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IN COMMUNITY AND ECONOMIC DEVELOPMENT

Looking Beyond Foreclosures

Digital Media: A Pathway to Jobs and Investment in Louisiana

Practicing Economic Development In a New Era

Helping Communities Thrive: An Updated Role for the Fed

Protecting Consumers Through Greater Transparency

VOLUME 20, NUMBER 1, 2010

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VOLUME 20 ▪ NUMBER 1 ▪ 2010

COVER STORY

Looking Beyond Foreclosures:

What's Ahead in Residential Finance and Housing Markets?

Dan Immergluck continues his discussion of the mortgage crisis' ripple effects on home ownership rates, the rental housing market and multifamily housing finance. As the foreclosure trend pushes families towards rental housing, communities and governmental agencies are confronted with fair housing issues and tough financing decisions.

FEATURES

RESEARCH AND OUTREACH: TWO NECESSARY INGREDIENTS FOR EFFECTIVE COMMUNITY AND ECONOMIC DEVELOPMENT

TODD GREENE
Vice President,
Community and Economic
Development and Community
Affairs Officer

Effective and research-influenced community and economic development has never been more important than it is now. Policymakers and practitioners are facing extraordinary challenges developing programs that will respond to a spectrum of pressing issues, including neighborhood stabilization, unemployment and job retraining, and access to credit for businesses. Just as the need for these initiatives has increased, the availability of funding has decreased. This means community and economic development practitioners are learning to do more with less. Useful, credible information about what has worked and what has not worked is critical for the thoughtful use of scarce resources. While research and data do not supply all of the answers, they can help us make informed choices and track the outcomes of these decisions.

In an August 2009 speech (excerpted in this issue), Federal Reserve Governor Daniel K. Tarullo articulated a modern vision of the community affairs function. Moving beyond its roots in addressing the Community Reinvestment Act, the function has evolved to have a stronger focus on community and economic development, including information sharing and forging partnerships, and an increasingly important research and data analysis component. At the same time, outreach into the community and supporting key initiatives help the community affairs function to remain in touch with emerging issues and the daily challenges facing households and small businesses. Balancing outreach and research will be the defining and ongoing challenge of community and economic development divisions throughout the Federal Reserve System and for community and economic development practicioners everywhere.

This is a time of tremendous change, and the community and economic development function must play an important part in navigating the difficult road ahead. Our role as a trusted convener, the ability to leverage the significant research and analysis resources of Federal Reserve experts, and our strong outreach capacity make us uniquely suited to supporting the various constituents of the Sixth District. Moving into 2010, the Atlanta Fed's community and economic development division will be taking up Governor Tarullo's challenge to weave outreach and research together more tightly and more effectively. The Sixth District includes some of the hardest hit states in terms of foreclosure, unemployment, and natural disaster. We will work hard with our partners and System colleagues to bring our best thinking and strategic action to the job of making our region more resilient in the face of the new challenges that will inevitably come.

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LEASING

What's Ahead in Residential Finance and Housing Markets? Looking Beyond Foreclosures

DAN IMMERGLUCK, associate professor at the Georgia Institute of Technology, discusses policy issues arising from the long-term effects of the U.S. mortgage crisis and the larger financial crisis that followed. Part I of this two-part series, which appeared in a previous issue of *Partners*, examined the expanding role of the Federal Housing Administration (FHA) in home finance and the potential implications for affordable and fair housing. Part II considers the implications for homeownership rates, the prospects for rental housing markets, the uncertainties in multifamily housing finance, and alternative tenure options.

Following a period of steady increase from the mid-1990s through the early 2000s, the homeownership rate in the U.S. began dropping during 2005, driven by surging foreclosures. By early 2009, homeownership was down to 67.3 percent, roughly equivalent to the rate in early 2000. This represents a dip of 2.8 percent.[1]

This contraction is significant, but the changes in national homeownership figures mask even larger fluctuations at the metropolitan level. Figure 1 shows changes in metropolitan homeownership rates for a number of cities, including some that saw relatively large declines. While the 2008 third quarter average rate of homeownership for the U.S. as a whole fell by 1.7 percent since third quarter 2005 (from 68.8 to 67.6 percent), the drop in some metro areas was much steeper. For example, in Toledo, the corresponding change was 9.6 percent, and in Riverside, California, it was 8.1 percent. Such disparate changes in homeownership mean that each market will need to develop customized responses through strategies focused not only on rental housing, but also on encouraging new and returning homeownership.

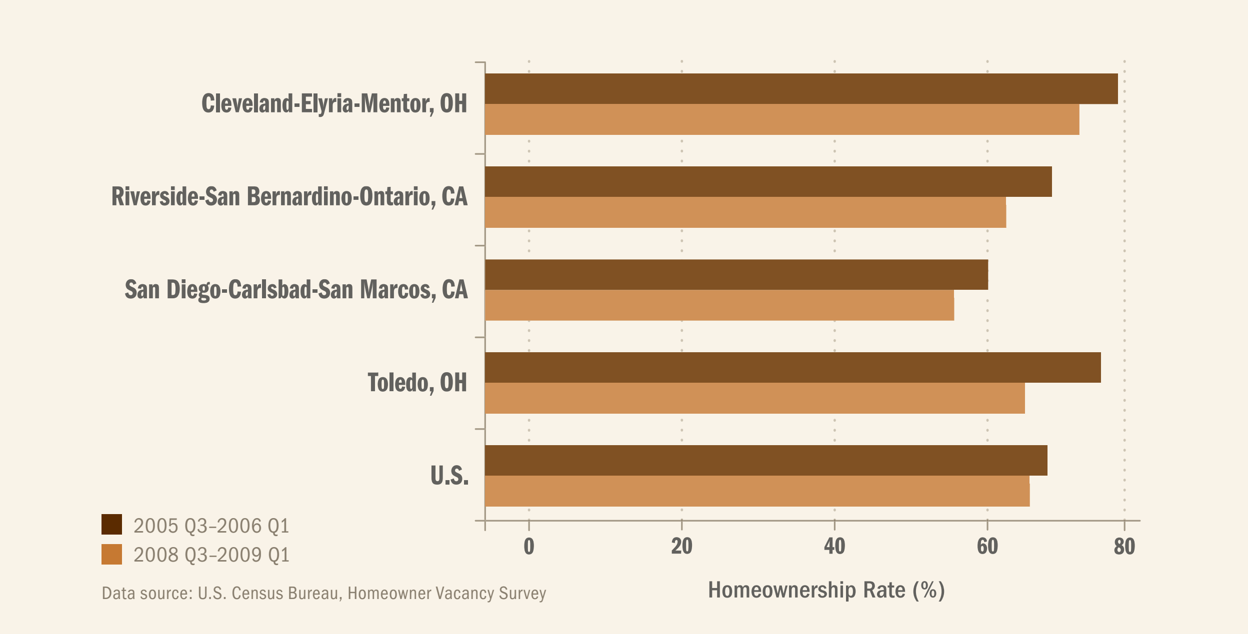
Prospects for Rental Housing Markets

As foreclosures continued and fewer households qualified for a mortgage, the demand for rental housing increased somewhat. If the foreclosure and mortgage crisis had occurred in the absence of the deep economic crisis that followed in its wake, the demand for rental housing would have risen more substantially. However, demand has been dampened as higher unemployment and some slowing in immigration rates have led to fewer young people forming their own households and to other households merging to share household expenses.[2]

Although the demand for rental housing has climbed, the overall demand for apartments in multifamily complexes has generally not. This is because two sources of competitive supply have increased.[3] First, some foreclosed single-family homes are being converted to rental housing. Also, a portion of excess condominium stock is also being converted to rental, creating what some are calling a "shadow" market of multifamily units.[4] As of early 2009, total U.S. demand for multifamily apartments had not kept pace with the total demand for rental housing.

It is important to recognize that although these are highly aggregated and near-term patterns, current problems in multifamily housing finance (discussed below) suggest that the supply of affordable rental units may be constrained over the longer term. Rental markets are also being affected by high levels of affordability mismatch: few units exist at rents that are reasonably affordable to

FIGURE 1. METROPOLITIAN HOMEOWNERSHIP RATES DECLINE OVER THREE-YEAR PERIOD



lower-income households. Rising unemployment is likely to lead to the paradox of higher overall vacancy rates in rental housing, as more people, especially younger singles, will find roommates or live with relatives. Many families will see their incomes drop faster than declines in rents. The rent burden on these families will be driven up substantially, forcing them to live in overcrowded or substandard accommodations or face significant periods of homelessness.

Geographic mismatches further complicate supply and demand for rental housing. The foreclosure crisis has led to substantial concentrations of vacant homes in neighborhoods that have been hit hard by both the foreclosure crisis and the broader recession.[5] Some of these homes are becoming available for rent, but this new supply of rental units may not be located in places best suited to renters' needs with regard to job locations, schooling, and child care issues. Meanwhile, in some communities offering superior access to jobs and good schools, conversion of owner-occupied units to rental housing may occur slowly, especially if condominium or homeownership associations resist such changes.

Another problem is that many very low-income households rely on federal housing choice vouchers (formerly, "Section 8" vouchers), which many landlords do not accept. Resistance to vouchers may be stronger where rental housing has not been prevalent in the past. Not surprisingly, then, housing-voucher users tend to end up disproportionately concentrated in poor and minority neighborhoods.[6]

All of these forces mean that, even in periods when market data suggests an oversupply of rental units overall, significant problems of affordability and geographic mismatches remain when the supply of rental housing is compared to the needs of households requiring affordable rental housing. These mismatches are likely to worsen if problems in multifamily housing finance are not addressed in the near future.

Uncertainties in Multifamily Housing Finance Hinder Development

The shift to somewhat lower homeownership rates is likely to continue. Especially over the longer run, this will lead to a need to rehabilitate and construct more rental housing, including multifamily housing. Over the near to medium term, affordable rental housing will remain scarce in many local markets or submarkets. Despite this evidence of need for rental units, long-term prospects for two important sources of financing multifamily rental housing are uncertain at this point. First, the Low-Income Housing Tax Credit (LIHTC) Program has not fared well during the crisis. Fannie Mae and Freddie Mac were

“...even in periods when market data suggest an oversupply of rental units overall, significant problems of affordability and geographic mismatches remain...”

the largest investors in LIHTC prior to the crisis, but they are no longer engaged in the program. Banks are the second largest group of LIHTC investors. They have typically received credit under the Community Reinvestment Act (CRA) for LIHTC participation. However, this source of demand for credit has also dropped off, due to declining bank profits and recent concerns about how the CRA has been implemented.[7]

The second financing source facing an uncertain future is debt financing provided by government-sponsored enterprises (GSEs). The GSEs have been substantial sources of credit in the multifamily market in recent years, and much of that has taken the form of non-securitized loans held in portfolio. GSE multifamily portfolios grew from $176 billion in 2006 to $286 billion by the first quarter of 2009.[8] However, current policy calls for reducing the GSEs’ loan portfolios significantly, and quite rapidly, in the near future.

Dramatically reducing GSE multifamily portfolios could put significant pressures on the multifamily finance market by limiting the agencies’ ability to provide debt financing. It would restrict accumulation of loans for securitization and prohibit purchase of loans that do not fit the narrow requirements of securitized channels. Multifamily lending differs greatly from the single-family market; it requires more flexibility and more ability to offer customized products. Moreover, the recent crisis has shown that the securitization markets that operate outside of the GSEs can shut down rapidly. Thus, the ability of the GSEs to make portfolio loans—an ability that is now being restricted—improves their “lender of last resort” capacities in times of market stress.

Finally, smaller multifamily properties, especially those in the 5- to 49-unit range, continue to face particular challenges. Properties in this size range are less likely to have favorable, predictable financing.

The 2001 Residential Finance Survey shows that less than 45 percent of properties in the 5- to 19-unit range had fixed-rate loans, compared to more than 65 percent for 1- to 4-unit properties and 70 percent for properties with 50 units or more.[9] These rarely studied properties often provide housing for both the owner and other households, and represent some of the most affordable housing options available to low- and moderate-income families.

Increasing Alternative Affordable Housing Options

One problem that confronts many local housing markets and submarkets is the lack of diversity in housing tenure types and affordability. The housing stock in many middle- and upper-income suburbs is predominantly owner-occupied, and local governments frequently use exclusionary zoning or permitting practices to block or limit the development of rental housing, especially affordable rental housing. Even lower-priced, owner-occupied housing may be restricted within their jurisdictions.[10]

More fundamentally, housing tenure in the U.S. is highly constrained between the option of traditional ownership or rental. Other responsible and affordable tenure options exist in some communities—including community land trusts, limited equity cooperatives, or deed-restrictive ownership—but these options are scarce or nonexistent in most places.[11] These housing choices provide long-term affordability and reduce foreclosure risks, while preserving many of the individual and community benefits of ownership.[12] They also offer the possibility of providing for more affordable housing options in communities that have long resisted rental housing.

More Implications for Affordable and Fair Housing Policy and Practice

Part I of this series examined a possible future in which the Federal Housing Administration (FHA) maintains, or even grows, its 25 percent market share in mortgage lending. This would create a "new normal" that would require broad modernization of the FHA, including institutionalizing antifraud practices. It also called for close attention to fair lending and community reinvestment patterns in light of a changed housing finance landscape.

In Part II, we discuss how the recent trends in homeownership rates, as well as evolving obstacles for multifamily housing finance, present additional concerns. First, the

"...housing tenure in the U.S. is highly constrained between the option of traditional ownership or rental."

shift of many households—including those recently suffering foreclosures—to the rental market indicates a need for stronger fair housing enforcement. The increase in homeownership rates and the geography of housing markets meant that, for a time, minority households gained somewhat better access to a broader array of neighborhoods. The foreclosure crisis rolled back these gains for low-income and minority households, and with homeownership rates now on the decline, these households may confront highly restricted residential choices. Households whose credit histories have been damaged may be particularly hard hit, as many landlords use credit histories to screen tenants. Federal and state agencies responsible for enforcing fair housing law will need to play a strong role in the housing market to mitigate these effects. As an example, states and localities could pursue "source of income protection" ordinances that prohibit landlords from rejecting voucher-holders as tenants.

Second, while the American Recovery and Reinvestment Act's Tax Credit Assistance Program (which provides federal grant funding for capital investment in LIHTC projects) has provided some temporary assistance to address problems in the LIHTC market, the long-term prospects for the program's viability and robustness remain unclear. Federal policymakers will need to address this problem and consider fundamental changes to the program. Moreover, the reliance of the LIHTC program on the GSEs and CRA-motivated investors has proven vulnerable to disruptions in the broader financial markets. Funding the National Housing Trust Fund, which was created by the Housing and Economic Recovery Act of 2008, would provide important help, but the initial size of the Fund may be quite limited and, in the long run, annual appropriations may be a somewhat unreliable funding source. On the credit side, it will be critically important for the GSEs or their successors to retain an ability to maintain some multifamily housing portfolio capacity.

Finally, state and federal policymakers should promote policies that encourage the development of shared-equity housing. Examples include promoting appropriate property tax treatment and adequate financing sources.[13] Regional planning organizations should expressly foster the adoption of comprehensive plans that call for diversifying tenure options as a way of providing sustainable, affordable housing across a wide variety of local jurisdictions. ■

This article was written by Dan Immergluck, Associate Professor, City and Regional Planning, Georgia Institute of Technology. The author thanks Ellen Seidman, Alex Schwartz, and Karen Leone de Nie for comments on an earlier draft of this article. All errors, omissions, and opinions remain solely the author's responsibility.

Notes

1 Given the noisy nature of the data at the metropolitan level (due to limited sample sizes), rates were averaged over three quarters. That is, the mean homeownership rate for the last two quarters of 2005 and the first quarter of 2006 was compared to the mean rate for the last two quarters of 2008 and the first quarter of 2009.

2 Peter Passel, "Recent Trends in Immigration: 1980s to 2009," presentation at University of California at Davis, May 21–22, 2009, http://migration.ucdavis.edu/cf/files/2009-may/passel.pdf. Given the strong correlation between employment and immigration rates, slower immigration levels should be expected as long as unemployment is high.

3 Gleb Nechayev, "Where Have All the Renters Gone?," *About Real Estate* 10 no. 10 (May 14, 2009) (Torto Wheaton Research).

4 Joint Center for Housing Studies, *State of the Nation's Housing 2009*, 2009. Also see E. Harris, "Renters to the Rescue," *New York Times*, July 26, 2009, http://www.nytimes.com/2009/07/26/realestate/26cov.html (accessed July 27, 2009).

5 Dan Immergluck, "Intrametropolitan Patterns of Foreclosed Homes: ZIP-Code-Level Distributions of Real-Estate-Owned (REO) Properties during the U.S. Mortgage Crisis," Federal Reserve Bank of Atlanta Community Affairs discussion paper 01-09, April 21, 2009, http://www.frbatlanta.org/filelegacydocs/dp_0109.pdf.

6 In 2005, only 25 percent of voucher holders were located in low-poverty (<10 percent poverty rate) census tracts, compared to 39 percent of all renting households. Kirk McClure, "The Low-Income Housing Tax Credit Program Goes Mainstream and Moves to the Suburbs," *Housing Policy Debate* 17, 419–46, http://www.mi.vt.edu/data/files/hpd%2017(3)/hpd_1703_mcclure.pdf.

7 For the twenty-five largest banking organizations (which would be expected to comprise a very large share of bank and thrift investments in LIHTCs), the share of CRA ratings that were "outstanding" increased from approximately 40 percent in 2000–01 to more than 70 percent by 2007. R. Avery, M. Courchane, and P. Zorn, "The CRA within a Changing Financial Landscape," in *Revisiting the CRA: Perspectives on the Future of the Community Reinvestment Act* (Federal Reserve Banks of Boston and San Francisco, 2009). Attributing such a rapid gain entirely to increased or improved community reinvestment activities by these institutions—especially during a time when subprime lender market share was growing rapidly—seems implausible. Paul Weech has argued that, in recent years, banks and thrifts have been increasingly unwilling to provide community development financial institutions with "concessionary" funds (i.e., low-interest loans or equity-equivalent investments). He attributes this partly to weaker CRA enforcement, suggesting that "it is not too much of a stretch to characterize the last several years, even before the financial crisis, as one of relatively lax CRA enforcement." See Paul Weech, "Observations on the Effects of the Financial Crisis and Economic Downturn on the Community Development Finance Sector," in *The Economic Crisis and Community Development Finance: An Industry Assessment*, May 2009 Working Paper 2009-05, ed. Mark Pinsky, Nancy Andrews, and Paul Weech (Federal Reserve Bank of San Francisco Community Development Investment Center, 2009).

8 James B. Lockhart, "Stabilizing the Mortgage Market," presentation to the Urban Land Institute, May 7, 2009.

9 Joint Center for Housing Studies, *State of the Nation's Housing 2009*, 2009, http://www.jchs.harvard.edu/son/index.htm.

10 See, for example, G. Squires and C. Kubrin, "Privileged Places: Race, Uneven Development and the Geography of Opportunity in Urban America," *Urban Studies* 42 (2005): 47–68; and J. Rothwell and D. Massey, "The Effect of Density Zoning on Racial Segregation in U.S. Urban Areas," *Urban Affairs Review* 44 (2009): 779–806.

11 At the same time, state and local policymakers should be careful to monitor other forms of hybrid tenure or financing schemes that may frequently be structured in ways that are not beneficial to households or communities. Chief among these are unregulated lease-purchase arrangements and land contract financing schemes, both of which can be used by unscrupulous property investors to extract wealth from vulnerable households. Such schemes can also lead to destabilizing effects on neighborhoods.

12 A survey of approximately 60 percent of community land trust property owners in the U.S. by the Lincoln Institute of Land Policy showed a foreclosure rate of 0.52 percent at the end of 2008. See "Survey Finds Low Foreclosure Rates in Community Land Trusts," Lincoln Institute of Land Policy, http://atlincolnhouse.typepad.com/pressroom/2009/03/survey-finds-low-foreclosure-rates-in-community-land-trusts.html (accessed March 19, 2009).

13 Another important example is to make mortgage financing programs easier to use for shared-equity ownership. For example, the Community Land Trust Network has argued for modifying FHA rules to make the program more useable for community land trust home purchase loans. Given the growing importance of the FHA, such a policy could be very important. See http://www.cltnetwork.org/index.php?fuseaction=Blog.dspBlogPost&postID=223.

Digital Media: A Pathway to Jobs and Investment in Louisiana

WHAT DOES WATCHING A DOWNLOADED DVD HAVE IN COMMON WITH VIDEO CONFERENCING OR COMPLETING AN ONLINE ETHICS COURSE? THEY ARE ALL EXAMPLES OF DIGITAL MEDIA—AND THE STATE OF LOUISIANA IS CREATING PROMISING AVENUES FOR ENTREPRENEURSHIP AND JOB GROWTH THROUGH TAX CREDITS, PUBLIC-PRIVATE PARTNERSHIPS, AND INVESTMENTS IN INFRASTRUCTURE.

In 2005, Louisiana's legislature passed the Digital Interactive Media Act (DIMA) to grow and develop the state's video game industry. A recent study commissioned by the Louisiana Department of Economic Development[1] found that every $1 of tax credit invested in digital media in 2007 reaped $8.69 in direct and indirect economic benefits. Economic Research Associates, experts in the field of digital media, report that the production of a single video game can take from three to five years, creating up to 35 jobs in a small company and 250 jobs in a large company. They estimate that, by 2009, over 250,000 jobs nationally will be supported by digital media applications. The video game industry also brings significant overlap with entertainment and "edutainment" industries: think of SimCity's gaming application to teach students about urban planning. These projects require talent in graphic design, programming, and game design, as well as game testers and sound engineers. The industry also calls for legal expertise, advertising and marketing consultants, and business development managers.

In Louisiana, the digital media industry has enjoyed an annual average growth rate of 9 percent since 2001, compared to 0.4 percent nationwide. On average, digital media companies in Louisiana employ six workers, and in 2007, their paychecks exceeded $50,000. This salary represents a higher-than-usual wage in a state where the median annual household income that year was $42,900.[2]

Turbosquid—a New Orleans-based business that functions as a virtual marketplace for the sale of 3D products—provides an example of how tax incentives can support a new business. Turbosquid boasts the largest library of 3D products for sale in the world, providing not only cost savings for the production of digital media applications but also a venue for artists to sell their products. CEO Matt Wisdom says, "The [digital media] tax credits will enable us to expand our efforts in new markets that we wouldn't have attempted otherwise, such as expand hours or add new positions."

Public-Private Partnerships Complement Tax Credits

While the strategic use of tax credits plays an important role in any state's economic development tool kit, a well-trained workforce and appropriate physical infrastructure are also critical. Louisiana has engaged the university, public, and private sectors to supply these elements. Louisiana State University in Baton Rouge recently sealed an agreement with EA Sports, a leading producer of sports video games, to develop a new testing facility for video gaming. GNO Inc., the economic development organization for the 12-parish region that includes New Orleans and surrounding areas, is working with local educators and workforce developers to create an education and training curriculum at Delgado Community College and Loyola University that will prepare students for careers in digital media.

In Shreveport, a $300 million redevelopment of the Municipal Auditorium will include a $15 million Creative Center for Digital Media. Already known as a popular set location for movies, the area is expanding its role by leveraging higher education and business venture opportunities in music, animation, filmmaking, and biological research database development.

State Investment in Infrastructure Supports Cutting Edge Work

These public/private partnerships have benefited greatly from the Louisiana Optical Network Initiative (LONI) started by former Governor Blanco's administration. LONI is a 10-year, $40 million investment in the state's major universities, providing ultra high-speed Internet access for participating research institutions. Access to this high-performance optical network allows Louisiana's scientists to collaborate with researchers across the country and around the world.

The U.S. Air Force is a partner in the Cyber Innovations Center, a $107 million research park located adjacent to Barksdale Air Force Base in Bossier City, Louisiana. This state-of-the-art center will work with the Air Force, universities, and private companies to develop cyber-infrastructure to secure the nation's nuclear arsenal from cyber-attack. The crossover applications into the private sector hold unlimited possibilities; and the cluster effect, combined with investments in human capital and the physical park structure, has the potential to transform the state's stature in technology industries.

Louisiana's Pro-business Climate is Starting to Draw Attention

Forward-thinking capital investors have started to take notice of Louisiana's pro-business climate. Louisiana Ventures, LP 2000 (Louisiana Ventures) manages a $36 million portfolio of seed capital and specializes in digital media applications such as healthcare and life science ventures. Ross Barrett, managing partner at the firm, says Louisiana used to be a "fly-over" state for capital markets. But as he and his partners took a deeper look, they discovered a more favorable business climate.

"First capital is the hardest capital to get, and every dollar is critically important to successfully launching a business," says Barrett. "But there are more opportunities now than ever to start technology-based businesses. The cost for building these businesses has gone down dramatically, and the up-to-25 percent cash infusion from Louisiana's tax credits makes it that much easier to raise capital."

Barrett also singles out the critical role that incubators play in enabling businesses to hatch by "fostering a culture of innovation and entrepreneurship." In Louisiana, two publicly supported facilities, the Louisiana Emergency Tech Center in Baton Rouge and BioSpace One in Shreveport, as well as private facilities such as LaunchPad in New Orleans, provide new businesses with features like short-term rentals, back office and concierge services, and the synergy that grows out of interacting with like-minded entrepreneurs.

Digital media is poised to become an employment generator in Louisiana, one that provides higher wages and leverages key infrastructure investments. ■

This article was written by Nancy Montoya, senior regional community development manager in the Atlanta Fed's New Orleans branch.

Notes

[1] *Project Report: Louisiana Motion Picture, Sound Recording and Digital Media Industries*, Economics Research Associates, February 2009, ERA Project No. 18014.

[2] "Project Report: Louisiana Motion Picture, Sound Recording and Digital Media Industries."

DIGITAL INTERACTIVE MEDIA TAX CREDITS AND PRODUCTION INCENTIVES

25%

transferable tax credit for total in-state expenditures related to the production of digital interactive media

10%

additional credit for Louisiana resident labor.

NO MINIMUM INVESTMENT TO QUALIFY

NO ANNUAL CAP ON TAX CREDITS

THE TAX CREDIT CAN BE SOLD OR APPLIED AGAINST LOUISIANA TAX LIABILITY.

SOURCES:
Louisiana Office of Entertainment Industry Development, *www.LouisianaEntertainment.gov*

PARTNERS
Q&A

Practicing Economic Development In a New Era

Dr. Ed Blakely

Dr. Nancey Green Leigh

In 2009, Dr. Ed Blakely, professor of Urban Policy in the United States Study Centre at the University of Sydney, Australia, and Dr. Nancey Green Leigh, professor of City and Regional Planning at the Georgia Institute of Technology, released the fourth edition of *Planning Local Economic Development: Theory and Practice*. This new edition explores how climate change and goals of sustainability influence the practice of local economic development. Todd Greene, Vice President for Community and Economic Development at the Federal Reserve Bank of Atlanta, interviewed the authors about some of the challenges and opportunities facing economic developers in changing times.

TODD GREENE: *Planning Local Economic Development: Theory and Practice* is now in its fourth edition. How does this edition build on and add to the previous ones?

DR. BLAKELY: Each edition has focused on something slightly different. The first edition (1989) was focused on local development, i.e., what do you have in your local community that you can [use to] make a difference? The second edition (1994) focused on the places where technology was emerging. The third edition (2002) had a greater focus on globalization. And this fourth edition is more on sustainability, and we're wrapping in the other three terms. So, the sequence becomes, "What do you have locally that you can produce?"; then "How is your community changing to adapt to the global circumstances?"; and then, "Are you connected globally, and how can you sustain this connection over time while maintaining an environmentally rich community?"

GREENE: How have practical strategies in economic development changed? What trends and best practices have you observed?

DR. LEIGH: It is well documented that the work of economic developers has largely been marketing and providing incentives to attract new business. But there is growing appreciation of the need to retain existing business, to support the development of new local businesses (sometimes called "economic gardening"), and to pursue job-centered economic development. Of course, the emerging green economy is providing exciting new opportunities upon which the most successful communities will figure out how to capitalize. This can range from being the producers of new energy-saving technology and products (wind turbines, solar panels, or green-building products are most familiar), to fostering urban agriculture and waste-to-profit networks.

GREENE: Economic development projects frequently run into conflict with communities. How can economic developers better respond to communities, especially low- and moderate-income communities?

DR. BLAKELY: Sometimes, economic development activity comes as a surprise to the community, and that shouldn't happen. There should be consistent education, training, and development of people in the community about economic development options. Community developers should work with residents to say, “Here are the options we have in our community, and here’s some of the language of economic development.” Local communities should have a list of needs and wants. Most of the time, their requests are very modest: they want a street light fixed, or they want their bus stop redone, or they would like some job training for people in the community.

DR. LEIGH: Community development also focuses on issues that affect overall participation and functioning in the economy—critical issues such as child and health care, housing, education and essential public services. In the fourth edition of *Planning Local Economic Development*, we include a discussion on the practice of community economic development that focuses on the neighborhood scale, seeking to improve conditions within a geographic area that is populated by the disadvantaged who are unable to control their socioeconomic direction or resources.

GREENE: How are federal and state policies that impact local jurisdictions changing? Do you see this is as a cyclical phenomenon, or are economic developers entering a new era?

DR. BLAKELY: Economic development practitioners are entering a new era for certain. We’re competing with the world. Federal, state, and local policymakers have to be on the same page. What is our offer? And it has to be an offer that provides better infrastructure than others around the globe—both human infrastructure in the form of highly skilled people and physical infrastructure, such as better connectivity, better bandwidth, and so on, and also a more livable community.

GREENE: Your book looks at the shift in the definition of economic development from wealth creation to a socially just, sustainable improvement in quality of life. Please explain that shift and what have been the consequences for low- and moderate-income communities.

DR. LEIGH: The re-definition of economic development has been spurred by the growing inequality between peoples and places that has taken place over the last three decades in the U.S. This growing inequality has been, in many ways, a failure of economic development leadership to provide skilled labor for advanced industries, to support entrepreneurs who create new jobs and might grow into large local firms, or to make sure that the cost of providing economic incentives does not undermine a community’s ability to provide quality schools and infrastructure.

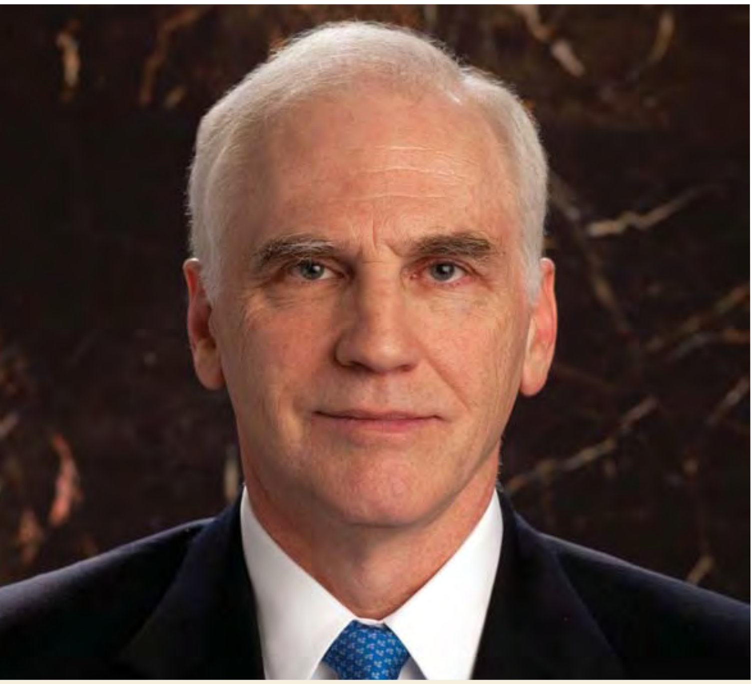
Until low- and moderate-income communities were “sucker-punched” by the global recession, they were becoming much more sophisticated about the kinds of economic development they wanted. They were monitoring inequality trends, and bargaining for good jobs and other community benefits when economic incentives were being handed out. As we come out of the recession, these kinds of activities will be even more important given the tragedy of the sub-prime mortgage crisis for low- and moderate-income communities, which has undone years of successful revitalization efforts. It is even more imperative that equity and sustainability undergird economic development policy and practice.

GREENE: As the country struggles out of the recession, how can economic developers support sustainable recovery?

DR. LEIGH: The best economic developers try to position their communities for different economic scenarios. They understand the need for a diversified economy and should work to the best of their abilities to support that. There has to be a political will that supports strategic economic development plans that will cushion citizens from the effects of what are now global, not just national, recessions.

DR. BLAKELY: As we come out of this global recession all places have to go back to the basics. How much real estate development do we need in a community? How much incubation of new firms and industries? How can we put the right sets of firms and industries together, and put them in the right spaces? We’re now talking about re-industrialization. In a globalized era, what kinds of things can we make that would serve people in foreign countries? Today’s local economic developers are not just attracting industries—they’re helping to create new ones. ■

Helping Communities Thrive: An Updated Role for the Fed



REMARKS BY FED GOVERNOR DANIEL K. TARULLO

Excerpts from the Interagency Community Affairs Conference, Arlington, Virginia

August 25, 2009

Building Out the Community Affairs Function

When the community affairs program was established in the Federal Reserve System, its principal mission was facilitating regulatory compliance under the Community Reinvestment Act (CRA). As those of you in this room well know, the CRA does not stipulate minimum levels of lending, investments, or services by financial institutions. Rather, the law begins with the general obligation of financial institutions to help meet the credit needs of their communities, including low- and moderate-income parts of those communities, consistent with safe and sound banking practices. It then requires that we, as regulators, evaluate financial institutions' performance in meeting those credit needs and to consider that performance, as reflected in individual institutions' CRA ratings, when reviewing applications for mergers, acquisitions, and branches.

The 1977 enactment of the CRA thus created a novel approach to, and a novel set of incentives for, promoting interaction between lenders and community organizations. In light of early experience with this innovative statutory regime, the Board [of Governors] in 1984 mandated that each Reserve Bank appoint a community affairs officer to help financial institutions understand the law's requirements. The community affairs officers serve as conduits for information to facilitate relationships between bankers and community organizations and to help them develop new approaches to meeting local credit needs.

The community affairs function at the Federal Reserve has grown considerably over time and now includes sharing information and forging partnerships to promote community development, as well as an increasingly important research and data analysis component. This evolution responded directly to needs identified by community affairs staff as important for achieving the goals that motivated CRA in the first place.

Information-Sharing: Expanding to Address Consumers Directly

The most basic extension of community affairs work beyond CRA compliance has probably been in the area of information-sharing. At the Federal Reserve, community affairs has developed channels for information-sharing among practitioners and policymakers on what works and, perhaps as important, what does not work in addressing issues in low- and moderate-income communities. In addition to offering newsletters and other publications, Reserve Bank activities include sponsoring or participating in conferences, meetings, and other forums designed to bring experts together to address emerging community development issues.

Traditionally, community affairs has aimed its information-sharing activities primarily at community groups that assist borrowers, such as homeownership- and credit-counseling organizations. In light of the growing problem of scam artists preying on homeowners in distress by offering help with foreclosures, community affairs concluded that it needed to reach consumers directly. As a result, the Federal Reserve developed a multi-pronged, systemwide public-information campaign to combat these foreclosure-rescue scams, which seek to make a quick profit by charging fees or collecting mortgage payments without passing them on to the lender.

One element of the public information campaign was a public service announcement (PSA) developed by the Board that ran in movie theaters in markets hit hard by foreclosures. The PSA refers viewers to the Federal Reserve's Web site for information on how to avoid foreclosure scams. To leverage this information further, the Reserve Banks conducted local marketing efforts, in many cases tailoring the message so as to promote local scam-prevention resources. They also offered technical assistance to local and regional nonprofits, banks, and task forces.

Forging Partnerships, Promoting Community Development

The forging of partnerships to promote access to credit in low- and moderate-income communities is in some sense a natural extension of the information-sharing role I have just described. An effective partnership of community actors can be a self-sustaining source of knowledge dissemination and creation. The Federal Reserve has taken advantage of the presence of community affairs staff at each of its twelve Reserve Banks and their twenty-four branch offices to forge local partnerships aimed at promoting access to credit in low- and moderate-income communities.

These partnerships have covered a variety of subjects, including microfinance lending coalitions and "bank on" initiatives to promote the availability of basic financial services to the unbanked. Some partnerships have involved the Internal Revenue Service and local governments in an effort to increase the use of such programs as the Earned Income Tax Credit (EITC).

Research and Data Analysis: Room for Growth

Nearly every Reserve Bank has added analytical capacity to complement the outreach and publications work of its community affairs staff. As a result, we have been able to provide reliable information on foreclosure trends in low- and moderate-income areas. Community affairs offices across the country have been disseminating foreclosure data to local community groups, counseling agencies, financial institutions, and others working to help troubled borrowers and communities.

While the analysis of foreclosure data has been useful, the mortgage crisis has revealed the dearth of systematic information on other housing-related issues such as loan modifications, the disposition of real-estate-owned (REO) property, and neighborhood stabilization. These data gaps continue to hinder our collective ability as a government to respond most effectively to the high rates of foreclosure in low- and moderate-income communities.

Challenges for the Future

I have been impressed by the range of community affairs activities already under way at the Federal Reserve. But, economic conditions in low- and moderate-income communities are likely to be especially challenging for some time to come. Our agencies can do more, particularly in increasing the range and quality of information available to policymakers.

First, community affairs should evaluate ways to provide policymakers with regular, standardized information on low- and moderate-income communities. As I have described, the community affairs function generates valuable information in each of the Reserve Bank districts. The challenge is to provide that information to policymakers in a timely way and in a form that allows comparison over time and across different geographic areas. This is an obvious challenge, …[but] effective policy will most readily be developed where illuminating anecdotal or local information is supplemented with a system of data collection and analysis.

Second, we need to work on institutionalizing the channels through which useful information flows between community affairs staff and the other parts of our organizations. Information is most useful when it is shared and analyzed. More efficient communication across functions should further the supervisory, enforcement, and research missions of our institutions, as well as the effectiveness of community affairs itself.

Third, community affairs, like most parts of most organizations, could profit from broadening its sources of information and perspective—in organizational jargon, to redouble outreach efforts. Outreach to community and consumer groups has long been a focus of the Federal Reserve and other regulatory agencies' community affairs functions. There is a tendency in most organizations to fall into the habit of consulting with the same groups of actors each time a new issue arises. But even the best-informed and most reliable of outside groups do not have a monopoly on relevant knowledge. Giving others a voice can improve the quality and fairness of our policies.

Conclusion

Low- and moderate-income communities are always especially vulnerable to economic downturns compared with more affluent areas, and are typically slower to recover. The severe recession through which our country suffered in 2008 and that continued into this year has had an even greater impact on these communities, because subprime mortgages had become so prominent in recent years and defaults have consequently been so elevated.

Yet I hardly need to tell you that your work has never been more important. It is precisely because this crisis has had a disproportionate effect on the communities you serve that I attach such importance to your mission—to help those who live in these communities rebuild their finances and their lives through access to responsible credit and appropriate financial services. All of our agencies need to innovate and cooperate. We must exchange ideas among ourselves even as we facilitate information-sharing among community development groups.

Let me close by thanking you for all the work you have done in the past and ask…that you achieve even more in the future. ■

Leadership Changes to Fed's Community and Economic Development Function

JUAN SANCHEZ STEPS DOWN AS COMMUNITY AFFAIRS OFFICER

After eight years as Community Affairs Officer (CAO), Juan Sanchez will be taking on a new role in the Atlanta Fed's Supervision and Regulation (S&R) division. As a senior officer, he will be helping to set the strategic direction for S&R to ensure its efficient and effective functioning into the future. Juan first worked for the Atlanta Fed from 1998 to 1999 in the Miami Branch, and returned in 2002. As CAO, Juan worked to build a strong community affairs division with programs and products that included a Community Development Finance curriculum for bankers and examiners, production of a foreclosure prevention DVD, and contributions to research on financial issues connected to the immigrant population.

Juan Sanchez

COMMUNITY & ECONOMIC DEVELOPMENT DIRECTOR WAYNE SMITH RETIRES

Wayne Smith, Community & Economic Development Director since 1999, retired in October 2009 from the Federal Reserve Bank of Atlanta, ending a 28-year career. Wayne began in his Federal Reserve career as an Applications Analyst. As a director, he strove to nurture team spirit and support for the function's work, which he viewed as a kind of mission.

Wayne Smith

Protecting Consumers Through Greater Transparency

THE FED ISSUES NEW RULES ON CREDIT, DEBIT, AND GIFT CARDS

Issuers of credit, debit, and gift cards will face new regulations from the Federal Reserve, spelled out in rules finalized in late 2009 and early 2010. The regulations came in response to the Credit Card Accountability Responsibility and Disclosure Act of 2009 (Credit CARD Act of 2009) signed into law in May 2009. While some provisions of the Credit CARD Act went into effect in August of last year, others will not apply until February and August of 2010.

In a time of historic unemployment, underemployment, and recession, consumers are struggling to dig out from under the credit card debt accumulated during better times. Changes in interest rates and penalty charges can have a significant impact on overall debt. According to an October 2009 report from the Pew Health Group, the median interest rate advertised on credit cards issued by the twelve top banks ranges from 12.24 percent to 17.99 percent. This is up significantly from December 2008, when rates were between 9.99 percent and 15.99 percent. Currently, the median penalty interest rate on these cards is 28.99 percent—a rate that can add from $110 to $168 annually for every $1,000 borrowed.[1] The Fed's regulations on credit cards address a range of issues, including allowing consumers to opt out of interest rate increases, prohibiting issuers from charging overdraft fees, in most circumstances, and requiring them to apply payments to the balances with the highest interest rate first.

Debit Cards

Debit cards, which pay for purchases from a linked checking account, have become an increasingly popular budgeting tool. According to the November 2009 Nilson Report, spending on debit cards accounted for nearly 59 percent of purchases made with plastic in 2008.[2] However, their value as a convenient replacement for cash is undermined if the user incurs unexpected overdraft charges. Today's debit card users are typically enrolled in a default overdraft program, through which banks automatically pay for transactions, even if the transaction would send the account below zero. The bank then charges a fee for paying the overdraft, and sometimes an additional fee for each day the customer has a negative balance. The overdraft fee may substantially exceed the amount overdrawn.[3]

Gift Cards

Gift cards have become so ubiquitous that recent publications have dubbed them the "new fruitcake."[4] The 24th Annual Holiday Survey conducted by Deloitte indicated that gift cards will be the number one present for the sixth consecutive year, with 64 percent of consumers saying they will give or receive them. In November 2009, the National Retail Federation predicted that total spending on gift cards would reach $23.6 billion.[5] There are two types of gift cards:

store branded and general purpose. Store-branded cards are, as the name suggests, only accepted at specific affiliated retailers, while general-purpose gift cards can be used at multiple, unaffiliated retailers. General-purpose cards, typically issued by banks, are branded with familiar names such as Visa or MasterCard. These general-purpose cards typically charge a fee for the initial purchase, which can range from $3.95 to $6.95. Some also carry monthly fees, up to $4.95, after six to twelve months.[6] Some of the pitfalls associated with gift cards are dormancy fees, unclear expiration dates, monthly maintenance fees, loss of total value if the retailer goes out of business, and limits on use. Moreover, some retailers won't let you use a card unless the remaining balance is enough to cover your entire purchase. The table below describes aspects of the Credit Card Act of 2009 designed to protect consumers.

TABLE 1. HIGHLIGHTS FROM THE CREDIT CARD ACT OF 2009

CREDIT CARDS	DEBIT CARDS	GIFT CARDS
▪ Requires banks to mail bills 21 days before the due date and give a 45-day notice of changes in APRs, fees, and other key terms. ▪ Allows consumers to opt out of certain fee increases. ▪ Restricts interest rate increases during the first year after the account is opened. ▪ Generally prohibits rate increases on existing balances unless you are 60 days overdue. ▪ In some cases, gives you the right to revert to an older, lower interest rate after making six consecutive on-time payments. ▪ Prohibits banks from charging over-limit fees, unless you sign up to be allowed to exceed your credit limit. ▪ Restricts cards for people under 21 without an older co-signer, or income or assets sufficient to make payments. ▪ Generally requires banks to apply payments to the balances with the highest interest rate first.	▪ Consumers must opt in to their bank's overdraft service for ATM and one-time debit card transactions, before overdraft fees may be assessed. ▪ Provides consumers an ongoing right to revoke consent. ▪ The opt-in right applies to all consumers, including existing account holders. ▪ Prohibits financial institutions from tying the payment of overdrafts for checks and other transactions to the consumer opting into the overdraft service. ▪ Consumers who do not opt in must receive the same account terms, conditions and features, including price, as consumers who do opt in.	▪ Applies to gift certificates, store gift cards, and general-use prepaid cards, including retail gift cards and network branded gift cards. ▪ Does not apply to other types of prepaid cards, including reloadable prepaid cards that are not marketed or labeled as a gift card or gift certificate. ▪ Limits imposition of dormancy, inactivity, or service fees and requires disclosures regarding these fees. ▪ Generally prohibits the sale or issuance of a gift certificate, store gift card, or general-use prepaid card that has an expiration date of less than five years after the date a certificate or card is issued or the date funds are last loaded.

Sources: www.consumerreports.org, www.federalreserve.gov

For more information on what these new rules mean for consumers, visit http://www.federalreserve.gov/consumerinfo/wyntk/creditcardrules.htm.

Notes

1 *Still Waiting: "Unfair and Deceptive" Credit Card Practices Continue as Americans Wait for New Reforms to Take Effect* (The Pew Health Group, October 2009), p. 9, http://www.pewtrusts.org/uploadedFiles/wwwpewtrustsorg/Reports/Credit_Cards/Pew_Credit_Cards_Oct09_Final.pdf.

2 *The Nilson Report* 938 (December 2009): 1.

3 *Debit Card Danger: Banks Offer Little Warning and Few Choices as Customers Pay a High Price for Debit Card Overdrafts* (Center for Responsible Lending, January 2007), p.5, http://www.responsiblelending.org/overdraft-loans/research-analysis/Debit-Card-Danger-report.pdf.

4 See, for example, Tanya Irwin, "Report: Gift Cards Are The New Fruitcake," *Marketing Daily* (November 30, 2009), http://www.mediapost.com/publications/?fa=Articles.showArticle&art_aid=118054.

5 *National Retail Federation 2009 Holiday Consumer Intentions and Actions Survey* (BIGresearch: November 2009), http://www.bigresearch.com/news/bignrf111909.htm.

6 Consumer Federation of America, *How to Purchase and Use Gift Cards*, http://www.consumerfed.org/elements/www.consumerfed.org/file/gift%20card%20advocacy%20brochure%20final.pdf.

The Recap: A Source of Creative Approaches to Current Issues

Research and analysis highlighted in "The Recap" feature work from the Federal Reserve System, academic institutions, think tanks, and regulators. These reports address a wide range of current issues in community and economic development, including the implications of the recent recession for various demographic groups, policy directions for affordable multifamily housing, and trends in new business startups and green development. "The Recap" is not intended to be a comprehensive literature review but rather a point of departure for further reading.

Housing

Innovative Ideas for Revitalizing the LIHTC Market. Ian Galloway, Joseph Flatley, Shekar Narasimhan, Buzz Roberts, Debra Schwartz, and John Wuest. Board of Governors of the Federal Reserve System and the Federal Reserve Bank of St. Louis, November 2009.

This collection of six articles presents strategies for revitalizing the Low Income Housing Tax Credit (LIHTC) market, a critical financing tool for affordable rental housing construction: 1) A strong base of small and local LIHTC investors can increase the resiliency of investment funds. 2) Revisions to the Community Reinvestment Act could allow financial institutions to invest more broadly and receive CRA credit. 3) The federal government could co-invest with private investors to increase the flow of capital. 4) Loosening restrictions on individual investors could encourage a wider array of investors. 5) Creation of a secondary market for LIHTCs could stabilize pricing, attract short-term investors, and spread risk over diversified portfolios. 6) An enhanced structure for LIHTC preservation projects would create equity while providing returns to a tier of investors.

Organizational Capital: A New Approach to Lending in Nonprofit Affordable Housing. Rose Lindsay Finkenstaedt, NeighborWorks America. The Edward M. Gramlich Fellowship for Community and Economic Development, November 2009.

Organizational Capital provides a broad overview of the current affordable housing financing system, which it claims focuses more on the deal than on the organizational capacity and sustainability of the nonprofit affordable housing developer. This study finds that investors and funders struggle to develop appropriate underwriting criteria, monitoring methodologies, performance indicators, and return calculations, although some progress is being made through STRENGTH MATTERS™. STRENGTH MATTERS™ is a collaboration between lenders and developers to improve the way community-development real estate institutions are funded. The author also explores a system of standardized reporting and decision-making for nonprofits; considers possible local, state, and federal policy changes to foster this form of investing; and examines risk-mitigation strategies.

See also:

Alt-A: The Forgotten Segment of the Mortgage Market, *Review* (Federal Reserve Bank of St. Louis), Vol. 92, No.1, January 2010.

Closing Gaps in Local Housing Recovery Planning for Disadvantaged Displaced Households, *Cityscape* (HUD), Vol. 11, No. 3, 2009.

Monetary Policy and the Housing Bubble, Finance and Economics Discussion Series (Federal Reserve System), December 2009.

Second Chances: Subprime Mortgage Modification and Re-default, Staff Report (Federal Reserve Bank of New York), No. 417, December 2009.

Financial Stability

The Effects of Recessions across Demographic Groups. Kristie M. Engemann and Howard J. Wall. *Review* (Federal Reserve Bank of St. Louis), Vol. 92, No. 1, January 2010.

This article examines the effects of recessions on demographic groups by sex, marital status, race, age, and educational attainment. Analyzing employment trends over time, the authors use data from the Bureau of Labor Statistics to identify a number of recessionary trends. They find that married men and women experience lower job loss than do single men and women; blacks experience greater change in employment than do whites; and teens experience the most significant job loss of all the age groups. The trends suggest that the effects of a recession are complex and unevenly distributed among demographic groups. Understanding who is affected by a recession, and how, can be useful for developing effective programs that target certain segments of the population.

See also:

Personal Saving and Economic Growth, *Economic SYNOPSES* (Federal Reserve Bank of St. Louis), No. 46, December 2009.

National Survey of Unbanked and Underbanked Households, FDIC, December 2009.

Changing Household Financial Opportunities and Economic Security, Brookings Institution, November 2009.

Economic Development and Small Business

Economic Development Podcast Series. Federal Reserve Bank of Atlanta, 2010.

This new podcast series focuses on various facets of economic development. Part One explores the role of economic development in changing economic and global landscapes. It includes interviews with Tennessee's Commissioner of Revenue, Georgia's Commissioner for the Department of Natural Resources, and the chair of the International Economic Development Council. Future interviews will examine economic development through the lenses of small business, workforce development, human capital, and community development. Podcasts and transcripts will be posted twice a month at www.frbatlanta.org/podcasts.

See also:

Small Business Economic Trends, National Federation of Independent Business, January 2010.

Exploring Firm Formation: Why Is the Number of New Firms Constant?, Ewing Marion Kauffman Foundation, January 2010.

Green Development

On-Bill Financing: Helping Small Businesses Reduce Emissions and Energy Use While Improving Profitability. Matthew H. Brown, ConoverBrown LLC. National Small Business Association, September 2009.

On-bill financing is a collaborative relationship among utilities, contractors, and customers that provides low-cost financing to small business and homeowners for energy efficiency retrofits with no upfront capital outlays. Such programs are currently operating in at least eight states.

This study finds that small businesses can reduce monthly natural gas and electricity costs by $411 on average and reduce annual greenhouse gas emissions by 259 million tons by improving their energy efficiency by 25 percent. However, cash flow challenges make it difficult to undertake new capital investments, which may require anywhere from $7,500 to $20,000. Also, competing priorities, like managing inventory, and payroll and providing health insurance for employees, can hinder retrofitting efforts.

This report outlines the steps in an on-bill financing program and shares some of the challenges faced by existing programs, including limited capital, credit, and default issues; concerns about utilities acting as lenders; and bill system issues.

See also:

Incremental Cost, Measurable Savings: Enterprise Green Communities Criteria, Enterprise Green Communities, 2009.

Financing Residential Energy-Efficiency: Assessing Opportunities and Coverage Gaps in the ARRA 2009, National Housing Conference/Center for Housing Policy, September 2009.

General Interest

Economic Highlights. Federal Reserve Bank of Atlanta, 2009 to present.

Economic Highlights is a weekly digest of economic statistics providing charts and brief descriptions of data releases as well as the latest information on employment, real estate, consumer spending, transportation, and more. A different data series is presented each week.

Macroblog. Federal Reserve Bank of Atlanta, April 2009 to present.

The Atlanta Fed's macroblog provides commentary on economic topics including monetary policy, macroeconomic developments, financial issues, and Southeastern regional trends. Recent topics include small business access to and demand for credit, the participation of youth in the labor force, and regulatory reform. ■

This article was written by Jessica Dill, community development research assistant, and Karen Leone de Nie, community development research manager, both at the Atlanta Fed.

THE 2010 NATIONAL INTERAGENCY COMMUNITY REINVESTMENT CONFERENCE

INNOVATIVE STRATEGIES, UNPARALLELED NETWORKING

The conference will highlight innovative, on-the-ground strategies for community reinvestment and recovery in the region, from adopting environmentally sustainable practices to building on the region's cultural assets for economic development. In addition to the NCDLS pre-conference session on March 14, a brand new one-day conference with advanced sessions on community development investments will be held on Thursday, March 18.

Date: **March 14-18, 2010**

Location: New Orleans Marriott
555 Canal Street
New Orleans, LA 70130

Fee: $695 per person for financial institution and for-profit organization representatives

$495 per person for nonprofit and government agency representatives

$250 per person for one-day attendance/$175 for nonprofit and government agency representatives

Fees include all conference materials and sessions, three continental breakfasts, three lunches, afternoon refreshments, and the reception.

Registration: **WWW.FRBSF.ORG/COMMUNITY**
Deadline is February 26th, 2010 *(Note that the deadline for the contracted rate hotel reservations is February 5, 2010)*

If you are unable to register online, please contact:

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101 Market Street, Mail Stop 215
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Phone: (415) 974-2765
Fax: (415) 393-1931
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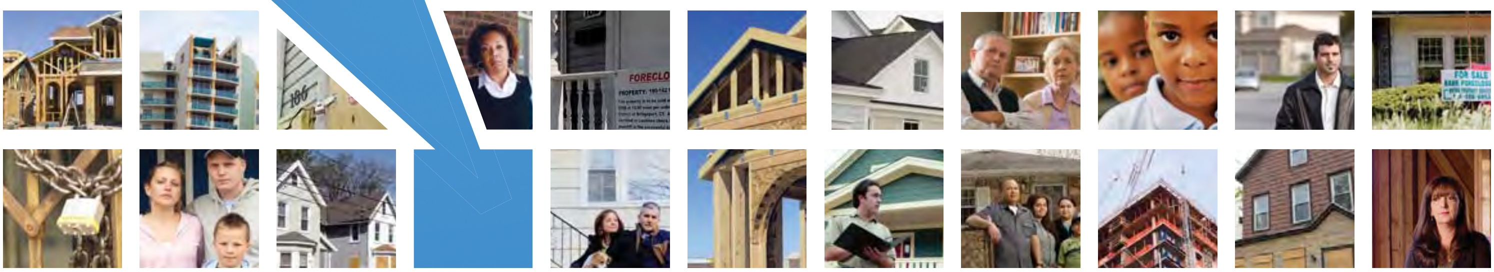

BUILDING A BETTER SAFETY NET: NONPROFITS BAND TOGETHER TO SAVE FAMILIES

As public-assistance cuts begin to take effect, nonprofits are a primary safety net for a growing number of households. These families need help with issues ranging from food stamps to housing vouchers to job training. They were already struggling to make ends meet: the National Low Income Housing Coalition reports that a minimum-wage worker in Florida must work 109 hours per week, 52 weeks of the year, to afford the state's average rent of $1,019 for a two- bedroom apartment.[1] Exacerbating the recession's effects has been a lack of financial management skills, which increased the vulnerability of many households.

In a time of ever greater funding constraints, nonprofits have been looking for new paradigms to organize how they might pool their resources, promote best practices, and offer more concentrated advocacy efforts. Statewide prosperity partnerships are one result of this focus on better coordination.

The Florida Prosperity Partnership (FPP)

FPP, established in 2008, convened its first annual statewide conference in Orlando in June 2009. Over 150 stakeholders discussed FPP's goal of bolstering Floridians' economic resilience. Alex Sink, Florida's Chief Financial Officer and FPP Honorary Chair, was the keynote speaker. FPP's core membership consists of financial institutions, United Way agencies, regional prosperity campaigns, state and local nonprofits, state and local governments, the IRS, the National Disabilities Institute, the Federal Reserve Bank of Atlanta, and the University of Florida (UF).

FPP evolved from a number of earlier efforts to create a statewide coalition. These included the Florida IDA Coalition, the Florida Prosperity Campaign, a regional convening of the National Community Tax Coalition, a 2008 gathering of state coalitions through the George Warren Brown School of Social Work, and initiatives of the Gulf Coast Regional Asset Building Coalition and the Florida Asset Building Coalition.

FPP's first objective was to gather input from stakeholders. Six regional discussion groups were convened through a network of regional and statewide nonprofits serving low-income communities. Dr. Michael Gutter, an assistant professor at UF, coordinated and led these sessions. These groups explored the economic challenges facing Florida's families. The common statewide and regional concerns spotlighted in these discussions helped FPP to identify that the coalition could add value by:

- Convening a Florida Prosperity Caucus to create a policy agenda
- Producing a database for free tax prep services and financial classes, Department of Children & Families benefits enrollment and other supportive services and
- Promoting a statewide "bank on" initiative.

Lessons Learned

Two early lessons emerged from FPP's start up. First, it is vital to engage stakeholders early in the process. Florida's established local prosperity campaigns and community coalitions, along with commitments from regional elected officials and community leaders, garnered critical support. These champions advocated for the organization at the local and state levels. Second, it is important to develop credible and cohesive strategies. For FPP, the regional discussion groups identified common areas for attention and enhanced the credibility of the group's early efforts.

Through collaboration, successful nonprofit coalitions such as the FPP achieve greater productivity, efficiency, and sustainability, and the families they serve can reap the benefits of greater access to much needed resources. ■

For more information about the Florida Prosperity Partnership, contact Janet Hamer at janet.hamer@atl.frb.org.

Note

[1] 2009 Out of Reach Report, National Low Income Housing Coalition, http://www.nlihc.org/oor/oor2009/data.cfm?getstate=on&state=FL. This report assumes that the housing cost for a household should not exceed 30 percent of the household's income.

GREEN AND AFFORDABLE? HOW ONE COMMUNITY TACKLED THE CHALLENGE

Affordable housing advocates have been working to bring the health and cost benefits of green homes to low- and moderate-income communities, looking for a win-win solution to housing and health issues. Moreover, placing green affordable housing into the community redevelopment context seems to meet the multiple goals of replacing worn housing stock, revitalizing community connections, and providing employment opportunities.

The Park City neighborhood in Knoxville, Tennessee, is hoping to accomplish all of these goals with their Park City Infill Houses. The seven new houses, priced at $149,000, are the first LEED Gold Standard[1] homes in the state of Tennessee and were developed by the Knox Housing Partnership (KHP). The City of Knoxville, Knox County, and their partners also provided key support.

Much of Park City's housing is over forty years old. In a metropolitan area with an estimated median annual income of $58,500, Park City residents earn median annual incomes of only $25,000. Nearly 36 percent of the residents live below the poverty line.[2] According to KHP, energy-efficient features should generate utility bills 30 percent lower than those of conventional homes. Ken Block, project manager, will be tracking the kilowatts used by each resident to assess energy savings. If savings predictions are supported by the data, KHP will be able to argue more persuasively for funding for energy-efficient construction and retrofitting programs.

KHP took advantage of Park City's Empowerment Zone designation, which provides access to loans and grants for construction, as well as 25 percent down-payment assistance in the form of a second mortgage.[3] In addition, the Tennessee Housing Development Agency (THDA) provided low-interest first mortgages through its New Start program.

Lessons Learned

KHP arranged LEED accreditation in green building standards for their project manager and secured funding from The Home Depot Foundation for a significant portion of the accreditation's cost. Investing in a nationally recognized accreditation saved KHP from paying for an outside energy rater and built credibility with their construction partners, who were unfamiliar with energy-efficient construction methods. The certification may also turn into a source of revenue as KHP expands into resident education and professional training services in energy efficiency.

This development also highlights the benefits of maintaining community involvement. The final design scheme for the houses was created after canvassing the neighborhoods for residents' input. KHP hired the development's principal trades—plumbing, electrical and HVAC—from within the Empowerment Zone. Their earnings stayed in the local economy and their work fostered a sense of ownership in the development. Consistent attention to details, down to the leaf guards on the gutters, convinced the community that their demands for high quality homes were being met.

Achieving community acceptance should be a high priority for community and economic redevelopment efforts. Residents who understand their choices and participate in the direction of their community are more likely to protect their neighborhood's infrastructures and promote the area as a desirable location to work, live and play. ■

Notes

1 LEED is the nationally accepted benchmark for the design, construction, and operation of high-performance green buildings. The Gold Standard is the second-highest certification rating available. For more on LEED for home building standards, visit www.usgbc.org.

2 These data were generated from the Geocoding System at www.ffiec.gov.

3 For more on Empowerment Zones, visit http://www.hud.gov/offices/cpd/economicdevelopment/programs/rc/about/ezecinit.cfm.

This article was written by Odetta MacLeish-White, community affairs specialist at the Atlanta Fed.

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