



# Community Developments

---

Comptroller of the Currency  
Administrator of National Banks

---

Winter 2000/2001

*Community Affairs OnLine News Articles*

## **Investment in the Future: Bank of America's Community Development Corporation and the Power of Investments**

By Vickie B. Tassan, *Senior Vice President, Bank of America*

Tremendous potential exists within America's inner cities and rural areas for corporations and entrepreneurs to create economic growth. Center city neighborhoods, aging inner-ring suburbs and rural areas are home to families, individuals, small business owners, non-profits and faith-based organizations. All can benefit from the powerful tool of equity investments.

Bank of America initially responded to the passage of the Community Reinvestment Act of 1977, by forming the first bank-owned community development corporation a year later. It has continued to pursue innovative community development investments under the authority granted to national banks by the OCC's regulations.

Bank of America Community Development Corporation (CDC) is the resulting entity from the consolidation of bank CDCs acquired by Bank of America through a series of mergers. The CDC is able to move efficiently to address the investment needs of low-to-moderate income communities because of the authority granted to it by OCC to make investments under the CDC, Community Development (CD) Projects, and Other Public Welfare Investments regulation, 12 CFR Part 24.

Certainly, lending is an important component to any bank's community development program. Through lending, a bank can make significant amounts of money available in a fairly streamlined fashion, resulting in greater numbers of transactions. However, substantial equity often is needed to make borrowing possible. Ultimately, one of the highest priorities for Bank of America's equity investment is to help build the expertise and financial strength of participating local non-profits so they can complete future developments independently. The investment tools provided to national banks by the OCC enable communities to benefit from not only traditional banking services, but also the patient capital that can be provided by financial institutions like Bank of America.

Viewing equity as the strategic lever for a broader range of community development tools, Bank of America takes a business approach to delivering key community development

equity products. Some of these include direct real estate development, strategic equity investments, and tax credit investments.

“Part 24 allows us the opportunity to build community development equity investment into an important business unit for Bank of America” said Jim Grauley, Bank of America Real Estate Equity and Product Development Manager. “We can offer an unmatched range of equity investment products and measure results in terms of volume, return, sustainability and community impact. “

“Bank of America’s strategy for deployment of equity calls for involving other stakeholders in a particular project and targeting products to fit the needs of low/mod income neighborhoods,” Grauley continued. “We offer a wide range of products from indirect investments to active management. We believe in working with neighborhood-based entities, whether they be non-profits, community-oriented for-profit, or governmental entities.”

Another hallmark of Bank of America’s strategy is the strategic targeting of neighborhoods for multiple investments over a long-term, rather than haphazard, scatter-shot or one-off approach to equity investments. Generally, this is best accomplished through alliances with community-based groups and working with local public sector agencies to implement a master plan approach for revitalization. Bank of America is working with 59 community organizations in 16 cities to do just this. “We are most successful where we can bring the full range of Bank of America products and services to assist revitalization efforts by collaborating with public agencies and neighborhood organizations,” Grauley said.

One example of this approach can be found in the Washington View development in the District of Columbia’s Ward 8 community of Anacostia. Bank of America began its development activities in the Hillside community in 1995 when it acquired the distressed and largely vacant Washington View Apartments. Joining forces with the Hillside Collaborative, a group of residents and community leaders committed to creating a new vision for this historic African-American neighborhood, the bank agreed to create model rental housing.

The plan called for lower density within Washington View. This was accomplished by demolishing several buildings and creating a park-like recreation area. Bank of America’s CDC bought the decaying apartment complex, financed the rehabilitation of the structures, and continues to own and manage the development of affordable rental units.

Later, the bank, in partnership with the East of the River CDC, acquired the adjacent Howard Gardens, a long-abandoned public housing development that had become an eyesore and safety issue for neighborhood residents. This property will be converted into affordable townhomes for low- and moderate-income families, and will provide for expansion of the neighborhood's revitalization by offering more homeownership opportunities. The bank is the equity partner, and East of the River is using \$1.4 million in grants from the District of Columbia Department of Housing and Community Development to offset costs and write-down the mortgages for 50 percent of the borrowers. Currently, 54 new townhomes are under construction and will provide affordable homes to families at 60 to 100 percent of median income. As part of

the project, the bank is also financing a new 12,000 square-foot community center that will offer a computer learning center among other services. "By combining all of our resources, we were able to help revitalize and reenergize a wonderful community within Ward 8," said Retta Williams, executive director of East of the River CDC.

In Florida, the CDC announced plans for a \$16.6 million redevelopment project that will include construction of 238 apartments in the Tampa Heights neighborhood. Mobley Park, a joint venture between the CDC, Housing by St. Laurence, a nonprofit community partner, and the City of Tampa, is designed to serve as a catalyst for further neighborhood revitalization and economic development. This project was the lead project in an overall revitalization initiative led by the City of Tampa.

"The lives of 238 families, and the surrounding community, will be better because of the availability of safe, affordable housing," said Jim Cassady, Bank of America's Florida Executive for Community Development Banking. "This project jump-starts the revitalization of the Tampa Heights neighborhood and already is bringing further housing, economic development and jobs to the area."

The CDC made an equity investment of \$5.3 million in Mobley Park and provided a \$9 million letter of credit to back Hillsborough County Housing Finance Authority bonds. Additionally a City of Tampa State Housing Initiative Program Loan is providing \$1.3 million. Housing by St. Laurence is contributing land valued at \$1 million. This project represents just one example of the synergies, results and impact that can be achieved public, private and neighborhood organizations work together.

Adding real estate development and other indirect real estate investments, which produce thousands more affordable housing units each year, Bank of America invests nearly \$500 million per year in community development equity. This equity is further leveraged several times over by Bank of America loans on projects and in neighborhoods where this equity acts as catalyst.

The story of Bank of America's CDC goes far beyond dollars and numbers of units. It really is about people and helping to change the quality of their lives. We believe this level of impact is directly attributable to two key criteria used in selecting projects for equity investments.

First, the project must have the potential to attract other investors to the neighborhood. No one group—public, private or non-profit—can address all the needs of our inner-city and rural areas on its own. Second, it must deliver measurable results of both impact and returns. This last point is key to creating sustainability for the business of community development if it is to remain viable regardless of economic cycles or changing political agendas.

These equity investments are possible because of the OCC's part 24 regulation. By enabling these investments, the OCC demonstrates an understanding of the various dynamics

involved in sustainable community development investment. Simply put, part 24 allows banks to work more creatively in addressing community development needs in their communities.

The investment strategies described here are at the very heart of Bank of America's CDC activities. A visit to any of the bank's CDC projects clearly reveals that equity is a powerful tool. Through strategic equity investments, Bank of America is helping to rebuild neighborhoods that have been overlooked for decades and thereby, strengthening the economic futures for our communities.

For additional information, contact Jim Grauley, Bank of America at (404) 607-6169.