LINKING LENDERS AND COMMUNITIES

FALL 2011

PUBLISHED QUARTERLY BY THE COMMUNITY DEVELOPMENT DEPARTMENT OF THE FEDERAL RESERVE BANK OF ST. LOUIS

BRIDGES

WWW.STLOUISFED.ORG

INDEX

Replicating the Harlem Children's Zone:

How a Charter School Tax Credit Could Bring Human Capital Investment to Scale

By Ian Galloway

Every year, 1.2 million students drop out of high school in the United States. A clear moral and policy failure, this ongoing crisis is also an economic disaster. Over their lifetimes, dropouts cost the government, on average, $292,000 in lost tax revenue, public assistance and incarceration expense, and earn $700,000 less than they would with a diploma. The dropout problem is particularly acute in low-income communities, where it is six times more common than in middle- and upper-income communities. This perpetuates income inequality and has caused U.S. Education Secretary Arne Duncan to declare that "education is our path out of poverty."

Charter schools have the potential to provide new and better services to students.

Charter Schools as a Solution

Some communities have turned to charter schools to address the academic achievement gap. By design, charter schools are public schools that operate outside the normal public school governance structure and have the freedom to experiment with many aspects of the education delivery model.

There are currently more than 4,900 charter schools serving 1.6 million children in 39 states. These charters take a variety of forms; many incorporate novel education elements in their curricula and provide wrap-around social services as needed.

Among the most well-known charter schools are those operated by the Harlem Children's Zone (HCZ), which takes a more holistic approach to education. Named "one of the biggest social experiments of our time" by Paul Tough at *The New York Times*, the HCZ provides program participants with a continual pipeline of reinforcing social and educational services throughout childhood. The pipeline begins with Baby College, targeting children up to age 3,

continued on Page 2

Harlem Children's Zone

continued from Page 1

and continues with in-school, after-school, social-service, health and community-building programs.

Successful charters, like those run by the HCZ, differ dramatically in type and approach. Accordingly, it is difficult to identify a single or combination of variables in any one charter that, if replicated, would produce the same results across the public school system. As a result, a number of promising strategies have simply become one-off success stories. This inability to deliver replicable innovation has locked the charter movement in a perpetual cycle of experimentation which, in turn, has led to policy inertia. A new policy approach is needed; specifically, one that can scale success without sacrificing innovation.

Dropouts cost the government, on average, $292,000 in lost tax revenue, public assistance and incarceration expense, and earn $700,000 less than they would with a diploma.

A Model that Works: The Low Income Housing Tax Credit

Such a policy approach already exists in the affordable housing field. Passed as part of the Tax Reform Act of 1986, the Low Income Housing Tax Credit (LIHTC) is a dollar-for-dollar investment tax credit (one dollar of tax credits reduces one dollar of tax liability) designed to fund the construction and rehabilitation of affordable, multifamily rental housing. The credit, which acts as a "coupon" for future taxes owed, is allocated to state authorities on a per capita basis and awarded to affordable housing developers according to a scoring system that takes project viability and social impact into account. If awarded a tax credit allocation, developers sell the credits to investors (mostly corporations) in exchange for project equity. The credits are sold at market value based on a range of factors, including credit recapture risk. Recapture occurs when a project falls out of compliance at any point in the first 15 years of its operation, resulting in a significant financial loss to its investors. Compliance is tied directly to project completion, financial viability and ongoing rent affordability.

The LIHTC program is instructive because it demonstrates how the federal government can successfully bring its substantial financial resources to bear on a decentralized, locally based system of service providers. A similar policy tool could be used to grow a network of high-achieving, high-poverty charter schools capable of meeting the individual needs of a diverse set of disadvantaged students.

Charter School Tax Credit

A charter school tax credit would function much like the LIHTC. Credits would be allocated to the states, which, in turn, would award them to high-performing charter schools. Upon receiving the credits, schools would sell them to private investors and use the proceeds to fund wrap-around services or intensive classroom-based initiatives. The price paid for the credits would be based on the investor's level of confidence that those services and initiatives will deliver the academic results necessary to stay in program compliance and avoid credit recapture. Compliance requirements would be specific, measurable goals demonstrating low-income student achievement. These standards would have the dual benefit of allowing the government to monitor improvement while also allowing the school to evaluate its own programs and adjust them as needed.

A charter school tax credit would also ensure that every dollar spent on the program is tied directly to a positive, measurable education outcome. This is a significant improvement over the status quo—investing in schools on the basis of past performance or future promise, with no recourse should those assessments prove to be wrong. This is particularly important during periods of fiscal austerity. In commenting about the LIHTC in 1992, the *Los Angeles Times* argued that the tax credit "forms the cornerstone of the numerous public/private partnerships that are increasingly the salvation of cash-short cities and states." Today, as in 1992, budget deficits are leading to social program cuts. As policymakers seek to balance their budgets going forward, a charter school tax credit program could offer a fiscally responsible method of funding human capital development because funding would only flow to schools that work.

A new policy approach is needed; specifically, one that can scale success without sacrificing innovation.

A charter school tax credit program would also raise private capital to directly support

As policymakers seek to balance their budgets going forward, a charter school tax credit program could offer a fiscally responsible method of funding human capital development because funding would only flow to schools that work.

education, a critical need in impoverished school districts. High-poverty public school districts receive, on average, $773 less per student, per year, than low-poverty districts. Meanwhile, the schools operating in these districts face significant poverty-related challenges that their low-poverty counterparts do not face. At a minimum, these schools should receive funding parity and, arguably, supplementary funds as well. A charter school tax credit would deliver these funds, allowing schools to meet local needs and deliver customized educational services contingent on their ability to remain in program compliance.

There may be ancillary benefits to a charter school tax credit as well. Low-income student performance is influenced by a host of factors, many outside the direct purview of school. As a result, investors may find complementary community investments to be an effective way to protect their tax credit investment. These investments, combined with the funds raised by the tax credit program, could be sufficient to transform entire neighborhoods, as the HCZ has done in New York City. A charter school tax credit may also increase the engagement of other stakeholders in the education process, including, among others, local businesses, universities, nonprofits and neighborhood residents. As with the LIHTC, a charter school tax credit would create a financial incentive to organize these community stakeholders and leverage their private information. It is also a way to engage them directly in a shared societal goal: better-equipped and more-productive workers and citizens.

Low-income students have unique needs, both academically and socially, and schools that serve these students need the operational flexibility to meet them. Likewise, the funding streams that support these schools should allow for adaptive use, contingent on success. A charter school tax credit program, by virtue of its built-in accountability checks, is the perfect vehicle to deliver this type of funding. Unlike direct expenditures, which are not recoverable, tax credits allow for experimentation without exposing the government to failure risk. This affords schools the freedom to address local needs without the often onerous, and potentially restrictive, oversight that comes with direct public funding.

A charter school tax credit would ensure that every dollar spent on the program is tied to a positive, measurable education outcome.

Ian Galloway is a senior associate in the Community Development Department at the Federal Reserve Bank of San Francisco.

This article is based on a working paper published by the Federal Reserve Bank of San Francisco in December 2010. To read the original paper and view citations, visit www.frbsf.org/publications/community/wpapers.

Community-Based Rural Redevelopment through Simple, Local Actions: Been Down so Long it Looks Like Up to Me

By Joanne Steele

With the decline of resource-based industries and the rise of agribusiness, rural communities—formerly hubs of activity for family farmers, loggers and other well-paid, resource-based workers—are struggling to survive. When asked how the current recession is affecting his town, a city council member in my hometown of Dunsmuir, Calif., replied, "Current recession? When was the last recession over?"

When faced with a declining population, empty storefronts, crumbling infrastructure and a brain drain as young people race to leave town after high school, it is no wonder that the first solution for many small towns is, "Get a grant." Get a grant to attract some businesses. Get a grant to spruce up the downtown. Get a grant to fix the municipal water system. Get a grant to do something—anything—to save our town!

Unfortunately, grant acquisition procedures often involve outside consults, strategic planning results that may or may not reflect the wishes of the town, and lack of community-wide commitment to a process that is supposed to revitalize the town. Communities may see some progress resulting from these grant projects, but continuing success often depends upon outside infusions of money and expertise. So, they slowly fall by the wayside as resources are redirected elsewhere.

Identifying local successes can help rural communities plan a new foundation for long-term prosperity.

Examine what is right rather than the usual approach, which starts with what is wrong.

What Is Already Working: The Basis for Future Redevelopment Success

Locally initiated planning that includes key community leaders and organizations must be the first step in creating a bottom-up, community-based strategic plan that makes the best possible use of much-needed outside resources.

Kurt Wright, business consultant and trainer, wrote *Breaking the Rules*, a detailed overview of his philosophy and methods. His work may provide rural communities with a successful approach to revitalization. Wright's core principle—to start with what is already working—can be the basis for community strategic planning that will build enthusiasm and willingness to work collaboratively for a positive future.

Wright's landmark problem-solving success is based on five questions that examine what is right rather than the usual approach, which starts with what is wrong.

Modifying these questions for use in a community strategic planning process, the five questions are:

1. What is already working in your town?

The rationale for starting with this question is to redirect community thinking away from the inevitable, "What's not working?" The question is transformative. People start out suspicious and end the session with hope and enthusiasm, surprised at how many things about their town are working well.

2. What makes these things work?

Here is where the real job begins. When planning group members dig in together and assess why each thing that is working is successful, however small, they begin to build some strength behind the idea that the future of their town rests within the town rather than in some deus ex machina who will come in and save them. They begin to understand how to direct local existing resources to effect future change.

*3. Looking three years into the future, what is **ideally working?***

During the visioning portion of the exercise, participants imagine themselves on a street corner in the middle of town, three years hence, and tell the story of what they see. Using the information they have gathered from answering the first two questions, they are able to posit the reasons why things are "ideally working." This takes the strengths they identified and connects them to actions, creating the positive future they envision.

4. What is missing?

This question helps participants fill in the gaps. "Money" as a final answer should not be allowed. The goal of this exercise is to help locals identify the small, simple, doable things that they can get started to bring the vision created in Question 3 to fruition. This process helps members move away from a feeling of helplessness that can only be corrected by an influx of cash. It will actually build community energy and enthusiasm, leading to better use of any cash that becomes available.

5. What resources do we need to respond to Question 4?

People will be surprised by how many resources come out of this exercise that have nothing to do with "getting a grant." They should be encouraged to identify local human capital and existing resources that will impact their vision.

In watching a small group of community thought leaders in Dunsmuir go through this process over the past two years, I have realized that success has occurred due to the small, simple, doable actions of a group of dedicated volunteers.

The agreed-upon vision that resulted from answers to Question 3 was seeing four successful new businesses occupying empty storefronts in our downtown historic district. To achieve this goal, members of the Revitalization Team took action. They contacted the regional Center for Economic Development for some education on business attraction and economic gardening. They created a web site, ComeHometoDunsmuir.com. They took up a collection at a meeting and had 1,000 postcards printed with a charming downtown image and an invitation to "Bring your business to Dunsmuir." They had a booth at every summer event, including the multiyear high school reunion.

Team members talked to their friends and neighbors about their projects and, in a town of fewer than 2,000 residents, there was a sense that something was changing. When team members learned about the success of small towns that filled their vacant store windows with works of local artists, they dedicated months to creating downtown galleries in empty storefronts.

A year and a half into the three-year revitalization process, they have welcomed four new downtown businesses, achieving their goal more than a year earlier than expected.

"This town has a good feel about it," was the reason given by one young entrepreneur to explain why he moved his business from a major metropolitan area to Dunsmuir.

The seeds for growing a positive future for any rural community live within the community itself. A planning process that accesses and facilitates local involvement, along with the dedication of local volunteer energy to accomplish small, simple, doable actions, can help to bring any small town back to the future.

"Money" as a final answer should not be allowed.

© 2011 www.istockphoto.com/antb

Community revitalization is essential for rural economies that were once dependent on resource-based businesses.

SUGGESTED READING

Holley, June: "Transforming Your Regional Economy through Uncertainty and Surprise: Learning from Complexity Science, Network Theory and the Field," Nov. 2003, www.networkweaving.com/june.html.

Krebs, Valdis, and Holley, June: "Building Smart Communities through Network Weaving," 2002-2006, www.orgnet.com/BuildingNetworks.pdf.

Pew Partnership for Civic Change: "Voices of Rural America," Oct. 2000, www.pew-partnership.org/pdf/voices_of_rural_america.pdf.

Wright, Kurt: *Breaking the Rules: Removing the Obstacles to Effortless High Performance*, Boise, ID: CPM Publishing, 1998.

Joanne Steele, owner of Rural Tourism Marketing Group (ruraltourismmarketing.com) teaches effective internet marketing strategies for local business owners. She speaks at conferences, presents workshops and provides online training through her membership site, takecontrolofyourinternetmarketing.com.

Collaboration Is Key in South Central Illinois Community

By Jean Morisseau-Kuni

Like many other Midwest communities, the once-thriving railroad and mining town of Centralia in Marion County, Ill., has seen its population decline along with personal wealth. However, Allison Austin, Centralia's director of community development and planning, and Jeanne Gustafson, director of economic development, have honed their skills at leveraging resources for the betterment of the community. "We owe much of our success to the local banks and JMW CDC," said Gustafson. "It would be impossible to even think about some of the projects that we've been able to work through without them."

Formed in the 1990s by seven financial institutions, Jefferson Marion Washington Community Development Corporation (JMW CDC) is a multi-bank CDC that provides financing in a three-county area. Transactions to be financed typically are identified and brought to JMW CDC by its member banks. That was the case with US SONET. Larry Clark, president of Marion County Savings Bank, explained, "I'm very proud of the work that we did with US SONET on a project that created fiber-optic infrastructure in the city. When we became aware that Salem [located in Marion County] was going to lose some manufacturing jobs because high-speed internet was not available, we financed the project. Not only did it save existing jobs, it created new ones and helped families, schools and businesses."

Centralia has renovated 50 houses in a five-block area with a CDAP grant from the state.

Another example of collaboration in this small community involved the renovation of 50 houses in a five-block area. Funds from the city, county and state were leveraged with the expertise and resources from B.C.M.W. Community Services (the local community action agency) and many volunteers. "We were able to identify a site on Hickory Street that met the requirements to obtain a Community Development Assistance Program (CDAP) grant from the state," said Austin. CDAP grants provide financial assistance to Illinois communities for a variety of projects, including owner-occupied housing rehabilitation in low- to moderate-income areas.

"After we completed the assessment process and met with residents to get their input, we knew that we would not have enough money to help everyone. So, we reached out to possible partners. B.C.M.W. was a perfect fit since they provide weatherization assistance," said Austin. "B.C.M.W. was already working with many of the residents that we were targeting and was able to provide additional assistance that we could not."

Utilizing the expertise of both the city and B.C.M.W., the project became a reality; renovation and weatherization projects were under way on Hickory Street. "Once we got started, it was amazing to see how involved the homeowners and their neighbors were in the project," said Austin. "We also had many people volunteer to help, including Group Workcamps, a mission project for 12- to 18-year-olds. (See box on Page 7.) Last summer, we hosted 465 teens from all over the country. While they can't do heavy construction or put on a new roof, they can paint, build porches and ramps, clean up yards, and landscape. Their help was invaluable, and we are lucky to have another camp group returning next year."

One of the real results of the program is seeing pride return to the neighborhood. "You can't help but feel great when you see people living in better conditions," said Gustafson. "It inspires you to do more."

Small-Dollar Loan Program Fills Financing Gap for Marion County Residents

Another collaborator in this community is Marian County Savings Bank, which is doing more through its small-dollar loan program. The bank believes it's good for its customers and for the bank.

"Today we loan folks $1,000 for a new washer and dryer. Next year they come back for a car loan. And when they are ready, they apply for a home loan," said Clark.

The small-dollar loans average $500 to $2,500 and carry interest rates from 8 percent to 10 percent. Customers pay a $55 loan-processing fee. Lending decisions are made based on the individual borrower and not just their credit score. "Our delinquency rate is a bit higher than our peers, but our loss rate is lower because we know our customers and are willing to work with them when they have financial problems. We manage the risk," said Clark.

To assist customers who have problems meeting their repayment obligations, the bank has a full-time loan counselor who helps find solutions to specific financial situations. "If we know that a customer has had health problems or was laid off from their job, we try hard to find a way to help them. It does not always work, but we try our best to find a good solution that works for everyone," Clark explained.

In these uncertain times, the residents and business leaders of Marion County continue to work together to develop and implement a shared vision of a better future.

Jean Morisseau-Kuni is a community development specialist at the Federal Reserve Bank of St. Louis.

Marion County Savings Bank makes profitable, small-dollar loans to local residents.

Group Workcamps

Group Workcamps are weeklong home-repair projects involving teenage volunteers and adult sponsors from church youth groups across the country. Here's how it works: The volunteers from numerous denominations come to a community and spend five days (more than 12,000 hours) providing free labor and repairing homes for elderly, low-income and disabled residents. For more information on how your community can benefit, please visit the Group Workcamps Foundation web site at: http://groupworkcamps.org.

Have you HEARD

FFIEC Announces Revisions to the Calculation of Annual Median Family Income Data

The Federal Financial Institutions Examination Council (FFIEC) announced that in 2012 it will calculate the annual Median Family Income (MFI) data that are published each June. These data were previously calculated and updated annually by the Department of Housing and Urban Development. The 2012 MFI data will incorporate the U.S. Census Bureau's American Community Survey (ACS) information and will be referred to as FFIEC Median Family Income Data. The MFI data are calculated annually for each metropolitan and nonmetropolitan area using the geographic changes released by the Office of Management and Budget in December of the previous year. The data are used by the agencies to compile Home Mortgage Disclosure Act data and Community Reinvestment Act examinations analyses. An explanation of methodology and related documents will be available at www.ffiec.gov/cra/censusproducts.

FFIEC Announces the Use of American Community Survey Data in its Census Data Files

The FFIEC also announced that it will incorporate the 2010 American Community Survey (ACS) data into the FFIEC-published census data file. The new methodology responds to a change in the way the U.S. Census Bureau collects information that is reflected in the FFIEC's census data. Unlike the previous decennial census, the 2010 census was used only to count the nation's population. Data that were traditionally collected through the supplemental survey are now collected as part of the ACS, a nationwide survey designed to provide local communities with reliable and timely demographic, social, economic and housing data each year. Because the pace of change has accelerated rapidly, the Census Bureau believes that it is no longer sufficient to collect detailed data about our population once every 10 years.

The FFIEC publishes census data as part of the Home Mortgage Disclosure Act (HMDA) aggregate and disclosure data and as a separate census data file, both of which are available on the FFIEC web site. The census data are used to provide context to HMDA and Community Reinvestment Act (CRA) data. The FFIEC will use the 2010 ACS five-year estimate data to create a new "base" file, which will be updated every five years. Implementation of the new data for consumer compliance and CRA examination purposes will occur in 2012, and the data will be utilized in the same manner that decennial data has been used in the past. In addition to the tract income data, the new base file will include updated race and ethnicity data, which will also be updated every five years. For more information, visit the FFIEC's web site at www.ffiec.gov.

Midtown Renaissance

By Faith Weekly

In a 2007 *Bridges* article, we examined two neighborhoods in the St. Louis Fed's District: Cooper-Young in Memphis, Tenn., and the downtown district in New Albany, Ind. (www.stlouisfed.org/br/two_neighborhoods). Four years later, we revisit Midtown (formerly S. Ellen Jones) in New Albany. This community's comprehensive and inclusive approach to neighborhood redevelopment helped to secure a Neighborhood Stablization Program (NSP1) award of over $6 million and restored vitality and health to a neighborhood that was on a downward spiral.

While New Albany has been methodically investing in its urban neighborhoods for almost 20 years, the area has experienced a revitalization in the past three years sparked by Scribner Place, a multi-use development jointly built by the city and the YMCA. Other projects include a bistro, bakery, winery and pedestrian access to the Ohio River Greenway.

The feedback we get from people who visit is that they can tell the neighborhood is on the uptick. The new image is really improving the area.

In Midtown, 31 homes are being rehabbed, significantly impacting surrounding areas.

Carl Malysz, New Albany's director of community development, explained that the overall neighborhood plan included a strategy to invest in infrastructure, institutional replacement and housing. In the 1990s, the city purchased a number of dilapidated homes that were demolished to build a park adjacent to the local school, inspiring the school district to upgrade the aging school building. In 2002, the city sold an old hospital and nursing home to New Directions Housing Corporation, a NeighborWorks affiliate; the property was restored and rehabilitated and now offers 56 units of affordable rental housing.

Midtown includes 800 properties that showcase historic architecture and a wide range of home styles. The neighborhood boasts other assets, including walkability, proximity to downtown, and a neighborhood school and park. Also, it is only a 10-minute commute to Louisville—a big plus for homebuyers who work in the city.

Despite these assets, Midtown's significant challenges threatened to derail any progress made to redevelop the area into a neighborhood of choice. It had a large concentration of vacant properties. Malysz explained that foreclosures in the neighborhood were overwhelmingly investment properties. The owner-occupancy rate had dropped to 40 percent, and investors and homeowners were struggling with mortgage delinquencies. In early 2010, 37 of 800 properties were in foreclosure and 110 were vacant, according to Ted Fulmore, New Directions' community development coordinator and a Midtown resident.

These challenges, however, turned out to be a blessing and played a key role in helping the city secure $6.7 million under NSP through the Indiana Housing and Community Development Authority (IHCDA). Malysz described the award as a turning point. "If you're looking for one lynchpin, it was probably the NSP money. That allowed us to invest a substantial amount of money on a significant number of homes at one time, to the betterment of the entire neighborhood."

There was no time to celebrate—New Albany had less than half the usual time to commit the NSP funding, and regulations required a bidding process to choose a developer.

By the time New Directions was awarded the contract, the NSP1 deadline was just six months away. Within that time frame, properties had to be identified and acquired, and a contract for completion of the required renovation had to be signed.

New Directions proved equal to the challenge, acquiring 31 single-family homes plus the Cardinal Ritter birthplace by the deadline. They acquired properties strategically, targeting homes that would have a significant impact on surrounding areas. As a Midtown resident, Fulmore had an advantage—he was familiar with the true eyesores. "Our strategy was to remove the worst of the worst. We went block to block targeting blighting influences and replacing those with high-quality work. It really is having a domino effect," he said.

It is exciting to see how this project has stimulated the local economy. Five contractors and many local subcontractors were hired to demolish and build 10 new homes. They'll also rehab 18 more, as well as the community center located in the Cardinal Ritter birthplace. The government NSP investment has stimulated private-sector investment. One of the construction contractors purchased an 1890s-era building that had been vacant for 20 years, with plans to convert it into four apartments and retail space.

Ritter Park hosts one of many sponsored events designed to build a sense of community.

Proceeds from NSP properties will be reinvested in the neighborhood to acquire more vacant homes for restoration and sale. Only those who will be owner-occupants and earn no more than 120 percent of the area median income will be considered eligible purchasers. NSP imposes requirements designed to ensure the assisted properties remain affordable to income-eligible occupants for a certain period of time (the affordability period). For Midtown Renaissance homes, that term is typically 15 to 20 years.

Two homes have already sold near their asking prices, which has had a positive impact on moving the average sale price in an upward direction. "The visual impact alone is very striking. The feedback we get from people who visit is that they can tell the neighborhood is on the uptick. The new image is really improving the area," Fulmore said.

While the removal of abandoned and blighted properties in Midtown has jump-started a rebirth of the neighborhood, the city has secured a $500,000 grant from IHCDA to make loans for external home improvements to current homeowners who are eligible by income.

To build a stronger sense of community, the Midtown Neighborhood Association has sponsored music festivals and other events in the neighborhood park. "It is a comprehensive effort; we're not just trying to make homes pretty," Fulmore said. In addition, New Directions is working with three bank partners—PNC, Fifth Third and Main Source—to launch a financial empowerment series this fall to educate residents on entrepreneurial opportunities. Monthly information sessions on important financial topics will be offered at the new Cardinal Ritter community center.

Lisa Thompson, assistant director of New Directions, sums up the Midtown experience. "It's not perfect, but it is a work in progress with a lot of hands engaged," she said. "Different-size applications have different resources, which underscores the importance of being prepared and having a strategy in place. A sense of quality and creativity help local businesses to be successful. Everything is very bullish and infused with local flavor. The winery, located in a restored vintage building, sells Cardinal Ritter red wine. People really can choose to create a community."

To learn more about the Midtown Renaissance, visit www.midtownna.org.

Faith Weekly is a community development specialist at the Louisville Branch of the Federal Reserve Bank of St. Louis.

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.

Kentucky Announces Small Business Loans

The Kentucky Small Business Credit Initiative will provide access to new loans to help with job creation across the state. The initiative involves three new small-business programs (Kentucky Capital Access Program, Kentucky Collateral Support Program and Kentucky Loan Participation Program) that will facilitate increased private lending to small businesses. The increased access to capital stems from the state's application for $15,487,998 in federal funds from the U.S. Department of Treasury through the State Small Business Credit Initiative (SSBCI). The funds are part of the Small Business Jobs Act of 2010, under which Kentucky can access $15.5 million in SSBCI funds. For more information, visit www.ustreas.gov/offices/domestic-finance/ssbci and www.ThinkKentucky.com.

Cuba Development Group

A new community development corporation has launched in the "Route 66 Mural City." Cuba Development Group Inc. (CDG)—a 501(c)(3) organization serving Crawford County, Mo.—plans to be a collaborative and innovative force for economic and community development efforts in Cuba, Mo., and the Crawford County Enhanced Enterprise Zone (EEZ). The organization's mission is job creation and retention, improved quality of life, and revitalization and redevelopment of areas of cultural and historical significance. The organization recently created "Vision 2020," a 10-year strategic road map with key objectives to actualize the four core elements of innovation: ideation, collaboration, implementation and value creation. For more information about CDG, visit www.gocubamo.com/cdg.

District CDFIs, Community Banks and States Receive Treasury Funding

Financial awards from the Treasury Department's Community Development Financial Institutions Fund (CDFI Fund) have been granted to five CDFIs in the Eighth District. The awards are being made through the fiscal year 2011 round of the CDFI Fund's cornerstone program, the Community Development Financial Institutions Program (CDFI Program), and represent the largest single round of monetary awards in the CDFI Fund's history. The awards will help these specialized, community-based financial institutions spur local economic growth and recovery, as well as expand access to affordable financial products and services. Eighth District awardees include:

- **alt.Consulting (Pine Bluff, Ark.) – $597,975**
- **Community Resource Group Inc. (Fayetteville, Ark.) – $1,500,000**
- **Choices Federal Credit Union (St. Louis, Mo.) – $70,450**
- **Gateway Community Development Fund Inc. (St. Louis, Mo.) – $100,000**

Resources

HUD Report: Neighborhood Effects of Concentrated Poverty

The winter 2011 *Evidence Matters*, a HUD publication, provides a summary of research to date on the relationship between opportunities and neighborhoods struggling with poverty. Read the report at www.huduser.org/portal/evidence.html.

New Report on St. Louis Nonprofits

A new study released by the Public Policy Research Center (PPRC) at the University of Missouri – St. Louis offers an analysis of community development in the St. Louis region. The PPRC also launched a network of community development nonprofits that is designed to increase their capacity and give them a seat at the table when policy is made. To read the report, visit http://pprc.umsl.edu.

New Microfinance Video Interview

Daniel Davis, a former community development specialist at the St. Louis Fed, traveled to Bangladesh in the winter of 2010–2011 to see how microfinance has helped the Bangladeshi people. He was interviewed here at the Bank about his experience; the video is available on the Bank's public web site (www.stlouisfed.org/br/bangladesh_video) and complements an article that Davis wrote in the spring 2011 *Bridges* (www.stlouisfed.org/br/bangladesh).

Web Project Encourages Green Reuse of Vacant Land

Center for Community Progress is launching an interactive resource for communities, individuals and policymakers interested in improving their neighborhoods through strategic green reuse of vacant land. Grounds for Change: Activating Vacant Land provides a searchable list of resources to help guide you in creating green projects on vacant land in your community. For more information, see Grounds for Change at www.communityprogress.net.

- **Great Rivers Community Capital (St. Louis, Mo.) – $1,500,000**

Additionally, nine community banks in our District were part of the 61 nationwide that received funding from the Treasury's Small Business Lending Fund (SBLF). The SBLF, established as part of the Small Business Jobs Act of 2010, encourages community banks to increase their lending to small businesses, helping those companies expand their operations and create new jobs. The Fund provides capital to community banks that hold under $10 billion in assets. Additional SBLF funding announcements will be made in the weeks ahead. Eighth District community banks that received SBLF funding include:

- **Rock Bancshares Inc. (Little Rock, Ark.) – $6.7 million**
- **First Service Bancshares Inc. (Greenbrier, Ark.) – $7.7 million**
- **First Eldorado Bancshares Inc. (Eldorado, Ill.) – $3 million**
- **First Bankshares Trustshares Inc. (Quincy, Ill.) – $10 million**
- **Community First Bancorp Inc. (Fairview Heights, Ill.) – $7 million**
- **Magnolia Bancshares Inc. (Hodgenville, Ky.) – $2 million**
- **BankFirst Capital Corporation (Macon, Miss.) – $20 million**
- **Cardinal Bancorp II Inc. (Washington, Mo.) – $6.3 million**
- **Merchants and Planters Bancshares Inc. (Bolivar, Tenn.) – $2 million**

In related news, the Treasury Department has announced the approval of applications for State Small Business Credit Initiative (SSBCI) funding from 11 states and Washington, D.C., including two states in the Eighth District. The funding is intended to create new private-sector jobs and spur additional small-business lending. Mississippi will receive $13.2 million to establish the Mississippi Small Business Loan Guarantee Program; Tennessee will be allocated $29.7 million to establish a new venture capital program called the "INCITE Fund."

See the full list of CDFI awardees and their profiles under Historical Award Documents at www.cdfifund.gov/impact_we_make. To view all recipients of SBLF funds, see the Sept. 14, 2011, press release at www.treasury.gov/press-center. Information on the SSBCI approved applications can be found in an Aug. 16, 2011, press release at www.treasury.gov/press-center.

Community Investment Network

The Community Investment Network℠ is designed to be a national information resource for individuals and organizations interested in creating, rejuvenating and maintaining healthy communities in the U.S. It is a powerful tool for the continual sharing of useful and actionable news, research data, information, perspectives and opinions related to all aspects of community development. Visit www.communityinvestmentnetwork.org/news-information/housing.

Ecomomic Mobility Project

Pew's Economic Mobility Project (EMP) focuses public attention on economic mobility—the ability to move up or down the income ladder within a lifetime, or from one generation to the next. The project is generating an active policy debate about how best to improve economic opportunity in the U.S. and to ensure that the American dream is kept alive for generations that follow. For more information, visit www.economicmobility.org.

BRIDGES

Bridges is a publication of the Community Development Office 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
Assistant Vice President
and Managing Editor
314-444-8317

Yvonne Sparks
Senior Manager
314-444-8650

Maureen Slaten
Senior Editor
314-444-8732

Community Development staff

St. Louis: Matthew Ashby
314-444-8891
Jean Morisseau-Kuni
314-444-8646

Memphis: Kathy Moore Cowan
901-579-4103
Teresa Cheeks Wilson
901-579-4101

Little Rock: Drew Pack
501-324-8268

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

Free subscriptions and additional copies are available by calling 314-444-8761 or by e-mail to communitydevelopment@stls.frb.org.

Follow the Fed on Facebook, Twitter and more at stlouisfed.org/followthefed.

FEDERAL RESERVE BANK of ST. LOUIS
CENTRAL to AMERICA'S ECONOMY®
P.O. Box 442
St. Louis, MO 63166
STLOUISFED.ORG

PRSRT STD
U.S. POSTAGE
PAID
ST. LOUIS, MO
PERMIT NO. 444

CALENDAR

NOVEMBER

3

Neighborhood Revitalization and the Business District—Louisville, Ky.
Sponsors: Louisville Branch of the Federal Reserve Bank of St. Louis, JPMorgan Chase Foundation and New Directions Housing Corporation, a NeighborWorks America network member
www.stlouisfed.org/event/415C

9-10

Small Business and Entrepreneurship during an Economic Recovery—Videocast
Sponsors: Federal Reserve Board, Federal Reserve Bank of Atlanta
www.federalreserve.gov/newsevents/conferences

14-17

OFN Annual Conference: Where CDFIs, Funders, and Investors Meet!—Minneapolis, Minn.
Sponsor: Opportunity Finance Network
www.opportunityfinance.net/groupmail/conference/11/9.8.11.html

16

CRA-Qualified Individual Development Accounts Forum: Investing in Community Development for Kentuckiana—Louisville, Ky.
Sponsors: Federal Reserve Bank of St. Louis, FDIC and U.S. Department of Health and Human Services Region 4—Administration for Children and Families
www.stlouisfed.org/event/412E

16-17

Tennessee Business Retention and Expansion Course—Jackson, Tenn.
Sponsor: University of Tennessee Center for Industrial Services
cis.tennessee.edu/connecting/edevelopment/Pages/edta.aspx

16-18

NCDA Southeast Regional Conference—Miami
Sponsors: NCDA Region IV, City of Miami – Department of Community Development
ncdaonline.org/regionalevents.asp

30-Dec. 2

Building a Better Economy for all Americans: NALCAB's National Conference—Washington, D.C.
Sponsor: National Association for Latino Community Asset Builders (NALCAB)
www.nalcab.org/summit-national-2011.html

DECEMBER

6

Show Me the Money: Innovative Tactics to Help Families Build Financial Security—Grand Rapids, Mich.
Sponsor: Community Economic Development Association of Michigan
http://members.cedam.info/events?eventId=365741&EventViewMode=EventDetails

13-15

Intro Revolving Loan Fund Webcourse—Online
Sponsor: CDFA Training Institute
Search under Training Institute at www. cdfa.net

JANUARY

24-26

Fundamentals of Economic Development Finance Webcourse—Online
Sponsor: CDFA Training Institute
Search under Training Institute at www.cdfa.net

>>> Only Online

www.stlouisfed.org/publications/br

In addition to the print version, each issue of *Bridges* offers information that is exclusively online. Online information for the fall issue of *Bridges* includes:

>>> Survey Results Are In!