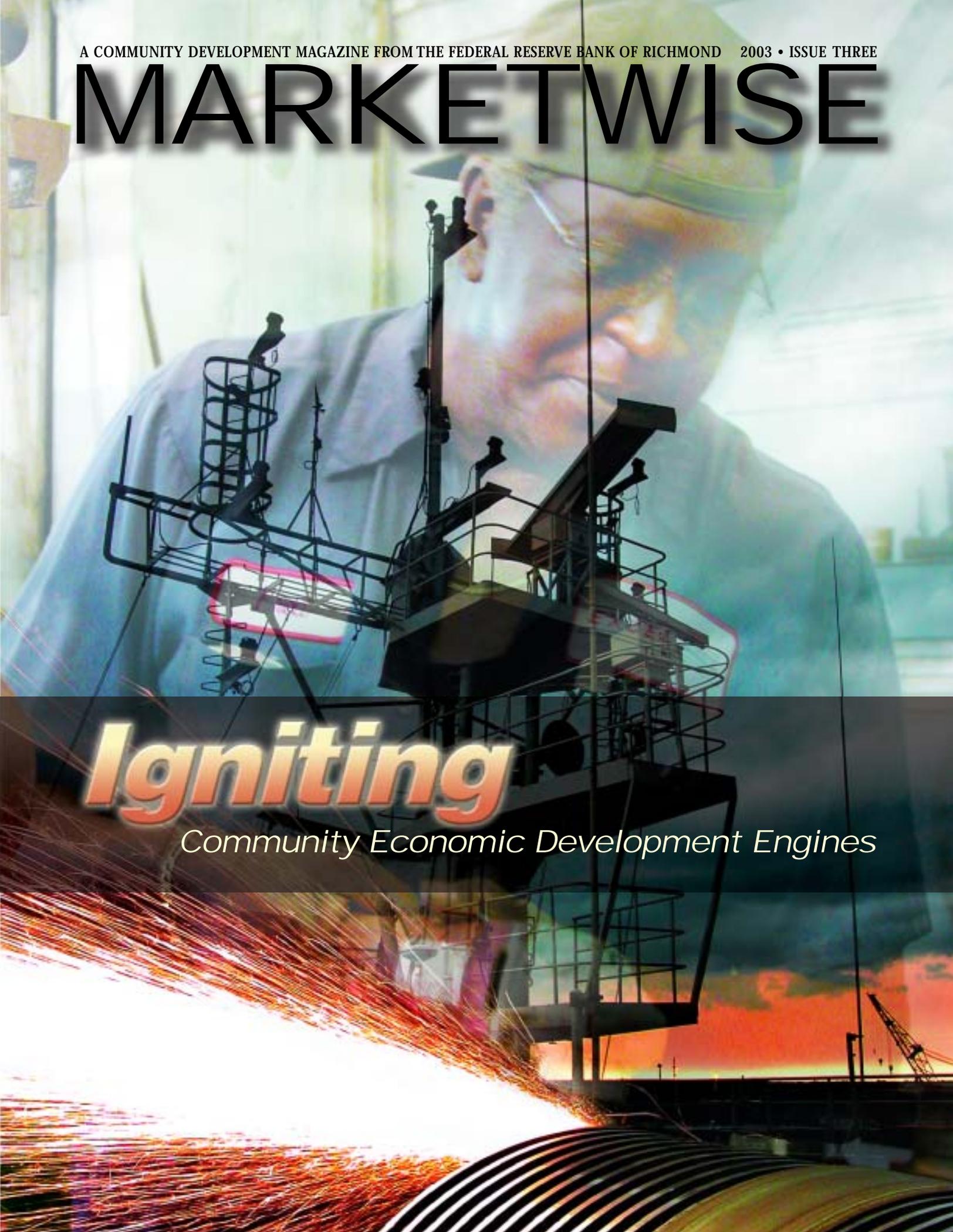


A COMMUNITY DEVELOPMENT MAGAZINE FROM THE FEDERAL RESERVE BANK OF RICHMOND 2003 • ISSUE THREE

MARKETWISE



Igniting

Community Economic Development Engines

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In this issue...

of *MARKETWISE* we recognize that passion helps ignite successful and sustainable community economic development activity. After South Carolina braced for the dreadful news of a naval base closure, the Charleston Redevelopment Naval Authority recognized the potential for small business development. Meanwhile, a developer known as Noisette, is working in tandem with North Charleston community leaders to blend the look and energy characterized by the area's naval history. Through the brownfields initiative, Baltimore's private and public sector collaborated to transform an old, retail building perceived as a potentially-contaminated eyesore into an environmentally sustainable oasis known as Montgomery Park. Self-Help Credit Union, a Durham-based community development lender, continues to blaze a trail in community economic development with its creative and cutting-edge practices. Lastly, we recognize Jack Blanton, long-time boss, friend and mentor to many of us in the Community Affairs Department, for his contributions to the Richmond Fed's CAO. We realize that the activities of these individuals and organizations play an important role in illuminating the success of these communities.

Daniel D. Tatar

Assistant Vice President and Community Affairs Officer

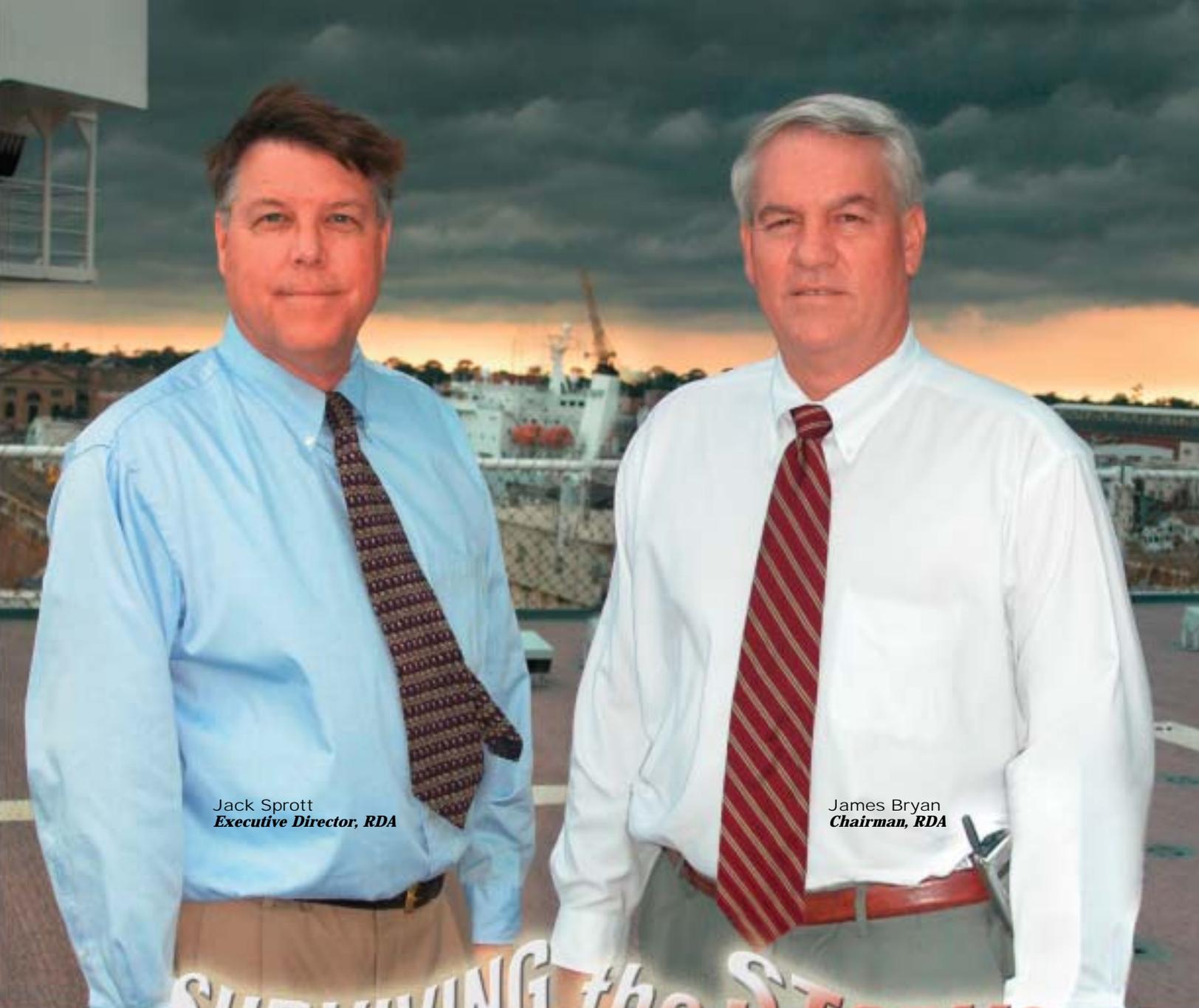
For many years...

fuel has been a reliable source of energy for the most simple and complex mechanical engines. The same is true of the "human" fuel that continues to energize people who are highly committed to community economic development. Local officials in South Carolina refused to let the gloomy news that more than 20,000 jobs would be lost as a result of closing the Charleston Naval Base, extinguish the area's economic ambitions. Instead, the Charleston Naval Redevelopment Authority helped invigorate the spark for small business creation and enhanced social service delivery that has spread throughout the locality. Likewise, North Charleston community stakeholders and a developer continue to build upon grassroots efforts to undertake one of the most massive and comprehensive redevelopment projects in the nation. Although these are two cities with two plans, the end result will help the areas' community economic development "engines" to continue to run ever more smoothly.

Jennie Blizzard
Editor

Cover: *Freddy Smalls dynamically rebalances a hammermill at Excel Apparatus Services, Inc. in North Charleston, South Carolina.*

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A photograph of two men, Jack Sprott and James Bryan, standing side-by-side in front of a large ship at sunset. Jack Sprott is on the left, wearing a light blue shirt and a patterned tie. James Bryan is on the right, wearing a white shirt and a red striped tie. The background shows a ship and a cityscape under a cloudy sky.

Jack Sprott
Executive Director, RDA

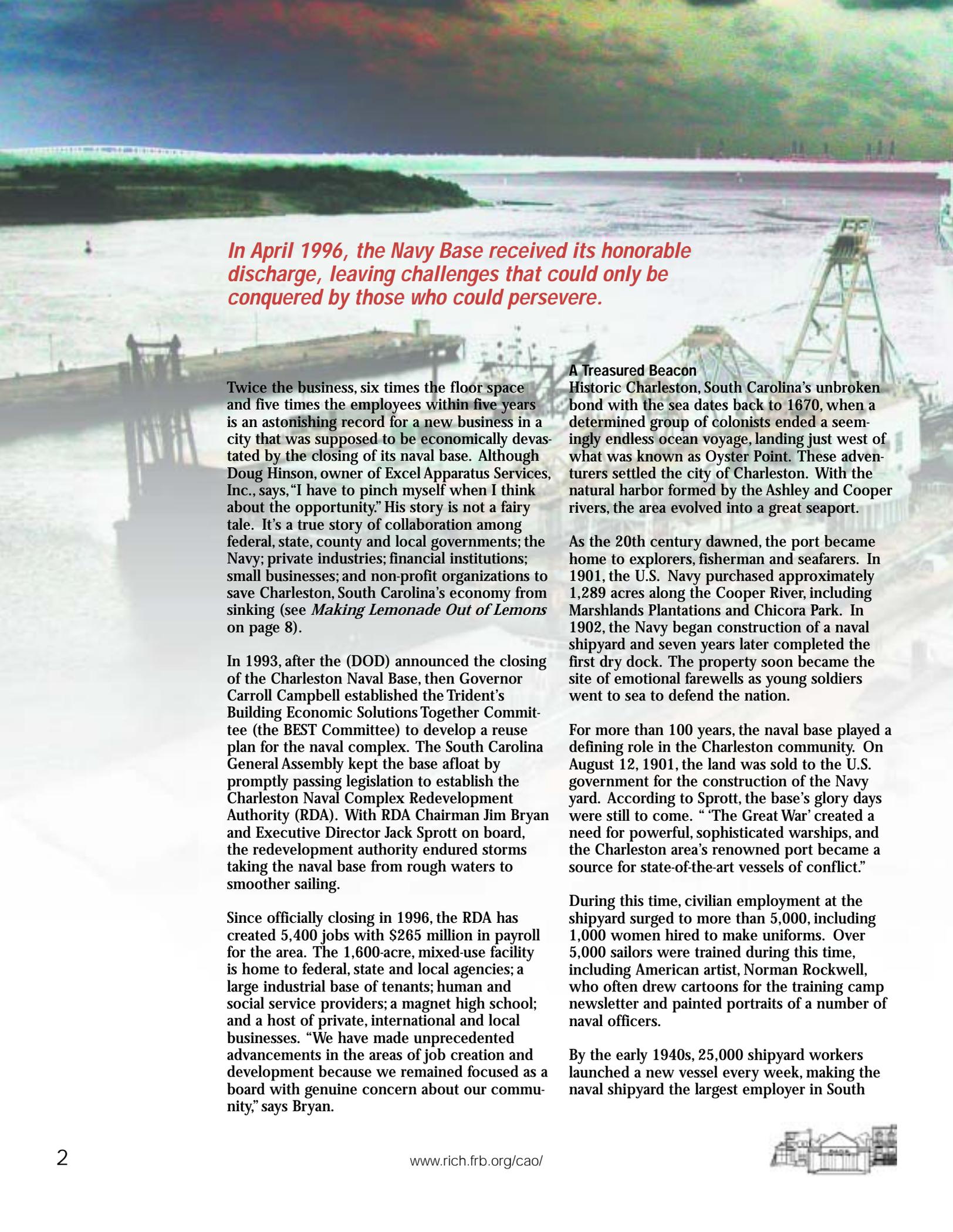
James Bryan
Chairman, RDA

SURVIVING the STORMS

of Military Base Redevelopment

by Cindy Elmore

“Don’t give up the ship.” These were the dying words of Captain James Lawrence as his men defended the U.S. Chesapeake during the War of 1812. When the U.S. Department of Defense (DOD) announced the closing of the Charleston Naval Base, Lawrence’s words resounded from history and South Carolinians took up his challenge. Within a short time, the Charleston Naval Complex Redevelopment Authority (RDA) was formed and given the charge of “saving the ship.” Even though they faced many turbulent waters, James Bryan, chairman, and Jack Sprott, executive director, stayed behind the helm of the RDA creating hundreds of jobs, establishing new businesses and minimizing the economic impact of the base closure.



In April 1996, the Navy Base received its honorable discharge, leaving challenges that could only be conquered by those who could persevere.

Twice the business, six times the floor space and five times the employees within five years is an astonishing record for a new business in a city that was supposed to be economically devastated by the closing of its naval base. Although Doug Hinson, owner of Excel Apparatus Services, Inc., says, "I have to pinch myself when I think about the opportunity." His story is not a fairy tale. It's a true story of collaboration among federal, state, county and local governments; the Navy; private industries; financial institutions; small businesses; and non-profit organizations to save Charleston, South Carolina's economy from sinking (see *Making Lemonade Out of Lemons* on page 8).

In 1993, after the (DOD) announced the closing of the Charleston Naval Base, then Governor Carroll Campbell established the Trident's Building Economic Solutions Together Committee (the BEST Committee) to develop a reuse plan for the naval complex. The South Carolina General Assembly kept the base afloat by promptly passing legislation to establish the Charleston Naval Complex Redevelopment Authority (RDA). With RDA Chairman Jim Bryan and Executive Director Jack Sprott on board, the redevelopment authority endured storms taking the naval base from rough waters to smoother sailing.

Since officially closing in 1996, the RDA has created 5,400 jobs with \$265 million in payroll for the area. The 1,600-acre, mixed-use facility is home to federal, state and local agencies; a large industrial base of tenants; human and social service providers; a magnet high school; and a host of private, international and local businesses. "We have made unprecedented advancements in the areas of job creation and development because we remained focused as a board with genuine concern about our community," says Bryan.

A Treasured Beacon

Historic Charleston, South Carolina's unbroken bond with the sea dates back to 1670, when a determined group of colonists ended a seemingly endless ocean voyage, landing just west of what was known as Oyster Point. These adventurers settled the city of Charleston. With the natural harbor formed by the Ashley and Cooper rivers, the area evolved into a great seaport.

As the 20th century dawned, the port became home to explorers, fisherman and seafarers. In 1901, the U.S. Navy purchased approximately 1,289 acres along the Cooper River, including Marshlands Plantations and Chicora Park. In 1902, the Navy began construction of a naval shipyard and seven years later completed the first dry dock. The property soon became the site of emotional farewells as young soldiers went to sea to defend the nation.

For more than 100 years, the naval base played a defining role in the Charleston community. On August 12, 1901, the land was sold to the U.S. government for the construction of the Navy yard. According to Sprott, the base's glory days were still to come. "The Great War' created a need for powerful, sophisticated warships, and the Charleston area's renowned port became a source for state-of-the-art vessels of conflict."

During this time, civilian employment at the shipyard surged to more than 5,000, including 1,000 women hired to make uniforms. Over 5,000 sailors were trained during this time, including American artist, Norman Rockwell, who often drew cartoons for the training camp newsletter and painted portraits of a number of naval officers.

By the early 1940s, 25,000 shipyard workers launched a new vessel every week, making the naval shipyard the largest employer in South





Carolina history. During World War II, more than 4,000 Navy yard workers joined the military, leaving behind thousands of women who took up mechanic's tools to replace the fighting men. On November 30, 1945, the shipyard became an official U.S. Navy base and began integrating various functions in and around Charleston. The Charleston Naval Shipyard provided primary berthing, logistics and repair for the naval fleet. Soon, the base included an air station, hospital, radio station, training facilities and Marine barracks.

During the early 1960s, the facilities experienced phenomenal expansion due to the Cold War. The shipyard began servicing nuclear-powered submarines and repairing missile fire control systems, sonar, radar, missile launchers and communication gear. Despite refurbishment of facilities in the 1960s, the shipyard began experiencing difficulty with overhaul and repair work in the 1970s.

Through the joint efforts of both the public and private sectors, the Charleston Naval Shipyard was recognized as the best in the nation. However, the base's glory days were numbered. Due to major political and military allocation changes, the workforce at the Charleston Naval Base dropped to 6,000 after two layoffs. Finally, the DOD announced on February 26, 1993, that the base and shipyard were on the naval facilities closing list. In April 1996, the Navy Base received its honorable discharge, leaving challenges that could only be conquered by those who could persevere.

Repositioning for Progress

Refusing to accept defeat, a massive joint effort was initiated between the Navy; federal, state, and local governments; local chambers of commerce; the South Carolina Employment and

Security Commission; and the private business sector. "Collaboration was one of the keys to success," said Sprott. Faced with the loss of more than 20,000 military and civilian jobs, ensuring the economic future of both Charleston and North Charleston was nearly impossible.

Taking swift action to prevent disaster, Governor Campbell charged the BEST Committee with developing a reuse plan for the soon-to-be-closed naval complex. In May 1994, the reuse committee unanimously approved the Civic and Marine Reuse Plan, focusing on five major employment areas: a shipyard, industrial park, office district, intermodal cargo port and a marine industrial park. In addition, the plan called for a community support district providing facilities for the area's social service agencies and public recreational facilities. Following the groundwork by



The closing of the shipyard and Navy Base meant that more than 20,000 military and civilian jobs would be lost.



the BEST Committee, the South Carolina General Assembly established the RDA in June 1994 to oversee the reuse and redevelopment of the naval base property.

According to Bryan, “Our mission was jobs and small business development.” The RDA’s goal was to redevelop and reuse the closed military facilities through leasing or conveyance, eventually returning the properties to the community. The RDA also faced the challenges of enhancing local tax bases, replacing jobs, assisting public service organizations and improving economic growth in the area.

Many obstacles blocked the RDA’s path. Numerous complications also included serious disrepair of buildings, environmental cleanup and inadequate infrastructure. “A major hurdle was dealing with the limitations of the water, sewage and utilities systems. In many ways, this undertaking was a massive socio-economic experiment,” Sprott said.

Dealing with the anticipated bureaucracy also complicated the situation and could have potentially meant disaster for the base’s redevelopment. Typical problems involved the original makeup of the RDA. According to Bryan, “It takes state and county governments to fund the process, but decisions need to be made by business people.”

Another problem was the slow pace at which the Findings of Suitability of Lease (FOSL) were issued, so the properties could be subleased to businesses. Since the RDA was a state agency, every transaction also was stalled because it involved the RDA, the state of South Carolina, the Navy, and private business tenants. Although the redevelopment authority has met many challenges along the way, the northern portion of the base will eventually be transferred to North Charleston and the southern section to the South Carolina Ports Authority and an enclave of federal tenants.

Anchoring a Successful Military Base Redevelopment

With the next DOD announcement of base closures coming soon, the RDA strongly suggests local communities “anchor” their military base redevelopment efforts with weather-worn advice.

Get on board by creating entrepreneurial possibilities. Closing the shipyard and Navy base meant that more than 20,000 military and civilian jobs would be lost. Therefore, the economic future of Charleston and North

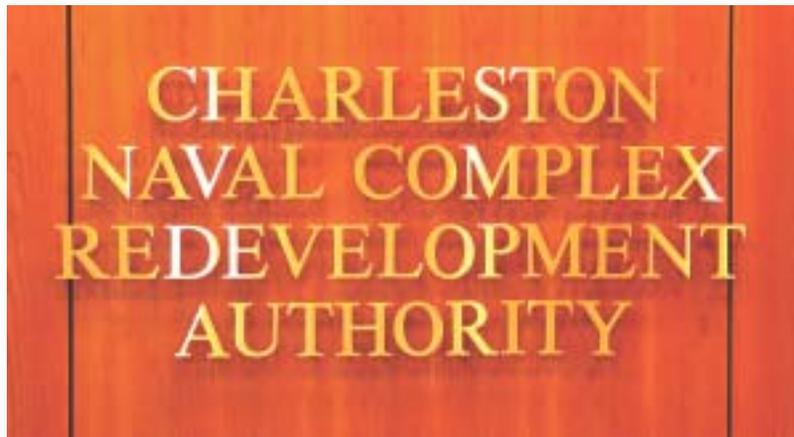


Charleston faced what some predicted as doom. "If your community has a base that is on the Base Realignment and Closure Commission (BRAC) list, you need to have a plan in place at least one year before the possible closure takes place," said Sprott. "Preparation is the key to surviving."

According to Bryan, swift action from the state was also essential to putting a plan in place for job creation. As an original member of the 47-member BEST Committee, Bryan said, "When you have something that takes this many jobs away, you must pull together and make it work."

In addition, the counties of Berkeley, Charleston and Dorchester, in cooperation with the South Carolina Employment and Security Commission, received a grant from the U.S. Department of Labor from funds provided to the DOD through the Defense Conversion Act to retrain and assist displaced workers. According to Keith Bustran, Charleston County's chief deputy administrator, "When communities are faced with base closures, they must look at the existing mechanisms in place, get creative and seek federal funding." With an \$11 million grant, the Workforce Investment Board eventually re-employed 1,600 federal workers. "Our counselors and caseworkers met individually with 6,000 people to discuss their career plans. We offered entrepreneurial training programs and contracted with colleges and technical schools. The grant paid the bills," said Bustran. Owned by former naval chemists, Hillery Douglas and Gloria Bell, Earth Sciences was established through the entrepreneurial training program (see *Transforming Naval Chemists into Small Business Owners on page 9*).

Muster collaboration within the community and refuse to compete. A crucial step in the redevelopment process was the creation of the Regional Development Alliance (the Alliance). In an effort to lure commercial and industrial business to the tri-county area, the Alliance was composed of county and city governments, chambers of commerce and private businesses. The RDA has fully supported the efforts of the Alliance, and Bryan formerly chaired this organization. According to Bryan, the group decided to stop competing and work together. "The naval base redevelopment was part of an overall marketing plan for the region," said Bryan. Without the Alliance, counties, cities, chambers of commerce and private businesses



would have all sought personal interests instead of looking at the needs of the region as a whole. "Work together as a region and spend time and resources on recovery not on fighting the process," said Bryan.

Embark on a new route by establishing a clear tenant selection approval process and close the deals with "hot turnovers."

As a state agency the RDA, was required to establish a tenant selection process in writing. Since close scrutiny always occurs, a local redevelopment authority (LRA) should be prepared for state investigations, legal challenges and every imaginable accusation. According to Bryan, "The RDA selected the tenants based on viability." Requests for expressions of interest were sent out all over the world and eventually 13 business plans were submitted. "The businesses were ranked based on their job creation and investment ability," said Bryan. "Because we wanted to be successful, we had to look at the business' reputation, financial soundness and type of operation to see if it was viable," added Sprott.

The RDA overcame the initial problems in a relatively short period of time. "Hot turnover of the property was the key to success," Bryan added. "We owe the state legislature, U.S. Congressional delegation and Navy for making it happen." The RDA positioned itself to take advantage of leasing opportunities that could create new jobs for the base. Despite pressure for early conveyance, the RDA maximized interim leases working closely with the Navy. For example, Dick Gregory, founding member of Charleston Marine Manufacturing Corporation (CMMC)*, is living proof that progressive thinking, creativity and collaboration can create jobs for hundreds of people (See *Putting People Back to Work on page 10*).

"If your community has a base that is on the Base Realignment and Closure Commission (BRAC) list, you need to have a plan in place at least one year before the possible closure takes place... preparation is the key to surviving!"

Jack Sprott





Creatively navigate federal requirements for base closures. In successful base redevelopments, it is important to understand federal regulations and comply with creative solutions. For example, when a military base closes, the federal government has the option to select buildings, if any, that it will keep. “In our case, these were usually the most useable, best maintained buildings,” said Sprott.

In addition, military base closures must comply with the Homeless Assistance Act of 1994, also known as the McKinney Act. Under the original act, buildings were to be given to homeless providers. Currently, the LRA must advertise the buildings and properties to those organizations that provide assistance to homeless providers and submit a reuse plan to the Secretary of Housing and Urban Development. According to Sprott, “We extended an offer to all non-profit organizations to submit a plan within a certain time period. Those with viable plans were given a five-year, rent-free lease.” Currently, the old naval property is sprinkled with McKinney Act agencies. One of the most prominent organizations that was offered a lease in the spirit of the McKinney Act is the Lowcountry Food Bank, which serves 10 coastal counties (See *Feeding the Lowcountry* on page 12).

The RDA partnered with the Navy and has credited the close relationship between the two entities for the success of the naval base redevelopment.

Bring on board a capable staff and a business-minded board seeking DOD assistance when problems arise. Realignment and base closure require knowledge of real estate development, politics, environmental clean-up processes, diplomacy, public relations, local government operations and law. The RDA staff has experience in each of these areas. Both Bryan and Sprott agree that board members should be business people. “Select capable people to serve on redevelopment boards and authorities,” Sprott said.

The RDA partnered with the Navy and has credited the close relationship between the two entities for the success of the naval base redevelopment. For example, the RDA worked closely with the Navy in the interim leasing process. In addition, joint efforts were made in the environmental clean-up process. According to Sprott, “The real story of the Navy’s partnership with the RDA and private industry was when the first private ship came into port.

Both the Navy and private shipyard employees brought the first non-naval vessel into port.”

Secure funding through federal and state sources to keep the redevelopment afloat. Finances are essential to making any redevelopment project successful. “The Office of Economic Adjustment is a great place to go for seed money,” says Bryan. However, state and federal monies must also be secured.

Since the RDA was given no state appropriations and only collected funds from fees in Charleston County, the financial need was great considering the condition of the base’s infrastructure. “The biggest hurdle that we faced was the fact that we had a closed military structure with an infrastructure designed to be used by the Navy,” said Bryan. According to Sprott, “Federal and state government was the only logical source for this funding and political connections are helpful in securing funds.” For example, the RDA received \$34 million in grant money from the Economic Development Administration.



Forecast legal problems and seek advice from those who have already navigated through difficult territory. The RDA has undergone investigations, audits and an endless stream of request for documents under the state's Freedom of Information Act. In addition, the RDA has withstood multiple litigations from people and businesses that found fault with the selection and approval process. "The process has proven to be very credible. I think given the scenario that we had to work with and the plan, we have been very successful," said Bryan.

"Join organizations and connect with other people who have knowledge and have experienced military base closures," suggests Sprott, who also serves on the board of the National Association of Installation Developers (NAID). Established in 1976, NAID offers all military base communities a venue to exchange ideas, discuss experiences and learn new techniques. As the only organization that brings together local development officials, business networks, and state and federal government officials, NAID serves both economic developers and military base communities. *For more information about NAID visit its website at: www.naid.org.*

Batten Down the Hatches

Most communities with military bases on the BRAC Commission's list need to brace for an economic storm that could hit their community in 2005. According to the DOD, all installations will be considered and judged equally. Both Bryan and Sprott readily admit that nothing can be done politically to prevent a base closure, but preparation is the key to survival.

In retrospect Bryan and Sprott agree they would not have changed anything. "From the beginning, we selected our tenants by their reputation, financial ability and job creating potential rather than accepting the highest dollar," Bryan said. "We have offered a helping hand to the little guy and businesses just getting started and that has reaped benefits for both parties. This attitude has placed us at the top of the heap and helped create the only successful private shipyard in the country. We remain committed to an aggressive program of job creation, physical redevelopment and economic growth for the community." MW

Centrally located on base, RDA staff assists tenants with issues ranging from environmental clean-up to real estate development.



A Base for Small Business Development



“When the business came here from our old place... we were able to make a ‘hot move’ — nothing had to shutdown. We kept everything open there until we were in full operation here.”

Doug Hinson
*Owner, Excel Apparatus
Services, Inc.*

Making Lemonade Out of Lemons

“Excel Apparatus is a great ‘lemonade-out-of-lemons’ story,” says Jack Sprott, RDA executive director. Owned by Virginia-native, Doug Hinson, Excel Apparatus Services, Inc., is a prime example of a North Charleston business that would have died without the intervention of the Charleston Marine Manufacturing Corporation (CMMC).

Formerly a General Electric shop manager, Hinson bought the shutdown General Electric

service center with partner Charlie Stutts in May 1990. When the naval base closed in 1993, 70 percent of the company’s business was in Navy and Marine contracts. “All my work was leaving town. It scared us to death,” said Hinson. Retired from the Navy in 1978, Stutts also had worked as a sales representative for General Electric. With his naval and industry connections, Stutts began feverishly working to save Excel. In stepped local private shipyard owner, Loy Stewart, to the rescue. “Loy Stewart of Detyens Shipyards guaranteed the note and helped us put together a business plan,” said Hinson. As a principal in the CMMC, Stewart subleased a former naval motor shop to Excel and in 1996 allowed Hinson and Stutts to buy out his interest in the firm.

“When the business came here from our old place,” said Hinson, “we were able to make a ‘hot move’ — nothing had to shutdown. We kept everything open there until we were in full operation here.” Currently, occupying a four-story, 75,000-square-foot building, Excel was named as one of the Top 10 Emerging Businesses in Charleston. Remarkably, the business has grown from eight employees and \$1.6 million in sales in 1991 to 40 employees and \$5.5 million dollars in sales in 2002. 



Transforming Naval Chemists into Small Business Owners

Owned by former naval chemists, Hillery Douglas and Gloria Bell, Earth Sciences, Inc., is a general-purpose, testing lab with an emphasis on environmental testing. "Due to the closure of the Navy base, we had to retire prematurely. We wanted to continue to work in our chosen fields and were given the opportunity to do so through the Workforce Investment Board," says Bell.

Initiating his career with the Navy in 1966, Douglas managed an all-purpose laboratory. As a supervisory chemist in charge of petroleum testing analysis, Bell worked for the Navy for over 30 years. "We knew our jobs and even how to develop budgets, but we needed training in operating a small business," said Bell.

Through the Workforce Investment Board, Douglas and Bell developed a business plan and were selected for the entrepreneurial training program. Under the grant provisions, the business partners took business courses at Charleston Southern University and were assigned a business consultant for one year to provide business consultation. The training received by Douglas and Bell is equivalent to a master's degree in business administration.

Determined to make their business successful, the partners committed themselves to hard work. "When we started out, we did everything from cleaning the building to revising work-sheets. We did not want to get in over our heads. We added employees as the business grew," said Bell. Ideally located in a small laboratory on the former base, Earth Sciences was incorporated in 1996 and has continued to provide its clients with a high-quality, cost-effective environmental testing services. 



Gloria Bell and Hillery Douglas
Co-owners, *Earth Sciences, Inc.*

Through the Workforce Investment Board, Douglas and Bell developed a business plan and were selected for the entrepreneurial training program...

The training received by Douglas and Bell is equivalent to a master's degree in business administration.





Unlike other communities, Charleston spent less time at the table strategizing and pondering how to make things happen and instead focused on job retention and creation.

Putting People Back to Work

What pivotal event could suddenly bring shipping industry competitors together to share a common goal of putting people back to work? The announcement of the imminent closure of the Charleston Naval Base in one of the most historic, beautiful cities in America was the impetus for the creation of this unlikely partnership.

Charleston Marine Manufacturing Corporation (CMMC)* was established by three respected individuals with a wealth of experience in the ship repair industry, and a clear sense of pride in their community. Danny Rowland, president of Metal Trades, Inc., Loy Stewart, president of Detyens Shipyards, and Richard Gregory, former manager at General Dynamics saw the opportunity and embraced the challenge.

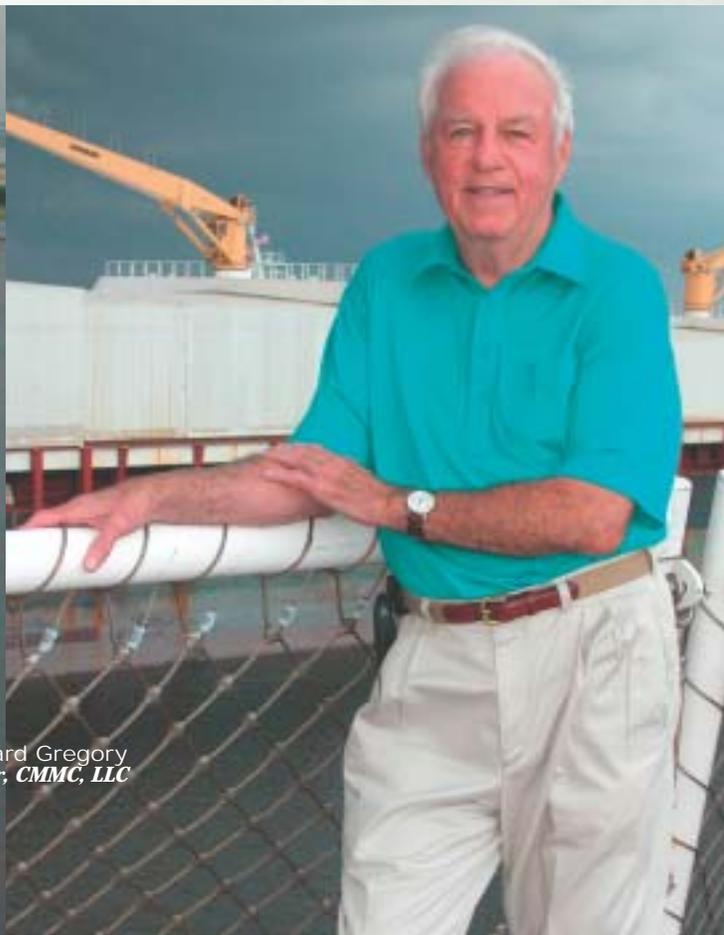
Unlike other communities, Charleston spent less time at the table strategizing and pondering how to make things happen and instead focused on job retention and creation. In 1995, Loy Stewart

was faced with a dilemma when his company won a contract to repair a ship that was simply too big for existing Detyens facilities. The timing was perfect. The Charleston Naval Complex Redevelopment Authority (RDA) was able to negotiate a lease for Drydock 5, which was large enough to hold the ship. The rest, as they say, is history.

CMMC became the “anchor tenant” for the closing installation and set the momentum and example for others to follow. One of the goals of CMMC was to identify a unique group of resources — companies specializing in loosely related areas ranging from ship building, marine repair and manufacturing to shipping, packaging, security and overseas supply — and locate them together on the base.

The plan has been extremely successful and there are now some 40 complementary companies in the CMMC “footprint” including a





Richard Gregory
Partner, CMMC, LLC

A ship repair and shipbuilding degree program has been established at a local college... business continues to move forward, deteriorated facilities are being upgraded and the pace has not slowed.

number of very successful start-ups encouraged and supported by CMMC. They appropriately refer to one another as “Tenant Team Members,” indicating a clear cohesiveness and sense of family. This is the type of support system that Rowland, Gregory and Stewart desired to create among the members and they have been successful.

It was a unique opportunity to privatize existing facilities, grow existing local businesses and create new businesses. The primary focus has always been jobs: retaining a skilled job force to accommodate the growth and training new employees. By accomplishing these goals, CMMC has immeasurably contributed to the economic growth of the region. “The relationship that has been created between CMMC and the RDA has been a major contributor in

the steady growth of the companies and job creation,” Gregory said.

Ten years following the announcement of the closure, CMMC maintains a proven track record of excellence. Collectively, CMMC and the tenant team members have put more than \$20 million into facilities and infrastructure since 1996 while creating 1,700 jobs. A ship repair and shipbuilding degree program has been established at a local college. Because of the concerted effort of three former competitors who came together for the good of the community, thousands of workers have steady jobs, business continues to move forward, deteriorated facilities are being upgraded and the pace has not slowed. It is anticipated that CMMC will move forward with even greater stamina. MW

****Charleston Marine Manufacturing Corporation is now CMMC, LLC.***



Feeding the Lowcountry

“Our goal is to have no hungry person within a five-mile radius of a service area,” says Jermaine Husser, chief operating officer of the Lowcountry Food Bank. Operating under the umbrella of America’s Second Harvest, the Lowcountry Food Bank’s main distribution center is housed in a 37,000-square-foot warehouse located on the former base.

In addition to working with member agencies, the Lowcountry Food Bank’s Kid’s Café program feeds more than 1,000 hungry children in the coastal counties of South Carolina. Along with providing nutritionally balanced meals, the Kids Café program offers academic assistance to needy children and youth in an environment that is safe, accessible and convenient.

Since the Lowcountry Food Bank addressed the needs of homelessness, it was offered a lease in the spirit of the McKinney Act.

Since the Lowcountry Food Bank addressed the needs of homelessness, it was offered a lease in the spirit of the McKinney Act. Therefore, the Charleston Naval Complex Redevelopment Authority (RDA) offered the Lowcountry Food Bank a five-year, rent-free lease. After an initial investment of \$225,000 to build offices on the site, the Lowcountry Food Bank moved into the new facilities tripling in size.

Assisting over 1,300 senior citizens on a monthly basis, the Lowcountry Food Bank also seeks to find pockets of “hidden” hunger. “Many elderly people are on fixed incomes and all their money is spent on medication. They really need our help,” says Husser.

According to Husser, the Lowcountry Food Bank has experienced phenomenal growth. “We had the second largest percentage of growth in distribution among food banks in the country with an increase of 1,044 percent while distributing 9.7 million pounds of food in 2002.” With two additional branches in Beaufort and Horry counties, this non-profit organization continues to distribute food to more than 400 member agencies, including churches, synagogues, homeless shelters, daycare centers, soup kitchens, orphanages, healthcare agencies, senior homes and children’s programs.

Executive Director Archie McRee said, “We continue to increase our overall food supply and to tailor our programs to the needs of the community in the fight against hunger.” In fact, the majority of the Lowcountry Food Bank’s clients are working parents trying to support their families, senior citizens unable to pay for the rising cost of food and children living below the poverty level. According to the recent U.S. Conference of Mayor’s report, nearly 70 percent of all individuals requesting emergency food assistance in the Charleston area are the working poor.

Realizing the power of this statistic, the Charleston area has pulled together to provide



Robert Wilson and Travis Green unload cases of USDA food that will be distributed throughout the Lowcountry.





Jermaine Husser
Chief Operating Officer
Lowcountry Food Bank

both volunteer and financial resources for the Lowcountry Food Bank. Each month, more than 1,000 volunteer hours are logged. Major grocery store supporters include Bi-Lo, Harris Teeter, Piggly Wiggly and Publix.

In addition to thousands of individual donations, foundation grants and corporate gifts, the Lowcountry Food Bank receives over \$50,000 each year from its annual fundraising event known as Chefs' Feast. Aimed at preventing childhood hunger, Chefs' Feast was created by world-renown Charleston chef, Robert Carter of the Peninsula Grill. Along with other prominent chefs from the Charleston area, Carter cooks up an array of specialties that satisfies the most voracious appetites. All proceeds benefit the Lowcountry Food Bank's Kid's Café program. "It is an awesome fundraiser for the food bank. We are really blessed to have these caring people in Charleston," says Husser.



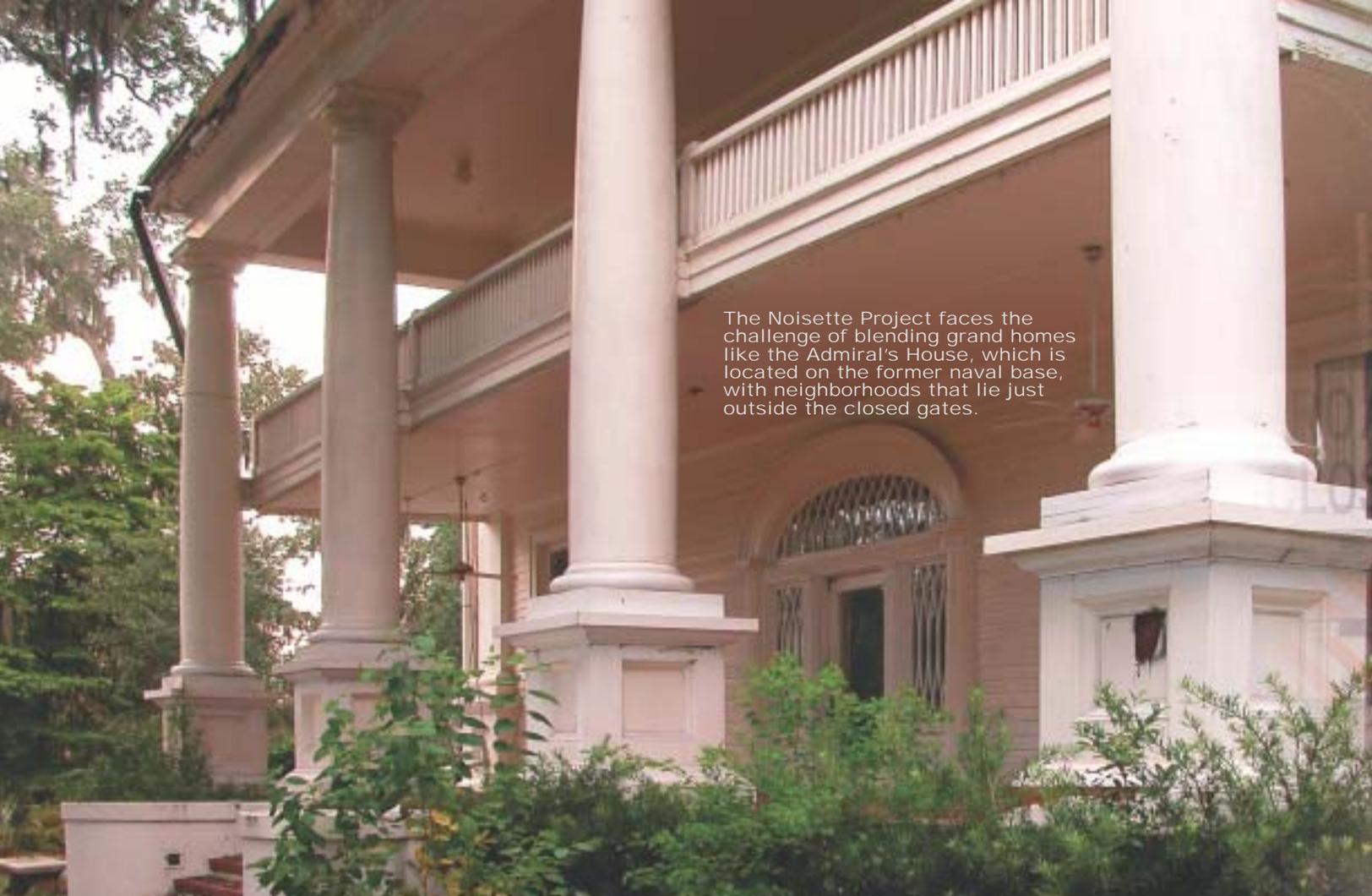
The McKinney Act

The Stewart B. McKinney Homeless Assistance Act (The McKinney Act) was the first and remains the only major federal legislative response to homelessness. In 1983, the first federal task force on homelessness was created to provide information to localities on how to obtain surplus federal property. As advocates for the homeless demanded a response from the federal government, the Homeless Persons' Survival Act was introduced in Congress in 1986. The act contained emergency relief measures, preventive actions and long-term solutions to homelessness. However, only small portions of the proposal were enacted into law.

In late 1986, the Urgent Relief for the Homeless Act, which provided shelter, food, mobile healthcare and transitional housing was introduced to Congress and passed in 1987. The bill was signed into law on July 22, 1987. After the death of its chief sponsor, Representative Stewart B. McKinney of Connecticut, the act was renamed the Stewart B. McKinney Homeless Assistance Act.

In relation to military base closures, Title V of the act originally required redevelopment authorities to identify and make available buildings on closed bases that could house and assist homeless people. On October 7, 1994, Congress passed a measure that added an exemption for military bases from the 1987 McKinney Act. Instead, redevelopment authorities must submit reuse plans to the Department of Housing and Urban Development indicating efforts to assist homeless advocates, taking into account both economic factors and homeless needs. ^{MW}





The Noisette Project faces the challenge of blending grand homes like the Admiral's House, which is located on the former naval base, with neighborhoods that lie just outside the closed gates.

Reweaving the Fabric of a Naval Town

by Cindy Elmore

"I live in the city and I also have children. I would like to see the community improve for my family and other families in North Charleston"

Kurt Taylor

Peering through the closed gates of the former Charleston Naval Base, the sight of modest homes reflect back toward the once elegant officers' quarters. The laughter of children at play on St. John's Avenue echoes against grand porticos that were once clubhouses for naval officers' children.

Just inside the barbed-wire fence lie vacant turn-of-the-century mansions graced with moss-draped oaks, azalea-packed lawns and spectacular views of the Cooper River. With these two contrasting worlds separated only by a fence, one quickly realizes the daunting task facing North Charleston, South Carolina, in its efforts to revitalize and blend an isolated military base back into the fabric of a city once anchored by the Navy.

Since the Navy announced its closure, many citizens and community leaders have welcomed and tackled the challenge of creatively addressing the redevelopment needs of the city. Passionately shouldering much of the responsibility has been Kurt Taylor, city councilman elected in 1997 to serve the district that includes the former naval base. Taylor, who owns a home (circa 1927) that he inherited from his grandfather in the Olde North Charleston district, has a personal stake in seeing the redevelopment accomplished. "I live in the city and I also have children. I would like to see the community improve for my family and other families in North Charleston," says Taylor.

With this goal in mind, Taylor spoke with his brother-in-law, Andy Gowder, a lawyer who told him about one of his clients, John Knott Jr.

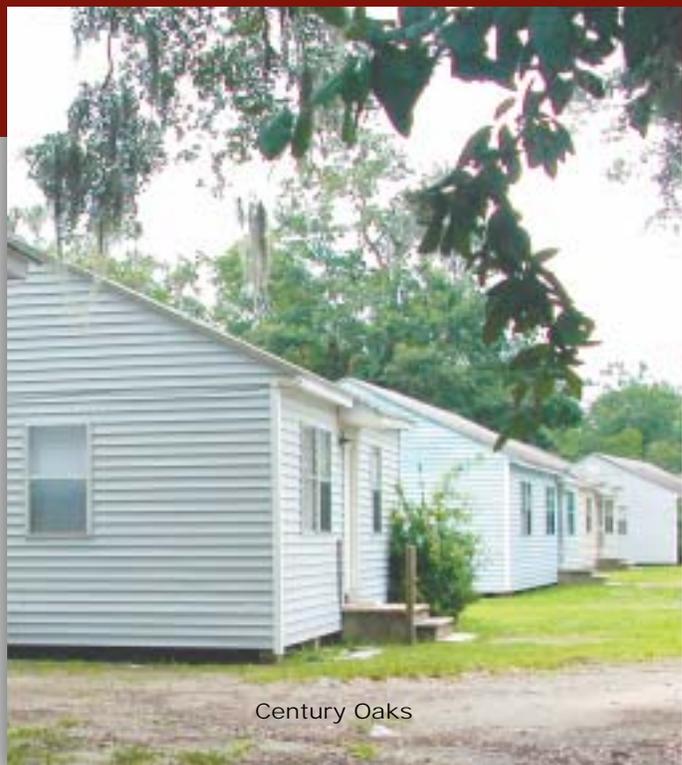




North Charleston officials plan to demolish the homes in Century Oaks and replace them with a mixed-income development.

While explaining to Taylor that Knott was a nationally acclaimed developer known for his environmentally friendly, socially conscious developments, Gowder mentioned that Knott was attempting to start a sustainable community development in downtown Charleston. Seizing the opportunity, Taylor suggested that Knott visit his neighborhood and consider its redevelopment possibilities.

After an initial conversation with Knott, Taylor drove him around the older sections of North Charleston. Based on his review of the Park Circle area, an example of the Garden City model conceptualized by the firm of landscape architect, Frederick Law Olmstead, who also designed New York's Central Park, Knott realized that North Charleston had well-defined "cellular communities" with a small business district.



Century Oaks





John Knott Jr.

Taking Kurt Taylor's passion and Keith Summey's vision, John Knott started crafting a plan to create a sustainable community. Carefully, he consolidated a professional team of experts in urban planning, secured financial resources and slowly developed a project that soon would simply be known as, Noisette.

After a process of extensive research, Knott was convinced that North Charleston was perfect for a revitalization that was both environmentally and socially sensitive.

Within a few months, Knott met with North Charleston Mayor Keith Summey who also had a dream for his city. After reviewing the city's 1996 comprehensive development plan and the 1993 Naval Base Reuse Plan drawn up by the Building Economic Solutions Together (the BEST Committee), both Summey and Knott agreed that the base had not been reintegrated back into the surrounding area. During this time, the mayor shared with Knott his vision of possibly acquiring the northern end of the base for developing a waterfront park, boat landing and riverfront shopping. In 1999, the city won approval from the state of South Carolina, the Navy and the

Charleston Naval Complex Redevelopment Authority (RDA) to gain access of its redevelopment concepts for this portion of the base.

Taking Kurt Taylor's passion and Keith Summey's vision, John Knott started crafting a plan to create a sustainable community. Carefully, he consolidated a professional team of experts in urban planning, secured financial resources and slowly developed a project that soon would simply be known as, Noisette. "I asked our urban designers to see themselves not as designers, but as healers," Knott explained. "They're healing the city economically, socially and ecologically. They're rebuilding and reweaving North Charleston into a world-class, sustainable city. There is no reason why North Charleston can't be the model city for the nation — the new American city."



Disette

A Town Birthed by the Navy

Facing many struggles over the past 10 years, community leaders and the citizens of North Charleston have worked to support the redevelopment of a town that literally was birthed by the Navy. Boasting over 80,000 residents which makes it South Carolina's third largest city, North Charleston was incorporated only 30 years ago. North Charleston has always been shadowed by its famous neighboring city to the south, Charleston. While Charleston grew to become one of the richest cities in America before the Civil War, present-day North Charleston remained a sparsely-settled marshy area. Later, phosphate was mined nearby and in the 1890s, Charleston developed a 595-acre country park on the Cooper River, shuttling visitors from the city. In 1901, Charleston gave up the land with its park to entice the Navy to build what eventually became the second largest homeport on the East Coast, dominating the local economy from World War II to 1996. However, the boom from the Navy also brought some negative consequences including the beginning of urban sprawl.

A Passion for the People

Sitting in his office surrounded by maps of North Charleston and photographs of its citizens plastered around the room, it only takes a moment to realize that John Knott eats, drinks and breathes the revitalization of North Charleston. Concerned with the needs of low- and moderate-income



Mayor Keith Summey (*left*), and City Councilman Kurt Taylor are working to promote revitalization efforts throughout North Charleston.



Bringing his Navy experience to the table, Augustin co-founded Noisette with Knott and became the company's vice president.

residents, Knott passionately states the necessity for mixed-income, sustainable communities; the opportunities for cutting-edge banking initiatives; and the importance of teaching these residents how to retrofit their homes for maximum energy efficiency. According to Knott, a third-generation builder from Baltimore, "The private and non-profit sectors need to join forces to work together to solve urban renewal and housing issues." Concerning community development, he further states, "We must first admit the problem. The problem involves taxing policy, planning policy, transportation policy and zoning policy."

Knott's fervor and zeal both have created and kept the Noisette project alive since he began working behind the scenes in 1997. Named after noted local botanist, Phillip Noisette, the undertaking is now touted as the largest urban revitalization project in United States history costing over \$1 billion and taking 20 years to accomplish. "When I connected with John Knott, we were only talking about five city blocks," said Councilman Taylor. As Knott stated, "The project evolved and will now take at least 20 years to complete and will likely become a model for other urban renewal efforts."

Today, the 3,000-acre plan incorporates a three-quarter mile riverfront park at the old naval base that would join a 200-acre tidal preserve surrounding Noisette Creek. The park will include an amphitheater, walking trails and a dock. In addition, the project encompasses 4,000-plus new homes, 5,000 rehabilitated housing units, 5 million square feet of commercial, industrial and retail space, improvement to 13 schools and the restoration of Noisette Creek ecosystem. It also proposes the creation of a cultural arts center and museums including one to house the Confederate submarine, H.L. Hunley and other maritime artifacts. Other plans for exhibits highlight African-American culture, Native American history, and industries of the Cooper River.

Most of the warehouses and offices on the northern end of the former base will be demolished. Old water and sewer lines will be dug up to take the land back to the way it looked a century ago when the Navy settled on the

Building on the grassroots efforts that have taken place to revitalize North Charleston in the last few years, John Knott and Jim Augustin of Noisette (*below*) hope to create sustainable communities for residents of all income levels.





Restoring their 1920s home to its original beauty, Deana and Roger Nash were part of the early efforts to revitalize North Charleston.

shores of the Cooper River. Only structures such as the historic admiral's house and rent-producing warehouses with long-term leases will be spared. Replacing the warehouses and office buildings will be an urban scale redevelopment with integrated green spaces. The closed base provides the opportunity for a true city center for North Charleston. Noisette planners expect to create about 3,000 residential units, ranging from loft apartments and condominiums to single-family homes with 1.5 million-plus square feet of commercial space.

Other conceptual highlights include revitalizing East Montague Avenue and its historic Old Village; re-landscaping Rivers Avenue into a parkway and creating a commercial district at the intersection of Rivers and Durant avenues, plus renovating the Rivers/Cosgrove intersection; and rejuvenating residential neighborhoods such as Park Circle, Liberty Hill and Cameron Terrace.

"We needed to take a holistic approach to urban renewal. We had to look at all angles to solve the problems," said Knott. In taking this approach, the Noisette team has attempted to plan a community where people live near work, school, shopping, dining, entertainment and religious centers. Retired U.S. Navy Captain James H. Augustin Jr., formerly the base closure officer for the Charleston Naval Base, worked closely with a variety of agencies to reduce the closing's impact on the area. Bringing his Navy experience to the table, Augustin co-founded Noisette with Knott and became the company's vice president.

Today, Augustin works with Knott to find the pulse of the community and communicate to the citizens of North Charleston through vision presentations at neighborhood and civic organizational meetings, conversations over food with

"We needed to take a holistic approach to urban renewal. We had to look at all angles to solve the problems."

John Knott

“We’re dealing today with the effects of the laws of unintended economic consequences. The problems of city finances and infrastructure needs, the durability of houses, energy-consumption issues — we actually planned the mess we’re experiencing now.” John Knott

neighbors, work sessions to find out what communities value and idea development sessions for both small and large groups. “I think of community development as a conversation. We are not doing something to the community; we are developing in concert with the community. Any communication that is one way is not a conversation,” says Augustin.

For example, in a neighborhood work session the Noisette team may discover that a special old tree, corner store or park is endeared to the community. In idea sessions, planning team members give community members papers and crayons to sketch ideas. Out of such a meeting, the need for a pedestrian route may surface. “We look at ourselves as social engineers,” says Knott.

From a long line of builder-developers, Knott’s father and grandfather began restoring buildings in the Baltimore area as far back as 1908. “As a builder, I come from a culture of historic preservation, which instilled in me certain values; as a result I believe that every project should begin with an inventory of assets,” said Knott. “In the case of North Charleston, there are hundreds of valuable, wonderful assets that must be preserved, protected and enhanced. It’s the residents who know what they love about the area, so we’ve spent a lot of time talking to those folks. Once we have an inventory of what the residents like, we can develop the area so the good parts expand and the bad parts fade away.” Backed by city leaders from the beginning, Noisette has attempted to define the true fabric of the city. “The more we know; the more we understand each other. Instead of taking away, we want to build on the culture that already exists,” said Mayor Summey.

Digging in Deep

The product of a Jesuit education, Knott studied economics, philosophy and political science at Loyola College. His educational background, strict religious upbringing and early work experiences of digging foundation ditches in his grandfather’s construction business fueled Knott’s economic development passions. “We have walked away from the ways communities used to work. Forty and 50 years ago, we didn’t have

the segregation of use that is rampant in our culture today. Our business model is based too much on short-term, bottom-line economics instead of long-term sustainability,” he said. “We’re dealing today with the effects of the laws of unintended economic consequences. The problems of city finances and infrastructure needs, the durability of houses, energy-consumption issues — we actually planned the mess we’re experiencing now.”

As a developer, Knott’s work has ranged from rehabilitating townhouses and converting warehouses to preserving historic buildings. His firm also helped transform Baltimore’s Inner Harbor. Relocating to Charleston, South Carolina, in the early 1990s, he conducted the ecologically sensitive development of Dewees Island.

With an impressive list of projects on his resume, Knott has gained an understanding of project financing at all levels. Plus, he takes a holistic approach to community development, with the belief that developers need to work as teams, and not in isolation. “In the development world, I believe that we have to model ourselves after a company like Dell,” explains Knott. “We have to become the integrator that brings together all the players and create a systems approach to community planning and home building. We’re stuck in a piece-and-parts approach to building, and the result is higher costs for everybody. We can achieve tremendous savings in the building business through systems thinking.”

With his reputation to support him, Knott says, “The Noisette project is privately financed, so it has patient capital.” With an investor group that includes six Fortune 500 executives, Noisette is working with regional banks, including the National Bank of South Carolina and First Citizen’s Bank. With homeownership in North Charleston at 45 percent, bankers will play a crucial role in developing a variety of innovative lending programs and instruments to assist buyers in purchasing homes.

In addition, Knott is proposing the use of ground rents to increase homeownership while developing mixed income neighborhoods in





Built on the original site of the Turnbull Plantation, these former officers' quarters were partially restored by the Navy and RDA.

North Charleston. Originating in Maryland and used by the founding families to convey long-term leases of parcels to tenants, ground rents mainly exist in Baltimore City and County, today. The ground rent is typically for a term of 99 years and automatically renewable forever. The developer, who created the ground rent, retains it for investments or may sell or trade it like a bond to another investor. "It is an affordable way to own a home, but most title companies do not like them because of the record keeping involved," says Ivetta Spikes, director of development for the Community Law Center in Baltimore. According to Knott, "Since a significant percentage of the total cost of a house is the

land, ground rents help low- to moderate-income people afford housing."

Furthermore, Noisette plans to encourage non-profit organizations like Charleston Affordable Housing, Inc. to offer financial training for prospective buyers. The group also has created the independent, non-profit Sustainability Institute to teach environmentally friendly building techniques to local builders and residents. With a grant from the Wege Institute, the Sustainability Institute has renovated a 50-year-old, 900-square-foot bungalow in North Charleston known as the Greenhouse, using recycled and non-polluting material. It also features energy-efficient appliances and landscaping with native plant species. Open to the public, the Sustainability Institute teaches energy efficiency and sustainable development. "The sustainable approach is a long-term, cost-saving strategy that looks at the initial costs, as well as operating, maintenance and any overhead that buildings will incur over their lifetime," adds Knott.

To assist the city with infrastructure and the Charleston County School District with school improvements, Noisette expects to use bridge financing as a financing tool, which will ultimately be funded by a tax increment district-generated bonds. Tax increment financing is

"In the Noisette project, public schools are at the core of our community redevelopment plan. The Noisette Master Plan includes a special tax district, which will funnel 25 percent of its revenues to improve the 13 public schools within the Noisette district."

John Knott





Lured by the affordability of North Charleston's commercial space, glass artist, Sally Leydic, opened her business in the Olde Village two years ago.

“Downtown Charleston is the mother of preservation in the United States. North Charleston will become the father of sustainable development and urban revitalization.”

John Knott

one way cities get private dollars spent on “city approved” public improvements by promising to reimburse developers only if a sufficient rise in property taxes collected is seen to be able to pay for the improvements. “In the Noisette project, public schools are at the core of our community redevelopment plan. The Noisette Master Plan includes a special tax district, which will funnel 25 percent of its revenues to improve the 13 public schools within the Noisette district,” said Knott.

Blending Cultural Boundaries

Summey, Taylor, Knott and Augustin, agree that “sustainable development” should cross all cultural boundaries and affordable housing should be offered to everyone. Many citizens fear that redevelopment means displacement. “Gentrification is not in the plan. Displacement will not be tolerated,” says Taylor. The city has considered the concerns over escalating housing costs and the fears that many residents have about being priced out of their neighborhood. Taylor says that the city also has evaluated the rising rental costs and assures citizens that these issues are being addressed.

To encourage homeownership in North Charleston, the city also has taken steps to increase ownership rate and reduce displacement. By demolishing sections of dilapidated housing built during World War II in the Century Oaks development and replacing it with mixed-income housing, the city is offering safe, economical housing alternatives. “Our goal is to have affordable housing that’s safe and efficient for all our citizens,” says Mayor Summey. In addition, the city offers its employees a \$5,000

loan toward the down payment of the purchase of a home. Each year that the employee works for the city, \$1,000 of the loan is paid. After five years, the loan is forgiven.

To battle racial barriers in lending, North Charleston also hosts workshops to encourage lending in minority communities. “The average person that has never used a bank is scared of banks. They don’t think that they have a chance,” explains Mayor Summey.

Both the city and Noisette are working together to bring the arts to the city. They hope to create a community of artists within North Charleston. One idea includes providing a live-and-work space for artists in one of the warehouses on the former base. John Knott says, “We want the arts to be a permanent part of the economic development of this area, and all major studies show that the arts have a great impact on the economy.” To encourage private development in the arts off the base, the city created a new zoning category aimed at allowing heavy-equipment craftsmen, such as blacksmiths, to open studios in places like the Olde Village.



Committed to providing musical, dramatic and dance education to students in the local community, Mary Gould, producer at South of Broadway Theatre Company, offers a wealth of experience to her students

(left to right):

Allesandra Brown, Stephanie Hardy and Emily Shober.

Both the city and Noisette are working hand in hand to bring the arts to the city. They hope to create a community of artists within North Charleston.

Holding the distinction as being North Charleston's first resident artist in the Olde Village, Sally Leydic opened her glass studio two years ago on East Montague Avenue. "I checked out properties throughout the Charleston area and this area was the most inexpensive retail and commercial space available in the area," said Leydic. In addition to Leydic Glass Design Studio, a blacksmith, Sean Ahern, opened a studio nearby while Mary Gould launched South of Broadway Theatre Company, the first Broadway-quality, full-time, professional theater company in South Carolina. Working with both the city and Noisette, South of Broadway envisions six major productions a year, each running an average of five weeks.



Creating the Tapestry

Working together, the city and Noisette hope the base will be the new "front door" to the city. With the backing of every member of city council, the mayor has great hopes that the Noisette project will be successful. "There is light at the end of the tunnel and it's not a train. It's a light opening on what we can be and can become," said Mayor Summey. Knott is determined to open the riverfront to the people of North Charleston. Although Knott realizes that he may not see the

full redevelopment of North Charleston in his lifetime, he remains committed to reviving a natural environment and creating a community whose beauty and sense of sanctuary offer spiritual renewal to its inhabitants. Envisioning future greatness for North Charleston, Knott says, "Downtown Charleston is the mother of preservation in the United States. North Charleston will become the father of sustainable development and urban revitalization." MW



Historic Building's Charm Recaptured Through Brownfields Initiative

by Frances Stanley



Through its brownfields initiative, the Environmental Protection Agency (EPA) empowers states, communities and other stakeholders in economic development to work together in a timely manner to prevent, assess, safely clean up and sustainably reuse brownfields.

Drivers traveling along Interstate 95 in Baltimore may find it difficult to believe that the 1.3 million square-foot, art deco-style edifice sitting adjacent to the highway was once Maryland's largest, abandoned historic structure. Built in 1925, the Montgomery Ward Catalog Building (the catalog building) once housed thousands of the retail giant's employees, retail and catalog operations. But to the dismay of the community and the area's economy, the merchant's liabilities surpassed its assets and forced Montgomery Ward to cease catalog sales and close its doors.

While many viewed the situation as unfortunate, a far-sighted developer, Himmelrich Associates, recognized the unoccupied historic landmark's possibilities and transformed what was the catalog building into the Montgomery Park Business Center (Montgomery Park) — a 26-acre, energy-efficient building that provides modern, complex office space and significant employment opportunities to residents in the city. "Our hope is that Montgomery Park will serve as a catalyst in revitalization efforts of southwest Baltimore," said Evans Paull, director of the Baltimore Development Corporation's (BDC) Brownfields Initiative. BDC supports business expansion and business relocation in the city of Baltimore.

In 1993 federal officials agreed that abandoned, idle or under-used property, where expansion or redevelopment is complicated by real or perceived contamination can potentially create numerous revitalization opportunities for communities. Through its brownfields initiative, the Environmental Protection Agency (EPA) empowers

states, communities and other stakeholders in economic development to work together in a timely manner to prevent, assess, safely clean up and sustainably reuse brownfields. The EPA's brownfields strategies include funding pilot programs and other research efforts, clarifying liability issues, entering into partnerships, conducting outreach activities, developing job training programs and addressing environmental justice concerns.

Dealing with Gray Areas

Ten years after Montgomery Ward closed the catalog building in 1985 and the property sat vacant, the BDC labeled the site a key opportunity for potential redevelopment because of its size, favorable access characteristics and its strategic location in an empowerment zone (EZ). EZs are



Montgomery Park captures many of the external architectural elements present in the Montgomery Ward Catalog Building.



Evans Paull
**Director, Baltimore
Development Corporation's
Brownfields Initiative.**



designated low-income areas where federal and state tax incentives, performance grants and loans are used to create jobs, expand business opportunities and support residents looking for work. At first there was minimal interest from the development community largely because the building and land were widely assumed to be contaminated. According to Paull, the state of Maryland emerged as the first interested buyer of the property. The state wanted to raze the building and build a transportation maintenance lot but the BDC, the Baltimore Planning Department, along with former Mayor Kurt Schmoke, discouraged officials from demolishing the historical treasure.

In 1997, Sam Himmelrich of Himmelrich Associates, a renowned developer of industrial sites in the city, expressed interest in acquiring the property. A small business of 17 employees that specializes in renovating industrial properties to suit modern office users, Himmelrich who began operating for this venture as Carroll Park LLC, unsuccessfully attempted to purchase the site. Montgomery Ward's Chapter 11 bankruptcy status made property negotiations extremely complex. When Montgomery Ward announced that it would close its doors and cease operations, surprisingly purchasing the property was more difficult because the property could not be transferred under its Chapter 11 bankruptcy status.

Overcoming Red Flags

Himmelrich contacted the BDC and pitched his ideas for the abandoned building and its surrounding complex to its executive director, Jay Brodie. The complex issues regarding financing of the project were also identified as a key barrier. Himmelrich could not obtain funding from private financial institutions without pre-leased tenants or market the property to potential tenants because of the property's possible unknown contaminants. As a visionary of Baltimore redevelopment, Brodie realized the potential of the catalog building as a key element in Baltimore's business attraction and retention efforts. Although unsure about funding sources, he agreed to help Himmelrich find the upfront financing. "We were willing to share some of the risk in financing Montgomery Park because the project involves unique advantages," said Brodie.





“Financing was the hardest part of this development.”

Sam Himmelrich, Himmelrich Associates

“It has large floor plates, easy access to I-95, free parking and affordable rents, which means that, in theory, it can attract large users who would not otherwise consider a city location.”

Himmelrich and Brodie designed “Plan A” to secure financing for the project. According to Paull, Plan A — private financing, supplemented by an \$8 million state loan — failed to win support from the state legislature. So “Plan B” — blending several funding sources was implemented, but proved to be much more complex than Plan A. “Financing was the hardest part of this development,” Himmelrich said. For the project’s success, several funding sources were utilized. After negotiating for a year, Himmelrich purchased the property in April 2000 for \$5 million. In his contract with Montgomery Ward, Himmelrich added an out-option clause. In other words, this clause would consider the contract null and void if the property was more contaminated than originally thought.



All EZs are eligible for tax-exempt bond financing that offers lower rates than conventional financing for business property and land, renovations or expansions. In addition, EZ businesses are eligible for accelerated tax expensing for equipment purchases.

Plan B's first funding source, the U.S. Department of Housing and Urban Development's (HUD) Section 108 was the loan guarantee provision of the Community Development Block Grant (CDBG) program. Section 108 provides communities with a source of financing for housing rehabilitation, economic development and large-scale physical development projects. BDC had never used this funding for financing a private development project because a loan default could jeopardize the city's CDBG funds. In order to obtain the \$8 million loan from Section 108 and remove default risks, four other sources of funding were prioritized ahead of the Section 108 loan for collection if the project failed. These sources included a developer-established debt-service reserve account, a Brownfield Economic Development Initiative Grant (from HUD), a developer personal guaranty and a pledge of a portion of the BDC's city general obligation bond funds, administered by the BDC for development activities.

Historic tax credits served as a second major source of funding. "The key to financing this deal was the historic tax credits, which were converted to up-front financing of improvements to bring the site to the point that it could be successfully marketed," Paull said. Since the building was listed on the National Register of Historic Places, the developer qualified for historic tax credits through the state and federal government. The tax credits were syndicated and converted into equity for the project. Chevron TCI, Incorporated, a federal tax-credit investor in historic rehabilitation projects across the country, committed approximately \$10.3 million during the initial construction phase and approximately \$7.2 million for future phases. RewardsPlus of America, the state tax credit investor, pledged \$11.7 million in equity for the first phase of the development.

The third major source of funding for Plan B, a \$2 million dollar loan from the State of Maryland's Brownfield Revitalization Incentive Program was used for lead paint abatement and linked to repayment of bondholders of the historic tax credits. The \$2 million cleanup included removing lead paint (the primary contamination problem at the site), asbestos, petroleum and Polychlorinated Biphenyls (PCBs).

A \$5 million loan from the Westside EZ provided the fourth and final public source of funding. Public incentives in the form of tax advantages that encourage participation in the EZ include employee-based tax credits and reduced taxes on corporate investments. Employers located in an EZ are eligible for employee-wage tax credits worth \$3,000 for every EZ resident hired for employment. All EZs are eligible for tax-exempt bond financing that offers lower rates than conventional financing for business property and land, renovations or expansions. In addition, EZ businesses are eligible for accelerated tax expensing for equipment purchases. HUD provides funds from its Economic Development Initiative program and is administered by the city of Baltimore.



The loan from the West Side EZ includes a condition that the project employs a certain percentage of EZ residents. A First Source Hiring Agreement was established with the city's Manpower Program, a city-sponsored work placement program, to assist in hiring these residents. Partnerships are also being formed with the city's Minority and Women's Business Enterprise Program and the Baltimore Brownfield Worker Training Program to provide additional opportunities.

Before the project began, Baltimore received a \$100 million federal grant and an estimated \$250 million in federal tax incentives as one of the six winners in the first round of a national competition for EZs. The total Baltimore EZ extends over 6.8 square miles and covers three separate areas of east, west and south Baltimore. At the same time that governmental sources of funding were being secured, the developer was also negotiating with private financial institutions. About \$30 million was borrowed from Citigroup's Center for Community Development Enterprise for the project's initial construction and tenant improvements. In turn, Citigroup's Center for Community Development Enterprise was granted Community Reinvestment Act (CRA) credit for the loans since the development was located in an underserved community and classified as a brownfield. Once financing was secured, Phase I of the redevelopment and construction took approximately nine months with costs reaching \$75 million.

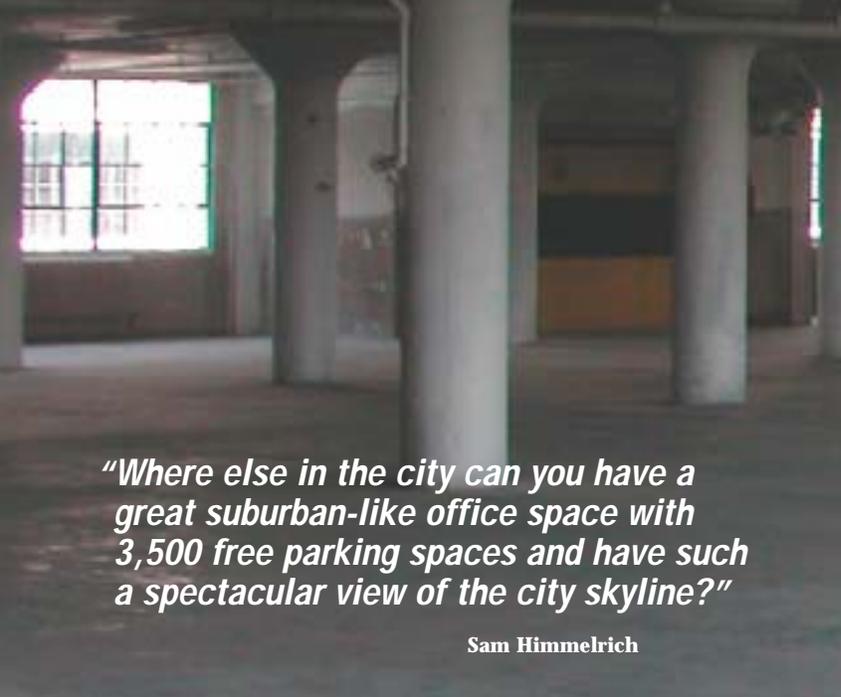
Eliminating Economic Development Blues

The catalog building is constructed of earthquake-resistant concrete, and poured-in-place concrete columns every 20 feet. Tall industrial steel sash windows align the perimeter of the building. The redesign of the property focused on optimizing the vintage architectural elements of the structure and warehouse (an adjacent one-story building referred to as the North Building built in 1972) while modernizing the facility's electrical systems to maximize energy efficiency. The details of maintaining the building's vintage elements were even evident in Montgomery Park's sign, which closely resembles the old Montgomery Ward sign, and is visible to drivers leaving the city on Interstate 395.

Keeping environmental concerns in mind, Montgomery Park uses "green design" to reduce energy-consumption costs. Green design practices significantly reduce or eliminate the negative environmental impact of the building and its occupants in five broad areas: sustainable site planning, safeguarding water and water efficiency; energy efficiency and renewable energy; conservation of materials and resources; and indoor environmental quality. As a building that is environmentally responsible and profitable, Montgomery Park uses storm water from the roof (gray water) for toilet flushing, light sensor controls to adjust interior lighting intensity based on the amount of natural daylight and enhancements to the performance of the boilers, chillers and ice storage. An energy-smart building control system

Montgomery Park utilizes both modern and environmentally conscious design that includes an art deco style corner decoration (*left*), a green design roof that reduces storm runoff (*top right*) and an auditorium with light sensors that conserve electricity.





“Where else in the city can you have a great suburban-like office space with 3,500 free parking spaces and have such a spectacular view of the city skyline?”

Sam Himmelrich



Tenants such as the Maryland Department of the Environment have access to a wide range of amenities such as an exercise facility and an aesthetic view of downtown Baltimore.

optimizes outside air for cooling and an on-site chilled-water system freezes water during the night in six tanks on the roof and then circulates air over the melting ice to cool office space. The process cuts utility costs in half. Glazed windows retain light, but keep heat out. According to Allan Jensen, director of administration for the Maryland Department of the Environment (MDE), as Montgomery Park’s first tenant MDE is guaranteed an energy savings. Jensen states that this cost is half of what they were paying in their previous location. “We are confident that our costs will be close to this cost of 98 cents per square foot,” states Jensen. MDE is happy with their location’s energy systems, both, heating and cooling, the energy-saving windows and lights that adjust according to natural light.

The shed roof, which has been converted to a 30,000-square-foot green roof mitigates impervious surface cover and reduces the urban heat island effect and storm water runoff. Green roofs can significantly reduce the surface temperature and storm water runoff by about 75 percent. Costs for the roof installation were covered by a \$92,000 grant.

Colorful Tenants

Montgomery Park matches perfectly with tenants who require extra large space that is developed based on renter specifications and needs. Raised floors accommodate fiber-optic cables and wiring and office partitions are made of recycled paper, recycled wheat board and renewable ash trim. One hundred percent recycled carpeting covers all floors. Tenant occupancy usually occurs within 90-120 days of signing a lease. Montgomery Park’s central location, excellent employment market and its amenities increase the property’s marketability. Serviced by three bus lines and located three blocks from I-95, the site is fenced and gated with around-the-clock security. The site emulates a suburban setting in its access to 3,500 free parking spaces. Carroll Park, Charles Carroll’s 18th century home and city attractions located across the street can be seen from the upper floors of Montgomery Park.





Additional amenities include bike lockers and showers for those who bike to work. A private entity operates a 10,000-square-foot health club that has the latest exercise equipment and racquet courts with discounted memberships for only Montgomery Park tenants. A food court in the building offers two eateries where an atrium next to the area can be used to hold meetings and social events. An auditorium of 8,000 square feet accommodates conference and training space needs. Other amenities include an ATM and spectacular views of the city skyline.

Montgomery Park currently leases to four anchor tenants with about 615,000 square feet available to rent. The first tenant, the MDE signed a 10-year lease and moved to the location in June 2002. MDE occupies sections of four floors for a total of 262,300 square feet of space and uses part of the North Building for laboratory space and storage. The Maryland State Lottery, the second tenant, occupies 80,000 square feet of space and also uses part of the North Building for warehouse space. The NCO Group, a leading provider of accounts receivable management and collection services, leases just over 100,000 square feet. According to Paull, NCO's decision to move and expand its operations from Odenton, Chevy Chase, Linthicum, and Hunt Valley, Maryland created about 600 jobs for Baltimore and can potentially create more employment in the future. The fourth tenant, First Health, uses about 10,000 square feet of space. With First Health's arrival in July, about 45 percent of the building is now occupied. Walt Disney Productions, a temporary tenant, utilized Montgomery Park during the filming of the movie "Ladder 49." Additionally, within the building complex, a private operator uses another one-story building south of the main building for an on-site daycare for employees.

Himmelrich also has future redevelopment plans for the area. Himmelrich Associates has purchased the Silver Spoon and White Tower diners located across the street from

Montgomery Park. In collaboration with another developer, the sites will be redeveloped into restaurants and dry cleaners, both desirable amenities for Montgomery Park's employees and residents of the area.

Going for the Gold

BDC counts the large-scale adaptive reuse of the catalog building as a resounding success. The BDC has been named a Phoenix Award winner by the EPA. Created in 1997, the Phoenix Award honors groups that have used innovative remediation (the clean up or other methods used to remove or contain a toxic spill or hazardous materials from a site and to prepare the site for development) for significant brown-field sites across the country, which usually results in bringing blighted, former commercial and industrial sites back into productive use. In addition, the redevelopment of this site reinforces Maryland's Smart Growth and Neighborhood Conservation strategies by preserving some of Maryland's valuable open land and providing new office space without further sprawl. All involved in the catalog building redevelopment success beam with pride about their accomplishment and hope that it will serve as a model for revitalizing economically distressed parts of Baltimore. "Where else in the city can you have a great suburban-like office space with 3,500 free parking spaces and have such a spectacular view of the city skyline?" Himmelrich asks. 

For further information about the Montgomery Park Business Center visit www.montgomerypark.com.

Information about the Baltimore Development Corporation can be accessed at www.baltimoredevelopment.com.

Also see <http://www.rich.frb.org/cao/mwtopics/mw5.html> and www.epa.gov for further information about brownfields.





The Richmond CAO's Picture of Excellence: *A Tribute to Jack Blanton*

To co-workers and associates, he's frequently characterized as a visionary, philanthropist, perfectionist and ambassador of the arts. But on September 1, 2003, Jackson (Jack) L. Blanton, vice president of the Federal Reserve Bank of Richmond's Community Affairs Office (CAO) added the description of retiree to the list after more than 39 years of service in the Federal Reserve System.

A graduate of the University of Virginia, the National Graduate Trust School at Northwestern University and the School of International Banking at the University of Colorado at Boulder, Jack began his Richmond Fed career in the Banking Supervision and Regulation Department in 1964, where he worked in commercial, trust, international, holding company supervision and in the surveillance and monitoring of banking institutions. He later

transferred his extensive banking expertise to the Board of Governors in the area of international banking focusing on Washington, DC, London and Tokyo. During this time he contributed to the development of the System's uniform inspection report and manual for the supervision of bank holding companies. He also assisted the Board in its program of internal operations reviews, both at the Board and at other district Reserve Banks, in the banking supervision and regulation, and discount and credits areas.

In 1974 former Board Governor John Sheehan recognized Jack's accomplishments at the Federal Reserve and chose him for an internship as his administrative aide. While at the Board, Jack incorporated one of his passions, the fine arts, into Fed culture. Jack actively directed the development of the Board's fine arts program and later served as curator of the Richmond Fed's collection, which includes almost 1,000 works. Jack's "eye for art" recognized the talents of many regional artists, whose pieces grace the walls of the Richmond Fed. His knack for quality pieces created business opportunities, as well as increased visibility for young artists who were attempting to perfect their craft.

"Jack has had a lot of help and support from a great staff. But the vision and the drive to make it happen has come from him."

President Al Broaddus
Federal Reserve Bank of Richmond

In January 1986, as the Savings and Loan crisis began to unwind, Jack assumed responsibilities for the Bank's discount and credit department, which extends credit to depository financial institutions in the Fifth Federal Reserve District and later coordinated risk management coordination for the Reserve Bank. In 1990, he was designated as the Community Affairs Officer and in 1995 was given full-time responsibility for the function. "Jack entered Community Affairs with a roar. He quickly realized the program's potential and expanded both the outreach and mission of the program," said Sandy Braunstein, Senior Associate Director and Community Affairs Officer at the Board of Governors in Washington. Jack's artistic tone encouraged creativity in the presentation of the CAO's projects and products. Under his leadership, *MARKETWISE*, the first full-color magazine ever published in-house by the Federal Reserve, was created and became known for its quality. Dachota, his beloved dachshund, mysteriously appeared in each issue of the publication.

As a strong advocate for community affairs, Jack brought visibility to a lesser-known function within the Bank by clarifying the relevance of the role of Community Affairs within the mission and objectives of the Federal Reserve System. He undertook initiatives that brought community development leaders together to facilitate open and honest communication on affordable housing, small business development and other community economic development issues. To augment this facilitation, Jack established the Community Development Advisory Council, which serves as an information resource to the Richmond Fed president on community development issues throughout the Fifth Federal Reserve District. "In my view, Jack has been a real giant not only in the Bank, but in the whole Federal Reserve System's community affairs program," said President Al Broaddus of the Richmond Fed. "I'm exceptionally proud of all we've been able to accomplish in this area in recent years — the initiation of this publication (*MARKETWISE*), the innovative conferences and the on-the-ground hard work with both neighborhood groups and lending institutions to help strengthen communities in our District."

Realizing that his contributions were not limited to his job responsibilities at the Fed, Jack realized the importance of corporate citizenship. His long list of community service activities include his membership on the board of directors for the Carpenter Center for the Performing Arts; the Richmond Society for the Prevention of the Cruelty to Animals; President of the Collectors' Circle of the Virginia Museum of Fine Arts; and the Council for America's First Freedom, which focuses on supporting the religious freedom and separation of church and state precepts of the First Amendment through educational outreach programs. He has provided strong support for the arts program at Randolph-Macon College in Ashland, Virginia, which bestowed an honorary doctorate of fine arts on him in 2002. In addition, he was naturally drawn to the Longwood (University) Center for the Visual Arts whose outreach programs not only provide cultural enrichment but tangible community development opportunities for South Central Virginia. He now chairs that board.

Often referred to by his former staff as the "fearless leader," Jack's foresight, compassion and wit will be missed. Jack's lasting impact and commitment to exemplary standards will continue to motivate and leave a lasting impression on the endeavors of the CAO as well as the work of Fifth District communities.

"One of his most notable accomplishments was building the function's credibility to engender strong support from the Reserve Bank's senior management. Through Jack's efforts, the Richmond Reserve Bank has built a solid reputation for community development expertise in the Fifth District."

Sandy Braunstein
*Senior Associate Director,
and Community Affairs Officer
Federal Reserve
Board of Governors*





Self-Help thrives on its ability to contribute to a wide array of community economic development projects throughout North Carolina.

SELF-HELP: A Model of Excellence in Community Economic Development

by Jennie Blizzard

Since 1980, Self-Help has provided over \$3.1 billion in financing to 37,000 small businesses, nonprofits and homebuyers. Operating from regional offices in Asheville, Charlotte, Durham, Fayetteville, Greensboro, Greenville and Wilmington, Self-Help bases its work on the premise that ownership allows people to improve their economic position.

Downtown Durham, North Carolina, closely resembles many bustling business districts across the nation. High-rise buildings grace the city's skyline. Steady traffic flows on one-way streets. Around Main Street, the heart of the area, the sound of hammers and drills echoes outside the door of an attractive building that's being renovated. The pleasant aroma of piping hot bread and pastries from a successful wholesale bakery saturates the air. Locals and visitors exit a coffee shop with some of the area's best mocha, cappuccino and espresso masked by a paper cup. Though these activities seem unrelated, each shares a similar relationship with an innovative and well-known community development organization: Self-Help.

Since 1980, Self-Help, which includes the Center for Community Self-Help, the non-profit umbrella, and Self-Help Credit Union, has provided over \$3.1 billion in financing to 37,000 small businesses, nonprofits and homebuyers. Operating from regional offices in Asheville, Charlotte, Durham, Fayetteville, Greensboro, Greenville and Wilmington, Self-Help bases its work on the premise that ownership allows people to improve their economic position. Self-Help's belief that ownership strengthens the foundation of communities, as well as its cutting-edge strategies and practices, adds immense economic and social value to its community economic development lending activities. "I feel good about the contributions we've made to the state," said Eric Stein, president of the Center for Community Self-Help. "We are a small lender, but within our 24 years of existence we've helped thousands of people to purchase businesses and homes."



Keith Corbett
Senior Vice President
the Center for
Community Self-Help

Eric Stein
President
the Center for
Community Self-Help

Creating Ownership and Economic Opportunity
 Deposits from individuals, institutions, religious groups, businesses and socially responsible institutions who open accounts with Self-Help's Credit Union enable the organization to fund sustainable community economic development ventures. The CDFI takes an extreme sense of pride in the fact that they offer asset-building services to people who are considered "unbankable." The organization has carved a niche in serving customers such as female-headed, low-income, and minority households, and rural families.

Recognizing that homeownership is the primary step to wealth creation, Self-Help provides home loans for borrowers who cannot qualify for conventional financing and may need non-conforming loans (financing for people with credit delinquencies within the past year, bankruptcy within the past three years or recent job changes).

With as little as 3 percent required for down payment, no discount points and low closing costs, homeownership is within many consumers' grasp. For over 23 years, Self-Help has made direct home loans that exceed \$81 million to over 1,600

North Carolina families. About 60 percent of these loans went to minorities; 47 percent went to female-headed households; 72 percent went to low-income families; and rural households received 42 percent of those loans. "Staying focused our mission has helped us to achieve our success," said Keith Corbett, senior vice president of the Center for Community Self-Help. "It's great to know that you work for an organization where you're doing something to help people."

Business Venture Support

Once wealth is attained through homeownership vehicles many individuals chose to strengthen their financial foundation by pursuing entrepreneurship opportunities. Self-Help offers small business loans, micro loans, staged micro loans and 504 fixed-asset loans (the SBA 504 loan that offers subordinate financing in combination with senior bank debt). Denise Van De Cruz, who moved from Seattle, Washington, to Durham and her co-owner decided to expand their already successful coffee shop, Blue Coffee Company. The owners of Ninth Street Bakery, a 21-year-old business, borrowed money from Self-Help to expand their baking, wholesale and distribution facility in downtown Durham. *(For more information about Blue Coffee Company and*

With as little as 3 percent required for down payment, no discount points and low closing costs, homeownership is within many consumers' grasp. For over 23 years, Self-Help has made direct home loans that exceed \$81 million to over 1,600 North Carolina families.





Self-Help is completing the last stages of renovations of this building, which will house the Coalition for Responsible office.

Carolina Predatory Lending Law. *(See summary of the law on page 40.)* “We realize that all of our efforts as lenders would be in vain if families buy homes, build equity and then have that wealth taken away from them by predatory lending practices,” Stein said. “The scale of lending abuses is so extraordinary, we couldn’t sit on the sidelines and watch.”

Although the cost of predatory lending practices is difficult to quantify, CRL estimates that annually such abuses cost consumers nationwide over \$9 billion. Determining an exact definition of predatory lending practices continues to stifle policy makers because lenders perceived as predatory contend that they are providing a service to a market that cannot obtain financing through conventional loans. Predatory or abusive lending practices can include:

- Repeatedly refinancing a loan within a short period of time and charging high points and fees with each refinance.
- “Packing” a loan with single premium credit insurance products, such as credit life insurance, and not adequately disclosing the inclusion, cost or any additional fees associated with the insurance.
- Charging excessive rates and fees to a borrower who qualifies for lower rates and/or fees offered by the lender.

“I think helping to write and negotiate the North Carolina anti-predatory lending law has helped emphasize to other states, national and federal regulators, and legislators the importance of adopting and supporting responsible lending policies,” added Stein.

With an astonishing record of less than half a percent of average annual loss throughout Self-Help’s history, small business lending has exceeded \$151 million in loans to 2,000 businesses in the state.

Ninth Street Bakery see page 39) With an astonishing record of less than half a percent of average annual loss throughout Self-Help’s history, small business lending has exceeded \$151 million in loans to 2,000 businesses in the state. The loans have created or maintained over 13,000 jobs.

Advocates for Change

While Self-Help lobbies strongly in policy initiatives such as protecting the integrity of nonprofits, promoting the federal homeownership and new markets tax credit programs, one of its greatest victories has come in the predatory lending arena. In response to rising unfair lending practices targeted at low-wealth homeowners, Self-Help worked with other North Carolinians to form the Coalition for Responsible Lending (CRL). CRL represents over three million North Carolinians in 80 organizations, as well as the CEOs of 120 financial institutions. In 1999, CRL spearheaded an effort that resulted in the overwhelming passage of the North



"The fight against predatory lending does not stop after legislation... It's not enough to pass it, you have to make sure it's enforced."

Stella Adams
Executive Director
The North Carolina Fair Housing Center



Associations representing the state's large banks, community banks, mortgage bankers, credit unions, mortgage brokers and realtors, as well as AARP, the National Association for the Advancement of Colored People, and consumer, community development and housing groups supported the bill. CRL worked to pass legislation to strengthen broker licensing in North Carolina, assist initiatives in other states, and help develop effective federal regulatory and legislative solutions.

Partners such as the The North Carolina Fair Housing Center (the Center), a statewide non-profit organization dedicated to fair housing, also played a crucial role in both legislation's success. Since passage of the bill, the Center acts as a clearinghouse for predatory lending complaints. The Center found there to be a significant number of predatory lending victims in Vance County, North Carolina. The Center and Self-Help created a joint task force to assist victims and share the caseload. "The fight against predatory

lending does not stop after legislation," said Stella Adams, executive director of the Center. "It's not enough to pass it, you have to make sure it's enforced."

Undertaking Bigger Endeavors

Although Self-Help continues to experience enormous success and its list of accomplishments grows by the month, Self-Help decided to make its largest commercial loan in history. On June 16, executives

COMMUNITY REINVESTMENT
ASSOCIATION OF NC
NC FAIR HOUSING CENTER





Some of the first tenants expected to occupy the renovated American Tobacco Plant include Duke University, Compuware and GlaxoSmithKline, a pharmaceutical company.

As Self-Help continues to journey down the path of community economic development adventures, its proven track record implies that any project it undertakes has the ability to produce overwhelming results.

from Capitol Broadcasting in Durham broke ground on a historic renovation of the 450,000 square-foot American Tobacco Plant on Corcoran Street, next to the Durham Bulls Ballpark. The complex is expected to open in 2004. Its renovation ushers in a new era for downtown Durham, promising shops, offices and residences within walking distance of downtown. Self-Help provided a \$39 million loan from its New Markets Tax Credit allocation.

The project is expected to generate as many as 4,600 jobs — boosting employment in the downtown area by as much as 50 percent. All stakeholders involved are excited about the prospect that the project will help Durham achieve a critical mass of workers and residents and spawn the type of development that complements the area's vitality. "In each of our program areas we are continuing to test new ideas for a greater impact," Stein said.

As Self-Help continues to journey down the path of community economic development adventures, its proven track record implies that any project it undertakes has the ability to produce overwhelming results. But the joy that these successes bring to Self-Help is marginal to their belief that the most rewarding gratification is helping communities help themselves. 

For more information about Self-Help call 1-800-476-7428 or visit its web site at www.self-help.org.



Baking Goods in the Durham Neighborhood

Since 1981, Ninth Street Bakery has remained committed to its mission to produce quality, wholesome and organic baked products in an environment that supports its workers and the larger community. By 1992, Ninth Street Bakery had outgrown its original space and moved into larger café, moving the wholesale operations to a separate location in downtown Durham. Located in the Bull Business Center, a former newspaper plant now owned by Self-Help, Ninth Street sells bread as well as coffee, pastries, sandwiches and pizza in its downtown location. All of its products are made using organic and unbleached flour, whole grains, stone ground flours, charcoal filtered water, unrefined sea salt, real honey, molasses and no preservatives or harmful additives.

Quality Coffee in Carolina Country

“Coffee for the People” — the idea that people deserve quality coffee not just quality packaging — inspired a downsized employee from Microsoft, a lawyer who has a great deal of barista/coffee shop management experience to open one of Durham’s most popular hang outs. Located in Downtown Durham, Blue Coffee Company began seeing profits within nine months. In addition to brewed coffees from around the world, expertly made cappuccino, mocha, and espresso and baked goods, plush chairs, a children’s area, and tables for meeting and working make Blue Coffee Company a prime location for events that spark dialog. A cosigner and loan from Self-Help Credit Union helped the owners to open a second shop on 9th Street, the student hangout and hip restaurant and retail area near Duke University. This shop has experienced similar success.



Raul Gómez of Ninth Street Bakery

Denise Van De Cruz (left)
Co-owner, Blue Coffee Company

Predatory Lending: A Victim's Story

Mrs. V,* a public school system employee owns a home in North Carolina. A local mortgage company contacted her in the fall of 1998 about the possibility of a debt consolidation loan. A representative from the agency visited her home and told her it would be more beneficial for her to consolidate all her debts into one loan. Mrs. V followed the representative's advice and took out a loan with them to refinance her mortgages and pay off her other debts. They charged her \$17,542 in settlement charges to pay off her mortgages and other debts totaling \$99,627. These settlement charges included a \$5,002 loan origination fee (4.5 percent),

a \$2,412 loan discount fee (2.17 percent) and a \$9,089 credit insurance premium. Mrs. V was unaware that she had purchased credit insurance until she spoke to an attorney, many months after the transaction. The Good Faith Estimate provided to her before she entered into the loan did not disclose that credit insurance was being sold. The borrower cannot refinance this loan transaction for three years without incurring a substantial prepayment penalty. In addition, she has no remaining equity in her home.

**Name has been changed to protect anonymity.*

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Summary of the North Carolina Predatory Lending Law

In 1999, North Carolina signed into law the North Carolina Predatory Lending Law, which has been touted as one of the toughest and the first of its kind of anti-predatory lending legislation in the nation. The new law substantially protects the equity that North Carolina homeowners have invested in their homes by curbing abusive home-lending practices. All major financial trade associations in the state, as well as the Coalition for Responsible Lending, endorsed the legislation.

The law amends the North Carolina Usury Law to:

1. Include three important general prohibitions, which apply to all home loans, not just high-cost loans:

- No prepayment penalties for home loans of \$150,000 or less.
- No "flipping," where a lender repeatedly refinances an existing home loan with upfront fees.
- No financing of upfront, single-premium insurance. Monthly payment insurance is still permitted.

2. Create a new section dealing with high-cost home loans, residential home loans of \$300,000 or less with either:

- High fees: Loans where the borrower is charged more than 5 percent of the loan amount in upfront point, fees or other charges. This 5 percent:
- Does not include escrows collected at closing or fees for appraisal, attorney, credit report, etc. that are paid to third parties.
- Does include any prepayment penalty in excess of 1 percent.

- Does include fees paid directly by the borrower to mortgage brokers, but does not include back end payments to brokers by lenders (yield-spread premium).
- High interest rate: Loans where the borrower is charged an interest rate that is 10 percent (dropped to 8 percent in October 2002) more than the comparable Treasury bond rate. The current threshold rate is less than 16 percent and will change as market interest rates fluctuate, or
- Prepayment penalty longer than 30 months or more than 2 percent of the amount prepaid.

3. Restrict the terms of high-cost home loans to protect consumers:

- No financing of upfront fees and insurance premiums.
- Requires counseling for high-cost home loan borrowers prior to loan closing.
- No balloon payments, where the borrower owes a large lump sum at some point during the loan.
- No loans with negative amortization, where the loan amount increases because the monthly payments do not cover the loan costs.
- No lending without consideration of the consumer's ability to repay.

For more details about the law, contact the Center for Responsible Lending, a subsidiary of the Center for Community Self-Help at (919)-956-4485 or visit www.responsiblelending.org.



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MARKETWISE welcomes story
ideas and suggestions from
lenders, community organizations
and economic development
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Comments to the editor are welcomed.

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APRIL 7-9, 2005 **CALL FOR PAPERS** **The Capitol Hilton**
Federal Reserve System Research Conference Washington, D.C.

The Community Affairs officers of the Federal Reserve System are jointly sponsoring their fourth biennial research conference, **Promises and Pitfalls: As Consumer Finance Options Multiply, Who Is Being Served and at What Cost?** Consumer financial markets channel trillions of dollars of credit to households of varying income levels through a wide range of intermediaries operating in many markets. How efficiently do these markets operate, and how well are consumers' needs being met? The conference will bring together a diverse audience from academia, financial institutions, community organizations, foundations and government to learn about current research on consumer finance.

The program committee is especially interested in papers and studies that address the following topics, among others:

- Trends and innovations in consumer finance
- Household financial products and services
- Asset backed securities and consumer finance
- Consumer debt burdens, loan loss reserves, loan servicing, loss mitigation and bankruptcies
- Consumer financial service providers and markets
- Consumer finance and macroeconomic performance
- Credit bureaus and credit scoring models
- Behavioral economics and consumer financial decision-making
- Fair and equal access to credit
- Financial literacy
- Serving immigrant populations
- Sub-prime and predatory lending
- Regulation of consumer finance
- Consumer finance and the internet

Professors will be given 10 papers that evaluate the functioning of consumer financial markets from the perspective of service levels, pricing, profitability or equitable treatment of consumers. The program committee also solicitors papers that analyze important trends and innovations in consumer finance.

Papers of all accepted papers are intended to provide immediate information, which may be published in the *Consumer Perspectives*. Paper generators and discussors will receive final opinions, and some authors may be offered book contracts.

Individuals interested in presenting their research should submit a complete paper (double spaced) to program by May 30, 2005, to:

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As Consumer Finance Options Multiply, Who Is Being Served and at What Cost?

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