THIS COULD BE YOUR LAST ISSUE! (see page 23)

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CASCADE

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PHFA Takes Pro-Active Steps in Loan Servicing to Keep Borrowers in Their Homes*

By Brian A. Hudson, Sr., Executive Director and CEO, Pennsylvania Housing Finance Agency

The Pennsylvania Housing Finance Agency (PHFA) was created 40 years ago by the state legislature to expand affordable housing options for the state's residents. It does so through a number of programs that include funding the construction of multifamily rental units, providing affordable home mortgages, supporting housing counseling at no cost to prospective homeowners, and engaging in foreclosure prevention efforts. This article focuses on the PHFA's servicing of its home purchase mortgages to Pennsylvania residents and the pro-active steps taken by the agency to help keep borrowers in their homes when they are in danger of default or foreclosure.

The PHFA has been servicing all of its mortgages in-house since 1999. The decision to bring loan servicing in-house was made for a number of reasons, including to have greater control over the quality of service provided to our customers, to be able to respond in a more timely manner to delinquencies, to provide a more hands-on approach in working with our customers, and to expedite loss mitigation on delinquent accounts. The PHFA has 46 employees who service performing mortgage loans.

A Conscious Decision to Help Consumers

A foreclosure results in an average loss of between $8,000 and $16,000.[1] But the motivation to prevent foreclosure goes beyond the dollars. Given the PHFA's public service mission, the agency feels an obligation to help its borrowers stay in their homes. The goal is to help Pennsylvanians find, finance, and retain affordable, quality housing. The agency also realizes that foreclosed homes in neighborhoods can drive down home values, which

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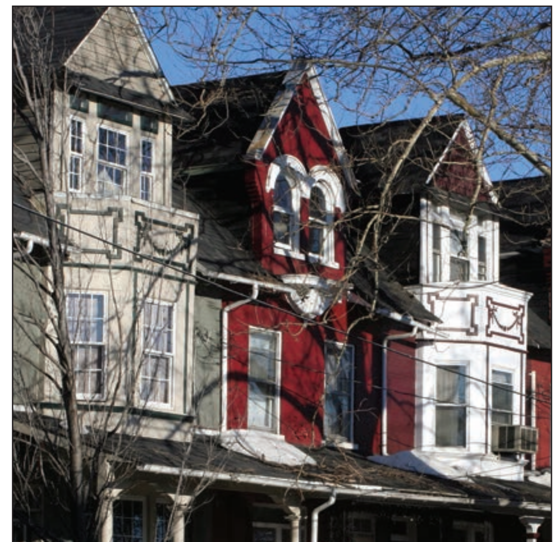

* The views expressed here are those of the author and do not necessarily represent the views of the Federal Reserve Bank of Philadelphia or the Federal Reserve System.

[1] These figures are per internal calculations by the PHFA's staff.

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COMMUNITY DEVELOPMENT STUDIES AND EDUCATION DEPARTMENT

Kenyatta Burney
Senior Staff Assistant
215-574-6037
kenyatta.burney@phil.frb.org

Jeri Cohen-Bauman
Lead Administrative Assistant
215-574-6458
jeri.cohen-bauman@phil.frb.org

Andrew T. Hill, Ph.D.
Economic Education Advisor and Team Leader
215-574-4392
andrew.hill@phil.frb.org

Dan Hochberg
Community Development Senior Research Assistant
215-574-3492
daniel.hochberg@phil.frb.org

Thomas Hylands
Community Development Research Analyst
215-574-6461
thomas.hylands@phil.frb.org

Amy B. Lempert
Community Development Advisor and Outreach Coordinator
215-574-6570
amy.lempert@phil.frb.org

Erin Mierzwa
Department Manager
215-574-6641
erin.mierzwa@phil.frb.org

Keith L. Rolland
Community Development Advisor
215-574-6569
keith.rolland@phil.frb.org

Theresa Y. Singleton, Ph.D.
Vice President and Community Affairs Officer
215-574-6482
theresa.singleton@phil.frb.org

Marvin M. Smith, Ph.D.
Community Development Economic Advisor
215-574-6393
marty.smith@phil.frb.org

Keith Wardrip
Community Development Research Manager
215-574-3810
keith.wardrip@phil.frb.org

Todd Zartman
Economic Education Specialist
215-574-6457
todd.zartman@phil.frb.org

Message from the Community Affairs Officer

Community development at its core is about transformation. Community development practitioners are engaged in the complex work of taking something old — housing units, neighborhoods, cities — and transforming them so that they can be put to a new and better use. There is an implicit belief in this work that our communities are worth saving, and with the right investment of time, talent, and resources, they can be transformed into happier, healthier, more productive places to live and prosper.

Theresa Y. Singleton, Ph.D., Vice President and Community Affairs Officer

Several articles in this issue of *Cascade* focus on the promise of transformation. The article "One River — Two Cities" highlights lessons learned from the experience of two cities — Camden, NJ, and Philadelphia — and their individual and joint efforts to redevelop the waterfront area. Both cities have seen great potential in taking advantage of the natural resources that the waterfront affords, and they've made great strides in creating new entertainment, commercial, and residential venues in these formerly forgotten spaces. Our authors highlight lessons learned from their experiences and share insights on future development activities.

Pennsylvania's new land banking legislation is another tool that can ultimately help transform cities within the state that have been devastated by the increase in vacant properties. It is estimated that there are more than 300,000 vacant properties across the state. Through this measure, certain cities will have the ability to create land banks that can acquire properties and put them to reuse as residential, commercial, or conservation space. Land banks are playing a key role in communities across the nation, changing the look of communities by creating new uses for abandoned places.

What transformations are you seeing in your communities? As always, we'd like to hear from you about the tools that you are using to bring about positive changes and the ways in which you are overcoming the challenges associated with this work. We'd be especially interested in hearing about "lessons learned" in community development practice that could be instructional for other communities as we begin planning for the Reinventing Older Communities conference, which will be held May 12 to May 14, 2014, in Philadelphia.

Theresa Y. Singleton

Pennsylvania Legislation Enables Municipalities to Create Land Banks*

By Keith L. Rolland, Community Development Advisor

Pennsylvania municipalities have a new tool to acquire, manage, and dispose of vacant, abandoned, and tax-delinquent properties to facilitate their redevelopment and reuse.

Legislation effective in December 2012 states that land banks may be created in Pennsylvania by a city, county, borough, township, or an incorporated town with a population of more than 10,000 residents, or two or more municipalities with populations of less than 10,000 residents that enter into an intergovernmental cooperation agreement (ICA). School districts may be part of an ICA.[1]

Land banks address the difficult predicament in which many municipalities find themselves. They're often able to acquire some properties, but not others, in areas targeted for redevelopment. A particular challenge is acquiring the title to the properties. It is often difficult, if not impossible, to find the owners of vacant and tax-delinquent properties and obtain clear titles to the properties. As a result, properties may stay vacant for years with serious consequences for adjacent properties and the community.

As the legislation notes, vacant, abandoned, and tax-delinquent properties impose significant costs on urban, suburban, and rural communities by lowering property values, increasing fire and police protection costs, decreasing tax revenues, and undermining community cohesion.

Land Bank Powers

A land bank is a "public body" that may be created by adoption of an ordinance. Its powers include the ability to:

- Acquire properties by tax foreclosure, purchase, lease–purchase agreement, donation, or transfer from a municipality or redevelopment authority;
- Develop, construct, rehabilitate, or demolish properties;
- Sell, transfer, lease, or mortgage properties;
- Discharge and extinguish tax liens and claims of participating jurisdictions and file court actions to obtain a clear title for single or multiple properties;
- Purchase foreclosed properties at judicial sales, giving the land bank a free and clear title to the properties; and
- Create partnerships, joint ventures, and other collaborative relationships with municipalities and other public and private entities.

The legislation explicitly excludes eminent domain as a power of land banks.

Land Bank Funding

The legislation does not provide any state appropriations to establish or operate a land bank. However, it states that a land bank may:

- Charge rents and fees and contract for management of the properties it owns;
- Receive grants and loans from the federal government, the Commonwealth of Pennsylvania, municipalities, and private sources;
- Borrow money and issue revenue bonds that are exempt from state and local taxes; and
- Enter into agreements with local jurisdictions and school districts to collect up to 50 percent of aggregate tax revenues for up to five years on properties conveyed by the land bank.

According to the legislation, the local government(s) that creates a land bank may establish priorities for the reuse of properties, including public spaces; affordable housing; retail, commercial, and industrial activities; and conservation.

A Pennsylvania land bank must create an inventory of properties that it owns and make the inventory public. It must also submit an annual audit of income and expenses and a report of activities to the Pennsylvania Department of Community and Economic Development and participating municipalities.

History

There are more than 75 land banks in operation nationally, explained Frank S. Alexander, professor at Emory University School of Law and co-founder of the Center for Community Progress. The first generation of land banks in the country was created between 1973 and 1991 in St. Louis, Cleveland, Louisville, and

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[1] See http://tinyurl.com/at2qps3.

One River — Two Cities*

By Thomas Corcoran, President, Delaware River Waterfront Corporation, Philadelphia,
and Anthony J. Perno III, CEO, Cooper's Ferry Partnership, Camden, NJ

Located directly across the Delaware River from each other, the Philadelphia and Camden waterfronts are being transformed from abandoned post-industrial areas into a single, thriving regional waterfront destination through an interconnected transportation network and joint programming and marketing.

Thomas Corcoran served as founding president and CEO of the Cooper's Ferry Development Association (CFDA) in Camden, NJ, for over 25 years. He spearheaded the development of the Camden waterfront and was successful in attracting over $550 million of investment, including many family entertainment flagship projects. Corcoran also transformed the CFDA from a downtown waterfront organization into a citywide development corporation that provides technical assistance on revitalization to neighborhoods along Camden's miles of waterways, particularly the North Camden and Cramer Hill neighborhoods.

In 2009, Corcoran became president of the newly formed Delaware River Waterfront Corporation (DRWC) in the city of Philadelphia. The DRWC, a nonprofit, was established by Mayor Michael Nutter to act as the steward for the redevelopment of Philadelphia's underused Central Delaware Waterfront. The DRWC's mission is to encourage high-quality investment in public parks; trails; waterfront, residential, retail, and hotel development; and other improvements that create a vibrant atmosphere and extend development in Philadelphia to the river's edge.

Anthony J. Perno III was appointed president and CEO of the CFDA in 2009. Having previously served as vice president and COO, Perno was a longtime colleague and protégé of Corcoran and played a key role in the development of over $30 million of infrastructure upgrades throughout Camden. As CEO, Perno has continued to lead the redevelopment of the Camden waterfront and has also continued to help further the organization's mission to expand to include community and downtown development initiatives.

In 2011, Perno and David Foster, president of the Greater Camden Partnership, completed an organizational merger to create the Cooper's Ferry Partnership (CFP). The new corporation leverages Camden's cultural, natural, and institutional anchors to spur the revitalization of Camden's neighborhoods and downtown with a targeted development and civic programming strategy.

What are the current waterfront development strategies for Philadelphia and Camden?

Corcoran: The city of Philadelphia is working to transform its Central Delaware Waterfront into a vibrant destination for recreational, cultural, and commercial activities that benefit all citizens and visitors to the city. This targeted area extends six miles along the riverfront, from Oregon Avenue to the south to Allegheny Avenue to the north. In 2011, the DRWC completed the "Master Plan for the Central Delaware,"[1] which provides a detailed framework of open space, cultural and environmental resources, transportation, and economic development.

In the waterfront area, adjacent to Center City, the DRWC envisions a mixture of residential, entertainment, and retail uses organized around a network of high-quality open spaces and served by an improved transportation system with enhanced access for pedestrians, bicyclists, and public transit users. Providing low- to mid-rise housing along with retail businesses, cafés, restaurants, and entertainment will help to establish the area as a year-round destination and will allow it to serve existing and new residential communities.

The plan calls for public and civic spaces and a waterfront trail to connect the parks and stimulate private development. Waterfront parks will incorporate best practices in sustainability to restore ecological health to the river and to create access for communities that have been cut off from the water for decades.

While the plan has a time horizon of several decades for full implementation, the DRWC has identified three priority sites — Washington Avenue, Penn's Landing, and Spring Garden Street — where strategic public investment will be focused first on catalyzing short- and mid-term private investments.

* The views expressed here are those of the authors and do not necessarily represent the views of the Federal Reserve Bank of Philadelphia or the Federal Reserve System.
[1] To see the plan, go to http://www.plancentraldelaware.com/.

CREDIT: COOPER'S FERRY PARTNERSHIP

Red Bull Flugtag drew thousands to the Camden, NJ, waterfront in September 2012 to watch pilots launch hand-made flying machines into the water.

Perno: In 1984, the three principal owners of the waterfront land — the city of Camden, the Campbell Soup Company, and RCA — jointly commissioned a planning study to evaluate the development potential of their collective holdings located between the Ben Franklin Bridge and the South Jersey Port. The study determined that the waterfront could support a carefully planned mixed-use development of family entertainment and recreational and cultural attractions.

Working since the 1980s in cooperation with local, county, state, and federal public-sector partners, as well as with the private sector, the CFP has been able to put into place the building blocks for a mixed-use waterfront community anchored by family entertainment attractions.

The CFP has coordinated more than $75 million of infrastructure improvements, including the extension of the downtown street and utility grid onto waterfront parcels and the creation of a 1.3-mile linear waterfront park and promenade. The CFP also established the RiverLink Ferry and helped to design the route for the New Jersey Transit RiverLINE through downtown Camden.

These investments in public infrastructure and transportation have leveraged a critical mass of development projects and have established a new center of economic activity in Camden. In 2012, the Camden waterfront:

- Retained and generated in excess of 2,200 full-time jobs and 1,000 seasonal positions;
- Contributed about $3 million to the city's tax base;
- Generated in excess of $2 million in annual state sales tax revenues (ticket sales for entertainment venues); and
- Generated in excess of $250,000 in tax revenues for parking operations and over $500,000 in tax revenue from food and beverage sales (for entertainment venues).

Development projects have included entertainment anchors such as the Susquehanna Bank Center, the Camden Children's Garden, Campbell's Field, the Battleship New Jersey, and the Adventure Aquarium. There are several successful office developments, including the corporate headquarters of Susquehanna Bank. The former RCA "Nipper" Building was converted in 2004 by developer Dranoff Properties into luxury waterfront

CREDIT: COOPER'S FERRY PARTNERSHIP

Key economic development projects on and near the waterfront in Camden, NJ. The Battleship New Jersey, which was decommissioned in 1991 and opened as an educational museum in 2001, is shown in the foreground.

apartments, the first new housing on the waterfront and the first market-rate housing in the city in 30 years.

The development of the balance of the waterfront master plan will take place through a phased development program that will include roughly 1,200 new units of market-rate housing; 500,000 square feet of Class A commercial office space; 100,000 square feet of retail, dining, and entertainment space; and a hotel conference center.

Are the Philadelphia–Camden waterfront development agencies collaborating? If so, how?

Corcoran: The cities of Philadelphia and Camden share a waterfront across a river as well as across municipal and state lines. Together, the Greater Philadelphia waterfront receives roughly 3.5 million visitors a year. With 28 million people living within 100 miles of Philadelphia, it is clear that there is untapped potential. By packaging the waterfronts of Camden and Philadelphia as a unified destination and by providing connecting transportation to Philadelphia's historic district, Camden and Philadelphia could start to draw more visitors for longer stays.

Perno: The CFP and the DRWC increasingly work together to develop and market programs, including annual weekend fireworks displays on New Year's Eve and Independence Day and other coordinated events, such as the WHYY Connections Festival and the XPoNential Music Festival. The CFP and the DRWC are also working to improve rail, bicycle trail, and ferry connections between the two waterfronts.

By working in tandem, both cities will benefit from the additional demand for housing on the waterfronts, from growth gained by supporting retail services, and from tourism resulting from visitors extending their stays in both Philadelphia and future Camden hotels.

How do the waterfront development plans of Philadelphia and Camden affect the cities' downtown areas and neighborhoods?

Corcoran: Center City Philadelphia and adjacent residential communities have seen dramatic residential and business reinvestment in recent years. The DRWC seeks to draw residents, workers, and visitors from

Philadelphia's thriving Center City to the riverfront.

One major challenge is the infrastructure of I-95, which creates a psychological and physical barrier between the waterfront and Center City. The DRWC is improving existing street connections that cross under the highway, making them safer and more welcoming, especially for pedestrians and bicyclists. Street connector projects enhance public access between the waterfront and the adjacent communities of Whitman, Pennsport, Queen Village, Society Hill, Old City, Northern Liberties, Fishtown, and Port Richmond.

Perno: The downtown waterfront was the first section of Camden to attract private reinvestment, and it has served as a catalyst for redevelopment within the entire downtown area, which is home to key anchor institutions such as Rutgers University–Camden, Rowan University, Camden County College, and Cooper University Hospital.

The CFP has partnered with these entities, as well as with local, county, and state governments, to rehabilitate roads, streetscapes, and parks and to maintain a clean, safe, and welcoming public environment through the Camden Special Services District (CSSD). The CFP recently expanded the CSSD to include landscaping, snow removal, and other projects and plans to employ 20 local residents by this spring.

Camden's educational and health services institutions are making massive investments in the city's downtown, including the new $139 million Cooper Medical School at Rowan University and a $55 million Rutgers–Camden graduate student dormitory. In addition, Cooper University Hospital is constructing a $100 million state-of-the-art cancer treatment center. The CFP is working with these institutions to develop a strategic investment and economic development plan that will leverage institutional resources to create a vibrant university district and health–science campus.

The growth of the educational and health-care services sector in downtown Camden and on the Camden waterfront is mutually supportive. Waterfront housing, restaurants, entertainment, and recreational amenities help these institutions to attract and retain students and workers.

In Camden's neighborhoods, the CFP is working to link residents and communities with the city's natural assets, such as its waterways, and to work with community-based organizations to develop a riverfront greenway trail and programs for youths.

What priorities and main projects have been initiated by the DRWC and the CFDA during the past two years?

Corcoran: The DRWC's first task was to develop the "Master Plan for the Central Delaware." The DRWC worked with a consultant team, led by Cooper, Robertson & Partners, through a planning process with governmental, nonprofit, and civic organizations; property owners; and other stakeholders. The plan was completed in October 2011 and was adopted by the Philadelphia Planning Commission. The plan received a 2012 American Institute of Architects' Honor Award as well as the Economic Development Program of the Year Award for 2012 from the Delaware Valley Regional Planning Commission (DVRPC).

In 2011, the DRWC transformed a dilapidated pier at the foot of Race Street into a public park that is widely used by residents of Philadelphia's Old City neighborhood. The DRWC also managed improvements to Race Street, including repaving, landscaping, and promoting public art, which give pedestrians safer and more welcoming access from Old City to the Race Street Pier and the Delaware River.[2]

In response to the master plan and the public improvements that are now planned and funded, over 700 new units of waterfront housing have been proposed by developers and approved by the Philadelphia Planning Commission. In addition, a major new entertainment complex is being developed by Core Realty adjacent to the Fishtown neighborhood.

The DRWC believes that it is important to include minority, women, and disadvantaged business enterprises in proposed redevelopment activities. The DRWC has worked with the Mayor's Office and the Urban Affairs Coalition to develop an economic opportunity plan that sets forth an aggressive set of inclusionary goals and practices for the DRWC's development and operations activities. The DRWC strives to direct 25 percent to 30 percent of its discretionary expenses for operations and capital investments to minority business enterprises, women's business enterprises, and disadvantaged business enterprises.

[2] These projects were made possible through support from the city of Philadelphia, the Commonwealth of Pennsylvania, the Delaware Valley Regional Planning Commission (DVRPC), and the William Penn Foundation.

Perno: In 2012, the Camden waterfront attracted a record 3 million visitors. In addition to its major attractions, the CFP is drawing residents and visitors to the waterfront with high-profile national touring events, such as Red Bull Flugtag and Cirque de Soleil; local events, such as the holiday tree lighting and fireworks displays; and small-scale programming at Fountain Park.

The CFP is working with Dranoff Properties to convert the former RCA building into Radio Lofts condominiums. Our organization is also in predevelopment on a 27,000-square-foot three-story Class A office building, which is already more than 50 percent leased.

The CFP has implemented over $10 million of public improvement projects to upgrade parks, roads, and utilities in the downtown and in several neighborhoods with the support of the city of Camden, Camden County, the state of New Jersey, and the DVRPC. The CFP is working to improve public access to the river in North Camden through the rehabilitation and expansion of Pyne Poynt Park. With the support of the William Penn Foundation and the Wells Fargo Regional Foundation, the CFP has worked with the North Camden community to identify strategies to improve waterfront access.

What is the role of financial institutions and nonprofits in future plans for the Philadelphia–Camden waterfront?

Corcoran: In Philadelphia, the role of financial institutions will be critical to future development plans. Initially, financing for large-scale public projects will require the involvement of public agencies. I anticipate that the DRWC will rely heavily on the Philadelphia Industrial Development Corporation to secure financing for the initial retail, entertainment, hotel, and office projects. Ultimately, these public investments will build a critical mass of successful projects that will lead to a larger role for financial institutions.

The DRWC has two financial institutions on its board of directors: Wells Fargo and Valley Green Bank. The DRWC has strong relationships with many other nonprofits, such as local neighborhood organizations, the Central Delaware Advocacy Group, the Pennsylvania Horticultural Society, Philadelphia Live Arts, the Pennsylvania Environmental Council, and the Natural Lands Trust.

Perno: In Camden, large-scale publicly financed projects have paved the way for private investment. Camden needs the involvement of private financial institutions to make loans and investments in future residential and commercial developments. Representatives from several banks, including Susquehanna Bank, Wells Fargo, Bank of America, PNC, and TD Bank, serve on the CFP's board of directors.

In the past 10 years, the CFP has broadened its mission to work with waterfront neighborhoods throughout Camden to reconnect to their waterways. Through the grant support of the financial institutions on our board, the CFP has established strong, productive partnerships with community-based nonprofits in every neighborhood in which it works.

Recently, the CFP has also been building relationships with environmental organizations to support our trail development and green infrastructure initiatives.

What are the issues and challenges affecting future waterfront development in Philadelphia and Camden?

Corcoran: One major challenge in Philadelphia is assembling land parcels for development. Within our project area, roughly 90 percent of the land is privately owned. The DRWC will need steady support from the local and state governments for permit approvals and public-sector support for the development of amenities such as parks, trails, and transit to attract private investment.

Perno: While the pace of development has slowed with the recent weak economic times, the Camden waterfront is well positioned to benefit during the next upswing in the economy. The CFP has developed the public infrastructure called for in the master plan and now needs to develop a significant number of housing units and complementary retail services and restaurants to create a 24-hour community.

The CFP also wants to help existing low- and moderate-income neighborhoods leverage their riverfront access to improve quality of life and to attract reinvestment back into these communities.

Thomas Corcoran can be contacted at 215-629-3200. Anthony J. Perno III can be contacted at 856-757-9154. For more information about the Philadelphia and Camden waterfronts, visit delawareriverwaterfrontcorp.com and www.camdenwaterfront.com.

Susquehanna Bank Participates in Economic Development on Camden's Waterfront*

By Keith L. Rolland, Community Development Advisor

CREDIT: COOPER'S FERRY PARTNERSHIP

Susquehanna Bank located the headquarters of its Delaware Valley division in the Ferry Terminal Building in Camden, NJ. When the building opened in 2007, it was the first Camden office building constructed entirely with private financing in nearly 50 years.

In 2007, Susquehanna Bank relocated its corporate headquarters from Marlton, NJ, to Camden, NJ. In the relocation, it committed to lease space prior to the opening of the Ferry Terminal Building, which was the first office building constructed entirely with private financing in Camden in nearly 50 years.

Following several mergers and acquisitions, the bank is organized into three divisions, with the headquarters of its Delaware Valley division located in the four-story Ferry Terminal Building on Camden's waterfront. Susquehanna Bank has about 60 employees at its Camden divisional headquarters, which oversees 74 branches in southeastern Pennsylvania and central and southern New Jersey.

Donald H. McCarty, CEO of Susquehanna Bank's Delaware Valley division, said that the bank selected its Camden location to enhance its regional image and to be a positive force in the redevelopment of Camden and southern New Jersey. He is a member of the board of directors of Cooper's Ferry Partnership, which plans major redevelopment projects and initiatives in Camden.

Ellen L. Crain, vice president and director of community reinvestment for Susquehanna Bancshares, Inc., said that since 2007 Susquehanna Bank had made over $21 million in community development loans and grants, residential mortgages, and small business loans in the city of Camden. Susquehanna Bank employees are on the boards of 11 Camden nonprofits, and the bank's employees volunteer to help with financial education, student mentoring, and other community initiatives.

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Smaller Cities and Waterfront Redevelopment*

By Thomas Corcoran, President, Delaware River Waterfront Corporation, Philadelphia,
and Anthony J. Perno III, CEO, Cooper's Ferry Partnership, Camden, NJ

During the late 19th and early 20th century, the Delaware River served as a linchpin for regional economic activity, as Camden and Philadelphia grew into manufacturing centers. By the late 20th century, deindustrialization and suburban development had left Camden's and Philadelphia's downtown waterfronts abandoned and obsolete. Today, these cities are working to transform their waterfronts into economic assets once again by carefully planning and developing vibrant mixed-use waterfront communities that offer cultural, commercial, and recreational amenities for residents and visitors.

Although there is no "one-size-fits-all" answer, there are lessons from Camden's and Philadelphia's experiences that may be useful to smaller cities facing the challenge of waterfront redevelopment. The following three recommendations can be used to help spearhead the waterfront redevelopment process:

1. Recognize the importance of a nonprofit waterfront redevelopment entity.

Waterfront redevelopment requires a nonprofit champion whose mission is to promote, to facilitate, and sometimes even to build new development. The nonprofit agency must work closely and collaboratively with every level of government as well as with the private sector. This entity must provide consistent, long-term, and focused leadership that extends beyond the terms of most elected officials.

Nonprofit waterfront redevelopment organizations can also bridge jurisdictional lines. For example, Cooper's Ferry Partnership (CFP) and the Delaware River Waterfront Corporation (DRWC) are focused on their respective municipalities, but they also look at their waterfronts within a regional context and are working together across political boundaries to collaborate on regional branding, joint special events, grant opportunities, and bistate trail planning.

2. Develop a waterfront master plan that reflects the community's vision but also takes into account the realistic economic potential of the area.

It is critical to establish one clear vision for redevelopment of the waterfront. Development should be guided by a high-quality master plan that is created through a participatory process that incorporates the input of citizens as well as public- and private-sector stakeholders. The plan should be inspirational but also grounded in reality. It is best to bring in a professional planning consultant that recognizes the importance of inclusive, participatory planning. The planner should base recommendations on an analysis of factors, including location, demographics, market conditions, access to transportation, and environmental, historic, and cultural resources.

The master plan should include an implementation strategy that takes into account market dynamics. For example, Philadelphia is working to leverage the existing demand for waterfront housing to attract new retail and entertainment venues in order to animate the waterfront and create a cohesive community. By contrast, in Camden it was determined early on that a critical mass of family entertainment destinations could provide the foundation on which a successful mixed-use community could be developed.

Acquiring site control of waterfront parcels, environmental remediation, and public infrastructure development are complex and expensive and are accomplished incrementally over time. Therefore, it is important for the implementation strategy to have a realistic time horizon and a phasing plan.

The waterfront master plan should set forth a land-use and zoning framework that is adopted by the municipality. Over time, the political climate and market conditions may change. Therefore, the plan must be flexible enough to take advantage of unanticipated opportunities, but it must also be specific and clear enough to maintain its fundamental integrity. Plan elements such as preservation of public waterfront access should be nonnegotiable.

3. Use public investments in infrastructure and amenities to attract

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CREDIT: RENDERING © KIERANTIMBERLAKE/BROOKLYN DIGITAL FOUNDRY

According to the master plan for the Central Delaware waterfront, a large new park is to be constructed between Chestnut and Walnut streets, stretching from the riverfront to Front Street in Philadelphia. The park will be built over I-95 and Columbus Boulevard.

the public, build momentum, and leverage private-sector investments.

Today, many former manufacturing cities have large swaths of underutilized waterfront land that blocks access to the water. It is first critical to focus on creating physical and visual connections from these communities to their waterfronts. In Philadelphia and Camden, new and existing street connections are being developed and enhanced to create easy access from existing adjacent neighborhoods to the waterfront.

Both Philadelphia and Camden have also focused on the development of a linear public park and walkway along the water. Both cities have also identified opportunities to connect the trails along their waterfront into a larger regional trail network, creating not only a recreational amenity but also a sustainable transportation alternative.

Through management, planning, and design, both cities are fostering welcoming and dynamic public spaces on their waterfronts. Camden and Philadelphia also host a growing mix of events and activities to animate the public spaces on the waterfront, including performances, festivals, holiday celebrations, craft fairs, a kayaking program, ice skating, and a fountain for water play. The CFP and the DRWC are also using traditional and social media to promote waterfront activities and to reach new visitors.

Securing funding for public investments and programming requires creativity and the ability to take advantage of opportunities as they arise. The CFP and the DRWC have also secured grants through local, county, state, and federal agencies focused on the environment, transportation, historic preservation, economic development, community development, fishing and boating, and the arts. Corporate sponsorships and grants, foundation grants, university partnerships, and public–private partnerships are among the sources that can be assembled to make public projects possible.

With strong master plans and strategic public investments, cities such as Camden and Philadelphia have created the conditions to foster renewed vibrancy and economic purpose for their waterfronts for the 21st century.

SPOTLIGHT ON RESEARCH

Youth Debt and College Graduation*

The rise in debt among youth to finance their higher education has engendered a great deal of discussion. Much of the attention has been focused on the angst that arises when the debt has to be repaid. This has been especially burdensome on students from lower-income households. While this is worthy of concern, another aspect of the educational-related debt that is being examined is whether the debt was worth it. More specifically, what is the association of the debt with the borrower's graduation from college? Some investigations not only consider the relationship between educational loans and college graduation but also include the influence of the student's family's income. A recent study by Min Zhan has augmented the latter inquiry by expanding the amount of debt to include credit card debt related to educational expenses (in addition to educational loans), as well as taking into account the influence of parental financial assets (net worth) on a student's completion of a college degree.[1] What follows is a summary of her study.

> Zhan indicated that many college students "rely on credit cards for paying direct educational expenses, including textbooks, school supplies, and tuition."

Background

Zhan pointed out that higher education costs are a major barrier to gaining access to college and reaping the success from a college education. This is particularly challenging for low-income and minority families. Consequently, many students and their families rely on debt to finance higher education. "For example, about two-thirds of college graduates in 2008 completed their degree by taking out some type of loan." According to Zhan, the increasing reliance on loans to finance college costs has been accelerated by several factors: a sharp rise in college costs over the decade; families' insufficient income and savings to cover the escalating costs; a shift in financial aid policy from "need-based aid toward merit-based aid and educational tax credits"; and the increase in accessibility of federal and private loans to students and their families. Thus, loans have become one of the predominant vehicles for many families to finance the cost of college.

The deregulation of financial markets since the 1990s has also given rise to another source of funds to help cover college costs, namely credit cards. Credit cards have been made available to college students, and, as a result, credit card ownership and credit card balances have risen dramatically among this group during recent years. Zhan indicated that many college students "rely on credit cards for paying direct educational expenses, including textbooks, school supplies, and tuition."

The author underscored some of the positive and negative aspects of using educational loans and credit card debt for college education. She pointed out that having access to credit "could increase the opportunity for a [student] to enroll in and graduate from college, compared to those without access to such resources." In addition, the ability to borrow might allow students to forgo working long hours to earn funds to pay for college, thus improving the likelihood of continuing their education. The use of debt for college expenses might also have attitudinal and psychological effects, such as allaying "anxiety and stress during economically challenging times."

Accumulating debt to finance college could also have some drawbacks.

* The views expressed here are those of the author and do not necessarily represent the views of the Federal Reserve Bank of Philadelphia or the Federal Reserve System.

[1] Min Zhan, "The Impact of Youth Debt on College Graduation," Washington University in St. Louis, Center for Social Development Working Papers, No. 12-11, 2012, available at http://csd.wustl.edu/Publications/Documents/WP12-11.pdf.

Zhan noted that large amounts of debt "may decrease the likelihood of graduation for college students, because of anxiety about repayment and reluctance or inability to secure additional loans." Given the possible role played by parents in financing their child's college, the impact of debt on college graduation might differ by the parents' financial capacity (i.e., income and assets). According to the author, "Students from higher income families are more likely to have confidence that investments in college are worthwhile, while low-income students are more likely to perceive risks, recognizing the financial challenges that their parents faced in supporting them."

Prior Studies. Zhan reported that earlier studies consistently found that college loans are positively related to college enrollment, but the "relationship between educational loans and college persistence and completion are mixed." She hastened to add that the latter might be due to different study samples, such as including students from different economic backgrounds or those enrolled in different types of college institutions — such as public, private, and elite private universities.

Data and Methodology

Zhan examined the relationship between unsecured debt (educational loans and credit card debt) and college graduation and whether the influence differs by the levels of parental assets. For the analysis, she used data drawn from the National Longitudinal Survey of Youth (NLSY), Young Adult sample. The original respondents were interviewed periodically from 1979 through 1994. Starting in 1994, the adolescent (15- through 20-year-old) children of the original respondents were surveyed periodically. Zhan's study sample contained 1,047 of these young adults who first enrolled in college between 2000 and 2004. She used variables on the young adults from their survey data and information on parental education, income, and assets from the NLSY main file.

Zhan used several variables in her analysis. They included *youth debt* — the total debt during a youth's college enrollment, which includes the amount of educational loans and credit card debt; *college graduation* — whether a youth completed a bachelor's degree; *parental assets* — household net worth during a youth's first year in college; and various control variables such as *age, gender, race/ethnicity, marital status, mother's education,* and *parental economic status during a youth's enrollment in college*.

Zhan estimated a regression to examine the influence of educational loans and credit card debt on a student's probability of graduating from college. She also estimated how the aforementioned influences differ by levels of parental assets (i.e., no net worth, low net worth, and high net worth). The author noted that some previous studies have used family income, but other researchers maintain that a family's financial assets may play a more prominent role in a student's college education than income.

Results

Zhan examined the statistical relationship between educational loans and graduation from college by controlling for the variables mentioned above (including credit card debt). She found that "students with educational loans of $10,000 or above were more likely to graduate from college than those without such loans, but the possibility of their college graduation is not statistically different from that of students with loans of less than $10,000." However, students with "loans of $10,000 or above were less likely to graduate compared to those who

Marvin M. Smith, Ph.D.,
Community Development Economic Advisor

received loans between $5,000 and $10,000 (although the relationship was not statistically significant)." Thus, the author observed "that having educational loans helped increase the probability of college graduation, but heavier loans might not help or may even undercut the chance of graduation."

Additionally, the author estimated the association between credit card debt and graduation (controlling for other variables, including educational loans). She found that the graduation rate of students with credit card debt of $5,000 or more was not statistically different from those with debt of less than $5,000 or no debt. But when Zhan did not control for educational loans, "students with credit card debt of $5,000 or above were more likely to graduate than those without such debt."

The study also revealed that "parental net worth was a strong positive predictor of youth's college graduation." But in order for the positive impact to occur, the family must have a net worth of $50,000 or above. Students whose family's net worth met this threshold "were more than two times more likely to graduate from college compared to the students whose families had negative or zero net worth."

Pennsylvania Legislation Enables Municipalities to Create Land Banks

...continued from page 3

Atlanta, while the second generation of land banking programs emerged in Michigan (2001) and Ohio (2009), he said. Alexander said that Pennsylvania's legislation is comprehensive third-generation legislation and that parallel legislation has been passed in New York (2011),[2] Georgia (2012), and Missouri (2012).[3]

Key Questions
Questions facing communities deciding whether to establish a land bank include:[4]

The new land bank legislation in Pennsylvania is the culmination of a decade of work on the vacant property issue and several years of advocacy on land banks by several organizations, including the Housing Alliance of Pennsylvania and the Philadelphia Association of Community Development Corporations.

- Will your community benefit from a land bank? Is a countywide or regionwide land bank feasible?
- Will the land bank be located in a city agency or will it be a quasi-governmental entity?
- Does your community have an inventory of vacant properties? If not, what is the best way to create and maintain an accurate inventory?
- How will land bank properties be marketed so that they will be transferred quickly to homeowners or developers who have the intention and capacity to redevelop the properties, rather than hold them for speculative purposes? What conditions can be placed on land bank property transfers so that they revert to the land bank if the buyer doesn't redevelop the properties?
- Can the land bank overcome political boundaries and form agreements with municipalities to expedite the tax foreclosure process?

The new land bank legislation in Pennsylvania is the culmination of a decade of work on the vacant property issue and several years of advocacy on land banks by several organizations, including the Housing Alliance of Pennsylvania (Housing Alliance) and the Philadelphia Association of Community Development Corporations (PACDC). The Housing Alliance led a diverse statewide coalition of developers, community development leaders, and local government officials who advocated for enabling legislation.[5]

Cindy Daley, policy director of the Housing Alliance, said that the legislation gives municipalities and counties a planning tool they can use in a regional approach that has maximum impact for strategic acquisition and property reuse. The Housing Alliance is organizing training events in different parts of Pennsylvania on land banks.

Communities Explore Land Banks
Land banks are being actively explored in Philadelphia and Pittsburgh with negotiations underway between the respective mayors' offices, city councils, and housing and redevelopment agencies.

Rick Sauer, executive director of the PACDC, said that it is presently very difficult to acquire all vacant properties on a block for redevelopment, resulting in "gap tooth" development. Philadelphia has about 40,000 vacant properties, of which about 75 percent are privately owned and the remaining balance is owned by the city's Department of Public Property (DPP), the Philadelphia Redevelopment Authority (PRA), the Philadelphia Housing Development Corporation, and the Philadelphia Housing Authority (PHA), according to a report prepared for the PACDC and the PRA.[6] Vacant properties result in an estimated $3.6 billion reduction in property values and over $20 million in city maintenance costs each year, the report stated.

Last year, the city of Philadelphia adopted written policies for the sale and reuse of city-owned properties by the DPP, the PRA, and the Phila-

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[2] The governing body for New York's land banks is the state's Empire State Development agency. See http://www.esd.ny.gov/aboutus.html.
[3] Alexander distinguishes between the generations of land banks in chapter 2 of his book *Land Banks and Land Banking*, which is available at http://tinyurl.com/amm39ts.
[4] Karen Black, May 8 Consulting, contributed to this list of questions.
[5] The Housing Alliance estimates that there are 300,000 vacant properties in Pennsylvania.
[6] See http://tinyurl.com/bdvvcst.

delphia Housing Development Corporation and created a website that lists and maps properties owned by the three entities.[7] The city has designated the PRA as the lead agency for disposition of vacant city-owned properties. Philadelphia's Department of Licenses and Inspections has dedicated additional legal resources to find vacant property owners and has instituted new code enforcement measures for vacant properties.

Sauer said that a Philadelphia land bank should have acquisition and reuse policies that promote a range of reuses for vacant properties. He said, "In neighborhoods with rapidly appreciating housing values, this should include affordable and mixed-income development to promote balanced development that will serve a range of household income levels. On the other hand, a land bank can help create a market in very low-income neighborhoods and support interim uses for vacant properties." Sauer added that a land bank's policies for dealing with vacant properties ought to be "transparent, predictable, and accountable" to neighborhood residents and the public and private sectors.

Meanwhile, one rural community examining how to start a land bank is Venango County, Pennsylvania. Karen Wenner, shared municipal services planner in the county, said that the county could use limited community development block grant funds and build up capital resources, but it would be several years before the bank could be active. The need is great: A 2009 housing market study found that the county had over 4,000 vacant homes. Wenner said that many county residents can't afford to buy houses due to layoffs and declining wages.

For information about land banks, contact Kim Graziani of the Center for Community Progress at 877-542-4842, ext. 159 or kgraziani@communityprogress.net, http://www.communityprogress.net/about-pages-4.php; Cindy Daley at 717-909-2006 or cindy@housingalliancepa.org, http://www.housingalliancepa.org/; Rick Sauer at 215-732-5829 or rsauer@pacdc.org, http://www.pacdc.org/; and Karen Wenner at 814-432-9675 or kwenner@co.venango.pa.us.

Useful resources include www.housingpolicy.org/ and http://www.foreclosure-response.org/.

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[7] See http://phillylandworks.wordpress.com/. Note: The policies and website do not include PHA-owned properties.

POLICY SUMMIT ON HOUSING, HUMAN CAPITAL, AND INEQUALITY

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PHFA Takes Pro-Active Steps in Loan Servicing to Keep Borrowers in Their Homes ...continued from page 1

provides another incentive to avoid foreclosure.

Even though delinquency rates may be higher than the state average in some cases, the agency has been successful in its efforts to keep borrowers in their homes as reflected in its low foreclosure rates. This shows the agency's willingness to work with borrowers and to employ various loss mitigation efforts. Data contrasting the experiences of the PHFA and national and FHA lenders are provided in the table.

Strategies Used by the Agency to Keep Foreclosures Low

The steps taken by the PHFA to help borrowers are not complicated; in fact, many are low-tech and simply involve increased, targeted communications with the customer. The cost to the agency primarily involves staff time, since considerable effort is needed to reach and interact with customers.

The first six months of a home mortgage loan are seen as an important period for preventing bad habits from forming. If a homeowner falls more than 12 days delinquent during the six-month period after the loan closes, the PHFA staff will reach out to the customer prior to the 15th of the month. This is to determine if the missed payment was an oversight or if the homeowner expects to have trouble with future mortgage payments. It is noteworthy to mention that this practice is followed with all mortgage loans that are serviced by the agency.

Customized Communications Get a Response

In addition to personal phone calls, the staff sends letters to get the homeowner's attention. That, in itself, is not unusual, but the agency takes extra steps to try to ensure the correspondence is actually read. The staff acknowledges that some borrowers will be averse to official-looking correspondence in white envelopes with printed addresses. The objective is to avoid a borrower's fear of opening or responding to such correspondence. Too frequently, distressed and delinquent borrowers simply discard official-looking correspondence without even opening it.

Over time, the PHFA staff has adapted its customer outreach approach to address this situation. When attempting to reach unresponsive homeowners, staff members will handwrite addresses and use colored envelopes to avoid a formal business look. Postage is also applied by hand and not processed through the office mail machine. Additionally, the messages inside are handwritten in a friendly, informal tone and address borrowers by their first names. This not only raises the odds that the message will be read, but it also increases the likelihood that the borrower will not be intimidated by the correspondence and will contact us. The goal is to let the borrower know that the staff cannot help them if they ignore the situation.

Lowering Loan Rates Is an Option

In 2003, the agency began lowering a borrower's interest rate as a last resort to avoid foreclosure. This tactic is employed in extreme cases when no other loss mitigation alternative is a viable option. In most cases, the borrower has experienced a life-changing situation, thereby causing his expenses to exceed his income. Each borrower's situation is unique and is therefore reviewed as such. Decisions are based on the borrower's ability to pay, and the goal is to put the borrower back into a positive cash-flow position to avoid a re-default. This approach reflects the PHFA's position that it is better to keep the borrower in his or her home whenever feasible, thereby helping the borrower, as well as his or her local community.

Since 2003, the PHFA has helped nearly 1,100 borrowers who would have otherwise certainly lost their homes to foreclosure. The typical household helped by this program is a family of three with a remaining loan balance of about $70,000. A recent review of these loans shows that 59 percent remain current with payment, 38 percent are delinquent, and 3 percent are in foreclosure.

Extended Repayment Plans for Delinquent Loans

Another practice adopted by the PHFA has been to extend repayment plans over longer terms than are typically found within the industry. Experience has shown that some borrowers need more than the industry standard of six to 18 months to bring their account current. In response to this, and based on the borrower's ability to pay, the PHFA has extended repayment plan terms for as long as 36 months in an effort to avoid foreclosure.

Obviously, not every case can be solved with a lower interest rate, an extended repayment plan, or extensive communications outreach efforts. But by embracing the concept of working with homeowners to seek out viable solutions, the agency

Table: National, State, and Pennsylvania Housing Finance Agency (PHFA) Comparative Delinquency and Foreclosure Report

March 31, 2012

	Number of Loans	30 Days Past Due	60 Days Past Due	90+ Days Past Due	Totals	Loans in Foreclosure
National Conventional	42,843,704	2.81	1.08	3.05	6.94	4.39
State Conventional	1,534,491	3.33	1.17	2.64	7.14	3.76
PHFA Conventional	22,358	4.03	0.64	0.70	5.37	0.82
National FHA	6,716,854	4.23	1.64	5.15	11.02	3.83
State FHA	272,483	4.66	1.60	4.07	10.33	3.03
PHFA FHA	29,358	6.71	1.83	3.45	11.99	1.56

June 30, 2012

	Number of Loans	30 Days Past Due	60 Days Past Due	90+ Days Past Due	Totals	Loans in Foreclosure
National Conventional	42,506,797	3.14	1.17	3.04	7.35	4.27
State Conventional	1,519,958	3.81	1.38	2.66	7.85	3.85
PHFA Conventional	21,395	5.08	1.09	0.94	7.11	0.79
National FHA	6,827,727	4.93	1.84	4.77	11.54	4.23
State FHA	278,171	5.73	2.03	3.89	11.65	3.59
PHFA FHA	29,494	9.33	3.29	4.23	16.85	1.69

September 30, 2012

	Number of Loans	30 Days Past Due	60 Days Past Due	90+ Days Past Due	Totals	Loans in Foreclosure
National Conventional	41,774,048	3.43	1.25	2.96	7.64	4.07
State Conventional	1,512,202	4.07	1.49	2.74	8.30	3.82
PHFA Conventional	22,220	6.13	1.46	1.52	9.11	0.99
National FHA	6,770,134	5.36	1.95	4.45	11.76	4.08
State FHA	280,309	5.99	2.20	4.05	12.24	3.76
PHFA FHA	29,533	9.33	3.28	5.31	17.92	1.89

Source: The PHFA
Comments from the PHFA: The PHFA's conventional and FHA loans have relatively high 30-day past-due levels because the agency was established to serve low- to moderate-income homebuyers purchasing their first homes. Customers at these lower income levels, and with limited homeownership experience, are simply more likely to fall behind on their mortgage payments. The fact that these loans show much better performance after 90 days is a testament to the staff's efforts to inform and educate these customers about the responsibility of homeownership. The PHFA's percentages for conventional and FHA loans have generally risen during the three-month periods for 30/60/90 days past due and loans in foreclosure, as the data indicate. The PHFA believes that this reflects the rise in home loan delinquencies and foreclosures nationally.

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has been able to service its loans in a way that benefits its customers, neighborhoods around the state, and the agency. The end result is an approach to loan servicing that faithfully mirrors our public service mission to help consumers in Pennsylvania find affordable housing solutions.

For information, contact Scott Elliott, director of communications, PHFA, at 717-780-3916 or selliott@PHFA.org; www.phfa.org/about/.

Small Business Lenders Have Opportunities for Collaboration on U.S. Treasury Initiative*

By Keith L. Rolland, Community Development Advisor

Small business lenders may make additional small business loans by working with regional organizations and state economic development agencies in Pennsylvania, New Jersey, and Delaware that are receiving funding under the U.S. Treasury's State Small Business Credit Initiative (SSBCI).

In the three states, the key agencies are the New Jersey Economic Development Authority (EDA), the Pennsylvania Department of Community and Economic Development (DCED), and the Delaware Economic Development Office (DEDO).

The U.S. Treasury generally seeks leverage of 10 to 1 private to public dollars for the use of SSBCI funds.

The SSBCI was funded with $1.5 billion under the Small Business Jobs Act of 2010 to strengthen state programs that leverage private lending to small businesses and manufacturers that are creditworthy but that are not receiving the loans they need to expand and create jobs, according to the U.S. Treasury.

The U.S. Treasury allocation is $33,760,698 in New Jersey, $29,241,232 in Pennsylvania, and $13,368,350 in Delaware. The allocation, which is derived by a formula based on the number of job losses in the states, is disbursed in three tranches. In January 2013, the three states were using funds in the first tranch, although the EDA and the DEDO had applied for funds in the second tranch.

The EDA, the DCED, and the DEDO are using the U.S. Treasury funds in existing programs. In one case, the DEDO is using some of the U.S. Treasury funds in a newly launched participation loan program that it had previously operated.

Lenders retain full control of their underwriting and credit decision-making, subject to the SSBCI's requirements for the use of loan proceeds and borrower eligibility as well as each state program's requirements. Eligible lenders are insured depository institutions and credit unions as well as community development financial institutions.

Financial institution lenders are generally prohibited from refinancing an existing outstanding balance or previously made loan, line of credit, extension of credit, or other debt already on the books of the same financial institution, according to the U.S. Treasury.

The U.S. Treasury funds are transferred to the states and remain there to be reused. However, federal audits are conducted of SSBCI usage in some states, and if the audits find reckless or intentional misuse of funds, the amounts involved might need to be returned.

Interviews with EDA, DCED, and DEDO officials indicated that the agencies did not know how much additional bank lending had resulted from the agencies' use of the U.S. Treasury funds. The U.S. Treasury generally seeks leverage of 10 to 1 private to public dollars for the use of SSBCI funds. Rachael M. Mears, director of capital resources at the DEDO, said that the agency has a short-term goal of 5 to 1 private–public participation and that it hopes to increase that capitalization ratio in the future.

For a chart of the programs in Pennsylvania, New Jersey, and Delaware that are using SSBCI funds, visit http://www.philadelphiafed.org/community-development/publications/cascade/82/ssbci-programs-pa-nj-de.cfm.

SSBCI funds are overseen in the three states by: Lori Matheus, managing director, business development, New Jersey Economic Development Authority, 609-858-6655 or lmatheus@njeda.com; Craig Petrasic, assistant director, Center for Private Financing, Pennsylvania Department of Community and Economic Development, 717-783-1109 or crpetrasic@pa.gov; and Rachael M. Mears, director of capital resources, Delaware Economic Development Office, 302-672-6838 or rachael.mears@state.de.us. For more information, see http://www.treasury.gov/resource-center/sb-programs/Pages/ssbci.aspx.

* The views expressed here are those of the author and do not necessarily represent the views of the Federal Reserve Bank of Philadelphia or the Federal Reserve System.

Community Outlook Survey Provides an Additional Resource for LMI Service Providers*

By Daniel Hochberg, Community Development Senior Research Assistant, Federal Reserve Bank of Philadelphia

In the wake of the recent recession, which culminated in millions of consumers losing their jobs and their homes, the community development offices of the Federal Reserve System determined that it was important to supplement available economic data with information specific to the well-being of low- and moderate-income (LMI) populations. Shortly thereafter, the Federal Reserve Bank of Philadelphia, along with several other Reserve Banks, initiated surveys to monitor the shifting landscape in these vulnerable communities.

In January 2011, the Federal Reserve Bank of Philadelphia launched the Community Outlook Survey (COS)[1] in an effort to assess the economic conditions of LMI populations in the Third Federal Reserve District[2] as well as the organizations that serve them. The surveys are completed by a senior staff member at a broad cross-section of organizations, including social service agencies, community development corporations, housing counseling agencies, food banks, government agencies, and other nonprofits that provide direct services to LMI populations.

Each quarter, leaders of these organizations answer questions on whether conditions affecting their LMI clients have improved, declined, or remained the same relative to the previous quarter. Respondents can also provide supplementary comments specific to their organization. The aggregated responses measure changes in LMI households regarding job availability, availability of affordable housing, financial well-being, and access to credit. Other responses measure LMI service providers' demand for services, capacity to serve clients' needs, and funding.

Third Quarter 2011

COMMUNITY OUTLOOK SURVEY

COMMUNITY DEVELOPMENT STUDIES AND EDUCATION DEPARTMENT

First Quarter 2012

COMMUNITY OUTLOOK SURVEY

COMMUNITY DEVELOPMENT STUDIES AND EDUCATION DEPARTMENT

Service Providers Constrained by Economic Conditions

About the Community Outlook Survey

The Federal Reserve Bank of Philadelphia's Community Outlook Survey monitors the economic factors affecting low- and moderate-income (LMI) households in the Third Federal Reserve District, which includes Delaware, southern New Jersey, and eastern Pennsylvania.

Respondents represent a variety of organizations providing services to LMI populations throughout the District, and the survey is sent to one representative per organization. The survey contains questions about the financial well-being of LMI populations, as well as service providers' capacity to meet their clients' needs. Respondents are asked how selected conditions compare with those in the previous quarter, as well as expectations for the next quarter. The data collected help the Philadelphia Fed further assess the general status of LMI households and assist the Bank in its efforts to encourage community and economic development and promote fair and impartial access to credit. There is some variation in respondents from quarter to quarter, and the data collected represent the opinions of those organizations that responded, not the opinions of all service providers to LMI populations in the Third Federal Reserve District.

First Quarter 2012 Survey Results

In April 2012, the Federal Reserve Bank of Philadelphia polled 63 service providers to evaluate changes in factors affecting LMI populations from the fourth quarter 2011 to the first quarter of 2012. Figure 1 displays the breakdown of the services provided by the organizations surveyed as a percentage of those that responded to the question.

Of the organizations that responded, four out of five provided housing services, while slightly less than 50 percent offered some degree of educational assistance.[1]

Figure 1: Types of Services Provided (*Percentage of Respondents*)

Note: Percentages may not add up to 100 due to rounding
Source: Federal Reserve Bank of Philadelphia

[1] *Respondents were asked to select any services that applied to their organizations. Many selected more than one category.*

COMMUNITY OUTLOOK SURVEY 1

FEDERAL RESERVE BANK OF PHILADELPHIA

Making an Impact

The data collected from the COS can serve as a useful resource for organizations that provide services to LMI populations. The economic indicators may help nonprofits confirm anecdotal evidence and transform these stories into data, which then can be tracked over time.

The respondents' comments are also valuable because they provide service providers with insight into how their peers are most effectively overcoming obstacles such as funding cuts and reductions in staffing. Knowledge of best practices may help avoid loss of time and money.

The COS can also be beneficial to banks and government agencies. Knowledge of the issues facing LMI communities in the region may encourage banks to create new products that are more attractive and effective in meeting the needs of LMI consumers. Similarly, government agencies may use the data to craft programs to cope with changing conditions.

Because the COS is meant to be used as a tool by policymakers, service providers, and other groups, it is essential that the Federal Reserve Bank of Philadelphia receives participation from a diverse group of organizations covering the entire region. High participation enhances the accuracy of the findings. For those who already receive the survey in their e-mail inbox each quarter, please remember that the survey takes only

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* The views expressed here are those of the author and do not necessarily represent the views of the Federal Reserve Bank of Philadelphia or the Federal Reserve System.

[1] To view the most recent survey, visit http://www.philadelphiafed.org/community-development/community-outlook-survey.

[2] The Third Federal Reserve District covers eastern Pennsylvania, southern New Jersey, and Delaware.

Philadelphia Fed's Economic Education Advisor Honored

Andrew T. Hill, economic education advisor and team leader in Community Development Studies and Education, has received an award from the National Association of Economic Educators for service and dedication to excellence and innovation in economic education (upper right) as well as the University of Delaware's Presidential Citation for Outstanding Achievement.

Andrew T. Hill, Ph.D., economic education advisor and team leader in Community Development Studies and Education, has been honored with the:

- Bessie B. Moore Service Award from the National Association of Economic Educators (NAEE) for outstanding service and dedication to excellence and innovation in economic education; and the
- University of Delaware's Presidential Citation for Outstanding Achievement, which honors University of Delaware graduates of the past 20 years who exhibit great promise in their professional career and/or public service activities.

He is the first person to receive this award from the NAEE while serving in a Federal Reserve economic education position.

Hill has a Ph.D. in economics from the University of Delaware. In 2001, he received the University of Delaware Excellence in Teaching award. Before joining the Bank in 2002, he was a visiting assistant professor of economic education at Washington College in Chestertown, MD.

Hill has also held an appointment as an adjunct professor of economics at Temple University since 2009. He served as chair of the Federal Reserve System's economic educators group in 2006 and 2007 and chaired the Philadelphia Fed's Diversity Council in 2010 and 2011. Since 2011, he has served on the writing committee for the National Standards for Personal Financial Literacy and on the Pennsylvania Task Force on Personal Finance and Economic Education. His articles have been published in *Social Education, Social Studies and the Young Learner*, and the *Journal of Consumer Education*.

The Bank's economic education program is engaged in numerous efforts to train teachers and provide curriculum materials, which are available to teachers free of charge at http://www.philadelphiafed.org/education/. Each year, the Philadelphia Fed's economic education staff trains 500 to 700 program participants in numerous teacher-training

programs that are geared toward teaching economics and personal finance in the K-12 classroom.

The Philadelphia Fed's economic education program currently has three major initiatives:

- ***The Federal Reserve and You*, a forthcoming video that includes the purposes and functions of the Federal Reserve System, the history of central banking in the United States, money and banking, monetary policy, the payments system, and the Fed's supervisory and regulatory role.** To order a free DVD or watch the video streaming online, visit www.philadelphiafed.org/the-federal-reserve-and-you. Lesson plans for teachers will also be available.
- **Making Sense of Money and Banking, a five-day course for teachers that covers money, banking, and the Federal Reserve System.** The course emphasizes active- and collaborative-learning teaching methods and curricula for teaching money and banking in the K-12 classroom. Participants receive professional development credit. The course, which is taught by Federal Reserve economists and economic education specialists, will be held on July 15–19, 2013, at the Philadelphia Fed.
- **Keys to Financial Success, a teacher-training program that prepares teachers to teach a 52-lesson high school personal finance course.** The program, which will be offered June 24–28, 2013, at the Philadelphia Fed, is taught by the economic educators from the Philadelphia Fed and from the Delaware Council for Economic Education. In the course, students learn the knowledge, skills, and processes required to make sound financial decisions and manage their personal finances.

For more information on the Philadelphia Fed's economic education program, contact Andrew T. Hill at 215-574-4392 or andrew.hill@phil.frb.org; http://www.philadelphiafed.org/education/.

Community Outlook Survey Provides an Additional Resource for LMI Service Providers

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minutes to complete. If you do not receive the survey and believe you may qualify, register for the survey on the Federal Reserve Bank of Philadelphia's community development web page[3] or send an e-mail to Daniel Hochberg at phil.COSurvey@phil.frb.org.

Survey Findings

In the first two years of the survey, the data depict LMI communities that have faced persistent economic turmoil. Affordable housing availability, financial well-being, and access to credit have decreased for eight consecutive quarters, while job availability has only just begun to experience nominal gains.

Survey data suggest that service providers for LMI populations have struggled to stay afloat in the troubled economy. Reductions in funding, particularly due to cutbacks in government spending, have damaged organizations' ability to assist those in need, and the situation is further exacerbated by steep increases in the demand for their services. While the deterioration of conditions affecting LMI households appears to be slowing, conditions affecting LMI service providers continue to worsen.

Conclusion

Although still in its infancy, the COS should be viewed as a helpful tool to gauge changes in the financial condition of the Third District's LMI communities. By converting qualitative data into quantitative data, the Philadelphia Fed makes the survey valuable to organizations seeking additional sources to influence data-driven funders. The Philadelphia Fed encourages organizations serving LMI people to engage in the survey to further enhance the initiative.

Daniel Hochberg can be contacted at 215-574-3492 or daniel.hochberg@phil.frb.org.

[3] See http://www.philadelphiafed.org/community-development/community-outlook-survey/request-participation.cfm.

Preservation Is Critical*

By Amy B. Lempert, Community Development Advisor and Outreach Coordinator

The preservation of privately owned affordable rental housing units has long been both a goal and a challenge for affordable housing advocates. When affordability restrictions expire, private owners and investors rationally weigh the costs and benefits of selling, renovating, repositioning, or preserving the property. They consider market conditions, tax consequences, and the availability of federal incentives and subsidies, including rental assistance.

In the wake of the recent recession, job loss and home mortgage foreclosures have forced additional households into the rental market. The addition of these former homeowners, along with households who have postponed homeownership due to the uncertainties of the recession, has resulted in higher rents and fewer available units, particularly at the lower end of the market. According to the Census Bureau, national homeownership rates have fallen to 65.4 percent as of the last quarter of 2012, from a high of 69.5 percent in 2004. Homeownership rates are now at their lowest level since 1997.[1]

Additional evidence of pressure on the rental housing market consists of the growing percentage of households that are burdened by the cost of rental housing. "Affordability and Availability of Rental Housing in the Third Federal Reserve District: 2012," published by the Federal Reserve Bank of Philadelphia, found that the percentage of all households that are cost burdened (paying more than 30 percent of their income for rent and utilities) grew from 44 percent to 50 percent from 2005 to 2010.[2] During the same period, the percentage of households that were spending more than 50 percent of their income on rent and utilities (severely cost burdened) increased from 24 percent to 29 percent. As would be expected, cost burden levels were highest for extremely low-income renters but increased more sharply for very low- and low-income renters between 2005 and 2010.[3]

Low Income Housing Tax Credits as a Tool for Preservation

Widely regarded as the largest and most successful program to create affordable rental housing, the low income housing tax credit (LIHTC) was created by the Tax Reform Act of 1986. Since then, the LIHTC program has leveraged more than $75 billion in private investment capital, providing critical financing for the development of more than 2.5 million affordable rental homes.[4] The program annually supports 95,000 jobs and finances approximately 90 percent of all affordable rental housing. In 2010, 50 percent of all multifamily housing starts were financed through the LIHTC program. The program requires that properties that have been awarded tax credits remain affordable for a 15-year compliance period. State qualified allocation plans, or QAPs as these plans are known, are a road map on how a state will award its allocation of LIHTCs.

Preservation of Rental Units in Delaware, Pennsylvania, and New Jersey

By the early 2000s, most state housing finance agencies had begun to develop ways to stimulate or encourage the preservation of LIHTC units. Either by awarding points in the competitive process of allocating credits or by creating set-asides within the plans, states encourage preservation of rental units created by the LIHTC. "For a period in the middle of the decade," says Susan Eliason, director of housing development at the Delaware State Housing Authority (DSHA), "the state of Delaware concentrated our tax credits on preservation projects." Along with existing LIHTC projects, the DSHA allocated its tax credits to properties with older forms of expiring affordability controls, such as project-based Section 8 and FHA-insured developments.[5]

Although the three states in the Philadelphia Fed's District each provide in-

* The views expressed here are those of the author and do not necessarily represent the views of the Federal Reserve Bank of Philadelphia or the Federal Reserve System.

[1] These data are from the U.S. Bureau of the Census.

[2] This report is available at http://www.philadelphiafed.org/community-development/publications/cascade-focus/.

[3] The study defines three strata of lower-income households: extremely low-income renters (with income up to 30 percent of the median family income (MFI)), very low-income renters (31–50 percent of the MFI), and low-income renters (51–80 percent of the MFI).

[4] See the National Council of State Housing Finance Agencies at www.ncsha.org.

[5] According to a study conducted by the National Housing Trust, in 2008–2009 Delaware was one of a handful of states that had set aside more than 50 percent of its LIHTC allocation for preservation projects. See more on the preservation of affordable rental housing at www.nhtinc.org.

centives for the preservation of affordable rental housing through points or a set-aside in their QAP, each state has a somewhat different approach.

In its most recent annual QAPs, including the plan for 2013, the state of Delaware has required that nearly 50 percent of its LIHTC allocation be set aside for preservation of existing low-income housing units.[6]

The 2013 QAP of the Pennsylvania Housing Finance Agency (PHFA) prescribes a per unit cost of rehabilitation, with a floor of $20,000 and cap of $75,000, in order for a project to be eligible as a preservation development. This is the first year that the PHFA has specified these requirements. "If a property needs more than $75,000 per unit in renovation, it looks more like substantial rehabilitation, not preservation," says Holly Glauser, PHFA's director of development. "By keeping the per unit costs within these ranges, we hope to see many of the properties implementing energy-efficiency measures to reduce long-term operating costs."

The New Jersey Housing and Mortgage Finance Agency (NJHMFA) defines an eligible preservation project as "…an existing housing project that is at least 50 percent occupied and is at risk of losing its affordability controls or at risk of losing its level of affordability." In order to qualify for the preservation set-aside, "the proposal must be for the rehabilitation of at least 75 percent of the affordable units and no new construction of units is permitted."

Anne Hamlin, NJHMFA's manager of LIHTCs, explains, "We strive to preserve buildings that are worthwhile candidates for rehabilitation, so we only accept proposals for properties that are currently habitable. At the same time, we recognize that some of the older LIHTC and Section 8 projects originally had very small units, and we will fund a project that reconfigures the building to create larger units with more bedrooms."

In New Jersey, most preservation projects use the 4 percent credit rather than the competitive 9 percent credit. While the 4 percent credit is awarded to eligible projects as of right, subject only to eligibility review, the 4 percent credit yields less equity for the project. With interest on tax-exempt bonds so low at the present time, preservation projects can often support this debt. In Pennsylvania, there is a roughly equal number of projects using 4 percent and 9 percent LIHTCs. In each state, the use of the 4 percent LIHTC depends on the availability of other sources of funds to fill the gap between the 4 percent equity and the tax-exempt debt. With many of those funds drying up, the importance of preserving affordable rental housing is all the more crucial.

For more information, contact Susan Eliason at 302-739-4263 or susane@destatehousing.com, www.destatehousing.com; Holly Glauser at 717-780-3800 or hglauser@phfa.org, www.phfa.org; or Anne Hamlin at 609-278-7400 or ahamlin@njhmfa.state.nj.us, www.nj.gov/dca/hmfa.

[6] Preservation in Delaware's QAP is defined as any LIHTC development that has completed its compliance period and that is in need of substantial rehabilitation or is at risk of losing its affordability.

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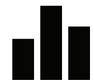

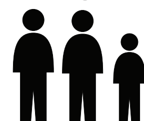

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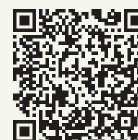

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