several banks that provided for a \$26 million new markets tax credit deal. This project would be a 65,000-square-foot building set to open, I believe, next year, May 2011. This is the first project in the region to be financed under the new markets tax credit program.

ArtsQuest is the nonprofit organization that represents their contributions to the Musikfest and First Night Bethlehem, along with the arts and education programs at the Banana Factory. It will have a new ArtsQuest Center at SteelStacks, SteelStacks is essentially an old steel factory considered a brownfield. The ArtsQuest Center will include a concert venue for year around live music, a two-screen cinema, something called a PodZone media lounge, it also would have the blast furnace room for receptions, and a contemporary gathering space for the community known as Creativity Commons. The ArtsQuests Center and the ArtsQuest-related programs on the SteelStacks campus would generate 168 construction jobs during construction and 100 full-time equivalent jobs when the center opens in 2011. Indeed this project shows how an economic development tool, like the new markets tax credit, can be used to create public-private partnerships but also accomplish a much-needed economic goal despite the current challenging environment.

**Moderator:** *In wrapping up, what is the future of economic development and what role do you see banks playing in this future?*

**Best:** Odetta, I hear this question often. I have a very positive outlook for the future of economic development. I must tell you that I believe that there will be a significant time horizon in the process, but there will be opportunities to advance economic development across our communities.

But here is the catch. The practitioners will need to be very knowledgeable and experienced with development tools, plans, and programs. In this nearly no-risk environment every deal needs to be near-perfect from a credit standpoint, from the equity into the deals to the strength of the guarantors and, of course, cash flow. I think banks will continue to play a significant role in this process. Providing access to capital would definitely be an important ingredient to communities and businesses balancing this aspect, while utilizing sound risk management will play out based on the banks' risk profile, as well as their commitment to drive economic development in their respective communities.

**Moderator:** *Bill, thank you for speaking with us today.*

**Best:** Thank you, Odetta; pleased to be with you today.

**Moderator:** *This concludes our podcast. We've been speaking with Bill Best, senior vice president for PNC Bank and chair of the International Economic Development Council.*

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