

## An Innovative Brownfields Initiative Catches Fire in Pennsylvania

By Sid Johnston

**B**lighted and contaminated lands are a significant problem both in Pennsylvania and in the nation. However, a new private-sector approach to financing these properties holds great promise.

The Financing Initiative for Environmental Restoration, or FIER (pronounced "Fire"), is an innovative vehicle for addressing the barriers to financing the cleanup and redevelopment of brownfields. By restoring these impaired lands to productive use, FIER will achieve environmental cleanup on a significant scale, spur sustainable economic revitalization in urban areas, help encourage smart growth, and reduce urban sprawl.

Conventional financial institutions have, for the most part, stayed away from financing the cleanup and redevelopment of brownfields. The inherent risks (both real and perceived) can be an institutional lender's worst nightmare. Rightly or

wrongly, brownfields are often viewed as too risky on their own to meet prudent investors' safety and soundness requirements.

FIER will marshal the collective resources of member financial institutions and corporations. Its design and creation will be a collaborative effort, with input from public and nonprofit entities. The new initiative will be a financially sound vehicle for private-sector participation in the recycling of blighted lands. FIER intends to leverage private-sector financing with public-sector sources in order to maximize its impact. A financing intermediary, such as FIER, could be structured to serve these types of projects by:

- providing a risk-sharing mechanism;
- creating a centralized source of dedicated expertise to mitigate transaction costs on complicated and higher risk transactions;
- facilitating regulatory approv-

als in a centralized way;

- providing a shield from legal liability for participants; and
- generating economies of scale and portfolio diversification to further mitigate risk.

### The Partners

The Phoenix Land Recycling Company has formed a partnership with the Development Fund to use its expertise in creating large-scale financing intermediaries. The Pennsylvania Department of Environmental Protection (DEP) and The William Penn Foundation are the lead funders for the creation process. Dede Myers, vice president and Community Affairs officer, Federal Reserve Bank of Philadelphia, has expressed both enthusiasm for the initiative and a willingness to play an ongoing role in assisting these efforts. Banks and corporations in the state will be asked to join the initiative.

The Phoenix Land Recycling  
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## LISC Launches Community Development REIT

**L**ocal Initiatives Support Corporation (LISC) has launched the Community Development Trust, Inc. (CDT), the first real estate investment trust (REIT) to specialize in acquiring community development assets. CDT, a private REIT, will acquire debt and equity in projects that satisfy CDT's goal of preserving and increasing the stock of affordable housing. A REIT operates much like a mutual fund for real estate in that multiple investors obtain the benefit of a diversified portfolio. REITs typically invest in

mortgages or in equity; some, called hybrid REITs, do both. CDT will operate as a hybrid REIT.

LISC, the nation's largest community development intermediary, created CDT to further its broad support for community development initiatives and finance. LIMAC, a LISC affiliate created in 1987, was the predecessor for CDT's current mortgage acquisition activities. CDT will build upon the national network of relationships that LISC and its affiliates have built during the past 20 years with

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Company is a nonprofit organization created to encourage the reuse of brownfield sites in Pennsylvania, often by playing a direct role in redevelopment transactions.

The Development Fund is a San Francisco-based 501(c)(3) nonprofit organization with a national track record of creating innovative financing vehicles that attract bank and corporate capital to community needs. Over the past decade, The Development Fund has created 10 such vehicles in nine states that have generated more than \$1 billion in new private-sector financing nationwide from over 250 financial institutions and corporations. These vehicles serve a range of community development activities, including affordable housing, small-business development, and community real estate projects. In February 1998, The Development Fund completed a year-long national research project that showed that the vast majority of brownfield projects lack access to financing. Because of risk and return constraints, the private sector serves only a limited portion of the brownfields market. Public resources, although growing, are still limited in scope.

### **New Opportunities**

Over the past three to four years, increasing attention to sustainable development and brownfield issues nationally has created a unique opportunity to craft an innovative solution. New federal programs provide incentives to increase private-sector involvement in brownfield redevelopment. These programs include new federal tax incentives to encourage brownfield restoration, U.S. Environmental Protection Agency (EPA) guidelines and brownfields pilot programs, Community Reinvestment Act (CRA) incentives for banks, and recent revisions to ease federal lender liability laws. Pennsylvania is



*Before (left) and after (below) shots of a brownfields cleanup effort in Allentown, Pennsylvania. (Photo: Diane Elliott)*

uniquely suited for FIER because of its forward-looking legislation and proactive regulatory approach.

The specific structure and components of a FIER financing program will be designed through a collaborative effort. All of the potential options would be reviewed locally through a design process that tailors the vehicle to the specific needs and capacity of the service area. A service area has yet to be designated. The final scope will be determined through the design process. The Development Fund's track record has proven that the creation of a diverse "brain trust" of stakeholders is critical to the design process. The Phoenix Land Recycling Company will provide local knowledge and overall leadership for the project while The Development Fund facilitates the design of the new vehicle.

The collaborative effort will solicit input and participation from a broad range of local stakeholders, including representatives from the business, government, regulatory, and nonprofit sectors. The planning and design process will be under-



taken in two phases: a policy phase and an implementation phase. In the policy phase, FIER participants will assess the feasibility and necessary parameters of FIER. During the implementation phase, the concepts discussed in the policy phase will be transformed into an operational entity. At the end of the process, FIER will be a free-standing entity ready to provide financing to brownfield projects.

*Sid Johnston is the executive director of The Development Fund. If you would like more information about FIER's efforts in Pennsylvania, or would like to join the initiative, please call him at (415) 981-1070 or Keith Welks of the Phoenix Land Recycling Company at (717) 541-1990.*

## What Is a Real Estate Investment Trust?

A real estate investment trust (REIT) combines the capital of many investors to acquire or provide financing for all forms of real estate. A REIT serves much like a mutual fund for real estate, in that investors obtain the benefit of a diversified portfolio.

Typically, there are REITs that invest in mortgages (called mortgage REITs) and those that invest in equity (called equity REITs). Those that do both are referred to as hybrid REITs.

A corporation or trust that qualifies as a REIT generally does not pay corporate income tax. Most states honor this federal tax treatment and do not require REITs to pay state income tax. This means nearly all of a REIT's income can be distributed to shareholders, and there is no double taxation of the income to the shareholder. Unlike a partnership, a REIT cannot pass its tax losses to its investors.

REITs were created to provide investors with the opportunity to participate in the benefits of ownership of larger scale commercial real estate or mort-

gage lending and receive an enhanced return, because the income is not taxed at the REIT entity level. REIT tax provisions were first authorized in 1960, and many of the law's basic provisions remain unchanged.

To qualify as a REIT, a corporation or a trust must:

- Be managed by a board of directors or trustees;
- Have shares that are fully transferable;
- Have a minimum of 100 shareholders;
- Have no more than 50 percent of the shares held by five or fewer individuals;
- Invest at least 75 percent of total assets in real estate assets;
- Derive at least 75 percent of gross income from rents on real property, or interest on mortgages on real property;
- Pay dividends of at least 95 percent of REIT taxable income.

## LISC Launches Community Development REIT... *continued from page 1*

lenders, community development corporations, state housing finance agencies, and government entities.

While some REITs have been acquiring affordable multifamily housing properties and converting them to middle-income or luxury housing, CDT will maintain the properties it acquires as affordable housing for low-income households. With thousands of affordable units being lost as owners prepay their government mortgages and withdraw from various HUD programs, CDT presents an attractive alternative to property sellers and to communities in need of affordable rental housing. CDT will purchase fixed-rate mortgages typically not acquired by other secondary markets because of their size, location, or property type. CDT will acquire properties from all types of mortgage lenders, including banks, community development financial institutions, loan consortia, and housing finance agencies.

A primary goal of CDT will be helping owners with expiring HUD controls to keep these properties affordable. Twenty-five years ago, at

the inception of the project-based Section 8, HUD signed contracts with owners, guaranteeing them an income stream for 20 years. If an owner's expenses rose, so, too, would the amount of HUD's rental subsidy. While there was a way to increase the rental subsidy if expenses were to rise, there was no de-escalator mechanism. Projects that could document increased expenses, even though those increases were temporary, were granted increased subsidies. The result is that many Section 8 projects are now receiving rent, from tenant and government subsidy combined, that greatly exceed the "fair market rent."

An estimated 4000 properties (450,000 apartments) have rents above the market. The owners of these units have some tough choices when their 20-year contracts with HUD expire. Those choosing to opt out of HUD contracts can take one of several routes: those interested in keeping the real estate can seek private financing, repay the HUD-insured mortgage, get vouchers for the tenants, and charge market rents; for those contemplating a sale,

the decision gets more complicated.

This is where the benefits of the REIT's structure come into play. By transferring the property to a REIT, the owner will have liquidity as needed and receive cash flow distributions, and the property will appreciate in value. His/her investment will become diversified as part of a REIT composed of many properties, instead of depending on just one property. In addition, there are real estate planning and tax advantages for an owner transferring property to a REIT.

CDT's management team and board of directors have extensive experience in the field of affordable housing and community development. LISC provided the seed capital and CDT completed its private placement of common stock on May 28, 1999, raising a total of \$28,750,000.

CDT's investors are Allstate Insurance Company, Banc One Community Development Corporation, Bankers Trust Company, Chase Community Development Corporation, Citicorp, N.A., Delaware Valley Community Reinvestment Fund,

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## LISC Launches Community Development REIT... *continued from page 3*

EAB Community Development Corporation, Fannie Mae, First Union Corporation, Local Initiatives Support Corporation, Mellon Bank Community Development Corporation, Metropolitan Life Insurance Compa-

ny, NCB Development Corporation, The Prudential Insurance Company of America, Wachovia Community Development Corporation, Washington Mutual Bank, F.A., and Wells Fargo Bank.

*This story was compiled using information supplied by Marilyn Rovira of the Community Development Trust, 1350 Broadway, New York, NY 10018; 212-271-5080.*

## Business Incubators Nurture Potential Major Leaguers *By Sally Burke*

The 1980s and early 1990s saw an explosion of business incubators in North America; numbers rose from 12 in 1980 to more than 500 by 1995. Since then, the rate has dropped somewhat: the number of incubators in North America now stands at around 600. But in spite of this slowdown, business incubators still play an important role in economic development in their communities.

According to the National Business Incubation Association (NBIA), North American incubators have launched nearly 19,000 still viable companies and created more than 245,000 jobs.

The NBIA's study, "Impact of Incubator Investments," reports that 87 percent of incubator graduates are still in business.

Incubators draw support from several different sources. The majority (51 percent) are sponsored by government and nonprofit organizations, and their chief purpose is economic development. Some 27 per-

cent are tied to colleges or universities. These "academic" incubators, the NBIA states, often help alumni or faculty start businesses or provide research opportunities for fac-

ulty. Approximately 16 percent are hybrids, combining government, nonprofit, and private-sector involvement.

Most incubators house a mix of different types of companies, but some specialize in technology companies or industries such as manufacturing.

Generally, incubators offer entrepreneurs shared access to support and services they otherwise might not have or could not afford. Services range from fax and photocopying facilities to secretarial help. Many incubators also offer access to management expertise, management courses, and other forms of training and experience.

Although most incubators are still found in urban settings, NBIA numbers show a decline in urban locations and an increase in rural spots between 1989 and 1998. During that time, though,

suburban percentages remained constant. (See chart.)

States in the Third Federal Reserve District are home to 32 NBIA member incubators: 22 in Pennsylvania, nine in New Jersey, and one

in Delaware.

In Philadelphia, The Enterprise Center, formerly the West Philadelphia Enterprise Center, offers entrepreneurs the usual office space and access to services, but it also provides a variety of other types of help. In addition to consultation and networking opportunities, the Center provides educational opportunities as well. Each year, each entrepreneur receives a \$1000 "scholarship" to attend classes at the University of Pennsylvania's Wharton School, a West Philly neighbor and supporter of The Enterprise Center.

Technical competence is also stressed at the Center. The incubator has formed partnerships with several industry leaders, such as Microsoft, to provide the latest in computer hardware and software for clients' use. The Enterprise Center's Microsoft/Compaq Computer Center keeps clients current with the latest technology and how to use it.

In June, Della Clark, the Center's president, gave a tour of the facility to 12 representatives from the Federal Reserve Bank of Philadelphia, including members of the Bank's Research and External Affairs Committee.

Clark, who likes to use sports analogies, compared the Enterprise Center's entrepreneurs to a baseball team. "We have Single A, Double A, and Triple A players," she explained. Single A players are the youngest businesses, and Triple A players are those entrepreneurs closest to "graduating" from the Center. She added that the Center's goal is to "help grow major leaguers."

Most entrepreneurs who come to Clark's attention already have an



*Sandra Stewart, owner of Great American Tours, sets up another trip from her office in The Enterprise Center in Philadelphia.*

## Incubators Nurture Major Leaguers... *continued from page 4*

idea about the type of business they'd like to start. But from time to time, Clark helps people uncover a market niche—like the mother of two who now produces funeral cards for mortuaries. Sometimes, Clark “finds” entrepreneurs by handing out business cards and telling recipients, “Call me if you're interested in opportunities for self-advancement.”

Clark indicated that helping micro-businesses often goes beyond just giving an entrepreneur space in which to launch a business or a chance to acquire skills. At times, staff members at The Enterprise Center aid business beginners by providing tips on how to adopt a professional look or—just as important—a professional attitude.

Occasionally, the Center will help entrepreneurs with loans, but Clark usually reserves those types of services for the bigger businesses. “When you're a Single A,” she pointed out, “you need sales, not loans.” She feels strongly that infusions of capital should be timed according to which stage a business is in. That's why she dislikes microloan programs. The Center also looks for private-sector financing for its businesses and encourages entre-

preneurs to become bankable clients for local financial institutions.

At present, 26 businesses operate from the building at 4548 Market Street. These companies cover a wide range of industries, including printing and publishing, technology, travel and meeting planning, and health care. The Enterprise Center, which was named Incubator of the Year for 1999 by the NBIA, employs 12 full-time staff members and almost as many special coaches, people from local businesses who help fledgling companies improve their performance. Clark hopes to have 30 staff members on board by 2005.

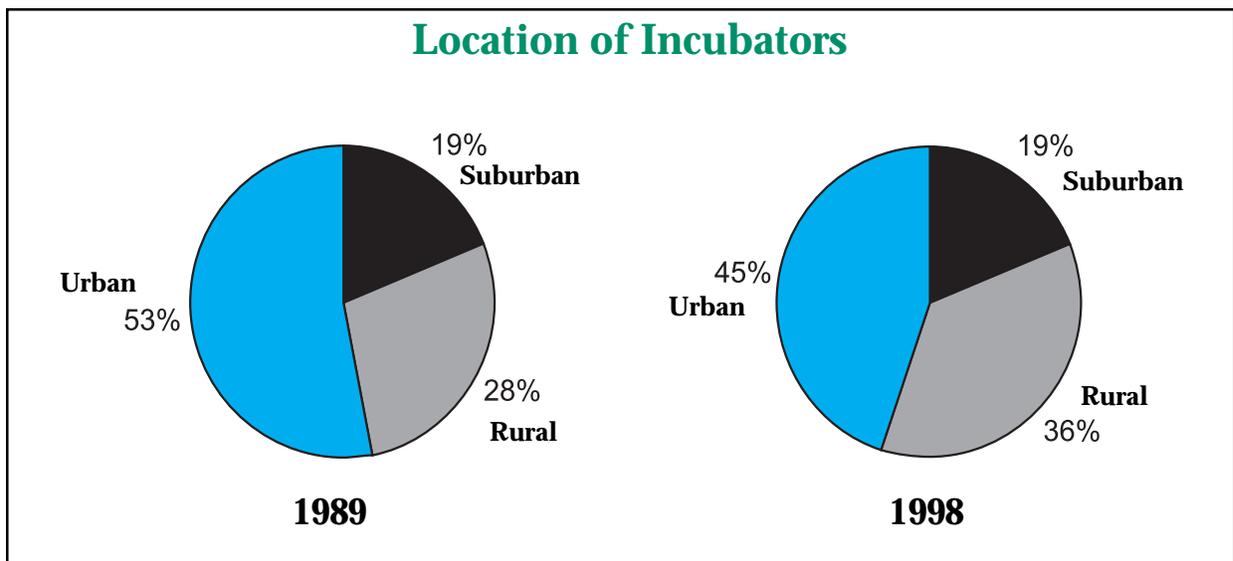
In a way, Clark observed, The Enterprise Center has been “incubating itself for 10 years.” Now it's facing the new century stimulated by new goals—among them, becoming *the* model for urban

entrepreneurial development.

Whether the Center achieves its goal or not, no doubt it will continue to be a force for economic development in West Philadelphia.



*Entrepreneur Donna Miller (standing), shown here with employee Teresa Hicks, operates DuBose Business Services from The Enterprise Center in Philadelphia. DuBose provides desktop publishing services and has found a market niche producing funeral cards for mortuaries.*



## Wilkes-Barre Banks Land for Future Development *By Sally Burke*

Wilkes-Barre, Pennsylvania, a city of 47,000 on the Susquehanna River, has taken an unusual step in its redevelopment efforts: buying properties before developers have been signed up. As Mayor Thomas McGroarty explains, "It's very hard to get a developer to come look at a community if you don't have site control." Many developers, he elaborates, fear that "after they've gone to the expense of doing preliminary studies, a municipality won't be able to deliver the land." And that, he adds, often drives interested parties away.

Therefore, McGroarty states, the city "decided to take a chance on itself" and purchase property in downtown Wilkes-Barre.

And that's where Mellon Bank comes in. McGroarty held several meetings with Mellon Bank officials. They thought the plan for site control was "a good one, but it needed some direction," says Richard D. Krokos, vice president, Business Banking, at Mellon.

With Krokos's help, the mayor's office put together a presentation for several other area banks to brief

them on what the city wanted to do: Buy up properties for redevelopment even before the city had commitments from developers. According to Krokos, it took the assembled bankers about 10 minutes to decide that the plan was not only good for CRA credit for the banks but also good for downtown Wilkes-Barre and the city as a whole.

As a result of that meeting, a consortium of banks put up a total of \$1.6 million for Wilkes-Barre's revitalization efforts. Led by Mellon, the consortium also includes First Heritage Bank, First National Community Bank, First Union, M&T Bank, PNC Bank, and Summit Bank.

With this pool of funds the city has acquired 10 properties on or near Public Square, the main commercial district downtown. Besides helping to pay for the properties, the banks' funds also defrayed other costs of acquisition, such as appraisals and title searches.

Among other things, city officials hope to build a shopping mall on South Main Street, similar to the one in neighboring Scranton. Another major project involves refurbish-

ing an existing office building and constructing a multiplex movie theater and a four-story parking lot adjacent to the offices. The plan is that office workers will use the garage during the day and moviegoers will park there at night.

### Other Tools: TIF and KOZ

Another feature of Wilkes-Barre's approach to redevelopment is one of the financing tools it's using: tax increment financing (TIF). TIFs work like this: a municipality creates a TIF district in a blighted or rundown area slated for redevelopment. The government entity or its designated redevelopment authority then issues bonds or other instruments to finance redevelopment projects within the TIF district. The renovated buildings generate increased property, occupancy, or business taxes. However, the developers' tax rate stays at its pre-renovation base rate, and the additional taxes generated by the redeveloped properties, the "tax increment," go into a fund. Money from this fund pays project costs or is used to satisfy the claims of bond holders.

Although 46 states have authorized TIF programs, Pennsylvania's legislation, which was passed in 1990, is relatively new. California gave the green light to TIFs in 1952, and Nevada did so in 1959. But even though TIFs have been allowed in the Commonwealth for almost 10 years, few communities have taken advantage of this particular form of financing.

In addition to creating TIF districts, McGroarty's administration has taken another unusual step: it has overlaid the TIF districts on a Keystone Opportunity Zone (KOZ). Created by Governor Tom Ridge's administration, KOZs stimu-



Photo shows site on South Washington Street in downtown Wilkes-Barre, Pennsylvania, where a new multiplex movie theater will be built. The office building to the left is scheduled for renovation. A new multi-story garage will facilitate parking for office workers and moviegoers.

## Wilkes-Barre Banks Land... *continued from page 6*

late job creation and economic development by eliminating state taxes in areas designated as KOZs. In each KOZ, the state will waive, for 12 years, taxes on corporate and personal income as well as capital stock and franchise taxes. The waiver applies to businesses and residents in a KOZ. Local governments will waive their taxes as well.

So, as Mayor McGroarty points out, "The KOZ goes from 1999 until 2011. Then from 2012 to 2019, the TIF district kicks in. So any taxes paid during that time go back to the redevelopment authority to facilitate downtown renewal and to pay for new projects."

### **Praise for Banks**

McGroarty praises local banks, especially Mellon, for facilitating the city's plans: "If the banks didn't give us a chance to get started, if the city didn't own this land upfront, all the

things that are happening now either wouldn't be happening or would be moving at a much slower pace."

Local bankers, in turn, share the credit with McGroarty. Mellon's Krokos states that "[McGroarty] made it a point to know all the programs that are out there. And he's somebody who knows how to put the pieces of the puzzle together when he has the opportunity." Thomas Black, president and CEO of Mellon's Northeastern Region, adds, "Political power used for the benefit of the community is a positive thing. We applaud politicians like Tom who know how to use the system for the advantage of the community."

Perhaps it's no coincidence that one of the few places in the state that have used TIFs successfully is Philadelphia, and McGroarty professes himself a disciple of Philadel-

phia's mayor, Ed Rendell. In fact, McGroarty points out that he learned about TIFs from Rendell and his administration. TIF projects in Philadelphia have helped to pay for the renovation of the Philadelphia Naval Shipyard; a former bank building that's being turned into a hotel; and the Reading Terminal headhouse.

Time will determine if the partnership between city government and local banks is successful in reviving the commercial life of Wilkes-Barre. If it is, that success may not only encourage similar partnerships in other municipalities but it may also make TIFs more attractive to municipalities that have been hesitant to use them.

## Entrepreneurial Training Institute Counts on Bank Cooperation

*By Caren S. Franzini*

Small-business owners today face many challenges on the road to success. The Entrepreneurial Training Institute (ETI) is an innovative program to help prepare entrepreneurs to face some of those challenges. The New Jersey Development Authority for Small Businesses, Minorities' and Women's Enterprises (NJDA) sponsors the eight-week program that equips new and future entrepreneurs with the basic skills and knowledge needed to run a successful business. During the course of the program, students use these skills to develop a business plan for their businesses, including a marketing strategy, operations analysis, and financial statements.

ETI instructors and facilitators come from area banks and community organizations. The expertise brought to the classroom by these banking and economic development professionals provides solid business direction to the students.

Upon completion of the ETI program, the student presents his or her business plan to a panel of bankers, accountants, and economic development professionals who offer their feedback on the plan. Through the training and panel review sessions, students leave the program with a completed business plan and are better prepared to seek financing from banks, the NJDA, and other lenders. Following the panel review, representatives from banks are invited to a lenders roundtable, a forum for banks to learn about the businesses of the ETI participants and pursue lending relationships with the businesses' owners.

Banks play a key role in the success of the program. Bank executives and loan officers may volunteer as facilitators, instructors, or members of the business plan review panel. Banks also take part in the program by providing financial support and use of their facilities. In

turn, banks benefit by forming relationships with new business owners and working within their own community.

Joyce Harley, senior vice president of Fleet Bank, explained that Fleet considers ETI and the NJDA its partners in working with small, woman- and minority-owned businesses in New Jersey. Fleet looks to the ETI program to initiate and solidify relationships with small businesses. "There is no better way to reach small businesses. The program allows banks to meet potential customers and teach business owners how to 'sell' their plans and speak the language of bankers," Harley said. She considers the program a win-win situation for banks and entrepreneurs in that banks have the opportunity for business development and entrepreneurs gain an edge in accessing credit.

Russell Gillespie, vice president of PNC Bank, participated as an ETI

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instructor for the first time during the spring 1999 session. He believes that the program offers banks a great opportunity to share their knowledge with entrepreneurs and to participate in community events. "The program gives the banks good field experience by receiving feedback from the small-business owners and hearing questions and comments first hand from them," Gillespie said.

Betty Solewater, vice president of First Washington State Bank, explained that as an ETI facilitator, she sits with a small group of entrepreneurs and counsels them. Solewater noted that the businesses represented in the program are challenging to work with and are never the same. "As bankers, we should give back to our community, and volunteering for this program is a way to work with the community," she observed.

Bank representatives who participate in the ETI program have an opportunity to meet students and develop an understanding of their businesses. Because the ETI program helps to develop business owners as good lending candidates, banks can use it as a source for identifying new borrowers and building relationships necessary for small businesses to start up and grow. More than 40 of the 1998-99 session graduates, approximately two-thirds of the class, are currently working with lenders. For example, Charlotte Taylor and Cathy Ann Cramer graduated in 1999 from the ETI program held in Vineland. As a result of the development and presentation of their business plan, they are currently in discussion with Summit Bank to secure financing. This mother-daughter team owns

Custom Cakes, a custom cake bakery, and the Lollipop Tree, a candy florist, both located in Millville.

"The ETI program is an excellent opportunity for someone inter-



*(Left to right): ETI graduates Charlotte Taylor and Cathy Ann Cramer, mother/daughter owners of Custom Cakes, Inc., and The Lollipop Tree, celebrate with Gregory Williams, president, GW Enterprises, Inc., and New Jersey Development Authority board member; Diane Cappellucci, Cumberland County Department of Planning and Development; and Sandy Zapolski, Enterprise Zone Development Corporation, Millville, New Jersey. (Photo: Cliff Moore, Princeton Stock Photo)*

ested in starting a business to learn the ins and outs and what it takes to be an entrepreneur," said Denise Mason, community development officer with Summit Bank. Mason explained that her participation in the program as a facilitator and in the lenders roundtable gave her the opportunity to identify several businesses as potential borrowers for Summit Bank. "By attending the lenders roundtable and hearing various business plans, I was able to work with these selected businesses," she added.

The ETI program has evolved from a pilot program held in 1992 in Atlantic City to a statewide learning opportunity. More than 400 students have graduated since its inception. As the program has expanded, so has the number of participating banks. In the most recent sessions, 12 banks participated as instructors, facilitators, and panelists.

The banks were The Bank of New York, The Chase Manhattan Bank, Columbia Savings Bank, First Washington State Bank, Fleet Bank, PNC Bank, Roebling Bank, Sovereign

Bank, Statewide Savings Bank, Summit Bank, Sun National Bank, and Unity Bank. Commerce Bank participated by hosting the instructor and facilitator training session, and PNC Bank hosted graduation ceremonies at its Moorestown facility in June.

A number of the banks also have provided financial support to defray the cost of the program, including production of a leading business-planning textbook. Chase Manhattan Bank is one of the major corporate sponsors. Financial contributions also have been made by First Washington State Bank, Fleet Bank, Summit Bank, and Valley National Bank in addition to

other corporate sponsors.

The ETI program is just one component of the NJDA's comprehensive services offered to serve the needs of small-business owners. The NJDA also provides direct loans, ranging from \$20,000 to \$100,000, and loan guarantees to qualified businesses for fixed assets such as real estate, including renovations and construction, equipment, and working capital. The programs of the NJDA are managed by the New Jersey Economic Development Authority.

*Caren S. Franzini is secretary, New Jersey Development Authority for Small Businesses, Minorities', and Women's Enterprises. Banks interested in participating in the ETI program can contact Marion Zajac, ETI Project Officer, at 609-292-9279 or by email at [cld@njeda.com](mailto:cld@njeda.com).*

## Eastern College Announces Program in Urban Economic Development at New Institute for Urban Studies *By Cynthia Moultrie*

Eastern College has announced the opening of the Institute for Urban Studies located in Philadelphia at 10th and Spring Garden streets (990 Buttonwood Street, 6th Floor). At the same location, Eastern is launching a new program in Urban Economic Development. Credit and noncredit courses that lead to a certificate or an undergraduate or graduate degree are available. Courses will be offered evenings and weekends, with flexible programs designed to attract practitioners who want to learn practical skills.

Through collaborations with the Philadelphia Neighborhood Development Collaborative (PNDC), the Salvation Army, and the Center for Urban Resources (which provides capacity-building classes for nonprofits and church organizations),

Eastern will be able to provide courses in a variety of areas, including micro-enterprise development, community organizing, housing, and job development.

PNC Bank and other supporters have provided scholarship funds for those who need help with tuition. Eastern will use its new Center City location for field trips to development sites. Students will be taught by local leading experts in the field of development and will have the opportunity for hands-on practicums in field placements.

Those working for community development corporations (CDCs) and grass-roots organizations who need to upgrade their skills should enroll in this program. Bankers interested in knowing more about community revitalization or leaders of nonprofit organizations and min-

istry workers who want to start incubators or create jobs, small businesses, and “cottage industries” for the hard-core unemployed will also benefit from this training. This program will encourage students to develop their skills and techniques and prepare them to meet the challenges of organizing communities and promoting the economic self-sufficiency of neighborhoods.

*Courses began in mid-August. For more information contact, Tia Booth, Graduate Admissions, at 610-341-5862. For individual advising on the Urban Economic Development program, call Cynthia Moultrie, Director of Economic Development Programs, at 215-763-3383, ext.117.*

## Smaller Multifamily Buildings Represent Unmet Credit Need

A group of New Jersey bankers, nonprofit and for-profit housing owners, and government officials have been meeting this past year to create a solution to financing smaller multifamily properties in the state. While the problem is complex, all participants in the Multifamily Housing Preservation Committee believe this is an important effort, particularly for urban neighborhoods. It is also consistent with New Jersey’s efforts to contain suburban sprawl and create a balance of housing types.

Multifamily rental buildings represent a substantial portion of New Jersey’s housing stock, particularly in the state’s central cities. The 1990 U.S. Census indicates there are approximately 471,000 rental units in structures with five or more units in New Jersey. In New Jersey’s central cities, these units account for 26 percent of total dwelling units, over half of them built before 1960. In New Jersey’s low- and moderate-income census tracts, the state’s most

affordable markets, there are 212,441 units in buildings of five or more. Addressing the poor condition, ongoing deterioration, and abandonment of this housing stock is a priority noted in most comprehensive housing plans for New Jersey.

There are numerous obstacles to the preservation of these multifamily rental buildings. Cash flows are restricted by low rents, high maintenance due to age and obsolete systems, high taxes, and rent controls. The resulting thin margins create a disincentive to maintain properties and spin these buildings into a cycle of abandonment. Bank lending policies favor more experienced owners and larger loans that conform to secondary market standards. Government housing subsidies target home ownership and new or substantially renovated units, with funding programs too complicated to attract smaller owners.

The Multifamily Housing Preservation Committee, hosted by the

Federal Reserve Banks of New York and Philadelphia, believes the following actions will resolve many of the issues:

1. Mortgage insurance for permanent loans and a more accessible secondary market will entice lender participation.

2. A new source of capital, equity, or subsidy, targeted to LMI neighborhoods and without income restrictions on individual units, will allow renovation of existing properties and not draw funds from other projects restricted to LMI families. At an average per unit rehab cost of \$10,000, it’s possible to “save” units that without intervention would be vacant within a few years.

3. A technical assistance program would be useful for property owners.

4. Real estate tax policy needs to be changed so that an owner has an incentive to make improvements.

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# A Y2K Checklist for Customers

From the smallest to the largest, federally insured financial institutions have been working hard to make sure their computer systems will operate smoothly in the Year 2000 (Y2K). In addition, federal and state regulators are closely monitoring the progress of institutions they supervise to make sure Y2K issues are being addressed. Despite the best efforts of the industry and the regulators, no one can guarantee that everything will work perfectly. That's why customers of financial institutions may want to consider taking steps in anticipation of the date change. You can refer to the following checklist to prepare yourself for Y2K.

- Educate Yourself About Y2K** Find out what **your** financial institution is doing to address consumer concerns. If you have questions, speak with a representative who knows about the institution's Y2K program.
- Keep Copies of Financial Records** As always, keep good records of your financial transactions, especially for the last few months of 1999 and until you get several statements in 2000.
- Pay Attention to Your Finances** As always, balance your checkbook regularly. When you receive a transaction receipt from your institution, check it for accuracy and save it to compare against your statement. It's also smart to review your credit report to make sure it doesn't contain inaccurate information.
- Make Prudent Preparations** Remember all your payment options (checks, credit cards, debit cards, ATMs, and tellers) in the event that one doesn't work as planned. The Federal Reserve has plans to ensure that there will be sufficient cash available for consumers. If you withdraw money, make reasonable decisions based on solid information; don't put yourself at risk of being robbed or losing valuable interest payments.
- Be on Guard Against Y2K Scams** Be skeptical if someone asks for your account information or tries to sell you a product, service, or investment that's supposedly Y2K "safe." Protect your personal information, including your bank account, credit card, and Social Security numbers.
- Review Your Deposit Insurance Coverage** The federal government's protection of insured deposits will **not** be affected by Y2K. If you have more than \$100,000 in an insured bank, thrift, or credit union, you may want to make sure you understand the insurance rules. Check with your financial institution or call the Federal Deposit Insurance Corporation at 1-800-934-FDIC (for banks and savings institutions) or the National Credit Union Administration at 703-518-6330 (for credit unions).



Federal Deposit Insurance Corporation  Board of Governors of the Federal Reserve System  National Credit Union Administration  Office of the Comptroller of the Currency  Office of Thrift Supervision

## Smaller Multifamily Buildings... *continued from page 9*

In addition a routine and expeditious process for rent increases to pay for capital improvements is needed.

5. All owners, architects, and local construction officials should be informed about modifications to the construction code that have a positive impact on the upgrading of existing buildings.

6. State, local, and federal officials should accept "lead safe" as a standard when "lead free" is not feasible.

During the fall, the committee will look at models from around the country to determine which ones are transferable to New Jersey. We'll keep you posted.

*For more information or copies of*

*the committee's report, contact Robert Riggs of the Federal Reserve Bank of New York (212)720-5912 or Dede Myers at the Federal Reserve Bank of Philadelphia (215)574-6482.*



## Calendar of Events

### **Interagency Symposium on Defining Qualified Community Development Investments**

Federal Reserve Bank of Chicago  
Chicago, Illinois  
September 28, 1999

For information contact Harry Ford at 1-800-333-0894, ext. 8232 or [Harry.J.Ford@chi.frb.org](mailto:Harry.J.Ford@chi.frb.org).

### **Development and Redevelopment: Creating, Financing, and Building Projects in Your Community**

Philadelphia, Pennsylvania  
September 30, 1999-October 1, 1999

For information call 202-223-4735 or send email to [mail@urbandevelopment.com](mailto:mail@urbandevelopment.com).

### **Community Development Investment Conference**

Embassy Suites Hotel  
Des Moines, Iowa  
October 5, 1999

For information contact Harry Ford at 1-800-333-0894, ext. 8232 or [Harry.J.Ford@chi.frb.org](mailto:Harry.J.Ford@chi.frb.org).

### **Economic Development Summit**

Renaissance Hotel  
Washington, D.C.  
February 13-15, 2000

For information call 202-223-4735 or send email to [mail@urbandevelopment.com](mailto:mail@urbandevelopment.com).

*These events are listed for information purposes only. Inclusion does not necessarily imply endorsement by the Federal Reserve Bank of Philadelphia or the Federal Reserve System.*

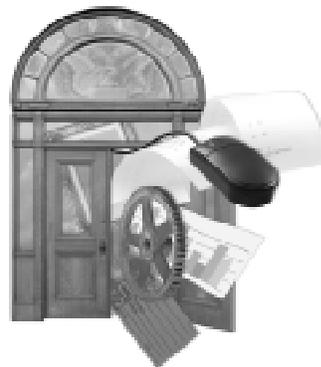
## New Resource, CEDRIC, Now Available on the Web

The Federal Reserve System's web resources have expanded to include CEDRIC—Consumer and Economic Development Research and Information Center. CEDRIC's principal mission is to foster research related to consumer and economic development issues such as consumer and small-business financial behavior, access to credit, affordable housing, and community development and reinvestment. The web site links you to a repository that includes abstracts and full text of articles, reports, working papers, and other studies by Federal Reserve researchers and analysts as well as academicians, government agencies, and nonprofit organizations. In addition, CEDRIC keeps you informed about upcoming

events and connects you to CEDRIC data resources on the web. You'll find CEDRIC at <http://www.chi.frb.org/cedric/cedric.html>.

One of the items you'll find on CEDRIC is the proceedings, both full text and a summary, of the conference on Business Access to Capital and Credit. At this conference, which was held on March 8-9, 1999, in Arlington, Virginia, distinguished economists and scholars presented and discussed 16 papers on topics related to the effects of financial industry consolidation on lending; credit scoring and securitization for small business loans; access to credit for minority-owned businesses; and microlending. The

conference was designed to stimulate additional research, and the papers presented are working papers. The keynote address was presented by Alan Greenspan,



Chairman, Board of Governors of the Federal Reserve System, and a luncheon address was given by Edward M. Gramlich, Member, Board of Governors of the Federal Reserve System.

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