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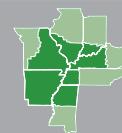


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The Evolution of Two Neighborhoods

Having the Right Mix of People Essential to Redevelopment

By Ellen Eubank and Faith Weekly
Community Affairs
Federal Reserve Bank of St. Louis

Redeveloping a neighborhood is like baking a cake. In the same way that a baker assembles all the right ingredients for a cake, neighborhood leaders must assemble all the right ingredients to realize success in their project. Leaving out an ingredient or missing a step could be a recipe for disaster.

For those working hard to turn neighborhoods around, the process can be long and arduous. Neighborhood revitalization can at times seem more art than science and those on the front lines may wonder if they will ever see the light at the end of the tunnel.

Understanding the ingredients needed for success, the



This new house is on the edge of the Cooper-Young neighborhood in Memphis, an area that has undergone a renaissance in the last 30 years.

importance of timing and even learning from mistakes can all ensure eventual success for a neighborhood that may seem marginal. Looking at examples of two neighborhoods that got it right, Cooper-Young in Memphis and the downtown

district in New Albany, Ind., helps illustrate the evolution of neighborhoods.

Cooper-Young

The Cooper-Young neighborhood traces its roots to the Mount Arlington Subdivision,

which was founded about 1890 in the area now known as Midtown Memphis. Most of the 1,600 houses in Cooper-Young were constructed between 1900 and 1915, and the area is considered Memphis' first working-class neighborhood.

The neighborhood thrived until the 1960s when many families began moving to suburbs farther east. By the mid-1970s, few viable businesses remained in the neighborhood's commercial corridor, and housing values had fallen drastically. What was left were some longtime residents still committed to the area and historic homes that could be bought cheaply. These attributes would become the foundation for the rebirth of Cooper-Young.

Those committed residents formed a neighborhood asso-

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ciation, the Cooper-Young Community Association, in 1976 to promote a Neighborhood Watch and develop other programs to preserve the area.

In 1979, the neighborhood participated in the Midtown Demonstration Project, which restricted zoning in Cooper-Young. It also halted the practice of converting single-family houses into rental properties often owned by absentee landlords who did not maintain their properties. The project added period lighting on many of the residential streets. These steps made the neighborhood more attractive.

With its affordable housing prices and historic architecture, Cooper-Young started attracting artists and musicians. In 1988, the Cooper-Young Business Association was formed and shortly after held its first Cooper-Young Festival to promote the area, drawing 6,000 attendees. In 1989, Cooper-Young was placed on the National Register of Historic Places. In 1991, the community association and the business association jointly formed a new neighborhood organization, the Cooper-Young Development Corp. (CYDC), with the purpose of developing housing to support revitalization of the area. During the 1990s, the CYDC engaged in both new construction and rehabilitation of affordable housing.

Today, there are more than 50 businesses in the neighborhood, with a thriving commercial

corridor that includes restaurants such as Tsunami and The Beauty Shop as well as retail and other service businesses as diverse as Goner Records and a Bank of America branch.

The Cooper-Young Festival attracts more than 50,000 visitors to its one-day celebration of the neighborhood with food, music and shopping.

The CYDC has built or rehabbed 49 residential properties and two commercial

poration that has been able to focus on redevelopment efforts.

The commercial corridor of Cooper-Young is now home to a wide variety of businesses and restaurants that serve as anchors to the area, including an antique district on Central Avenue at the northern border of the neighborhood. And the area is attracting new development, such as the Pie Factory, a mixed-use project with 3,000 square feet of commercial and

CYDC on New York Street had a price of \$48,000 in 1995. The house was recently sold again for \$110,000.

Some of the biggest obstacles to the revitalization of Cooper-Young have been related to funding, or the lack thereof. Consistent funding for redevelopment work is a challenge, according to Sutton Mora Hayes, executive director of the CYDC. Property acquisition can also be a challenge with many hurdles, including tracking down owners of abandoned properties and a cumbersome legal process. Because of funding and process issues, projects sometimes take longer than anticipated, frustrating residents anxious for improvements. Hayes says an important job of the CYDC is to set priorities and manage expectations.

Hayes offered some important advice for those neighborhoods undergoing redevelopment:

- There is no need to reinvent the wheel. Build off existing neighborhood assets and collaborate with organizations that can offer programs needed in the area.
- Neighborhood buy-in is critical.
- Do what you say you will. Do not promise results you can't deliver.
- Build a dynamic board of directors.
- Match capacity to initiatives and prioritize goals.

“Remember you are not a nonprofit that happens to do development. You are a developer that happens to be a nonprofit. So run the organization like a small business—because that is what you are.”

**Sutton Mora Hayes, executive director
Cooper-Young Development Corp.**

properties in the area. It is now undertaking an ambitious initiative, the Seattle Project, targeting an extremely distressed area on the southwest border with construction of 11 homes. House prices that were once around \$10,000 to \$15,000 in the mid-70s are now averaging around \$160,000.

In reviewing the renaissance of the Cooper-Young neighborhood over the past 30 years, one important factor has been the role of business owners in stabilizing the area. The community association and the business association gave birth to the CYDC, the neighborhood community development cor-

retail space and 32 condominiums for sale.

The CYDC has played a key role in the area's rebirth. Its start as a grassroots organization with heavy involvement by neighborhood stakeholders has continued, with the board playing an active role in the day-to-day work. The organization also has targeted its affordable housing work to maximize impact. Initial projects targeted two streets in the most distressed sector of Cooper-Young, with eight to nine houses redeveloped in a short period on each street. As proof of the success of such efforts, one of the earliest houses sold by the

Historic New Albany

Another neighborhood finally realizing its potential is in historic New Albany, Ind., near Louisville, Ky. Community leaders there have taken the old real estate adage of “location, location, location” to heart and are reinventing themselves as a quaint urban alternative to their neighbor across the Ohio River. New Albany’s proximity to downtown Louisville is being leveraged to jumpstart a downtown renaissance of its own.

Two local organizations, Develop New Albany and the New Albany Historic Preservation Commission, are marketing the assets of the downtown district to attract businesses, residents and tourists. Develop New Albany’s web site outlines some of the downtown area’s strong points:

- It is just minutes away from the Louisville consumer and business marketplace.
- It offers relatively lower business and residential costs.
- As part of the New Albany Urban Enterprise Zone, it offers excellent business and tax and economic development incentives.
- It is centrally located with easy access to major north-south and east-west interstates.

A major project underway in the area is Scribner Place, a multi-use development jointly built by the city of New Albany and the YMCA of Southern Indiana. It will house a YMCA,

a municipally owned aquatic center, a service agency for senior citizens and Floyd Memorial Hospital and Health Services. A \$20 million grant from the Caesars Foundation of Floyd County is providing most of the financing.

Other projects include a bistro, a bakery, a hotel, loft apartments and pedestrian access to the Ohio River and the Ohio River Greenway.

Affordable housing prices and wise investment for the cost-conscious consumer who may be looking for a historic property for a residence or business will be key factors in attracting businesses and residents to New Albany. Last year, the city had a median home sales price of \$105,000 at the end of January, according to the Southern Indiana Realtors Association. In Louisville, for that same period, the median sales price was \$132,000, according to the Greater Louisville Association of Realtors.

The Historic Landmarks Foundation of Indiana, along with historic preservation advocates and neighborhood leaders, have launched a web site—www.historicnewalbany.com—to showcase the city’s historic homes. The web site contains an inventory of historic homes and commercial buildings for sale. Each property, in turn, has a history, including former owners, a description of its architectural style and interior and exterior photos.

Founded in 1813 by brothers Joel, Abner and Nathaniel



Colorful banners herald downtown New Albany’s revitalization.

Scribner, New Albany rose to prominence in the 19th century. By the mid-19th century, the river port town with its major steamboat production center was the largest city in Indiana. As New Albany grew, stately homes and commercial buildings built by the community’s prominent citizens showcased its prosperity. Many of these vintage homes have been preserved and line the streets of New Albany’s four designated historic districts.

New Albany’s Uptown residential neighborhoods, which surround the downtown commercial district, also are experiencing an upswing in interest from buyers seeking vintage properties. Many of the large historic homes in the East Spring Street and South Ellen Jones neighborhoods were divided into multi-units. Today’s buyers are restoring units back to single-family dwellings.

In the last four years, there has been an influx of people interested in making the neighborhood better, said Ted Fulmore, chair of the New Albany Historic Preservation Commission.

Fulmore and Jeff Gillenwater, an East Spring Street neighborhood activist, credit the cooperation of a large network of stakeholders with helping to revitalize the neighborhoods. They include the New Albany Floyd County Community Housing Development Organization (CHDO), Develop New Albany, the New Albany Historic Preservation Commission, the Historic Landmarks Foundation of Southern Indiana, New Directions Housing Corp., a Louisville-based NeighborWorks affiliate, and neighborhood associations.

Community and neighborhood revitalization does not occur overnight, but happens in incremental steps that build on one another. Neighborhood groups interested in improving their communities must engage residents as well as a variety of stakeholders who all have different resources to bring to the table.

The New Albany Floyd County CHDO plans to build four new “shotgun-style” homes in the Oak Street neighborhood. A local architect offered his services pro bono to design a contemporary-style shotgun home. The CHDO also is working closely with the New Albany Urban Enterprise Zone, which is creating a loan fund to

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Subprime ARMs: Popular Loans, Poor Performance

By Yuliya Demyanyk, economist
and Yadav Gopalan, research
associate

Federal Reserve Bank of St. Louis

In recent decades, the expansion in credit availability has been a driving factor in American economic growth. Since the 1990s, customers have had greater access to credit to finance purchases, most notably home buying, thereby contributing to the booming real estate market. Although these consumers have had an avenue to finance their homes, the types of loans available to them have come under particular scrutiny.

Subprime Mortgage Market

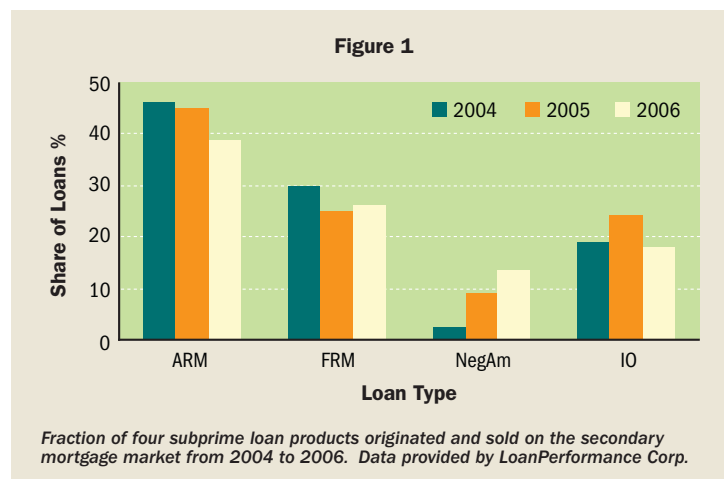
Recent developments in the mortgage market allow a borrower with less than perfect credit to finance a home purchase with a subprime loan. Subprime mortgages are usually priced 125 or more basis points above the prevailing prime (market) rate at the time of origination. Borrowers who fail to qualify for prime financing terms usually have low credit scores. A borrower's credit score, together with a down payment and ability to document assets, determines whether he or she qualifies for a prime or subprime loan.

Subprime mortgages are almost always associated with prepayment penalties, high

fees and high rates because subprime borrowers are viewed as riskier than those with high incomes and high credit scores. Because borrowers with less than perfect credit or with no credit history at all tend to have a higher probability of default and delinquency, they are charged higher prices to compensate lenders for risk.

rate plus a margin. These rates are usually readjusted every 12, six or three months.

In contrast to ARMs, a fixed-rate mortgage (FRM) is based on an interest rate that does not change throughout the life of the loan—the borrower will have a constant payment at every installment period. These loans usually last for 15 or 30 years.



There are several major types of loan products in the subprime mortgage industry.

Negatively amortized loans, so-called nontraditional mortgages, have payment schedules in which the borrower pays back less than the full amount of interest to the lender, and the remainder is added to the outstanding principal.

An adjustable rate mortgage (ARM), as its name indicates, is based on a floating interest rate—often a predetermined

With interest-only mortgages, borrowers typically pay the interest only on a loan for a period of time. Then, after the interest-only period is over, the borrower can amortize the principal amount for the remaining life of the loan.

There are a significant number of loan-type combinations within both ARMs and fixed-rate mortgages. For some lenders, these different combinations can reach a level of several hundreds. For example, a fixed-rate mortgage

can be an interest-only mortgage for a fixed period, after which a loan starts amortizing. The length of the interest-only period can vary, as well as the terms for amortization. For instance, there can be a balloon payment after the non-amortizing loan period is over. Similar combinations exist for ARM loans.

For potential home buyers who cannot afford any of the loan products described or who have less than perfect credit, hybrid loans may be a viable option to repair their credit and finance the purchase of their home.

The 2/28 hybrid loan is a loan for which the rate is fixed for the first two years; afterward, on the third year, it becomes an ARM for 28 years. In other words, its rate resets to the value of an index at that time, plus a margin. The margins are often high, so the rate on most 2/28s will spike after the first two years even if the market rates do not change during the period. At the end of the two-year period, prepayment penalties are usually present, which makes it more expensive for borrowers to refinance their mortgages.

The U.S. Mortgage Market

There were more than 3 million subprime mortgage loans originated and sold on the secondary market in the United States each year from 2004 to 2006. Among those, more than 45 percent were ARMs, about 25 percent were

fixed-rate mortgages, about 10 percent allowed for negative amortization and approximately 20 percent were interest-only mortgages (Figure 1).

As one can guess, the majority of nontraditional mortgages originate in California. For example, among all securitized mortgages in the subprime market, more than 50 percent of nontraditional loans and more than 30 percent of interest-only loans originated in California. California also originates about 20 percent of all ARM loans in the United States.

Starting in 2004, only 1.5 percent of all ARM loans in the United States originated every year in the St. Louis metropolitan statistical area. This means that approximately 20,000 subprime mortgage loans were originated, pooled together and sold as asset-backed securities every year in St. Louis. However, if a substantial portion of these loans default, it could create a substantial local mortgage market crisis, which could lead to a local economic crisis.

Moreover, delinquent loans, even if they do not foreclose, tend to increase the cost of servicing loans and increase the losses for financial institutions involved in mortgage lending. As a result, an increase in delinquency rates can increase prices in both subprime and prime mortgage markets. Therefore, it is important to know the possible causes and remedies for any downturns in mortgage and economic markets.

Factors that Influence Delinquency

An analysis of the subprime mortgage market showed that traditional ARM loans were subject to higher delinquency rates than both conventional fixed-rate and nontraditional option-ARM loans. Also, ARM loans originated in 2005 and 2006 have higher delinquency rates than ARM loans originated in earlier years. In general, overall trends indicated that borrowers with lower credit scores (FICO), higher loan-to-value ratios and debt-to-income ratios tend to have higher delinquency and default rates on their mortgage payment.

Given that ARM loans are currently the most popular types of mortgage loans and, on average, do not perform as well as others, it is important to identify the primary factors for inferior performance, such as serious delinquency and foreclosure.

After applying a statistical model that allows estimating the probability of an outcome, such as probability of a borrower defaulting on one or more mortgage payments, the following factors seem to be the best explanation for the delinquencies and foreclosures:

- In comparison to other subprime applicants who have low loan-to-value ratios, subprime applicants with high loan-to-value ratios have a higher likelihood of default.
- A potential borrower's credit score is a strong indicator of possible future loan default. Applicants with lower credit scores have a higher likeli-

hood of default versus those who have higher FICO scores.

- Overall macroeconomic conditions also influence how loans perform. For example, during recessions, loans tend to be delinquent one to two months.
- In an environment of high interest rates, lenders increase margins on ARMs and hybrid loans, thus raising the monthly payments. Thus, rising interest rates can result in greater delays in payment.
- When interest rates change frequently, it distorts borrowers' expectations regarding their future mortgage payments, which later leads to a higher likelihood of delinquencies. Borrowers who do not anticipate a rate change are caught by unanticipated increases in their mortgage payments. This, in turn, makes payments harder to make and delinquencies more likely.

Government Regulation

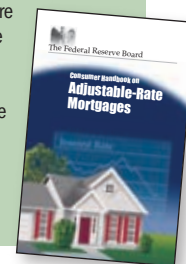
Because of the increasing popularity of, and relative ease of qualifying for, high-cost mortgages, the Home Ownership and Equity Protection Act (HOEPA) of 1994 sought to define high-cost loans and describe the process by which potential borrowers can identify

Booklet Explains ARMs

A revised *Consumer Handbook on Adjustable Rate Mortgages* is available from the Federal Reserve. The booklet includes information on "interest-only" and "payment option" mortgages, a mortgage shopping worksheet and a glossary.

Banks can distribute the earlier version until October 2007 but must begin providing consumers with the revised version after that.

Up to 100 copies are available free of charge by calling 202-452-3245. A printable version is also available on the Internet at www.federalreserve.gov/pubs/arms/arms_english.htm.



interest rates and fees without financially committing to the loan. HOEPA defines high-cost mortgages as those with an annual percentage rate at least 8 percentage points higher than the comparable Treasury securities maturities. Under this HOEPA definition, lenders must explain to potential borrowers how much is being borrowed along with how the loan will be paid back in the form of interest and other fees. This explanation must be given to the borrower before the loan is closed, and the borrower has until three days after the loan closes to cancel the loan.

REFERENCES FOR MORE DETAILED RESEARCH

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Not Just a Financial Institution

Measuring Success by Looking at the Double Bottom Line

By Jean Morisseau-Kuni
Community Affairs Specialist
Federal Reserve Bank of St. Louis

Finding financing for community development projects can be a daunting task. Traditional type lenders may be able to help, but it is more likely that developers in low-income areas will need to look elsewhere for financing. A good place to find financing might be at a community development financial institution (CDFI). How is it different from a traditional lender?

Mainstream financial institutions are banks, savings and loans, and credit unions that act as intermediaries between the capital and debt markets, facilitating the flow of money through the economy. They also lend money to qualifying borrowers. While most financial institutions are required by the Community Reinvestment Act (CRA) to invest in and lend to low- and moderate-income people and communities and small businesses in their footprint, they also are required to ensure that all loans they make are safe and sound.

CDFIs also are financial institutions that act as intermediaries between the capital and debt markets and accept deposits from investors and lend to borrowers.

One difference between CDFIs and mainstream financial insti-

tutions is in their missions. The latter are in business to make money for their shareholders. CDFIs leverage money to support community development in low-income areas and with underserved populations. Success also is measured differently at a CDFI. While mainstream financial institutions look at their bottom line, CDFIs focus on the “double bottom line,” considering economic gains and contributions to the community as important factors, along with dollars and cents.

The concept for CDFIs was developed in the 1960s as a way to address poverty and racial discrimination in both urban and rural areas. The small successes of these early organizations were used to lay the foundation for the current CDFI industry. Finding enough funding to make an impact on a community was hard, and CDFIs struggled. But change was on the way, and in 1994 the Treasury Department created the CDFI Fund.

Charged with a mission to expand the capacity of financial institutions that provide credit, capital and financial services to underserved populations, the CDFI Fund distributes money through a competitive application process. Since its creation, the fund has awarded more than \$771 million in capital grants, equity invest-

ments and funding for technical assistance and organizational capacity-building to community development organizations and community development financial institutions, making the CDFI industry a force for economic change in low-income communities.

Providing More than Just Money

CDFIs work closely with community leaders and nonprofit organizations to develop financial products and technical assistance that will benefit their target market. That's where the services of a CDFI are greatest, since mainstream financial institutions normally can't offer products that have a high risk factor.

Large corporations also can purchase or hire expertise, while most nonprofits do not have the financial resources to do so. In the markets they serve, CDFIs even the playing field and help their customers flourish by offering more than just below-market-rate loans. By looking at the whole project and organization, CDFIs provide technical expertise as a value-added service.

Because they connect with nonprofit organizations working in distressed communities, CDFIs understand and address their needs with customized financial products. Mortgage financing for affordable housing and first-time homeowners, capital to

renovate and to build community facilities, microloans for small businesses, and flexible underwriting are among the products and tools offered by CDFIs.

Through Partnerships, Everyone Benefits

Since most CDFIs are small, they often partner with mainstream financial institutions to offer financing for projects. In those partnerships, the CDFI will take the second position on a loan to ensure that the product is secured and the risk to the financial institution is minimal.

The partnerships are winning situations for all parties involved: the CDFIs, financial institutions and the community. The community benefits through new financial services that are targeted to a specific purpose. The mainstream financial institution may fulfill part of its CRA obligation. The CDFI advances its mission.

Many communities owe their economic and redevelopment success to partnerships with CDFIs.

For more information on CDFIs and the CDFI Fund, visit:

- The Coalition of CDFIs
www.cdfi.org
- Opportunity Finance Network
www.opportunityfinance.net
- The CDFI Fund
www.cdfifund.gov

CDFIs in the Federal Reserve's Eighth District

Location	Institution	Service Area	Programs and Services Offered
Arkansas			
Arkadelphia	Elk Horn Bank and Trust Co. www.communitydevelopmentbanks.org/elkhorn.html	southeast Arkansas	flexible lending, technical assistance, affordable housing, wealth creation
	Southern Bancorp www.southernbancorp.com	southeast Arkansas	asset building, community planning, lending, property development, community banking
	Southern Financial Partners www.southernfinancialpartners.com	southeast Arkansas	asset building, community planning, lending, property development, community banking
College Station	College Station Community FCU	College Station	consumer banking products
Fayetteville	Community Resource Group www.crg.org	Texas, Oklahoma, Arkansas, Mississippi, Tennessee, Alabama	wastewater disposal, shelter, transportation, access to credit, land tenure
Helena	Phillips County Self Help FCU	Phillips County	consumer banking products
	First Bank of the Delta www.firstbankdelta.com	Phillips County	consumer banking products
Illinois			
Chicago	Illinois Facilities Fund www.iff.org	Illinois, Indiana, Iowa, Missouri, Wisconsin	lending and technical assistance for public facilities, both new development and renovation
	National Community Investment Fund www.ncif.org	nationwide	invests equity in community development financial institutions
Springfield	Illinois Ventures for Community Action www.ilventures.org	Illinois	lending, equity investments and Community Development Block Grants
Indiana			
Evansville	Our Greater Community	Evansville	home ownership and housing development
Kentucky			
Louisville	Louisville Central Development Corp.	Louisville neighborhoods of: West End, Smoketown, Shelby Park, Phoenix Hill	stimulates economic growth through an array of financial products
	Louisville Development Bancorp	Jefferson County	housing, grocery stores, cultural and tourist-related businesses
Mississippi			
Jackson	Enterprise Corporation of the Delta www.ecd.org	Arkansas, Louisiana, Mississippi, Tennessee	community development, commercial and mortgage lending, financial products
Jackson	Minority Capital Fund of Mississippi www.mincap.org	Mississippi	business loans and technical assistance to women and minorities
Marks	First Delta Federal Credit Union www.qcdo.org	Marks	consumer banking products and a variety of social services for low- to moderate-income customers
Shelby	Shelby/Bolivar County FCU	Shelby/Bolivar counties	consumer banking products
Missouri			
St. Louis	St. Margaret's Credit Union	Missouri	consumer banking products
	Great Rivers Community Capital	St. Louis MSA	mortgages, microenterprise loans, individual development accounts
Tennessee			
Memphis	Imani Federal Credit Union	Memphis	consumer banking products
	Landmark Community Bank www.landmarkbanktn.com	Shelby County	consumer banking products
	Tennessee Capital and Development LLC	Memphis	microenterprises and job creation
	United Housing www.uhinc.org	West Tennessee	housing programs and financial education
Oakridge	Southeast Community Capital www.sccapital.org	Tennessee	loans to disadvantaged small businesses

Hidden Treasures: Value in Brownfields

By Jim Gilstrap

Most brownfields are not hidden—they tend to be in your face. What is hidden is their value. Instead of sites of blight and despair, these properties can be catalysts for renewal and economic growth. Brownfields can be treasures.

The Missouri Department of Natural Resources (DNR) set out to understand the impact of brownfields redevelopment. More than 300 properties have been successfully cleaned up under the oversight of Missouri's Brownfields/Voluntary Cleanup Program (BVCP), but there has been little opportunity for the department to follow up with projects after they have been put back into use.

In May 2005, the BVCP began to examine 50 properties that have been successfully redeveloped. The purpose of this study was to measure both the economic and environmental impact of cleanup.

The results were astounding. The 50 sites profiled generated \$2.23 billion in investments and created about 11,000 full-time jobs. There are 686 acres and 22 historic buildings that have been returned to profitable use. Public safety was enhanced and the environment protected with more than 153,000 tons of contaminated soils and materials removed or treated.

To be included in the study, sites had to be redeveloped and must have received a Certificate of Completion from the BVCP. All 37 sites that received Missouri Brownfields Remediation State Tax Credits were included so as to understand the impact of this important economic development tool. Many of the sites had historic buildings that used one of Missouri's most powerful redevelopment programs: Rehabilitation State Tax Credits for Historic Buildings.

Not all projects include historic buildings or create jobs. However, every brownfield property cleaned up under the department's oversight has improved the environment and the community. Neighbors benefit from the removal of blight and the reuse of land and buildings and are often motivated to invest in their own properties.

Sources of information on the sites included DNR's project databases and files, the Missouri Department of Economic Development, the Environmental Protection Agency, local government web sites, online business journals, newspaper articles, property owners' web sites, site visits, and interviews with property developers.

Data collected included:

- before-and-after pictures of the properties,
- history and current use of the sites,

- quantities of contaminated materials removed or treated,
- number of on-site jobs created after redevelopment,
- total investment in cleanup and redevelopment of the property,
- number of acres returned to productive use, and
- types and amount of financial assistance (government and private) provided.

The 50 projects received a combined \$304 million in public assistance from state, federal and local government programs, which leveled the field for the brownfields relative to non-contaminated properties. These properties may never have been considered attractive for investment without assistance programs. The investment-to-public-assistance ratio of 7:1 is an excellent return to taxpayers; developers are more likely to invest because they can recover 20-plus percent of their total investment on most of these projects through these assistance programs.

Missouri assistance programs with the highest contribution to the projects were:

- Rehabilitation State Tax Credits for Historic Buildings—This program provided \$97.5 million of restoration cost recovery on 22 of the projects. These tax credits are not exclusive to brownfields,

but where the projects have been eligible, the impact of the tax credits has been great.

- Brownfields Remediation State Tax Credits—This program provided \$57.4 million in cleanup cost recovery on 37 properties.

Both state tax credits are saleable, making them attractive not only to private developers, but also to local governments and nonprofits where there is no state tax liability.

Many projects may qualify for cost recovery through both federal and state tax incentives.

In the Missouri study, federal programs with the highest contribution, paralleled the state's:

- Federal Historic Rehabilitation Tax Credits played a major role in the redevelopment of 20 of the properties. The exact amount of cleanup cost recovery is not available due to Internal Revenue Service restrictions, but a reasonable estimate would exceed \$50 million, which would be added to the \$304 million documented in the study.
- Federal Brownfields Tax Deductions provided \$12.2 million of cleanup cost recovery on one site.

These federal programs are in addition to the state programs.

Tax Increment Financing (TIF) was the largest local gov-

Neosho Historic Office Building

201 N. Washington St. | Neosho, Mo.



BACKGROUND

This four-story, 35,500-square-foot building was built in 1898 and housed a wholesale grocer until about 1990, when it was vacated, except for a portion of the first floor occupied by a bus repair business. The new owner of the property wanted to clean up and renovate the building for office use.

CONTAMINANTS

The building contained asbestos and lead-based paint.

ASSISTANCE

Prost Builders, the owner and developer of the property, received \$300,000 in brownfields state tax credits for remediation of the building. In addition, Prost applied and met the requirements for \$1,218,437 in state and \$974,750 in federal historic rehabilitation tax credits. The city of Neosho granted 10 years of full tax abatement and an additional five years of 50 percent abatement.

PROTECTION

The asbestos and most of the lead-based paint were removed. Paint that could not be removed was sealed and painted over. A monitoring contract is in place to ensure the paint does not become exposed over time.

INVESTMENT AND RESULTS

Total cost of renovation was \$5,439,505. Fifty-eight new jobs were anticipated to be created.

TIMELINE

Historic rehab tax credit application received: March 2002
Preliminary approval: June 2002
Brownfields tax credit application received: June 2002
Brownfields RAP approved: December 2002
Historic tax credit final certification issued: May 2002
Brownfields completion certificate: June 2004

REDEVELOPMENT SUMMARY

The Missouri Departments of Social Services, Division of Family Services and Health and Senior Services have a lease until 2013 on 13,524 square feet in the Neosho Historic Office Building at a cost of \$9.24 per square foot, for a total of \$124,962. Another tenant in the building is the McFarland Cascade sales office. The McFarland Cascade company makes outdoor decking products. Additional space is available for lease to private tenants.

ernment source of assistance at \$62.1 million. Local TIFs supported 12 projects, which was not as wide a use as expected. One large state TIF of \$54 million helped make the \$420 million Branson Landing tourist complex a reality in Branson, Mo. Every TIF supported commercial and retail projects that created jobs, which enhance the communities' economies and vibrancy.

The study documents these and 13 other sources of financial assistance programs that

made brownfields cleanup and redevelopment a reality in these 50 projects.

The Missouri Brownfields Initiative is an inter-agency cooperative program. The Department of Natural Resources' BVCP leads the effort in partnership with the department's State Historic Preservation Office, the Missouri Department of Economic Development, Missouri's Environmental Improvement and Energy Resources Authority, and the U.S. Environmental

Protection Agency Region 7. All these agencies can provide financial and technical support for redevelopment.

For more information on the Missouri Brownfields Initiative, available financial assistance and the "hidden treasures" study, go to www.missouribrownfields.com.

Jim Gilstrap is project development specialist at the Missouri Department of Natural Resources. He can be reached at 1-800-361-4827 or at jim.gilstrap@dnr.mo.gov.

Have you HEARD

Ad Campaign Draws Warning from Fed

What appears to be a deceptive effort to encourage consumers to apply for mortgage loans secured by their homes has prompted the Federal Reserve to issue a warning to consumers.

The Federal Reserve Board of Governors said it has received questions and complaints about an advertising mail campaign marketing a "Community Reinvestment Act (CRA) program that entitles certain homeowners to cash grants or equity disbursements." The marketing pieces may also imply that the program is sponsored by the Federal Reserve.

The CRA is a 1977 federal law enacted to encourage depository institutions to help meet the credit needs of their communities, including low- and moderate-income neighborhoods. The CRA, however, does not entitle individuals to grants or loans. No such federal programs exist and these programs are not required by the CRA. Further, the Federal Reserve does not in any way endorse or sponsor mortgage loan programs.

The Fed is asking anyone who receives questions from the public on this topic to direct them to the Board's press release at www.federalreserve.gov/boarddocs/press/other/2007 or to the pamphlet "Looking for the Best Mortgage: Shop, Compare, Negotiate," which is available online at www.federalreserve.gov/pubs/mortgage/mortb_1.htm.

SPANNING THE REGION



THE REGION SERVED BY THE FEDERAL RESERVE BANK OF ST. LOUIS ENCOMPASSES ALL OF ARKANSAS AND PARTS OF ILLINOIS, INDIANA, KENTUCKY, MISSISSIPPI, MISSOURI AND TENNESSEE.

St. Patrick Center Project Nets \$3.5 Million Award

The Economic Development Administration presented a \$3.5 million award to St. Patrick Center in downtown St. Louis on Dec. 19, 2006, for Project BEGIN, the center's new initiative to help the homeless. This is the first faith-based community project that has received an award from the Economic Development Administration.

Project BEGIN will bring together public and private partners to create employment opportunities and skill-trade preparation for St. Patrick Center's clients, who are homeless or at risk of being homeless. The project will develop a small business incubator and trades training center.

"We know a good project when we see it, but government assistance is only part of the solution," said Sandy Baruah, U.S. assistant secretary of commerce for economic development, at the awards ceremony. "Unless the private sector is willing to invest in the community—economic growth simply will not occur regardless how much government spends."

The Excellence in Economic Development Award for Community and Faith-Based Social Entrepreneurship is given to nonprofit organizations that advance community and faith-based social entrepreneurship

through redevelopment strategies for areas of chronic economic distress.

Health Insurance Available for Arkansas Small Businesses

It's new, it's affordable and it's specifically designed for Arkansas' small businesses. ARHealthNet is a new insurance program designed to help qualified small businesses with low-income workers provide health benefits to their employees.

The program is a partnership between the federal government, the state government and private business to offer health benefits to uninsured workers. Premiums for low-income workers with annual earnings at or below 200 per cent of the federal poverty level will be subsidized using tobacco settlement funds and existing Medicaid dollars.

Businesses can apply if they have not offered a group health plan in the past 12 months or longer and have two to 500 employees. Only qualified employers can participate. The plan is not available as an individual plan. Spouses of participating employees may also be eligible.

For more information, visit the NovaSys Health web site at www.novasyshealth.com or call 1-800-294-3557.

The concept for ARHealthNet was developed by the Arkansas Health Insurance Expansion Initiative Roundtable and the Arkansas Center for Health Improvement in partnership with the Arkansas Department of Health and Human Services.

For more information on the history and development of ARHealthNet, visit www.achi.net.

Missouri Power Company Offers Training Scholarships

Northeast Missouri Electric Power Cooperative (Northeast Power) is offering scholarships for economic development training and educational events for those involved in development in the cooperative's service area.

The matching scholarships, which will pay for up to 50 percent of allowable expenses, are part of Northeast Power's newly created economic development program. Examples of eligible applicants include electric cooperative board members and staff, elected officials, professional economic development staff and local economic development organization board members.

The scholarships may be used for programs such as the Heartland Basic Economic Development Course, Economic Development Institute, Professional Developers of Iowa or Missouri Economic Devel-

opment Council conferences, International Economic Development Council courses and National Development Council financing training.

For 2007, Northeast Power has \$5,000 available for scholarships. To meet as many needs as possible, scholarships in 2007 will be limited to a maximum of \$650 for any one request.

"We consider this an investment in the leadership base of the service areas of our eight Member-Distribution Cooperatives in Iowa and Missouri," a statement from the company said.

Further information and scholarship applications are available from Gordon Ipson of Northeast Power at gipson@northeast-power.coop or 573-769-8215.

Casey Foundation Honors Arkansas, Mississippi Groups

Two organizations in the Federal Reserve's Eighth District are among the four recipients of the 2007 Annie E. Casey Foundation's "Families Count: National Honors Program" awards. The program recognizes the important role organizations play in strengthening families and communities. Each honoree receives an unrestricted \$500,000 award.

Recipients that serve Eighth District communities are Enterprise Corporation of the Delta/Hope Community Credit

Union (ECD/HOPE) in Jackson, Miss., and Southern Good Faith Fund in Pine Bluff, Ark.

ECD is a private, nonprofit, community development financial institution that provides commercial financing, mortgage loans and technical assistance to support businesses, entrepreneurs, home buyers and community development projects in economically distressed areas of Arkansas, Louisiana, Mississippi and Memphis, Tenn. ECD also sponsors Hope Community Credit Union, which provides a range of financial services to low- and moderate-income residents in its three-state service area. Since 1994, ECD/HOPE has generated over \$300 million in financing for entrepreneurs, home buyers and community development projects and assisted more than 30,000 individuals in low-income communities throughout the mid-South. For more information about ECD/HOPE, visit www.ecd.org.

Southern Good Faith Fund is a nonprofit affiliate of Southern Bancorp. Its mission is to increase the income and assets of low-income and low-skilled residents of the Delta in Arkansas and Mississippi. Since 1988, the fund has started, expanded or retained 511 businesses; assisted 818 students through the Career

Pathways program; helped 75 children save over \$100,000 for college in SEED accounts; processed 200 individual development accounts; and processed 344 tax refunds through its Volunteer Income Tax Assistance site. For more information, visit www.southerngoodfaithfund.org.

To learn more about the Annie E. Casey Foundation and the other 2007 award recipients, visit www.aecf.org.

Louisville To Use Grant for Financial Education

The U.S. Conference of Mayors' National Dollar Wise Campaign recently awarded Louisville, Ky., a \$25,000 Capacity Grant sponsored by Countrywide Financial Corp.

The city of Louisville will use the grant to expand financial literacy and money management programs and to support an asset-building summit. Louisville has been an active member of the Dollar Wise campaign through the Louisville Asset Building Coalition. The campaign endorses programs that educate Americans about the value of a dollar, pitfalls in spending and the benefits of saving.

For more information, visit <http://usmayors.org/uscm/home.asp>.

Exploring Innovation

A Conference on
COMMUNITY DEVELOPMENT FINANCE

May 2-4, 2007

Chase Park Plaza | St. Louis, MO 63108

There's still time to register!

The conference will introduce new and creative ideas for community development finance—ideas that can turn a vision into reality.

Registration/information:

www.stlouisfed.org/community/innovation
or 314-444-8891

Sponsors:

Federal Reserve Bank of St. Louis
Enterprise Community Partners
Opportunity Finance Network
Social Compact

Federal Regulators Seek Comment on Subprime Mortgage Lending Statement

The federal financial regulatory agencies are seeking public comment for a proposed statement on subprime mortgage lending practices—specifically, those related to adjustable-rate mortgage (ARM) lending products.

The proposal addresses concerns that subprime borrowers may not fully understand the risks of obtaining these products and that the products may pose an elevated credit risk to financial institutions.

If adopted, this statement would complement the 2006 Interagency Guidance on Nontraditional Mortgage Product Risks, which did not specifically address the risks of these ARM products.

The agencies seeking comment are the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corp., the National Credit Union Administration, the Office of the Comptroller of the Currency and the Office of Thrift Supervision.

For guidance on submitting comments, go to www.federalreserve.gov/boarddocs/press/bcreg/2007.

Neighborhoods

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provide gap financing to private developers doing commercial projects in the downtown district and surrounding neighborhoods. The loan fund will give developers access to capital at below-market rates. The CHDO plans to then develop affordable housing units in mixed-use developments built by private developers in the downtown district.

Another sure sign of the Uptown area's comeback is

the success of a locally owned business that recently opened in the neighborhood. In March 2006, Israel Landin and his wife, Lidia, opened La Rosita, a sit-down Mexican restaurant. The couple's authentic Mexican cuisine and warm hospitality have been embraced by a large following from the neighborhood as well as Louisvillians. La Rosita has added diversity and a neighborhood restaurant that patrons can walk to.

Strong commercial and retail elements are just as important

to a neighborhood's viability as residential areas. The collaboration of neighborhood organizations with metro and regional resources are also key to successful redevelopment projects.

Both historic New Albany and Cooper-Young illustrate the difficult process of revitalizing neighborhoods. Common themes emerge, such as collaboration, capitalizing on neighborhood strengths and the importance of leadership.

CALENDAR

APRIL

19

Small Business Technical Assistance Forum—Memphis, Tenn.

Sponsor: SBA
901-526-9300

23, 24

Dataplace.org demonstrations—Louisville, Ky.

Cosponsors: Federal Reserve Bank of St. Louis and New Directions Housing Corp.
502-568-9216

MAY

15-18

Microenterprise Development: The Rhythm of Successful Communities—Kansas City, Mo.

Sponsor: Association for Enterprise Opportunity
www.microenterpriseworks.org

24

Growing Your Business in a Growing Delta—Brinkley, Ark.

Sponsor: Federal Reserve Bank of St. Louis
501-324-8296
www.stlouisfed.org/community

JUNE

21

Improving Access to Capital Series—Little Rock, Ark.

Sponsor: Federal Reserve Bank of St. Louis
501-324-8296
www.stlouisfed.org/community

21, 22

Community Development Policy Summit—Cleveland

Sponsor: Federal Reserve Bank of Cleveland
www.clevelandfed.org/commaffairs/index.cfm

26

Missouri Brownfields Conference—Lake Ozark, Mo.

A workshop within the Missouri Waste Control Coalition Annual Conference
www.mowastecoalition.org

27

Employer-Assisted Housing Seminar—Little Rock, Ark.

Sponsor: Federal Reserve Bank of St. Louis
501-324-8296
www.stlouisfed.org/community

28

Employer-Assisted Housing Seminar—Fayetteville, Ark.

Sponsor: Federal Reserve Bank of St. Louis
501-324-8296
www.stlouisfed.org/community

JULY

19

Strategies for Reaching the Unbanked Series—Little Rock, Ark.

Sponsor: Federal Reserve Bank of St. Louis
501-324-8296
www.stlouisfed.org/community

24

Trends in Neighborhood Unemployment—St. Louis

Sponsor: Federal Reserve Bank of St. Louis
314-444-8761

30-Aug. 3

Community Development Institute—Conway, Ark.

Sponsor: University of Central Arkansas
www.uca.edu/aoep/cdi/enrollment.htm

BRIDGES

Bridges is a publication of the Community Affairs department of the Federal Reserve Bank of St. Louis. It is intended to inform bankers, community development organizations, representatives of state and local government agencies and others in the Eighth District about current issues and initiatives in community and economic development. The Eighth District includes the state of Arkansas and parts of Illinois, Indiana, Kentucky, Mississippi, Missouri and Tennessee.

Glenda Wilson

Community Affairs Officer, Assistant Vice President and Managing Editor
314-444-8317

Linda Fischer

Editor
314-444-8979

Community Affairs staff

St. Louis: Matthew Ashby
314-444-8891
Ellen Eubank
314-444-8650
Jean Morisseau-Kuni
314-444-8646
Eileen Wolfington
314-444-8308

Memphis: Michael Minor
901-579-4106
Dena Owens
901-579-4103

Little Rock: Lyn Haralson
501-324-8240
Amy Simpkins
501-324-8268

Louisville: Lisa Locke
502-568-9292
Faith Weekly
502-568-9216

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