

MARKETWISE

TAX-EXEMPT
ORGANIZATIONS

PROPERTY

*Third
Edition*

*Third
Edition*

Progressive Passages

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MARKETWISE

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In this issue...

of *MARKETWISE* we look at passages within the community development field, and how moving from one plateau to another sustains and increases progress. Duke University's Community Economic Development Law Clinic passes along legal experience and expertise to benefit nonprofit organizations as they work to set new courses for their constituents. Economic and social integration is a possible new pathway to urban revitalization in some distressed inner cities, while utility company incentive programs lead new businesses into communities and low-income customers out of power bill debt. Maryland Capital Enterprises invited area supporters to channel their resources to continue the microenterprise development journey in Maryland's Eastern Shore, and the Capital Area Asset Building Corporation provides technical assistance and advocacy for organizations promoting Individual Development Accounts, a matched savings account program that can guide participants out of poverty. Passages provide a way of entrance or exit, along with the privilege of new opportunities and perspectives.


Jackson L. Blanton
Vice President and Community Affairs Officer

In a profession...

that goes "by the book," lawyers are well versed in the written and spoken word. With painstaking detail and interpretive precision they are able to process, present, and persuade so others may pass judgment. In the case of Duke University's Community Economic Development Law Clinic (the Clinic), lawyers and law students are planning, developing, and implementing community economic development strategies to improve conditions in low-wealth communities. By offering professional, pro bono legal services to disadvantaged populations, the Clinic is meeting real needs in the community and providing students valuable experience in complicated transactions and multiple legal disciplines. The Clinic's commitment to community speaks volumes to its deliberate purpose of giving all people an equal chance of passage through the halls of justice, while it balances integrity with impartiality.



Patty L. Frost
Editor

Cover Design by Geep Schurman

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Duke University Law School: *Making a Case for Community Economic Development*

by Jennie Blizzard

Nine law students gathered around a conference room table listen intently to their professor as he discusses common terms associated with their future profession: “promissory notes,” “deed of trust,” “certificate of occupancy,” and “due diligence” to name a few. The lecture proceeds to explore additional topics, “the Community Reinvestment Act,” “501(c)(3) organizations,” and “gap financing.” Although most of these words are familiar in the legal profession, the focus of their discussion — community economic development law — is unconventional.

Community economic development (CED) has been recognized as a strategy with much potential to improve conditions in low-wealth communities. This movement has achieved significant momentum, but the lack of access to sophisticated and affordable legal services remains a major challenge to nonprofit organizations and entrepreneurial community leaders.

Duke University School of Law’s Community Economic Development Law Clinic (the Clinic) is one entity that strives to help those involved with CED overcome this barrier by providing quality legal services to low-income entrepreneurs and a variety of nonprofit organizations engaged in community development activities.



Andrew Foster, director of the Clinic, stresses to his students the essentials of practicing community economic development law.



Andrew Foster
Director, Duke Law School's CED Law Clinic

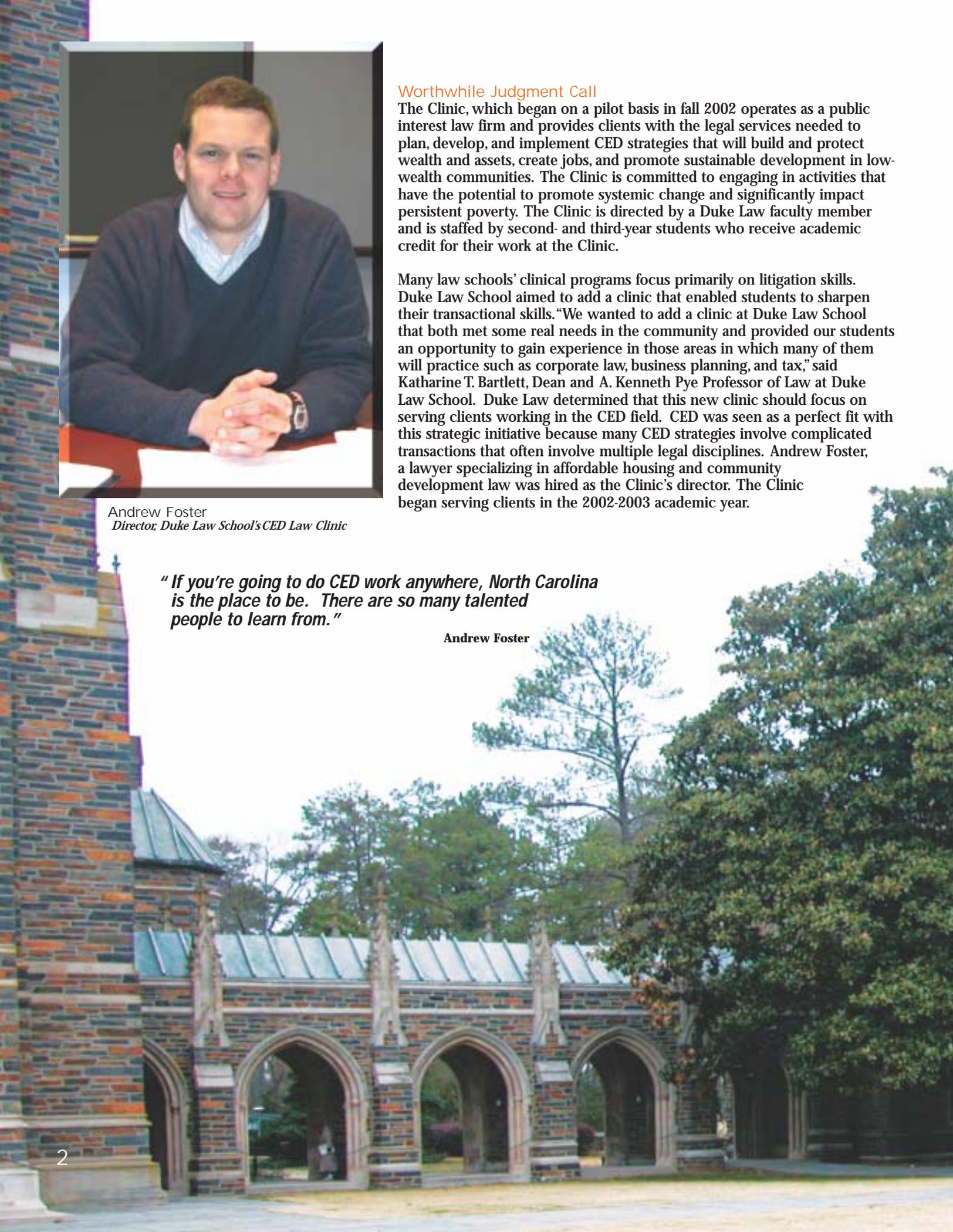
Worthwhile Judgment Call

The Clinic, which began on a pilot basis in fall 2002 operates as a public interest law firm and provides clients with the legal services needed to plan, develop, and implement CED strategies that will build and protect wealth and assets, create jobs, and promote sustainable development in low-wealth communities. The Clinic is committed to engaging in activities that have the potential to promote systemic change and significantly impact persistent poverty. The Clinic is directed by a Duke Law faculty member and is staffed by second- and third-year students who receive academic credit for their work at the Clinic.

Many law schools' clinical programs focus primarily on litigation skills. Duke Law School aimed to add a clinic that enabled students to sharpen their transactional skills. "We wanted to add a clinic at Duke Law School that both met some real needs in the community and provided our students an opportunity to gain experience in those areas in which many of them will practice such as corporate law, business planning, and tax," said Katharine T. Bartlett, Dean and A. Kenneth Pye Professor of Law at Duke Law School. Duke Law determined that this new clinic should focus on serving clients working in the CED field. CED was seen as a perfect fit with this strategic initiative because many CED strategies involve complicated transactions that often involve multiple legal disciplines. Andrew Foster, a lawyer specializing in affordable housing and community development law was hired as the Clinic's director. The Clinic began serving clients in the 2002-2003 academic year.

"If you're going to do CED work anywhere, North Carolina is the place to be. There are so many talented people to learn from."

Andrew Foster



Collateral Control

The Clinic provides business law services to CED clients working in three general areas: affordable housing, community economic development, and public policy. In the affordable housing arena it has helped clients with transactions that create affordable housing and maintain the existing housing stock, and has assisted community development corporations and some local governments with Hope VI projects, which are designed to promote mixed-income housing. The Clinic has assisted clients with economic development projects such as Individual Development Accounts (IDAs), Community Development Entity certification for the New Markets Tax Credit, and child care and human services issues that will improve daycare for at-risk children living in low-income communities.

In the area of public policy, the Clinic assisted a client with the development of a specific legislative agenda that will improve the quality of life of North Carolinians who live in manufactured housing. If passed, the legislation will, among other things, give those who own the land on which their manufactured house is located equal benefits and consumer protections that other homeowners are entitled to under North Carolina law.

The Clinic is developing a formal process for clients to use when applying for legal assistance from the Clinic. It is expected that priority will be given to cases that develop and test new strategies for revitalizing low-wealth communities; create new financing mechanisms to support CED activities; or can be widely

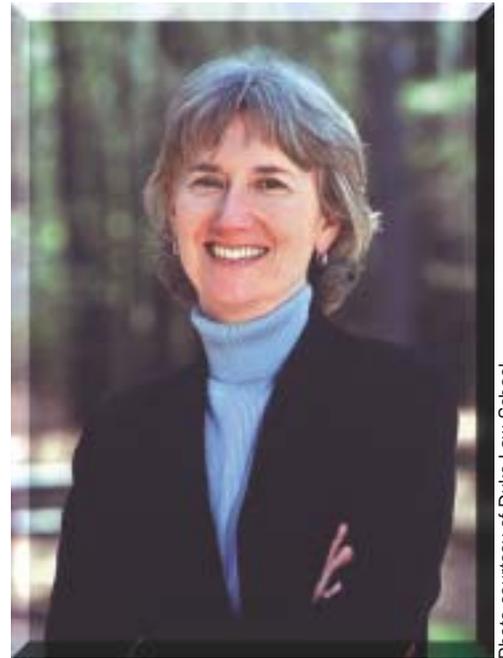
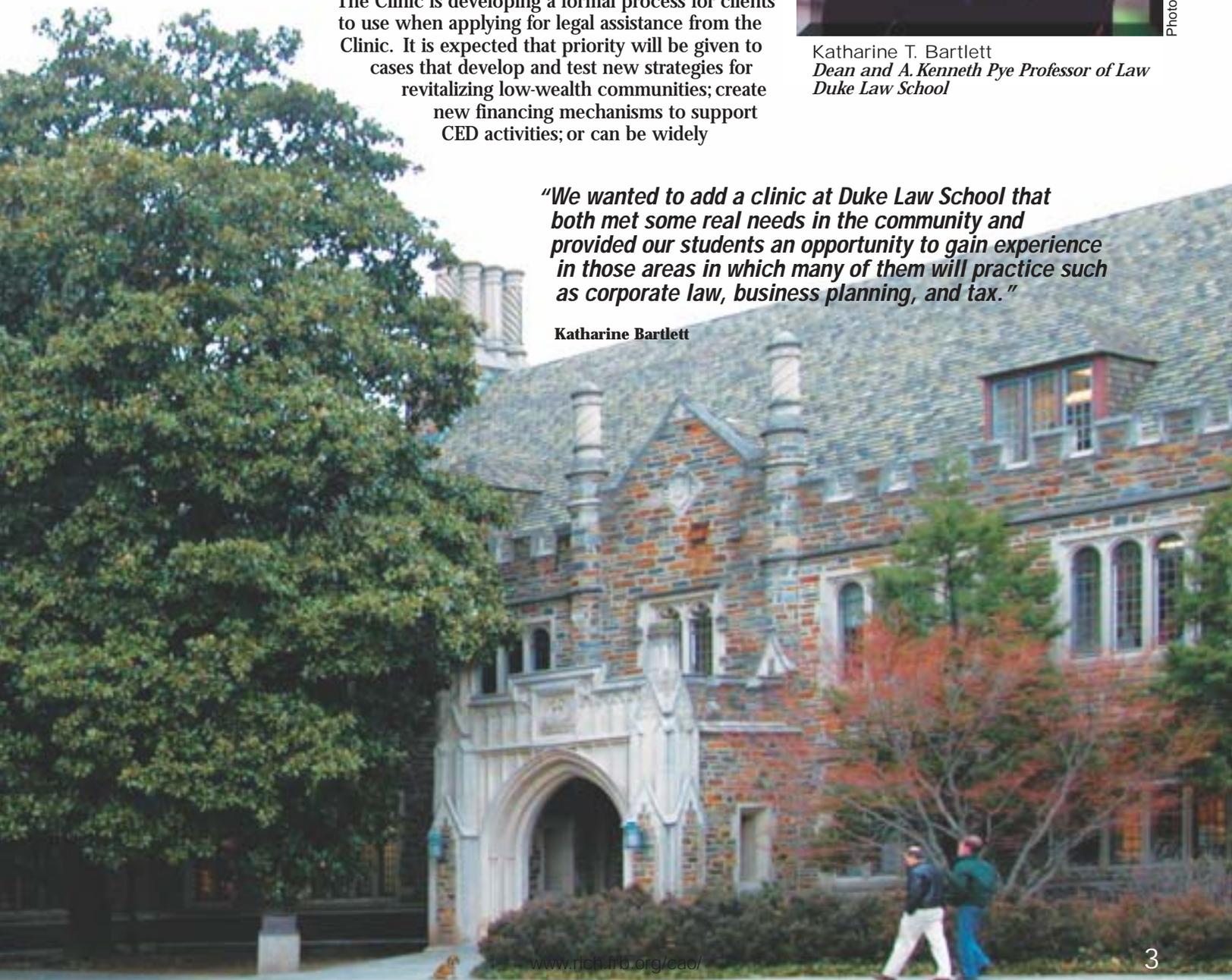


Photo courtesy of Duke Law School

Katharine T. Bartlett
Dean and A. Kenneth Pye Professor of Law
Duke Law School

"We wanted to add a clinic at Duke Law School that both met some real needs in the community and provided our students an opportunity to gain experience in those areas in which many of them will practice such as corporate law, business planning, and tax."

Katharine Bartlett



Suite 202D

DUKE LAW SCHOOL CLINICS

Andrew Foster discusses the specifics of a project with law student Emily Marroquin.

Strong Bonds

Students who enroll in the Clinic have particular interests in different areas of law and are matched with clients whose needs closely relate to the student's area of study and expertise. Alex Davie, a third-year law student interested in practicing real estate law, was matched with Passage Home Community Development Corporation. Davie helped the organization with renovation efforts of a multi-family housing project and restructured its real estate portfolio to reduce liability. (See sidebar about Passage Home on page 7.) "You really learn to work with people who are not attorneys," Davie said. "I've learned a great deal about client communication skills."

Foster, who considers law his "second career," credits over a decade of experience in community economic development for his interest in community economic development law. "CED is an area of law where students can make a contribution," Foster said, "It's something they can support in their pro bono work to eliminate poverty." Foster also works at the law firm of Womble Carlyle Sandridge & Rice, PLLC (Womble Carlyle) in its Research Triangle Park, North Carolina office, and co-founded Womble Carlyle's Community Economic Development Law Team. Foster and a colleague in the Charlotte Office stressed to the firm that creating a CED practice was a valuable business opportunity that could attract housing developers, lenders, and investors. The CED law team became official in summer 2002.

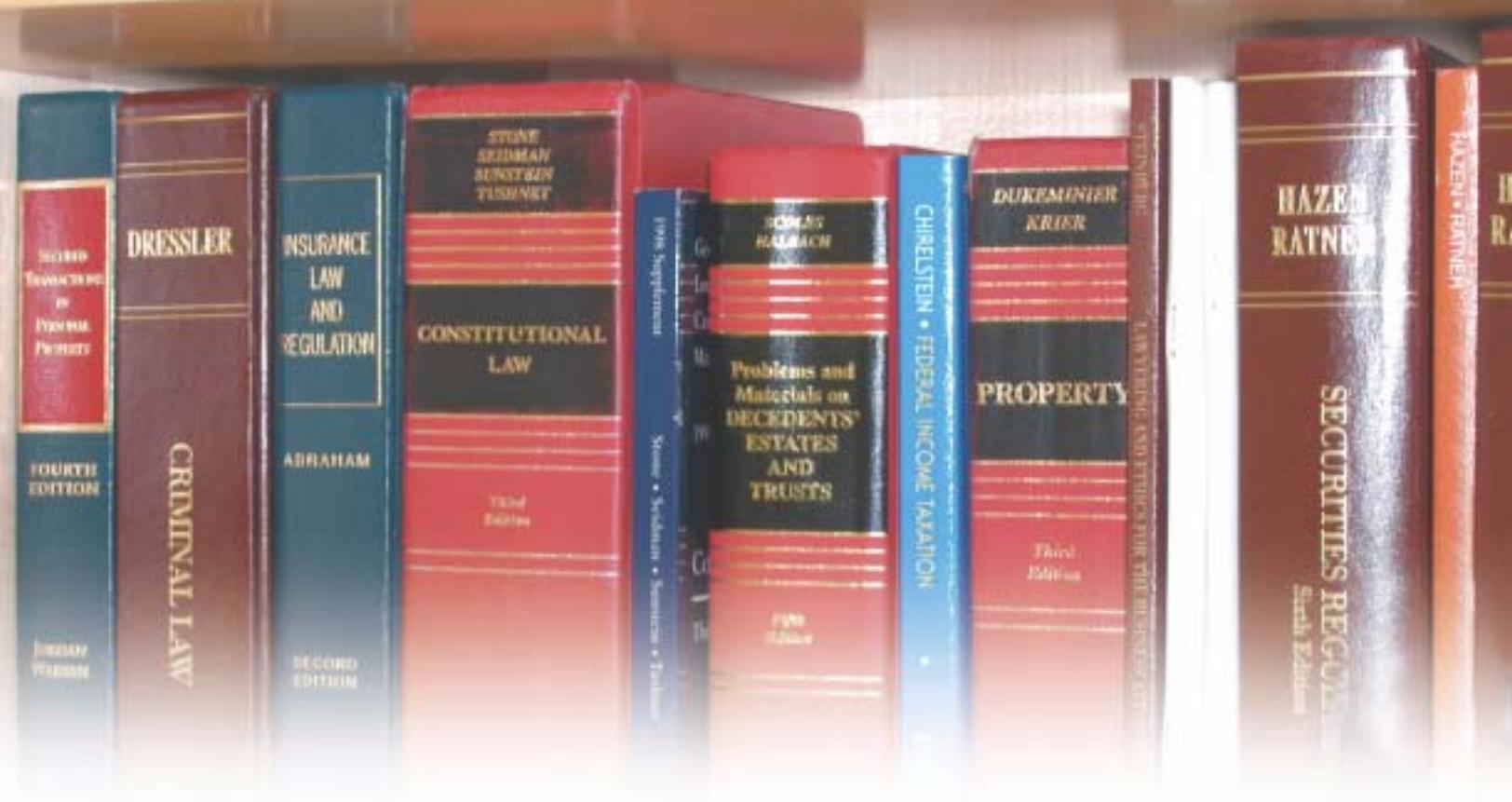
Foster offers impressive credentials and brings invaluable real-life lessons to the classroom and his students. "I think many times lawyers feel that because they have expertise in a certain field they know more than the clients. This is not necessarily the case in CED work. Lawyers need to realize the expertise and value that clients bring to the table," he said. "Clients in this field need to be related to differently." He also emphasizes that one of the challenges of CED law work

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is putting together transactions that make good business sense and benefit the communities its clients serve. “You need to know a great deal about federal subsidy programs as well as how to structure deals so that the client’s tax-exempt status is not at risk.”

Sustainable Success

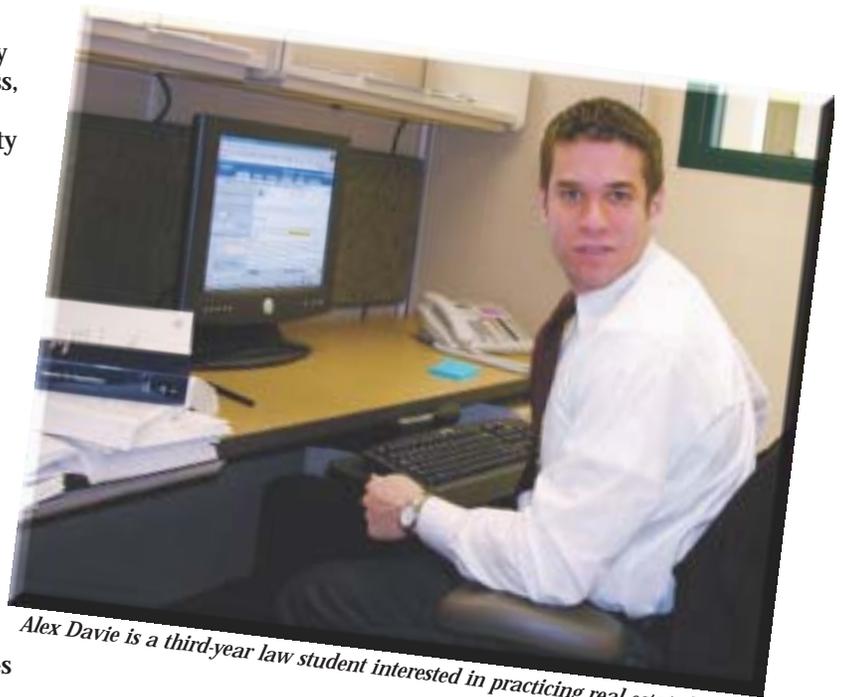
Despite the Clinic’s short existence, it has demonstrated promise within Duke Law School. During its pilot basis, the Clinic enrolled four third-year law students and assisted 11 clients. During the spring semester, the number has more than doubled to nine students who are presently assisting 16 clients. However, with growth and success, comes the challenge to provide more services. Foster hopes to raise more money to hire an additional faculty member so more students can enroll in classes and more clients can receive legal help.

Additionally, a 15-member advisory board was established in November. It is made up of CED practitioners, Duke Law School alumni, Duke faculty and staff, and other friends and supporters of the Clinic. The advisory board is working with Foster to establish priorities, market services, raise funds to support the Clinic, and evaluate its effectiveness.

North Carolina has long been recognized as a pioneer in the CED industry. The Clinic is one of many avenues in which the tradition of innovation and progress in CED continues in the state. Undoubtedly, the Clinic’s mission to serve as a catalyst for the further development of the CED field and make a difference in low-wealth communities is difficult, if not impossible, to overrule.

“CED is an area of law where students can make a contribution... It’s something they can support in their pro bono work to eliminate poverty.”

Andrew Foster



Alex Davie is a third-year law student interested in practicing real estate law.



“Community economic development is a very important part of the battle against poverty. It is attractive to a large part of our society to be tackling the problems of employment, housing, etc., through solutions that promise to be more permanent and which involve citizens so much in solving the problems that face them. The Clinic is a great fit with the training and interests of many of our students.”

Carol Spruill



Carol Spruill
Associate Dean, Duke Law School
Public Interest, Pro Bono & Special Projects

Clinic Accomplishments

- **Provided valuable legal services**, logging over 425 hours of free legal services to 11 clients during the pilot semester.
- **Worked with clients to develop or maintain more than 160 units of affordable rental housing**, providing services such as organizing development entities, obtaining site control of development property, structuring new development transactions, and providing advice with respect to low-income housing tax credit projects.
- **Made Individual Development Accounts (IDAs) available statewide**, assisting one client to organize a new statewide nonprofit organization that will promote self-sufficiency for low-wealth individuals through the use of IDAs and other asset development strategies.
- **Protected the interests of employees in company sales**, helping the client identify the best employee compensation and benefits strategies for ensuring that low-wage workers share in the financial benefits that arise in connection with the sale of venture capital-backed companies.
- **Helped to expand the availability of quality daycare**, assisting a client in drafting a series of agreements it will use to significantly expand the number of high-quality after-school care slots available to at-risk children living in low-wealth neighborhoods in one of North Carolina's poorest cities.
- **Helped leverage the New Markets Tax Credit (NMTC) for inner-city revitalization**, enabling a client to develop and begin to implement a strategy for using the NMTC to stimulate the revitalization of a historically Black business district in the Piedmont Triad.

Passage Home

Saving money on legal expenses has significant rewards for nonprofit organizations that are often faced with fluctuating and sometime minimal budgets. Passage Home Community Development Corporation (Passage Home), a client of Duke University Law School's Community Economic Development Law Clinic (the Clinic), can attest to the benefits of such assistance.



Jeanne Tedrow
Executive Director, Passage Home

Passage Home helps residents of Raleigh and Wake County, North Carolina, by strengthening and stabilizing low-wealth families and neighborhoods with a community economic development strategy that includes assisting families in transition, developing affordable housing that includes homeownership opportunities, and creating economic opportunities that build family self-sufficiency.

Jeanne Tedrow, executive director of Passage Home, knew the Clinic's director, Andrew Foster, but was also referred to the Clinic by another North Carolina community development corporation. The Clinic helped Passage Home structure its real estate services as a nonprofit entity and maximize its efficiencies and private development in the nonprofit real estate market.

The Clinic is also strategizing with Passage Home to provide opportunities for the community that will encourage local and community-based stakeholders' participation in the area's revitalization efforts. It also offers assistance on real estate transactions and closings, related legal and organizational issues, and affordable housing tax credit deals.

The Clinic's students have clearly demonstrated the high quality of their work. "I think the students are highly professional and polished," Tedrow said. "They are very willing and capable of doing research that is very helpful to us."

Tedrow stressed that having access to sound legal advice on basic legal questions without incurring legal costs is a rare commodity. "The Clinic is great," she said. "It's definitely value-added to a nonprofit organization to have a community economic development legal clinic as a resource."

Passage Home helps residents of Raleigh and Wake County, North Carolina, by strengthening and stabilizing low-wealth families and neighborhoods...

Economic and Social Integration as a Revitalization Tool

by Dan Tatar



The Community Affairs Office (CAO) of the Federal Reserve Bank of Richmond commissioned the writing of two papers on using social and economic integration as an urban revitalization tool. The broad purpose of the papers is to discuss the issues and problems in revitalizing distressed inner-city areas through an approach that both allows existing residents to remain in the area, while also attracting new higher-income individuals and families (economic integration) of multiple races and ethnicities (social integration). Although “higher-income” is generally defined as an income above 80 percent of the median income for an area, in these studies it can also mean incomes higher than the current neighborhood income. One paper reviews the academic literature on that approach, and the second paper discusses the related issues specific to Richmond, based on outreach discussions with several community development entities in the Richmond area.

The CAO emphasizes that the discussion offered in the two papers is not intended as a definitive revitalization strategy, nor will the findings prove

compatible with all community development organizations. We also note that living in the inner city is not an option that everyone finds attractive, but if this broader approach to redevelopment is successful — and some examples show that it can be — then increased practice of it will provide more opportunities for higher-income people to relocate to the city.

Background

Over the last several decades, cities — and especially inner cities — have suffered from the out-migration of middle- and upper-income households. This exodus has been influenced by many different social and economic factors, from wanting better schools to wanting newer homes. In search of such things, people left the city for the suburbs, as roads were being developed and extended and new, modern stores were being opened. But as this new development moved farther and farther away from the center city’s concentration of jobs — and the density of suburban development increased — an interesting event occurred: relative costs changed. That is, as the cost of commuting increased and the suburban congestion grew, the expected benefits from living in the suburbs



diminished, and many unanticipated consequences became negatives. As this has increasingly occurred, moving to the city has become more attractive for some.

Currently, many cities across the U.S. are experiencing a real estate renaissance of middle- and upper-income households of all races and ethnicities. Certain areas within city limits once deemed undesirable are once again coming alive with a different group of residents. The changing demographics and the influx of varying incomes and races have given a new outlook to once run-down areas. Often, the specific inner-city areas benefiting from this rebirth have strong amenities such as a city park, university, or a cultural district in close proximity that attracts development. Often the housing in these areas is deteriorated solely due to time and neglect, but still structurally sound and reasonably valuable.

Still, while some inner-city areas are attracting growth and redevelopment, others are not. Inner-city properties near high concentrations of public housing pose significant challenges to redevelopment. And yet some inner-city areas with good housing stock and close proximity to the city job base are not attracting the same level of redevelopment as others. This quandary raises the fundamental question posed in the two papers commissioned by the Richmond CAO: Can partnerships between community development organizations, city policymakers, and the private sector bring more valuable redevelopment into areas that have not yet undergone significant revitalization by embracing a redevelopment strategy that includes social and economic integration? Ideally, this approach would improve homeownership opportunities for area residents, but also produce market-rate housing to attract higher-income individuals looking to live in the inner city.

There are clear fiscal benefits for the city government in replacing lower-income housing with higher-income housing. It can also be successfully argued that there are clear social benefits when the private sector moves into a semi-distressed area and transforms its demographics. In contrast, the social benefits and costs of publicly funded redevelopment in marginal neighborhoods are less easy to demonstrate and more difficult to clearly measure, though many sources cite successful examples of community development when partnering with the public sector.

Historically, many community development corporations (CDCs) have focused their redevelopment efforts on helping the current neighborhood occupants remain in the same community. And while this approach has helped many area low-income families, it hasn't traditionally generated significant redevelopment investment by the private sector. If the CDCs modified

their redevelopment strategies to include policy and practices that encourage a broader mix of people and incomes, private sector investment may increase, creating more positive fiscal and social benefits.

The studies discuss many complex issues in using social and economic integration as a revitalization tool; a few of the major points are briefly discussed in this article. An obvious question asks how to attract higher-income people into revitalization areas, and as a consequence of posing the first question, a second then arises: how to maintain current residency through such revitalization and resulting integration.

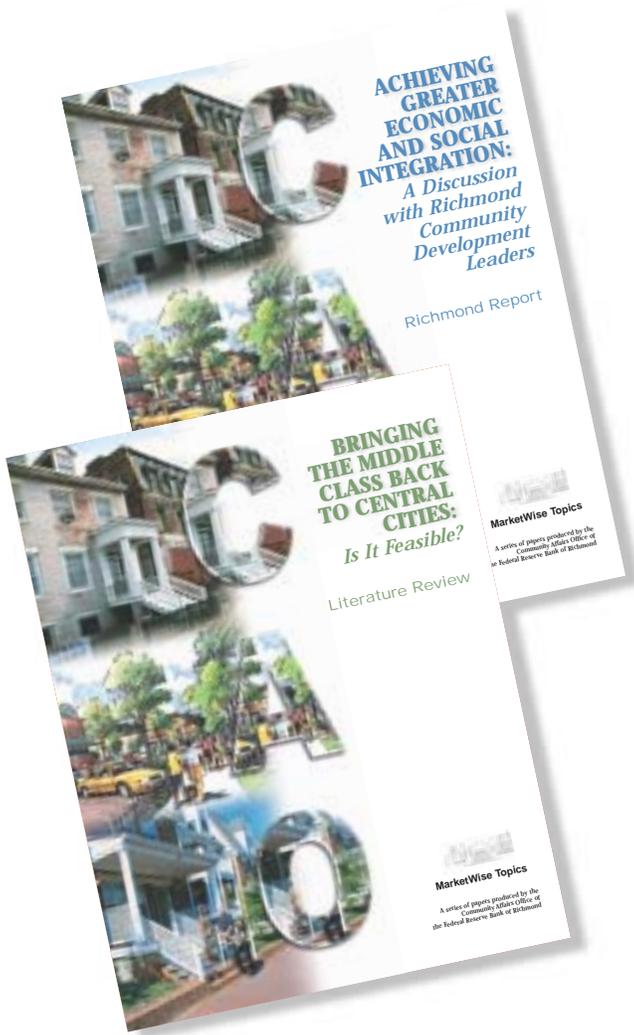
Attracting Higher-Income People

Market forces are already redeveloping many urban areas; however, some other distressed urban communities are not seeing the same level of private sector investment. The focus of the CAO studies is on the latter group. How can a distressed community undertake redevelopment activities that would attract higher-income people, yet not significantly harm the current residents? While there are many factors in this complex issue, two important elements must be present: 1) housing that is attractive to higher-income people; and 2) a financial subsidy for higher-income people to purchase a home in the area.

“New urbanism” is a design concept for redeveloping urban areas to have a more open, suburban “feel” while maintaining an urban context. For example, large urban tracts can be redeveloped with townhouse units in which the corner units are 2,500 square feet, with walk-in showers, Jacuzzis, and other

Can partnerships between community development organizations, city policymakers, and the private sector bring more valuable redevelopment into areas that have not yet undergone significant revitalization by embracing a redevelopment strategy that includes social and economic integration?





Redevelopment must include both affordable housing — rental as well as ownership — for the current lower-income residents, as well as market-rate housing for higher-income people.

high-end amenities, while the middle units may be 950 square feet with few amenities. Theoretically, the expansive, upgraded corner units would attract higher-income people, while the smaller, scaled down units would be subsidized for lower-income households. Other types of design allow for both market-rate/single-family structures and multiple-family subsidized units next to each other. Having a design that balances both urban architecture and the housing needs of all income levels is a major part of the formula that makes economic and social integration work.

Once the higher-income development is complete, subsidies may further encourage higher-income people to buy and live in that housing. Remember, higher-income people have the financial ability to choose their residential location. For inner-city redevelopment to compete with suburban development, subsidies to induce higher-income people to buy and live in the inner city may be necessary. Among the many controversial aspects of social and economic integration redevelopment strategies, the notion of offering subsidies to higher-income people to attract them to distressed inner-city redevelopment areas is difficult for many to accept.

Helping Current Residents of Redevelopment Areas

When economic and social integration redevelopment is discussed, the first thought to cross many residents' minds is their displacement by gentrification. Distressed communities shelter many lower-income people who often have few housing choices. Any redevelopment that brings in higher-income households will quickly raise property values, which leads to both higher property taxes and higher rents, an increasing financial burden that often displaces current residents. It is important to acknowledge that redevelopment inevitably displaces some residents. So the question becomes: how do developers minimize this displacement? The answer? Redevelopment must include both affordable housing — rental as well as ownership — for the current lower-income residents, as well as market-rate housing for higher-income people.

The nonprofit CDCs that operate in many distressed communities are the best-equipped development entities to embark on this type of redevelopment. Historically, CDCs are concerned about both the living environment in their communities and the people who live there. Hence, these organizations have the built-in incentive to undertake redevelopment efforts that support both the community and its people.

It's a Tough Sell

Still, inner-city redevelopment strategies that encompass social and economic integration are difficult projects to undertake since they are politically and socially charged. So why do it? Why not let the demographic status quo live on?

The redevelopment strategies of the last 30 years have only reinforced the social isolation and concentrations of poverty, as most CDCs have focused their efforts on the current lower-income residents. While this very honorable undertaking has improved many lives, it has not generated the private sector investment needed to elevate the community to a higher socio-economic level. Because CDCs and the government cannot do it all, the private sector must undertake a major role in comprehensive redevelopment efforts for both the current residents and higher-income people. The CDCs and government together can — and should — be the spark that ignites larger redevelopment efforts, but there are not enough public resources to do it all.



Revitalization efforts that result in area redevelopment to house both current residents and some new, higher-income people increase opportunities for CDCs to begin a broader strategy for economic revitalization of the entire community. If the CDC is successful in such a redevelopment approach, it can assure the current residents not only that they can remain in their neighborhoods, but that it will create better neighborhoods in which they can live.

The author would like to thank Ellen Robertson, Executive Director of Highland Park Restoration and Preservation Program (HPRAPP), and Audrey Brown Burton of Hope in the Cities. Both women, with grace and kindness, challenge conventional thinking about the type of communities in which we want to live and raise our families.

If interested in a more in-depth discussion of these issues and others, request copies of the following reports by calling the CAO at (804) 697-8457.

***Bringing the Middle Class Back to Central Cities:
Is It Feasible?***

***Achieving Greater Economic and Social Integration:
A Discussion with Richmond Community
Development Leaders***

Report copies are also located at:
<http://www.rich.frb.org/cao/mwtopics/index.html>

HOPE VI

HOPE VI, created by Congress in 1992, is a federally-funded program through HUD that replaces severely distressed public housing. Local public housing authorities apply to HUD to receive funding under this program. Through year-end 2001, HUD had granted over \$5 billion to HOPE VI projects throughout the nation.

HOPE VI requires not only the replacement of distressed public housing, but also the revitalization of the communities surrounding the targeted sites. Normally, such revitalization efforts include the development of market-rate housing for higher-income people, making the HOPE VI program an economic integration program. The CAO decided not to review the HOPE VI program, despite its economic and social integration component, but rather to focus on a broader approach to economic and social integration by studying how local CDCs and public agencies might accomplish the same goal.

The Urban Institute released two studies on HOPE VI on December 10, 2002, that discuss the successes and failures of this program. These studies can be downloaded from its website at www.urban.org.



Public Utilities: *Sparking Community Development*

by Robert Lacy

Duke Power has kept the lights on for its customers in the Carolinas since 1924. Washington Gas Light's service to the nation's capital began in the mid-1800s — its gas streetlights illuminated the city during the Civil War. Baltimore Gas and Electric traces its roots back even further; to 1816 when the Gas Light Company of Baltimore was formed as the country's first gas utility. When it comes to serving the community, electric and natural gas companies in the region have a long and distinguished record. And for most, their community services extend far beyond providing energy services.

Public utilities provide a community's most essential services — electricity for lighting homes and running equipment, natural gas for heating and cooking, and voice and data transmission for an almost endless variety of communications needs. And because they provide such essential services, they are in a unique position to identify and assist individuals in need as well as help the community as a whole grow and develop.

While utilities support their communities in different ways, each in some way is active in community development and service. Some are helping to weatherize homes or fund programs to pay winter energy bills for low-income families. Others are aggressively recruiting new businesses to boost employment and community amenities. Still others, in predominantly rural communities, are protecting wildlife habitats and natural areas, for the benefit of generations to come.

Within the Federal Reserve's Fifth District (the District), there are outstanding examples of utilities going the

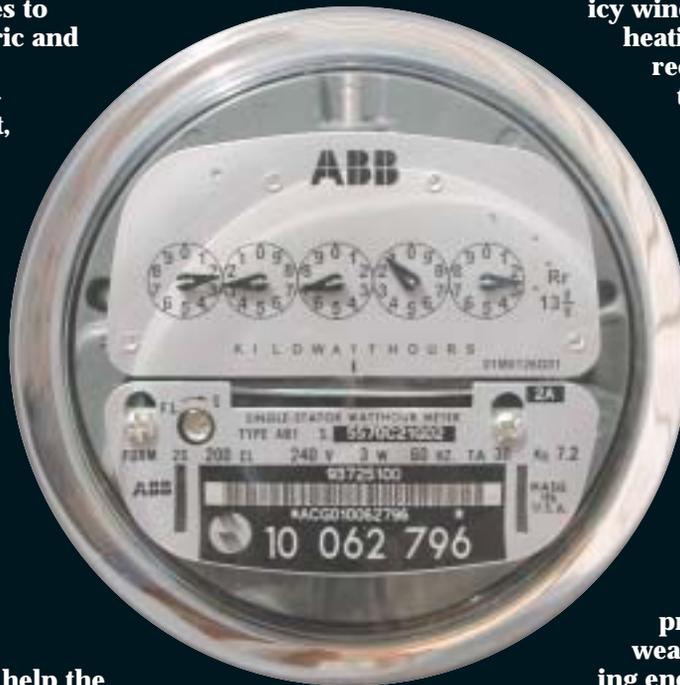
extra mile to benefit communities. A sampling of programs from the District's electric and gas utilities offers a glimpse of the many resources made available.

Weatherization: Climate Control for Costs

Winter arrived early this year in many parts of the country. Frigid temperatures and icy winds brought a spike in home heating bills and a surge in requests for assistance to pay them. Whether heating with electricity, natural gas, or fuel oil, energy bills can easily reach \$200 to \$300 during the coldest winter months. For families with poorly insulated homes and outdated heating systems, adequately heating even modest sized homes can cause bills to soar even higher.

By using energy a little more efficiently, winter heating bills can be reduced considerably. Utilities that provide assistance to customers weatherizing homes or purchasing energy efficient heating and cooling equipment are seeing marked improvement in energy use. Such assistance not only improves the quality of the nation's housing stock but also makes homeownership more affordable for lower-income families.

Baltimore Gas and Electric (BG&E) administers a program that generates funds for the Maryland Department of Housing and Community Development's weatherization assistance program. These funds are used for energy audits and for such energy efficiency



While utilities support their communities in different ways, each in some way is active in community development and service.



Dominion™
Virginia Power



Utility attitudes toward economic and community development can have a big effect on community growth and prosperity.

improvements as furnace cleaning and tune-ups, insulation upgrades, and lighting retrofits. Priority is given to low-income households with unusually high energy consumption or homeowners who are elderly, disabled, or have children in the household. BG&E customers contributed \$740,000 to the company's program in 2002.

Duke Power, headquartered in Charlotte, N.C., has a loan program that makes it easy for customers to finance new cooling and heating equipment, storm windows, storm doors, and insulation upgrades. A customer may finance as much as \$10,000 for heating and cooling equipment and \$3,000 for insulation, storm windows, and storm doors. The program is designed to get money into the hands of customers quickly and with minimal administrative burden; credit decisions are normally made within 24 hours.

In addition to being able to borrow money quickly and easily, program administrator Mike Wilson says that customers are attracted to Duke Power's loan program because the company is a familiar name within the community. "Customers that might be reluctant to approach a bank for a loan would come to Duke Power," he explains.

Dominion Power offers an energy audit program that helps customers identify areas in their homes to target for energy efficiency improvements. The company pays up to \$50 of the cost of an energy audit by a third party energy auditor. Energy auditors check insulation, weather-stripping, caulking, and heating and cooling system efficiencies.

Empowering Growth in the Community

So, what if you are considering locating a business in South Carolina but are a little worried about the availability of qualified workers? Economic development staff at SCANA Corporation, headquartered in Columbia, S.C. and parent company of South Carolina Electric and Gas, allayed such fears of one business recently by funding a two-day job fair. Signature Building Systems, a manufacturer of custom designed modular homes, committed to locate a facility in Dorchester County, in part because of SCANA's success in attracting potential

employees to the job fair. "SCANA stepped up to the plate and provided leadership," said Jim Friar, director of the Dorchester County Economic Development Department. "The job fair would not have worked if not for SCANA." It is but one example of the influence utilities can exert in regional economic development.

Utility attitudes toward economic and community development can have a big effect on community growth and prosperity. Utilities with a strong interest in economic development will lower rates or make loans and grants available to ease the financial burden of business expansion or relocation. While not all utilities offer such financial incentives, they all work closely with state and local economic development agencies to provide prospective businesses information about their rates and services. They typically share information about the availability of commercial and industrial sites as well.

SCANA Corporation has an especially active economic and community development group. Harry Busbee, who heads up community and economic development for SCANA, says the company is very proactive in economic development. "Economic development efforts help to create jobs and makes South Carolina a better place to live," he says. "It also means more revenues for our company." They concentrate on rural development in South Carolina and partner with state and local economic development agencies to recruit new businesses to the state.

SCANA is able to attract businesses to the Palmetto state in part because of the financial credit it extends. The company has developed both loan and grant programs to make starting a business or relocating to South Carolina a little easier. Its economic and community grant program funnels money to localities for expansion of water and sewer infrastructure or for road construction to accommodate new business in the state. Grants for as much as \$200,000 have been provided for such purposes. It also funds a loan program whereby small businesses may receive up to \$50,000 in revolving credit at an interest rate of less than 5 percent.



A Credit Worthy Connection

Not many electric utilities offer the range of financial incentives that SCANA does, but the establishment of economic development rates to attract new commercial and industrial customers is common practice in many states. BG&E, for example, has an economic development rate that provides price discounts of up to 15 percent for a period of three to five years. To qualify for the rate, a prospective business must provide additional employment in an area and have load characteristics beneficial to the BG&E electrical system. The new electric load must amount to at least 500 kilowatts — unless it is in a certified Enterprise Zone or Empowerment Zone — in which case the load need only be 200 kilowatts. Companies locating in Enterprise or Empowerment Zones receive rate discounts at the upper end of the range specified in the economic development tariff.

“The economic incentive rate helps us realize our two major economic development goals: retaining existing business and attracting new,” says John Sundergill, director of economic development at BG&E. Bank One Corporation and Giant Food are among the companies that have recently qualified for BG&E’s discount rates. (Bank One opened a check remittance center in an Empowerment Zone in Baltimore in 2001, while Giant announced in 2002 that it would build a new distribution center, bringing 500 jobs to Howard County, Md.)

Carolina Power and Light, a subsidiary of Progress Energy in Raleigh, N.C., also has economic development rates. In December 2002, it went a step further, announcing a new economic “redevelopment” rate rider meant to attract businesses to locate into vacant property previously served by the company. Such businesses are eligible for a 50 percent discount on the price of electricity used during the first year of occupancy. To qualify, the new electric load must be 500 kilowatts or more and the business must either employ at least 35 people or make a capital investment of \$200,000 and add employees.

Katherine Thomas, an economic development manager at Progress Energy, notes that her company and economic development agencies in North Carolina have been successful in attracting high-tech companies to the state. Among the companies benefiting from the new redevelopment rate is Andrx, a pharmaceutical com-



pany which announced in December 2002 that it would purchase a manufacturing facility in Morrisville.

Economic development rates aren't usually a deal clincher, but in conjunction with incentives offered by state and local governments, they can help tip the investment decision in favor of a Fifth District community.

A Break on Winter Heating Bills

Some utilities also offer discounted electric or gas rates to residential customers, so that basic heating needs can be met at an affordable rate. In the District of Columbia, the D.C. Public Service Commission requires Potomac Electric Power Company and Washington Gas Light to offer discount rates to low-income residential customers. Potomac Electric's rate for low-income customers discounts the first 400 kwh of electricity used each month by 28 percent. This represents a customer saving of up to \$60 per year. To be eligible for the discount rate, household income must fall below a threshold level, which varies by household size. Over 12,000 of Potomac Electric's customers pay a lower electric bill each month because of the discounted rate.

Washington Gas Light's tariff for low-income customers lowers rates during the winter heating period of November through April. The amount of the discount varies depending on household size and income and can total as much as \$189. Ken Yagelski, head of Regulatory Affairs at Washington Gas Light, says about 7,000 of the company's customers pay lower bills as a result of the residential essential service rate.

In addition to offering lower rates, some utilities have programs in place to solicit funds to pay the energy bills of low-income customers. Virginia's largest electric utility, Dominion Power, has an assistance program called Energyshare to help those in need pay their energy bill. Energyshare is supported by donations from Dominion Power customers and employees. The money collected can be used to pay any type of heating bill: oil, natural gas, wood, or electricity. During the 2001-2002 heating season, Energyshare

collected more than \$1 million, which was used to assist over 5,000 customers. According to Daisy Pridgen of Dominion Power, "There is a growing need out there. It's a way for us to give back to the community."

American Electric Power (AEP) offers its Neighbor-to-Neighbor program in southwestern Virginia. Like Dominion Power's Energyshare, it encourages customers to contribute money toward the payment of winter energy bills of customers in need. AEP matches the contributions of customers, up to \$37,500. During the winter of 2001-2002, contributions and matching funds totaled \$114,767, helping to pay the electric bills of over 2,500 low-income customers in Virginia.

In Maryland, BG&E has an assistance program called Penny Round Up. Penny Round Up solicits funds from customers by allowing them to round up their monthly bill payment to BG&E to the nearest dollar. The extra payment goes to the Fuel Fund of Maryland, which provides assistance to low-income families having difficulty paying their fuel bills.

"It's my job to make sure people in need of assistance are aware of the many programs available to them," says Jim Thierer, who oversees the Penny Round Up program for BG&E. He points out that Penny Round Up is just one of the efforts underway to assist low-income customers. In addition, the company solicits mail contributions from customers twice a year for the Fuel Fund of Maryland. Such customer contributions average \$300,000 a year.

The power of utility assistance in the District can be measured in cash, kilowatts, job creation, and community growth. Whether it's through economic development incentives or rate breaks for low-income customers, utility companies play a vital role in community development and are the pillars of the communities they serve.



In addition to offering lower rates, some utilities have programs in place to solicit funds to pay the energy bills of low-income customers.

Better Housing Coalition Creates Better Housing Conditions



*Double-pane,
insulated, vinyl-frame
windows*

The advantages of well-insulated homes and energy efficient heating and cooling systems are well recognized by community development organizations. One such organization is the Better Housing Coalition (BHC) in Richmond, Virginia. The BHC is building homes that have become showcases of energy efficient design in low- to moderate-income housing.

The BHC is constructing homes that meet the Department of Energy's tough 5-Star Rating standards for energy efficiency. Among their recent projects are the Winchester Greens multifamily housing complex in Chesterfield County, Virginia, and a series of single-family homes constructed in the city of Richmond's Church Hill neighborhood.

Jon Benoit of BHC is a project manager for the construction efforts in Church Hill. "We are trying to provide an affordable homeownership opportunity for buyers," he says. "The lower the energy bill, the more affordable the housing." By careful house design, the homeowner's average monthly expense for heating and cooling in the Church Hill neighborhood can be kept below \$50.

The secret to BHC's success in achieving such energy efficiency lies in careful attention to the building envelope. The typical two-story, 1,450 square foot house they build has an insulated, non-ventilated crawl space, R-19 wall insulation and R-30 ceiling and attic insulation. Uniquely engineered joists are included in the design so that ductwork remains in conditioned space to reduce heat loss in the winter.



R-30 ceiling and attic insulation

"We are trying to provide an affordable homeownership opportunity for buyers. The lower the energy bill, the more affordable the housing."



Non-ventilated crawl space



Jon Benoit
Project Manager; BHC

The homes have high-efficiency heat pumps as well, but Benoit claims that the heating and cooling system is less important than insulation and ductwork. "Heat pumps can be replaced in 10 to 15 years; it is much harder to change insulation once the house is built," he explains.



"Ironically, we're becoming victims of our own success in the Church Hill area," Benoit shares. "As we rehab and build energy efficient homes on a continuum, we increase the value and marketability of the area, which attracts private investment. Still, we are proud to be a catalyst for revitalization in a once distressed area."



Photo courtesy of Mikal McCartney

Welthy Soni, Chair, Association for Enterprise Opportunity

Microenterprise Development: *Anchoring Maryland's Eastern Shore* by Franklin McNeil

Although a rainy day at the beach is better than a sunny day in the office, a beautiful fall day at the beach can't be beat. Experiencing this firsthand on October 8, 2002, the Community Affairs Office (CAO) of the Federal Reserve Bank of Richmond and Maryland Capital Enterprises, Inc. (MCE), sponsored a symposium entitled *Microenterprise Development: Anchoring the Eastern Shore* at the new Hyatt Regency Chesapeake Bay in Cambridge, Maryland. Representatives from the Microenterprise Council of Maryland and the Rural Development Center spoke on the history of microenterprise on Maryland's Eastern Shore and discussed microenterprise creation and encouragement in the area.

Wide membership of the microenterprise community attended the meeting, including local nonprofits, small business owners, representatives from U.S. Senators Mikulski's and Sarbanes' offices, local government officials, and financial institutions.

Franklin McNeil, the community affairs representative from the Baltimore Branch, welcomed the attendees and gave an overview of the Federal Reserve System, and the products, publications, and services offered by the CAO.

The first symposium session featured presentations on microenterprise on the Eastern Shore; the history of microenterprise in Maryland; and the compelling, promotional work on area microenterprise development that MCE is spearheading. Mikal McCartney, executive director of The Microenterprise

"It is important for government leaders to be aware of microenterprise development and what it can accomplish, at the local, state, and federal levels."

Welthy Soni





Maryland Capital Enterprises, Inc.

Council of Maryland, presented an overview from the state's perspective. Dan Kuennen, board president of MCE, introduced other board members and the loan approval committee, and presented an overview of the industry from the regional perspective.

Microenterprise is Big Business in Maryland

McCartney presented several facts and figures about microenterprise development (MED) in Maryland. Almost 65 percent of the small businesses in Maryland are microenterprises. MED also benefits individual communities by helping to revitalize downtown areas and by enhancing regional economies in rural areas. For every dollar invested in MED, there is a \$2.72 return through increased taxes, jobs created, and welfare savings. About 57 percent of microenterprises are still in business after five years, compared to U.S. Small Business Administration's (SBA) firms' survival rate of 40 percent after four years. This high survival rate is due, in part, to the ongoing assistance that MED programs provide. After the start-up phase, participants are able to access services that help them address the obstacles related to staying in and expanding their businesses.

The state of Maryland invested \$200,000 in 2001-2002 for microenterprise grants. Matching program funds brought the total program budget to \$903,586. Multiplying the return on investment figures brings the amount leveraged by the initial investment to \$2,531,192, demonstrating that microenterprise really is "big business" in Maryland.

Microenterprise on the Eastern Shore

Kuennen followed McCartney by talking about what has taken place in MED on the Eastern Shore and specifically what MCE has been able to accomplish in the last few years. MCE's partners include churches, service clubs, chambers of commerce, business development organizations, and the financial sector. These members make up the loan committee and approved loans range from

\$2,000 to \$15,000. The committee reviews established businesses plans and also considers an applicant's ability to repay. Since January 2001, loans that have been approved include a car detailing business, an ethnic restaurant, a computer service company, a printed publication, an innovative childcare

service, a lawn maintenance company, a learning center, a charter boat company, and a trucking company.

Kuennen shared some of MCE's many funding sources. In 1999, the Dominican Order of Sisters from Springfield, Illinois, and the Sisters of Charity of St. Elizabeth from Covenant City, New Jersey, partnered to donate \$125,000 to MCE's loan fund.

"The symposium was a huge success as we were able to get our message out to many area bankers and community development leaders. Without the Federal Reserve Bank's assistance, this event would have been cost prohibitive and not nearly as powerful, thorough, or captivating."

Dodie Lazzati, Executive Director, Maryland Capital Enterprises, Inc.



(left to right) Regina Bright Edwards, Dodie Lazzati, and Franklin McNeil

Photo courtesy of Jim Rich



Dan Kuennen
Board President, MCE



Photo courtesy of Cheryl Nemazie

MCE has also received federal grants from the University of Maryland Eastern Shore Rural Development Center and the United States Department of Agriculture. Their state grant sources included Community Development Block Grants, Department of Housing and Community Development, and Department of Business Enterprise Development. Private funding sources included Verizon, Speer Trust, and the Alzheimer's Association. In October 2002, when MCE became certified by the U.S. Department of the Treasury as a Community Development Financial Institution, it received \$100,000 to be used to assist low- and moderate-income people living in the Eastern Shore region of Maryland. MCE also anticipates becoming a SBA Micro Intermediary Lender sometime in the fall of 2003.

The first session concluded with informative and inspiring presentations by two dynamic women. Dodie Lazzatti, executive director of MCE, spoke of the products, services, and programs her organization offered. She then introduced the keynote speaker, Regina Bright Edwards, president of Options Today, one of MCE's most successful clients in its four-year history of working with small businesses. Edwards encouraged and motivated the audience to continue working with small businesses like hers.

Maryland Capital Enterprises, Incorporated
Lazzatti shared MCE's mission, which is to create, develop, and promote a new strata of microbusinesses by providing loans, education, and technical assistance to entrepreneurs primarily in economically-distressed communities. MCE provides technical assistance, including business counseling, quarterly site visits, access to markets and marketing assistance, and business plan development. MCE also provides trainings of varying lengths, including Understanding Your Lender, Understanding a Cash Flow Statement, Building a Respite Care Business, How to Start and Manage a Business, and Financial Fitness.

Lazzatti then introduced an MCE shining star — Regina Bright Edwards of Salisbury, Maryland. As a single mother, she left a full-time secure position with Federal Express to start Options Today, an organization that provides alternative and flexible daycare. Her inspirational story centered on the assistance MCE provided her. After working through the

classes MCE offered, she obtained a loan through them and became a successful microentrepreneur.

The second portion of the symposium provided a national perspective and a discussion of the opportunities facing the microenterprise industry today. Jerry Black, a program manager for The Aspen Institute, highlighted the dimensions and performance of the microenterprise development field in the United States. Welthy Soni, chair of

the Association for Enterprise Opportunity (AEO) was the final speaker of the day. Her presentation covered the National Microenterprise Strategy Project, which was designed to help boards of directors, executive directors, funders, and small businesses face the critical issues affecting the industry.

The Performance of Microenterprise

Black opened the second session by presenting his findings from MicroTest, a common annual performance assessment exercise. MicroTest is based on the concept that promotion and use of a common process for assessing the performance of the field is most effective. MicroTest provides training and feedback to microenterprise agencies regarding the meaning and use of their performance data, and believes that this process, combined with the desire to do better, will lead to enhanced performance and more stable and effective agencies.

Based on his conclusions, he posed the following questions to the industry:

- Is there a continued deepening of outreach to women, minorities, and low-income microentrepreneurs?
- Does the trend to "scale up" continue, particularly for credit programs but also for training-led programs?
- Are portfolio health indicators changing to reflect some of the higher portfolio-at-risk rates shown in FY 2000?
- Can programs continue to make progress toward sustainability?

The National Microenterprise Strategy Project: Challenges and Opportunities

Receiving support from the Ford Foundation, the AEO's Soni presented the National Microenterprise Strategy Project's final recommendations. In this presentation, she identified the external challenges — like public finance and financial markets — facing the industry. According to Soni, the internal



challenges include the lack of industry-endorsed measurements and standards to foster quality and high performance; insufficient scale and “market share”; high costs and inefficient delivery methods; limited practitioner education, training, and technical assistance; and narrow range of products offered.

She also identified opportunities for the microenterprise industry in new/expanded markets for microenterprise; entrepreneurship as a “public good”; the role of standard-setting/accreditation to increase credibility and funding; the growth of partnership building; the utilization of technology to increase effectiveness; and the growing strength of national organizations.

Identifying the challenges and opportunities for the microenterprise industry led the AEO to develop strategies to be used to increase the competitiveness of the field. They recommend: committing to adopt MicroTest performance measures; supporting and adhering to quality standards; assessing organizational competitiveness; developing public awareness campaigns at the local, state, and national levels; and engaging in coordinated local and state advocacy campaigns.

Energized and motivated by the speakers’ presentations, everyone left with a renewed encouragement to assist entrepreneurs on the Eastern Shore to realize their dreams. The presentations had shown how microenterprise had worked in Maryland thus far; how important microenterprise is to the Eastern Shore; what part MCE had played in the development of microenterprise; the performance of microenterprise nationally; and finally, the challenges and opportunities facing the industry.

MCE’s partners include:

- The University of Maryland Eastern Shore
- Wicomico County
- Salisbury Area Chamber of Commerce
- Wor-Wic Community College
- Salisbury Neighborhood Housing Services
- Small Business Development Center
- Alzheimer’s Association

For more information on MCE, visit www.marylandcapital.org or call (410) 546-1900.



Photo courtesy of Mikal McCartney

Energized and motivated by the speakers’ presentations, everyone left with a renewed encouragement to assist entrepreneurs on the Eastern Shore to realize their dreams.



Capital Area Asset Building Corporation: *Saving for the Future*

by Patty Frost

As a resident of Valley Green, a 312-unit public housing complex in Southeast Washington D.C., Jacqueline Massey saw the city's skyline from her hilltop for the first time in 1997 when her home of 27 years was demolished. As the 32 brick buildings crumbled to the ground, a handful of families braced themselves for an uncertain future, but one that had to hold more promise than the past. Valley Green had been a crime-ridden and drug-consumed concrete compound with no birds, no flowers, no trees, no laughter, no safety — and to many — no hope.

When asked where she found the courage to stay in District 7, an area that logged 126 calls to police per month and had the highest number of drug arrests in the entire city, she stoically responds, "You find it when you bury your own children." A mother of five sons and one daughter, Massey tragically lost one of her boys in 1992; he was only 26 and a victim of unnecessary violence.

With "a lot of scars" in her heart, Massey said somehow she let the anger go, but remained determined to fight — and change — the warzone in which her family lived. Still, talk of a new HOPE VI mixed-income housing community with homeownership opportunities was met with skepticism by Massey and her few remaining neighbors. Although Capital Area Asset Building Corporation and its partner Nation's Capital Child and Family Development (NCCFD) expressed their commitment to helping residents become homeowners in the new Wheeler Creek development, Massey's trust didn't come easily. "We had seen so many other programs come and go; we were tired of agencies speaking for us, but not speaking to us."

"We had seen so many other programs come and go; we were tired of agencies speaking for us, but not speaking to us."



Jacqueline Massey, Wheeler Creek resident





Jacqueline Massey purchased her new home in 2001; her IDA covered her down payment and closing costs.

Von'Eva Pettigrew, NCCFD's director of the self-empowerment family development program, recalls her first meeting with Massey as a confrontational one. Pettigrew's attempts to explain the plans for the HOPE VI project and the accompanying NCCFD Individual Development Account (IDA) program, were interrupted with Massey's blunt rebuttals and dismissals. Pettigrew knew she had her work cut out for her, but she was determined to convince Massey to redirect the incredible strength and force within her to this very rewarding and exciting program. In time, Massey did just that. She started her NCCFD IDA in 1999. In 2001 she purchased her new HOPE VI Wheeler Creek townhouse. Her IDA was used to cover her down payment and closing costs.



Jacqueline Massey and Von'Eva Pettigrew celebrated on the front porch of Massey's new home after closing.

Photo courtesy of NCCFD





Ayyisha Turner, Wheeler Creek resident



Citibank holds the IDAs in a master escrow account in the sponsoring community organization's name, while each client has a subledger account.

Another Wheeler Creek resident and NCCFD client, Ayyisha Turner, also used her CAAB IDA to buy her first home in the community in February. Ironically, her brand new townhouse sits on the same street that her childhood apartment did. Turner moved to Valley Green with her nine siblings when she was 11 years old, and daily experienced the violence and deterioration of the public housing complex over two decades. She was grazed by bullets in a random shooting in 1995 as she went to move her car. She had just walked her two young children into the apartment after a trip to the grocery store. Today, as a 38-year-old single mother of honor roll teenagers, Turner shakes her head as she recalls a time in which she had to remind her children to “hit the floor” when they heard gunshots outside their front door.

Unbelievably this is the same street, but a completely different scene. Today Turner and her neighbors enjoy their front porches, sidewalks, and community center with day care services. To get here, Turner became much more “thrifty” and asked her children to give up certain extra things, which they agreed to do since they shared their mom’s dream to purchase their own home. “A successful IDA plan really takes the commitment of the entire family, since the monthly savings are coming from an existing income,” Hall explains. “In low- to moderate-income individuals, every penny of their money is spent on basic survival, so a reevaluation of monthly spending and creative budgeting are essential. There are real sacrifices made to begin saving \$25 or \$50 per month.”

CAAB works with its member organizations like NCCFD to screen potential IDA candidates to gauge their readiness and commitment to saving toward a specific asset goal. Candidates must take financial management and asset-training courses, fall within established household income guidelines, and meet the requirements set forth by the member organization sponsoring them. Citibank holds the IDAs in a master escrow account in the sponsoring community organization’s name, while each client has a subledger account. Clients commit to a specific savings goal and cannot withdraw the money without approval of their sponsoring organization. If for some reason a client needs his or her money before the agreed upon term is met, no matching funds are paid out, only the direct savings amount the client contributed plus earned interest.

Ernest Skinner, vice president and director of community relations for Citibank, says his organization was eager to participate in the IDA program, as it was an experimental program in grant funding that targeted low- and moderate-income clients and it provided an opportunity to develop business. “Citibank feels that the program is successful due

IDAs are matched savings accounts coupled with financial management training used for investment in high return assets such as first-time home purchases, postsecondary education or training, or the start-up of a small business. IDAs help low- and moderate-income families build assets, start and maintain a monthly savings plan, and move towards self-sufficiency and long-term prosperity. Discussed by Michael Sherraden in the early 1990s, IDAs allow for long-term asset accumulation, rather than income maintenance, for low-income families. As a pioneer in the IDA movement, the Corporation for Enterprise Development (CFED) launched the American Dream Demonstration in 1997, which was the first large scale test of IDAs for qualified families in 14 sites across the country.

Capital Area Asset Building Corporation (CAAB) was one participating site. Since its formation in 1997 as an implementation and support center for IDA programs in the Washington, D.C. area, CAAB has raised matching funds and has provided economic literacy training, technical support, fiscal management, program evaluation, and advocacy to its 10 member organizations (including NCCFD) operating in disadvantaged area neighborhoods.

Dick Hall, executive director of CAAB, describes IDAs as “a deceptively simple program that requires a lot of attention to detail.” He feels that each new account is a learning process for all involved — CAAB, the member organization, and the individual account holder. “We find the case management aspects of IDAs the real challenge, because you are basically telling someone how to spend or save their money.” He adds that the strength of the IDA holder’s vision is as important as the dollars themselves. IDA holders have to really see themselves buying a home, opening a business, or returning to school.



"We find the case management aspects of IDAs the real challenge, because you are basically telling someone how to spend or save their money."

Dick Hall

to its emphasis on financial literacy, which is a responsibility of ours. Our staff conducts ongoing financial classes, which give the clients incentive to save with the matching program and the opportunity to develop a relationship with our institution." Skinner sees a transformation in the IDA clients, as their initial apprehension in participating in the program dissipates and is replaced with trust and confidence.

For CAAB members, the maximum match amount for a home purchase is \$4,000; for educational attainment it is \$3,000; and for small business start-ups it is \$2,500. CAAB estimates that 50 percent of their IDAs are used for home purchases, 40 percent for education purposes (including youth IDAs for college education), and 10 percent for small business start-ups. As of November 2002, 117 of CAAB IDA clients successfully used their IDA for the following assets: 61 home purchases; 50 postsecondary education; and 6 small business start-ups.

Gina Davis, director of operations for CAAB, explains that two of its members, the Maya Angelou Public Charter School and the Urban Alliance Foundation, have established youth IDAs through paid internships and after school employment programs. As a structured system that matches student contributions, the IDAs often provide enough gap money to cover educational costs not covered by scholarships or financial aid packages. This instills a sense of financial responsibility as early as the teen years for low-income students hoping to further their education.

Early results from the American Dream Demonstration show that low-income individuals — when given the opportunity — can and will save and accumulate assets through IDAs. CFED estimates that every federal dollar invested in IDAs would yield

"Many important antipoverty strategies provide income maintenance, such as food stamps, which help families survive month to month. But IDAs really enable families to look deeper at their spending patterns, learn new financial management skills, and achieve long-term goals such as buying a home. I see a sparkle and a real sense of empowerment in the eyes of the IDA clients I've worked with. Also, I've personally learned a lot about my own spending and saving patterns through working at CAAB."

Gina Davis



Gina Davis and Dick Hall of CAAB with Lisa Long of NCCFD.

over five dollars of returns in terms of new businesses, additional earnings, new and rehabilitated homes, reduced welfare expenditures, and more adults obtaining advanced degrees. Early research also demonstrates that IDAs and assets promote economic household stability and educational attainment; decrease the risk of intergenerational poverty transmission; increase health and satisfaction among adults; and increase local civic involvement.

According to the CFED website, policymakers have recently decisively moved from contemplating whether to promote asset building for low-income people to how to promote it. CFED believes the following five principles underlie the policy rationale for IDAs:

1. Assets matter, and have been ignored in poverty policy;
2. Assets are distributed far more unevenly than income;
3. Public policy is primarily responsible for large wealth gaps;
4. Individual Assets Accounts (like IDAs) make sense as an asset-building tool; and
5. IDAs and other progressive asset-building tools should be established and funded on a large scale.

In 2000, CFED, Citibank, CAAB, its member organizations, and several IDA participants testified before the D.C. City Council to propose IDA legislation that reflected best practices in the field and addressed the particular needs of District residents. In April 2001, the D.C. City Council passed the Opportunity Accounts Act, with \$200,000 appropriated each fiscal year for IDAs. Since its passage, however, the Act has been defunded due to shortfalls in the city budget. When funded, the Act will require a dollar of non-District funds for every dollar of District



funds spent on match, making this funding an ideal match for federal IDA money, which requires a dollar of non-federal match for each federal dollar. Hall and Davis know how desperately this money is needed for CAAB's members.

To date, 130 CAAB clients have purchased assets while many more continue to save. The biggest challenge for the future of IDAs is securing match funds; traditional funding streams include private foundations and the Department of Health and Human Services through the Assets for Independence Act. The D.C. government approved funding twice but then revoked that funding due to budget shortfalls. District funds, as well as employer-sponsored IDAs, donor-advised funds, and a larger federal program under the pending Savings for Working Families Act would enable wider availability of this successful tool. "With each successful IDA participant, our members keep getting better and stronger, which in turn, means we need more federal and private funding to further this program, which has built-in principles and integrity," says Hall.

Not many people manage to spend their way out of poverty, but once they begin to accumulate assets, their thinking and behavior changes, which leads to important psychological and social effects. Just talk to Massey, who now cherishes her home with a front porch on which she "sits, and gossips, and hears the peace." To her, IDAs provided the perfect answer to the question she and her neighbors had been asking for years — not what can you can do for me, but what can I do for myself? "My IDA didn't just save my money; it saved my community, my children, and my life."

Article sources: caab.org, cfed.org, idanetwork.org

Wheeler Creek is a newly constructed 314-unit development consisting of 48 low-income rental homes and 100 elderly rental apartments (both subsidized by public funds), 32 tax credit rental units, 30 lease-to-purchase homes, and 104 homes for purchase. Amenities include a 13,000 square foot community building and daycare center to support the needs of residents. The public housing rental, lease purchase, and for sale units are intermixed across the site and physically indistinguishable from one another. Wheeler Creek currently boasts the largest percentage of homeownership units in any completed HOPE VI site nationwide, with 104 units. A total of 4 former public housing residents successfully transitioned to homeownership at Wheeler Creek, with an additional 30 public housing residents participating in the lease-to-purchase program. Awarded a HOPE VI grant in 1997, all of Wheeler Creek's residential units were completed and fully occupied within 48 months of grant execution.



In 1997, the D.C. Housing Authority (DCHA) was awarded \$20.3 million in HOPE VI funding for a proposal ranked number one nationwide, to redevelop the largely vacant and uninhabitable 312-unit public housing development, Valley Green, and Skytower, a 91-unit HUD-foreclosed property acquired by DCHA. The redevelopment team was comprised of residents, DCHA, and a joint venture of A&R Development Corporation and the Enterprise Social Investment Corporation. The HOPE VI funds were leveraged with public and private funds, including public housing funds, low-income housing tax credits, and a property disposition grant from FHA, bringing the total project budget to \$54 million.



CAAB Funders

- The Moriah Fund
- Annie E. Casey Foundation
- The Morris and Gwendolyn Cafritz Foundation
- Eugene and Agnes Meyer Foundation
- Citigroup Foundation
- The Federal Home Loan Bank of San Francisco (through Citibank)
- The Wendling Foundation
- The McAuley Institute
- The Fannie Mae Foundation
- The Himmelfarb Foundation
- The U.S. Department of Health and Human Services

CAAB Members

- Community Family Life Services
- Gospel Rescue Ministries
- Latin American Youth Center
- Latino Economic Development Corporation
- Manna, Inc.
- Marshall Heights Community Development Organization
- Nation's Capital Child and Family Development
- See Forever/Maya Angelou Public Charter School
- The Urban Alliance Foundation, Inc.
- The Washington Project

Savings Programs: The National Scene

In an effort to expand and consolidate savings programs, the U.S. Treasury announced three new savings proposals:

- **Lifetime Savings Accounts (LSAs)**, which would be open to everyone regardless of income or age. There would be an annual contribution limit of \$7,500. Contributions would be after tax, but earnings and withdrawals, which could be for "any" purpose (first home, medical emergency, car, education, etc.), would be tax-free. Many existing accounts, such as Medical Savings Accounts and Coverdell education savings accounts, could be converted into an LSA, provided applicable taxes are paid.
- **Retirement Savings Accounts (RSAs)**, which would be open to anyone with earned income and which could only be used for retirement. Like LSAs, contributions would be after tax, limited to \$7,500 per year, but interest earned and withdrawals after age 58 would be tax-free. Existing IRAs would be unaffected but renamed RSAs, while traditional IRAs could be converted to an RSA provided applicable taxes are paid.
- **Employer Retirement Savings Accounts (ERSAs)**, which would be open to any employer, would be designed to consolidate employer-based retirement plans. 401(k)s would be unaffected but renamed ERSAs. 403(b)s and other plans (SEP-IRAs, SIMPLE IRAs, 457 plans) would continue, but may not accept any further contributions after 2004. Contributions would be limited to \$12,000 per year (rising to \$15,000 by 2006) and, like existing employer-accounts, would be immediately tax deductible.

For further details on each, see Treasury's press release at www.treasury.gov/press/releases/kd3816.htm

Congress Considers Asset-Building Legislation

The **Savings for Working Families Act**, if signed into law, will authorize up to \$450 million to match the IDA savings of hardworking families. It was introduced into the U.S. Senate as part of the Charity, Aid, Recovery, and Empowerment (CARE) Act on January 30 as S.272. The bill has been referred to the Finance Committee and was scheduled for mark-up in early February.

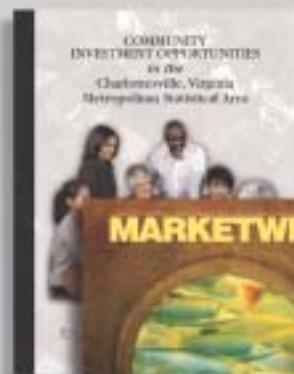
The Assets for Independence

Act (AFIA), currently the largest source of funding for IDA programs, is due for both reauthorization and appropriation this year.

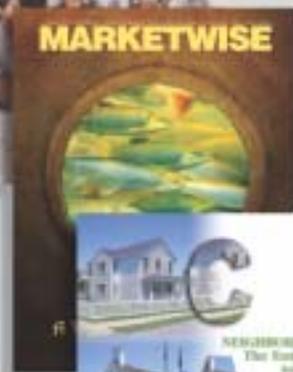


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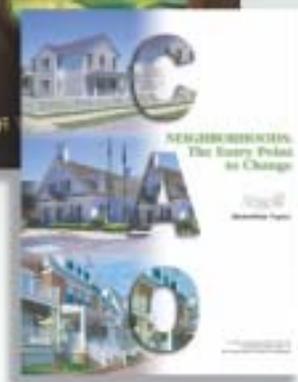
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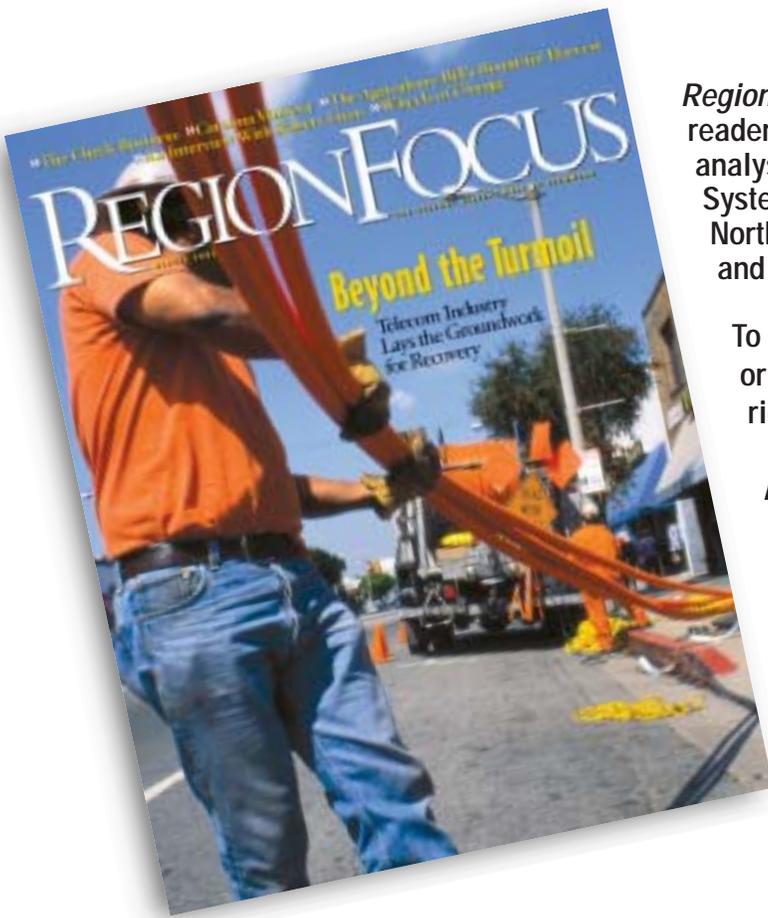
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