

TOWN HALL SERIES | SEPT 2020 - JAN 2021

Leaning In to 2021:
More **Equitable, More **Resilient****



Featuring:
Prof. Jim Johnson, UNC
Prof. Jeanne Milliken Bonds, UNC

Welcome, Introductions: Chuck Bean, <https://vimeo.com/481707086>

Metropolitan Washington Council of Governments

Virtual Town Hall Series

A Message from
Washington Gas President Blue Jenkins



Washington
Gas

Investing for Equity and Resiliency

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History and Trends

History of Socially Responsible Investing

- Jewish Law mandated ethical investing 1500-1300 BC
- Qur'an forbids certain types of investments 609-632 CE
- Methodists resisted certain investments 18th Century
- Quakers no investment in slavery or war 1898
- Boston – first publicly offered fund – Pioneer Fund in 1928 (now, Amundi Pioneer)
- Vietnam protestors in the 1960s demanded university endowments no longer invest in defense contractors
- 1970s Progression: avoid slave trade, war, apartheid, support fair trade, ethical impact of environment social and corporate governance (ESG)

Federal Legislation

- Small Business Administration created in 1953
- Small Business Investment Companies 1958
 - 1960s 1,000 SBICs focused on real estate with minimal investment
 - Small Business Equity Enhancement Act 1992
 - Federal Leverage 1999
 - Incentives to invest in low- and moderate-income zones
 - Community Reinvestment Act – SBIC “qualified investment”
- Appalachian Regional Development Act 1965
- Tax Reform Act of 1986 – Low-Income Housing Tax Credits

Federal Legislation

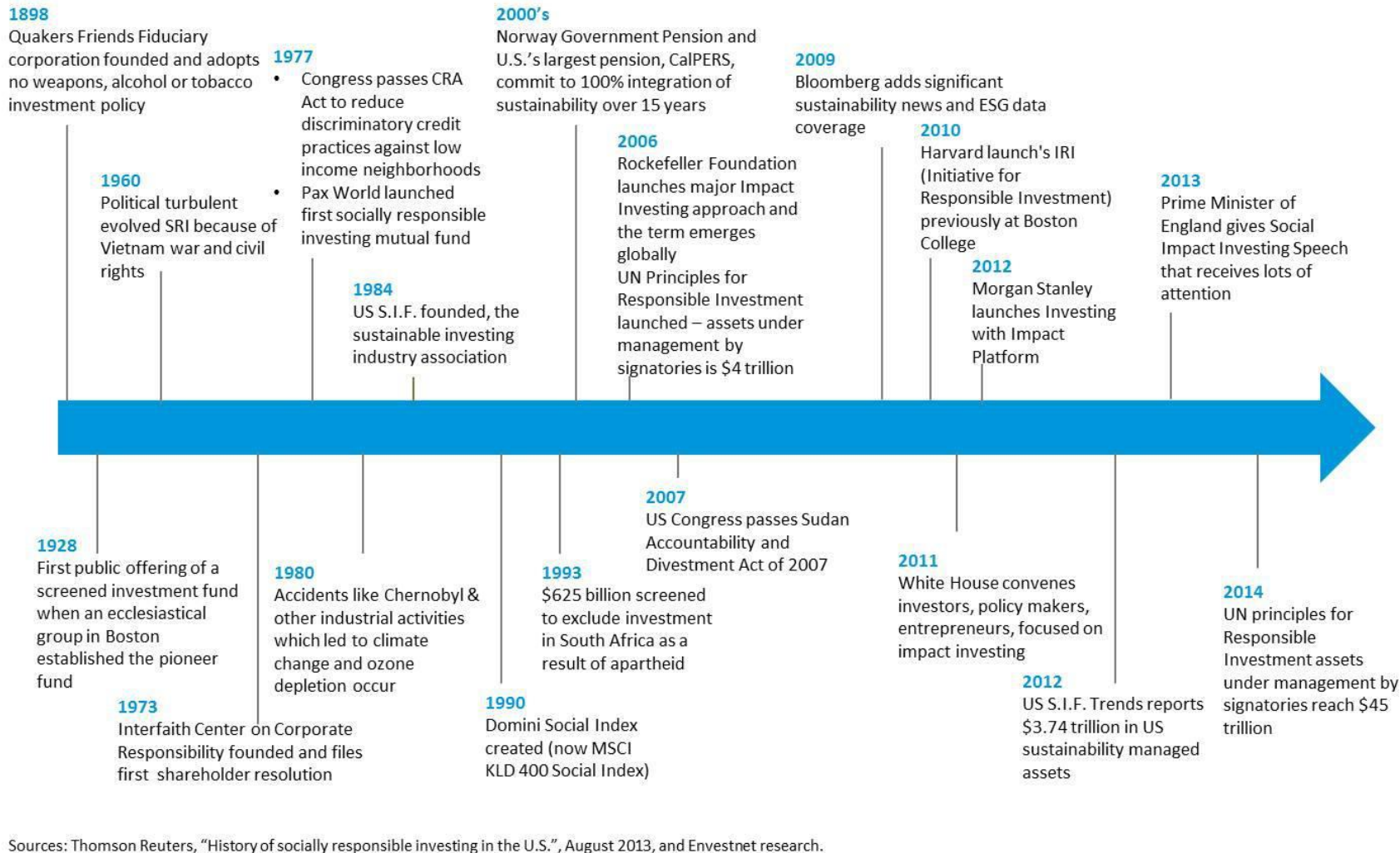
- Civil Rights Act of 1964
- Voting Rights Act of 1965
- Housing and Community Development Act of 1974 – Community Development Block Grants
- Fair Lending laws and The Community Reinvestment Act

The fair lending laws and the Community Reinvestment Act view lending through two different lenses: one focused on protected classes and one focused on income level. The laws work in concert to promote more equal access to credit.

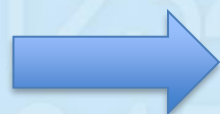
- Housing and Urban Development Act of 1965
- Fair Housing Act of 1968
- Fair Credit Reporting Act of 1970
- Equal Credit Opportunity Act of 1974
- Home Mortgage Disclosure Act of 1975
- Community Reinvestment Act of 1977

Federal Legislation

- Access to Capital
Riegle Community Development and Regulatory Improvement Act of 1994
 - Community Development Financial Institutions
 - New Markets Tax Credits \$8:\$1 private to federal
 - Bank Enterprise Award Program
 - Native Initiatives
 - CDFI Bond Guarantee Program
- 1993, 1997, 1999, 2000 – Empowerment Zones, Enterprise Communities, Renewal Community Programs
- 2017 Tax Cuts and Jobs Act – Opportunity Zones
- Social Impact Partnerships to Pay for Results Act (SPPRA) of 2018



Sources: Thomson Reuters, "History of socially responsible investing in the U.S.", August 2013, and Envestnet research.



**2017 Opportunity Zones
Tax Cuts and Jobs Act**

What is Next?

Trends

- Meaningful System Change
 - Accountability for positive and negative impacts of investment
- Individual and Community behavioral change
 - Intentional use of assets to make a difference
- Purpose is interconnected to profit
 - Profit primacy
 - Stakeholders and Shareholders
- Intention and Measurement replace simple risk and return
 - Impact Measurement
 - Initial and Long Term, Portfolio and Transaction
- Contribution, Additionality
- Impact Investing is not dependent on an asset class, structure, form or tool
- New Investors
- Business Roundtable
 - Purpose of a Corporation
 - Benefits to Stakeholders

Do well while doing good ... investing for purpose

- Local, National, Global Change
 - Generate competitive returns
 - Market Size Potential
 - \$500 billion to \$12 trillion
 - The GIIN (Global Impact Investing Network)
 - Annual Impact Investor Survey 2020: Respondents collectively manage \$404 billion (total U.S. Market \$715 billion)
 - In 2019, \$239 billion (Market \$502 billion)
- www.thegiin.org (list of social impact investment entities)

New investors in the market invest differently

- **Generational wealth transfer**
 - \$30 trillion in wealth changing hands
- **Women investors**
 - control 60% of the wealth
- **Philanthropy and Policy**
 - systems change
- **Collaboration for a viable capital stack**
 - layer and leverage philanthropic, corporate and public tools

Systems Change

- Place Based: A specific geography, community
- People Based: Improve the conditions of a population
- Institution Based: Small Business start-ups, community college workforce, etc.

Impact

- Outcomes
- Stakeholders
- Geography
- Scale and Duration
- Contribution
- Risk

**JPMorgan Chase
to invest \$15M
in Detroit
neighborhoods**

*DETROIT--(BUSINESS WIRE)-
-Feb 21, 2019*

**Louisville Metro
Government, Cities
United and Kenan
Charitable Trust Launch
Russell: A Place of
Promise**

*LouisvilleKy.gov
August 15, 2018*

**Invest STL to link
private donors with
groups focused on
stabilizing,
strengthening
neighborhoods**

*St. Louis Post-Dispatch
February 12, 2018*

**PROPELLER LAUNCHES
SOCIAL VENTURE FUND
FOR NEW ORLEANS
ENTREPRENEURS**

*Silicon Bayou News
November 21, 2017*

Innovations

**Calvert Capital
Launches
Ours to Own
Small Dollar Investments
in City Initiatives**

Denver and Baltimore

**DC's First Inclusive
Innovation
Incubator Officially
Opens**

*The Washington Informer
April 27, 2017*

Innovations

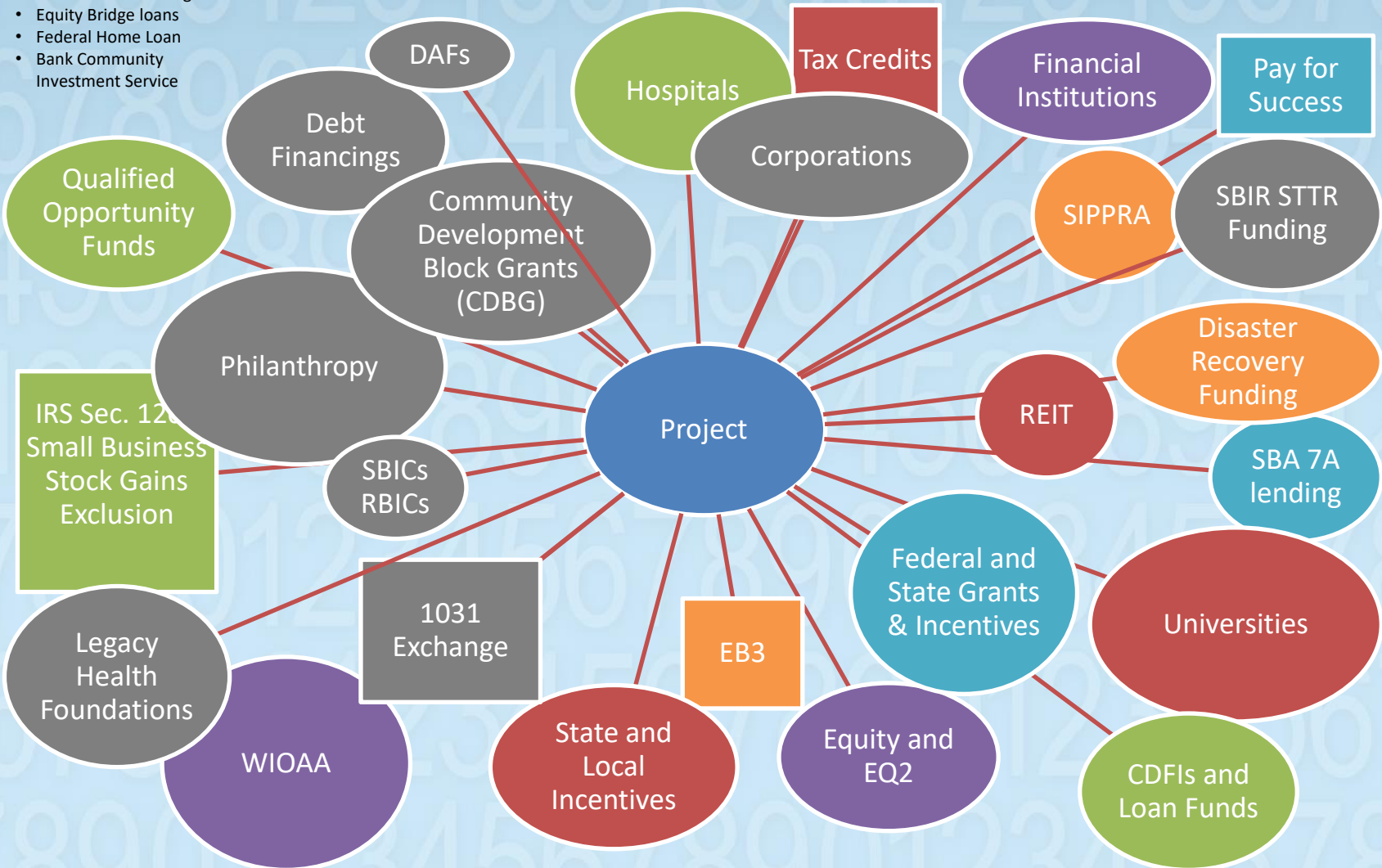
- Invest St. Louis
- Reinvestment Baltimore Democratizing Development,
- NFG Chicago Community Loan Fund
- Invest Atlanta
- Invest Detroit
- Propeller Fund – New Orleans
- Inclusive Innovations Incubator – Washington, DC
- Bay Area Impact Investing
- Southern Impact Investing Alliance
- Kresge and Rockefeller Social Impact Opportunity Fund
- PNC Bank Social Impact Opportunity Fund
- ARC's Appalachian Community Capital
- Calvert Ours to Own – Baltimore, Denver

Growth

- Pay for Success, Pay for Performance, Social Impact Bonds
 - Partnerships between public authorities, social investors, and social-service providers with the goal of financing innovative prevention or diversion programs
 - Link financial success to the delivery of measured social outcomes
- Donor Advised Funds (DAFs)
 - \$121 billion in charitable assets at year-end 2018, DAFs are the fastest growing philanthropic vehicle
 - Offers donors a tax friendly way to contribute to causes over time

Layer and Leverage the Capital Stack

- Construction loans
- Permanent financing
- Equity Bridge loans
- Federal Home Loan
- Bank Community Investment Service



Redevelopment and New Development

East Baltimore Redevelopment Phase 1

2000

- Lingering effects of a series of adverse housing policies
- Aging infrastructure
- High Housing Vacancy Rate
- Crime
- Infant Mortality
- High Unemployment
- CDBG focused on Inner Harbor/Diverted Funds
- CDC initially focused on rehab housing
- Anchor – Johns Hopkins U and Hopkins Medical



**Catalyst
2002**

A family of seven was killed by an arsonist. The East Preston Street home was set ablaze in retaliation for repeated calls to police to report drug sales. Created Momentum

For more reading

[History of Baltimore Housing Policy](#)

Goal: \$1.8 billion transformation of 88 acres

Eager Park, a new five-and-a-half-acre, three-block linear park at the heart of the East Baltimore Development Initiative.

Surrounded by 2,100 units of mixed-income homeownership and rental housing units



1.7 million square feet of life sciences research and office space

A new seven-acre community learning campus with an early childhood center, and a public K–8 elementary school - public-private partnership between state and local government, the Johns Hopkins Institutions, and the Annie E. Casey Foundation

Oliver community, where the Reinvestment Fund has been steadily bringing a neighborhood once blighted by more than 600 abandoned houses back to viability, one row house at a time.

Financing Challenges

- Troubled neighborhood
- Speculative development plan
- P3 partnership
- Place-based and People-based
- Land Acquisition – Eminent Domain
- New non-profit lead
- Major family relocation (700+)
 - \$150,000 for renters
 - \$265,000 for homeowners
 - JHU and AECF
- Aging Infrastructure
- Jobs-Housing Proximity
- Food Desert

Where's the Money?

83% Private \$\$

Proposed East Baltimore Development Initiative Capital Structure – Phases 1 and 2²¹

Investor	Funding	Capital Contribution
Private Developer Investment	\$ 1,467,350,000	83.1%
Tax Increment Bond Financing	\$ 44,326,166	2.5%
New Markets Tax Credit Debt and Fees	\$ 46,820,000	2.7%
Federal Funds	\$ 37,735,100	2.1%
State of Maryland	\$ 42,075,000	2.4%
Baltimore City	\$ 62,601,000	3.5%
Other Foundations	\$ 10,250,500	0.6%
The Annie E. Casey Foundation	\$ 33,211,719	1.9%
Johns Hopkins University	\$ 21,551,168	1.2%
TOTAL	\$ 1,765,920,653	100.0%

BUT ... the housing market ... the Great Recession

P3 Reimagined

- \$450.4m public
- \$217.6m private
- \$173.5m philanthropic
- Public funds purchase and demolish property, infrastructure
- Philanthropic funds for family support

Financing Tools

- New Markets Tax Credits for high poverty, low-income census tracts – housing, community facilities, school
- Federal Empowerment Zone
- State Enterprise Zone
- Philanthropy generated investor interest for NMTCs with a guarantee using a \$4b endowment (UPS stock)
- Philanthropic purchase of TIF Bonds in market slump
- CRA lending and investment
- LIHTC – multi-family rental housing (1986 Tax Reform)
- Tax Increment Financing
- JHU Purchase Power to incentive small business, real estate developer, branding
- Grants – CRA – workforce development

Annie E. Casey Foundation and JHU

- Endowed nonprofits like universities or foundations can be motivated to social investment by matching their resources with investment possibilities.
- The Tax Reform Act of 1969 allowed Program Related Investment (PRIs) so foundations can make below-market loans and investments.
- PRIs, like grants, count toward private foundations' federally mandated qualified distributions, so these instruments are especially attractive to foundations.

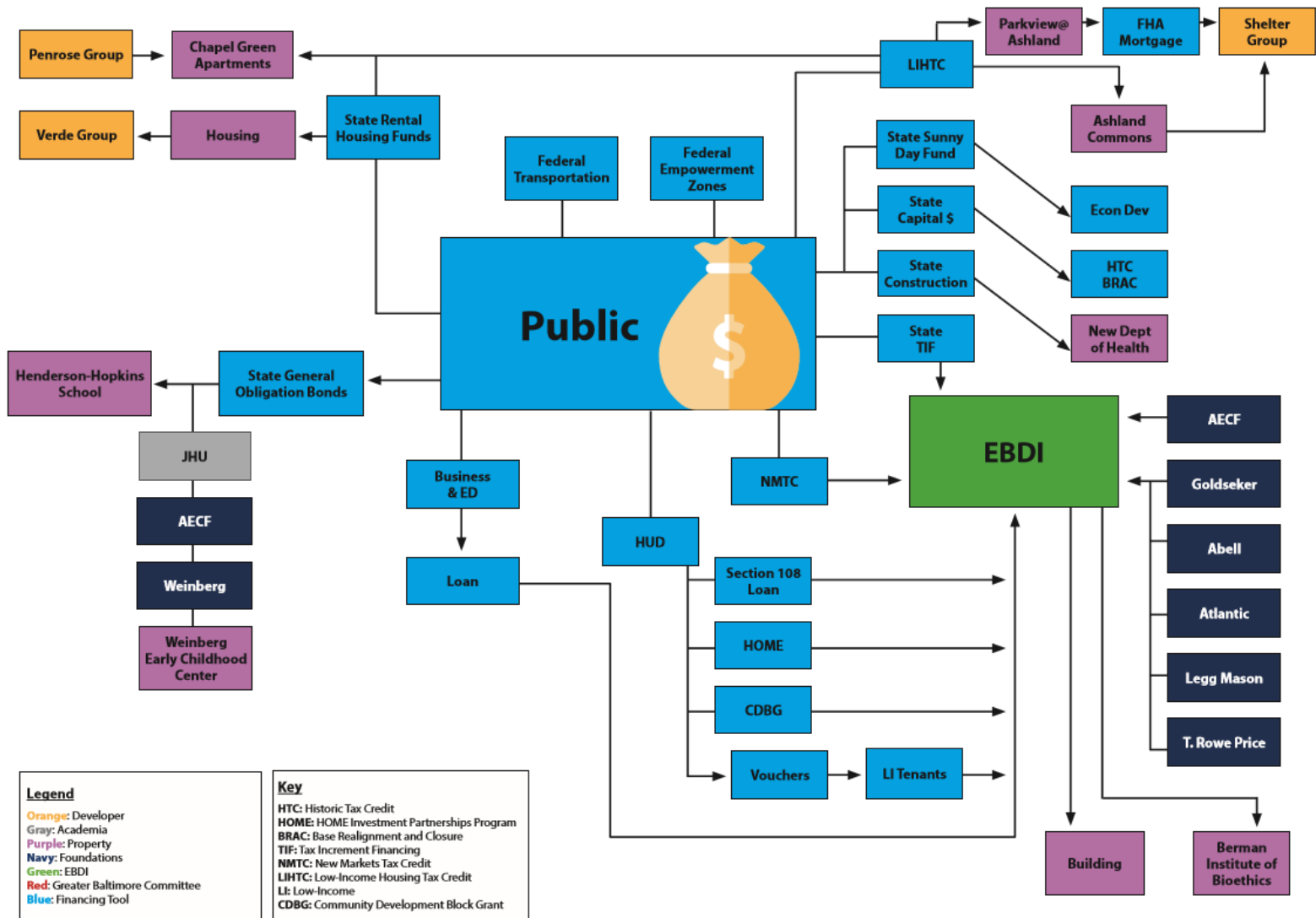
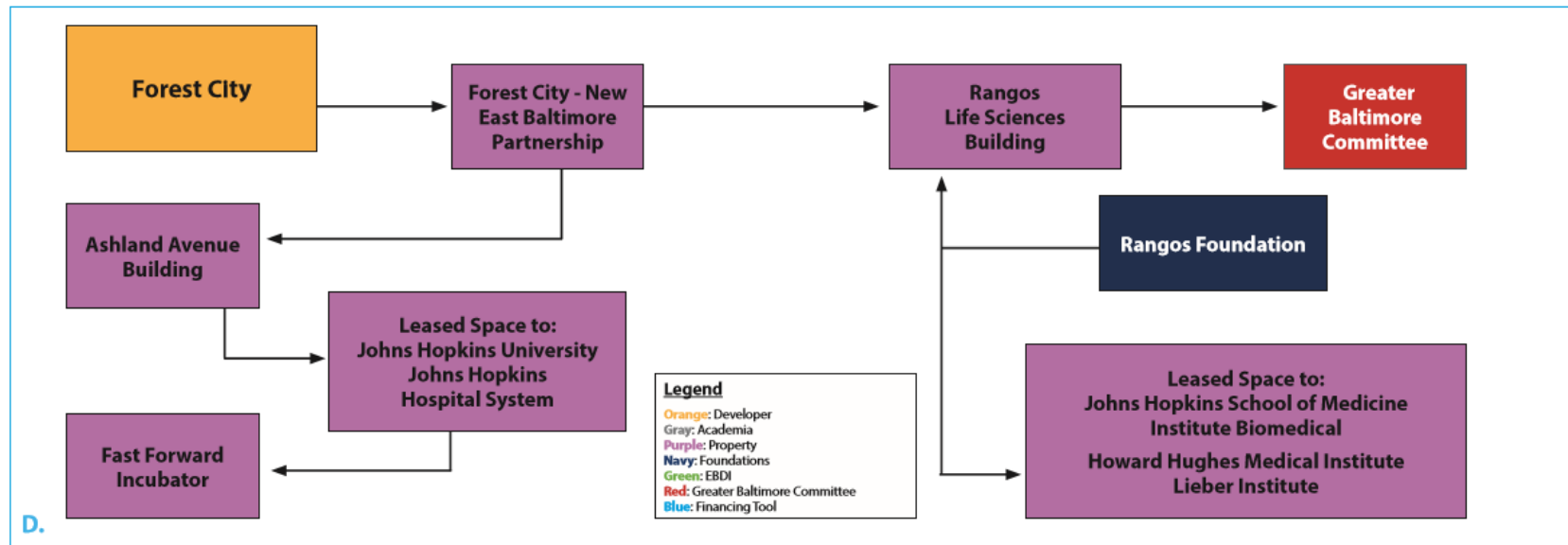
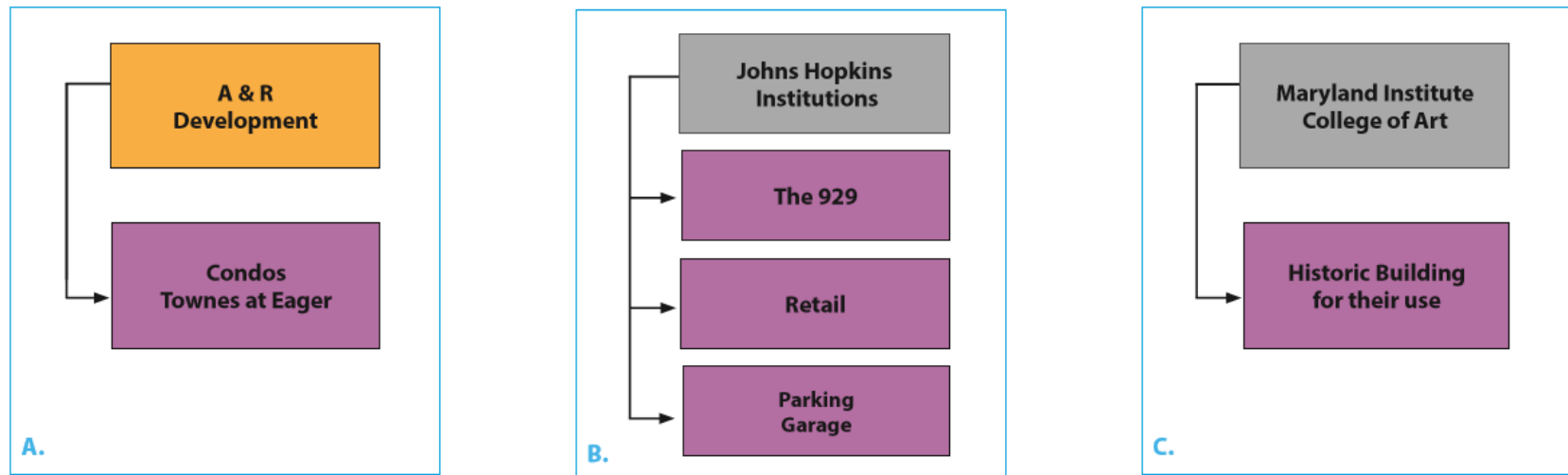


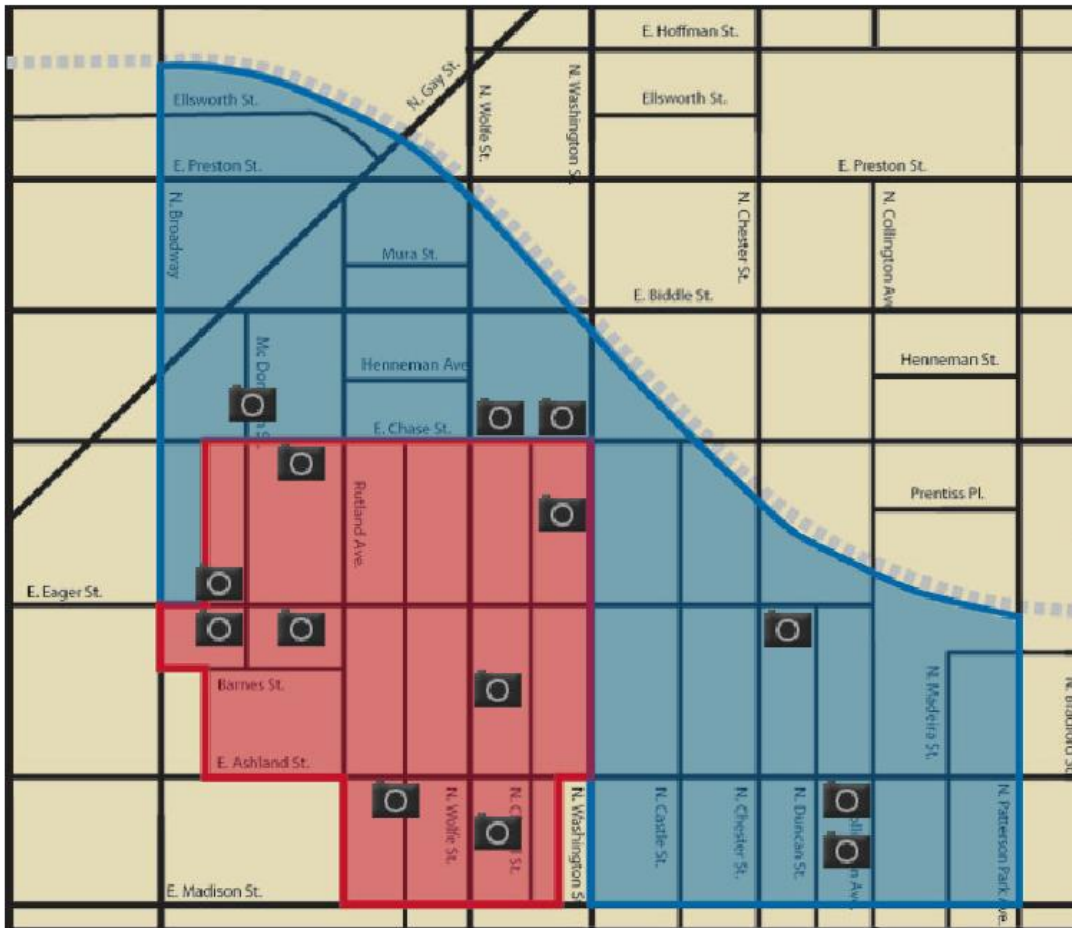
Diagram 2: Financing Tools, Projects and Actors in Phase One Redevelopment of East Baltimore –

A&R Development and Forest City engaged in redevelopment of property within the scope of phase 1. The Johns Hopkins Institutions and the Maryland Institute College of Art redeveloped buildings and property within the scope of phase 1.



Phase Two - 2010-2020

Development Inc. project. The red area is Phase I and the blue is Phase II. Click on the cameras to see a picture of that building or area and to learn more about the project. ([Click here for complete coverage](#))



- **Housing**
- **University**
- **Schools**
- **Lithograph Building Redevelopment**
 - 85,000 sf former lithograph printing complex
 - Center for Neighborhood Innovation
 - workforce development programs, educational training, neighborhood revitalization and jobs for under-resourced community residents.

East Baltimore Food Hub



The Baltimore Food Hub

- A campus for businesses, food production, and food retail.
- Redevelopment of a cluster of buildings
- A destination for food in East Baltimore
- An anchor - Baltimore identity as a “Silicon Valley” of food for the mid-Atlantic region”

Tools

- Enterprise Zone Focus Area
Tenants paying corporate income tax to the state are eligible for 80 percent of personal property for 10 years. Tenants creating jobs also get employment tax credits of \$1,500 per employee and \$9,000 for three years for hiring economically disadvantaged employees.
- Food desert incentive tax credit
80 percent off all personal property for ten years. Must fit the definition of supermarket with at least 500 SF dedicated to the sale of fruit and vegetables and 500 SF dedicated to the sale of other goods.

Phase Three - Opportunity Zone

Yard 56 “Greektown”



Phase Three - Opportunity Zone

Yard 56 “Greektown”

Prudential Financial Social Impact OZ Fund: \$150 million East Baltimore mixed-use project (\$77 million phase one, 100,000 square feet)



- Enterprise Zone
- EZ Focus Area
- Grocery Store Tax Credit
- High Performance Tax Credit

**Broadband
Infrastructure and Services**

Who has Access?

- Generally, metropolitan households are more likely to have broadband access than households in rural areas ... but the cost and choice
- There is a relationship between income and access

Where is the Money?

- Banks can layer the types of investments they make in broadband
 - On-line banking applications
 - Digital inclusion programs need to consider the barriers to adoption people experience
 - Training programs should cover Internet safety and security
 - Local governments digital inclusion plans
 - Internet speed appropriate for economic development, tele-health, small business development goals
- The Federal money right now is for the infrastructure not the adoption
 - U.S. Commerce National Telecommunications Information Administration (NTIA) grants
 - U.S. Department of Agriculture Rural Development grants, loans (Rural Utilities Service, Rural Development, Community Development)
 - U.S. Housing and Urban Development
 - U.S. Commerce Economic Development Administration
- Coming Soon ... new Outreach Engagement in U.S. Commerce for Adoption and Federal Communication Commission \$21 billion

Community Reinvestment Act

2016 CRA Interagency Q and As

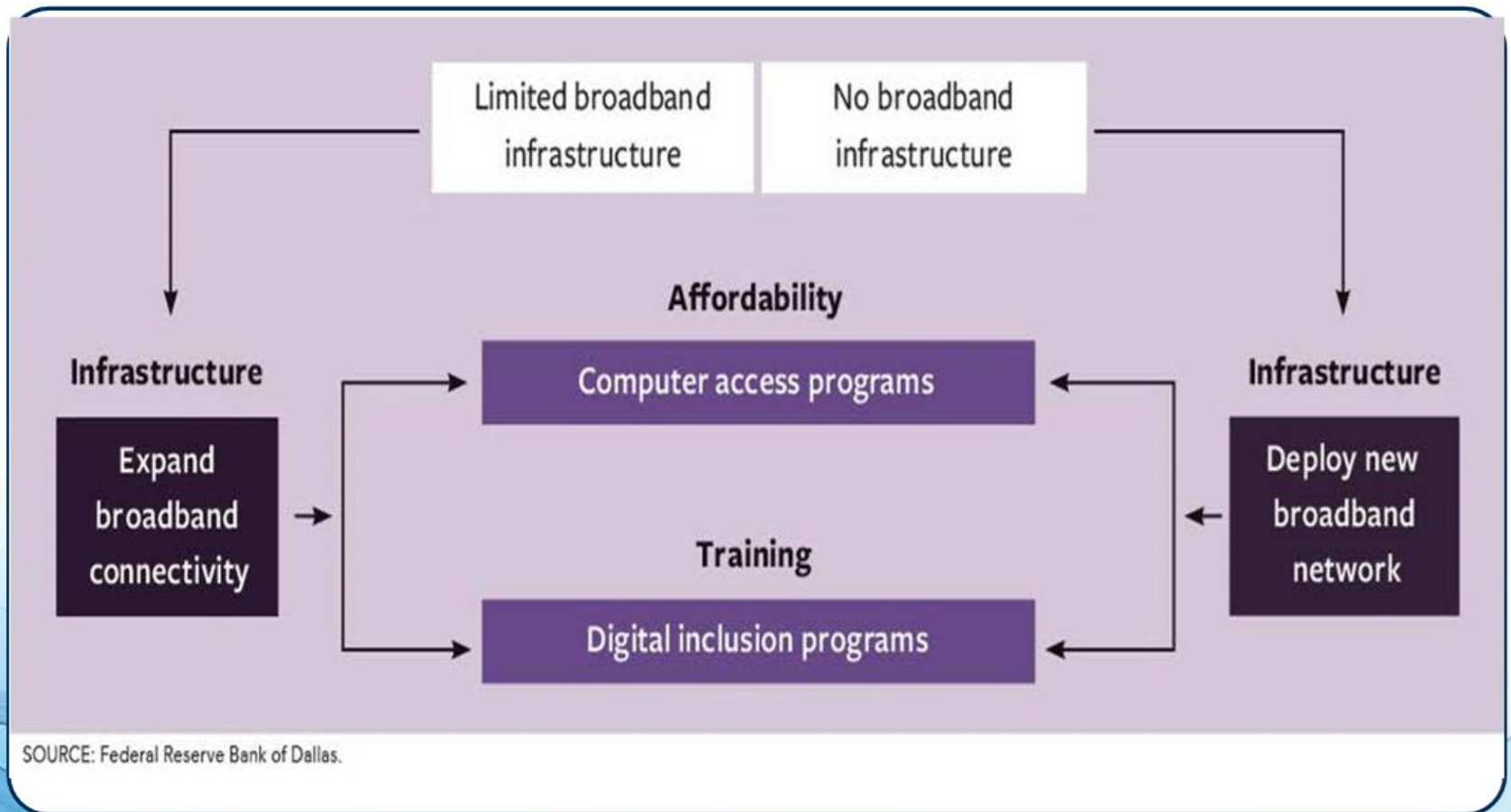
- Broadband is included as a form of infrastructure investment—an essential community service
- The CRA service test— banks should show evidence that “alternative delivery systems” using online banking and financial technology are being adopted and are effective in providing services to LMI individuals
- Economic development:
 - Workforce development was included in the CRA; added workforce development/job training examples
 - Small business development was included in the CRA; added an example to include supporting technical assistance for businesses in the use of technology

Why are Financial Institutions engaged?

Access digital banking services, particularly as they shift away from branch-based delivery systems

- Promote economic development as small businesses become more reliant on related technologies for payment processing systems, remote deposit capture, access to credit facilities and markets, and to deliver products
- Important to competitiveness, job creation, innovation, and expansion of markets for American businesses

Digital Equity and Inclusion



**Rural Broadband:
RS Fiber in Minnesota**

Layer and Leverage the Capital Stack for Broadband

New Markets Tax Credits-NMTC for broadband infrastructure

Interim Construction Loans for fiber optic infrastructure deployment and expansion

Equity Investments

Equity Equivalent Investments (EQ2)

Grants for digital inclusion programs: Digital skills in workforce development, closing the homework gap, financial literacy/online & mobile banking, small business TA in the access and use of digital platforms

Low-income Housing Tax Credits (LIHTC)

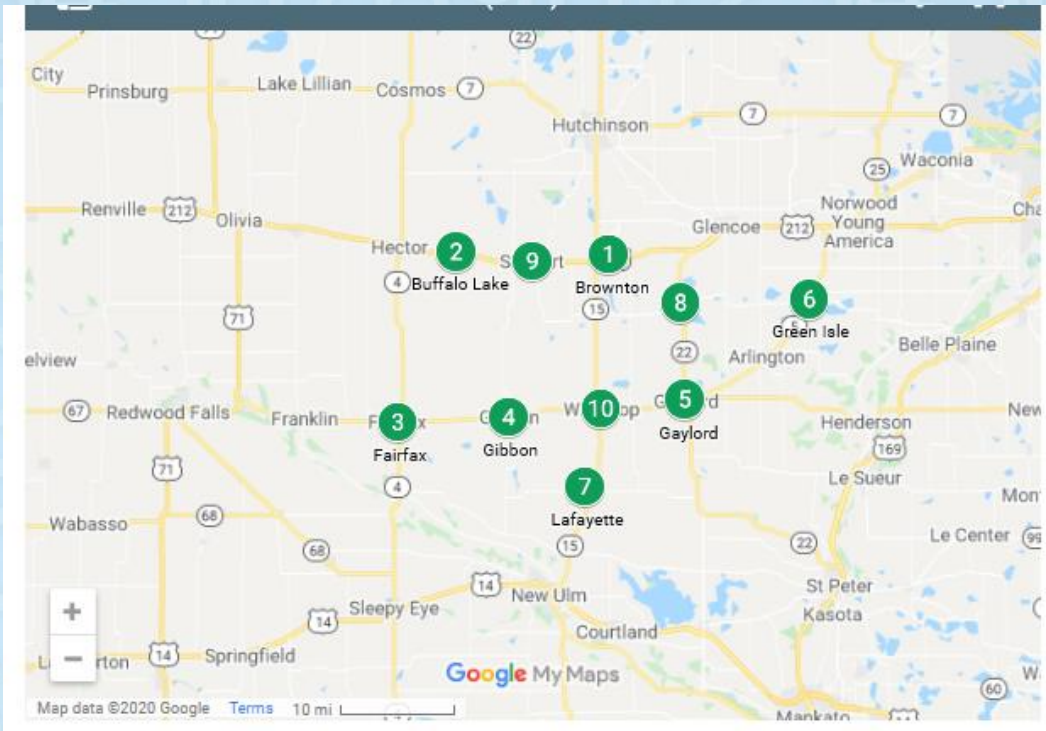
**Grants and/or loans for broadband infrastructure, such as last mile infrastructure:
WiFi.Mesh Networks, WiFi hotspots, etc.**

Qualified Opportunity Funds

Philanthropy – Grants and PRIs

RS Fiber Minnesota Cooperative

Ten cities formed a Joint Powers Agreement Board –issued a generally obligated tax abatement bond \$13.6m in two phases, including construction (the bond payments were covered by member fees instead of property tax increases)



Add: 13 Sibley Townships,
4 Renville Townships

6,000 HHs, businesses, farms,
schools, public and private
institutions, Hospitals

Fiber to the Home; 700 square
miles; development cost \$53m

Layers

Multilayered financing

- Banks; federal, state and local gov'ts; CDFI; private foundation; private equity investors; member revenues
- Bank's \$50,000 Investment – engineering and predevelopment work; catalyst for construction financing; PWI authority
- Phase 1 Construction – bond, public and private debt, grants, equity investments, member payments (13 towers for wireless + 17 townships, FTTH)

Construction credit from Banks

- Preferred stock in RS Fiber under PWI Authority -Bank
- Loans and Grants – U.S. Dept. of Agriculture Rural Electric Economic Development
- Debt Financing – CDFI
- Rural Economic Development Grant and Loan – USDA

OCC's public welfare investment (PWI) authority

- National banks may make investments, directly or indirectly, that are primarily designed to promote the public welfare such as by providing housing, services, or jobs, under the investment authority in 12 USC 24 (Eleventh) and the implementing regulation, 12 CFR 24.
- By “investments,” - both equity investments and debt investments, such as equity equivalent investments or other debt.
- Support for affordable housing and other real estate development
- Equity for start-up and expansion of small businesses
- Investments in CDFIs
- Activities that help to revitalize or stabilizing a government-designated area

Pay for Performance ...

Why Pay for Success or Pay for Performance?

- To improve the lives of people most in need by driving resources toward better, more effective programs
- It is a public-private partnership which funds effective services and programs through a performance-based contract
- Enables federal, state, and local governments to partner with high-performing service providers by tapping private investments to expand effective programs
- If, following an independent evaluation, the program achieves predetermined outcomes that benefit society and generate value for government, then government will make outcomes payments to investors
- However, the government pays only at the level of outcomes achieved

Why would an impact investor (individual, corporation, philanthropy) invest?

- Mobilizes capital to drive social progress by guiding capital to programs and interventions that work
- Outcomes-based projects that generate financial and social value
- Social Finance projects increase funding available to effective service providers, helping to better serve those most in need by linking performance to successful outcomes
- Saves taxpayer dollars
- Can solve the most perplexing issues
- Leverage funding

What services have been tested?



Children & Families



Criminal Justice



Education



Health

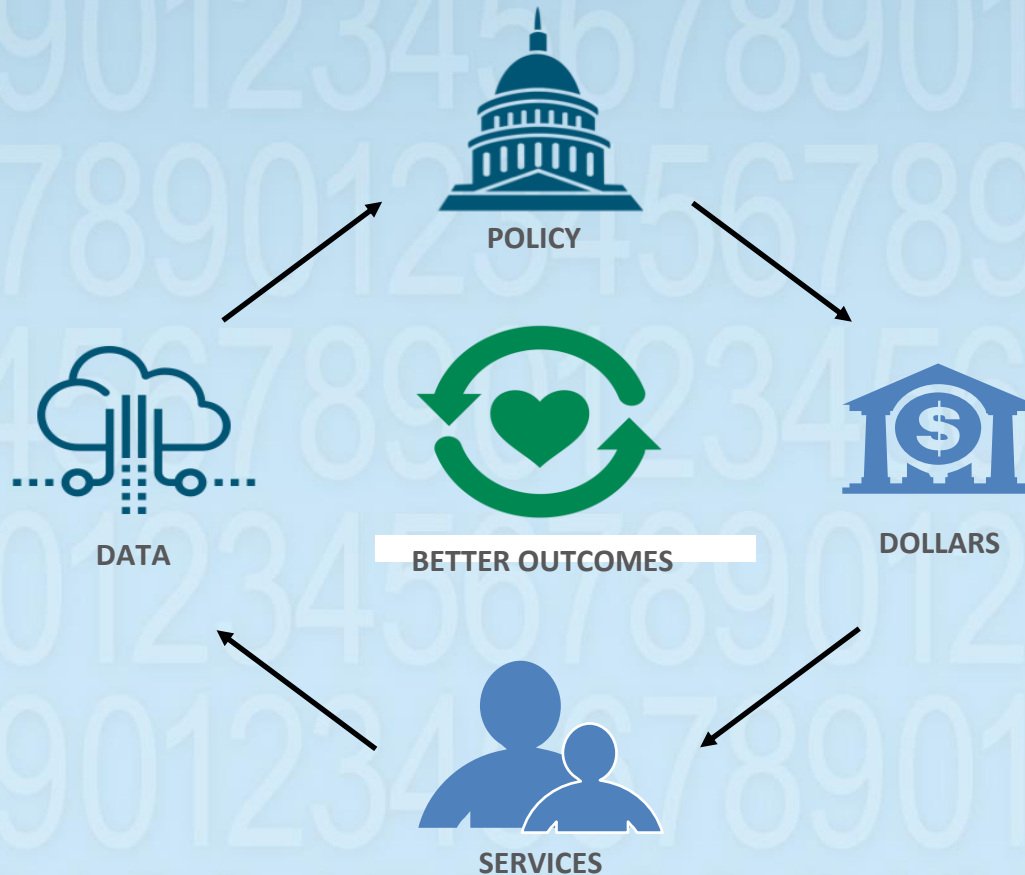


Sustainability



Workforce

The Anatomy of Pay for Performance/Success

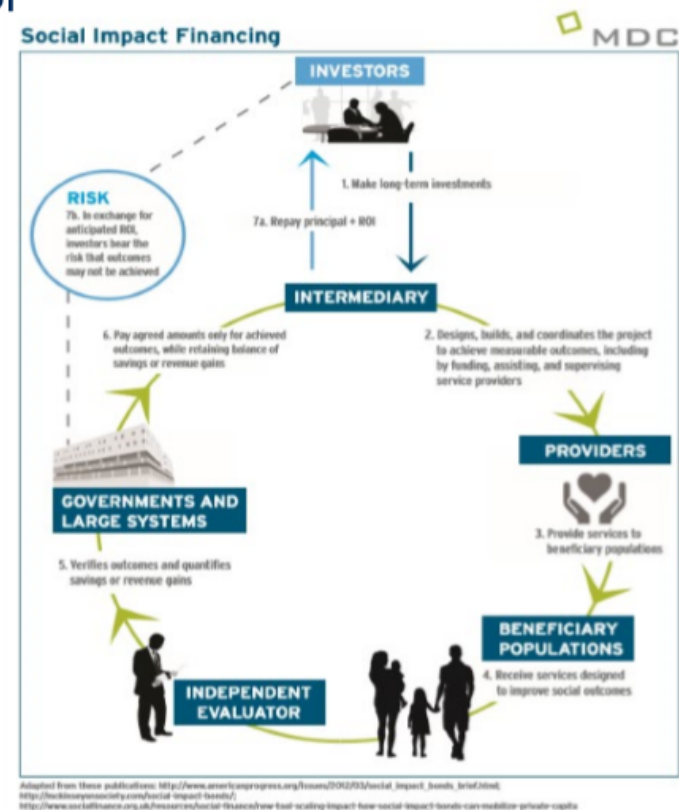


Pay for Success

Pay for Success (PFS) is a public policy tool

- Has been used to test new programs guided by predetermined outcomes for a target population or a community.
- It is a contractual arrangement that ties payment for delivery of services to specific, measurable outcomes.

i.e. finding/keeping employment, wage increases



The Contract Players

- Payor for outcomes is usually government (local, state, or federal)
- Agreement with the investors to pay for services with an agreed upon result
- Provides funding to the investors if and when the services are delivered and the result is achieved
- Investors may be commercial, philanthropic, or community development organizations that provide the capital to designated service providers
- An independent evaluator determines at the end of the contract whether the agreed-upon outcomes have been met

Innovation

- Governments typically fund pilot programs up-front to test new ideas and outcomes,
- **PFS only funds services or projects that bring about results consented to in the contract.** Because payment is not made until the specific outcome is achieved, taxpayers no longer bear the risk of paying for pilot programs or other services that may or may not be effective

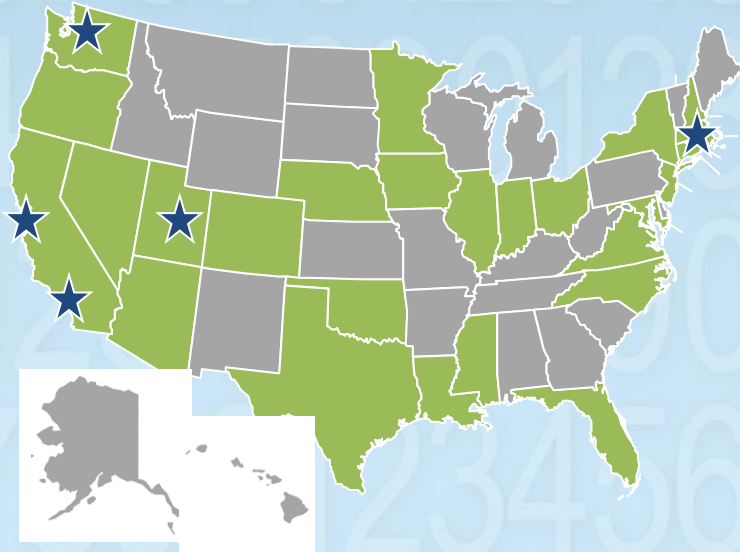
Funding

- WIOA 2014, PFS eligible use of formula funding
- U.S. Dept. of Labor PFS workforce development projects in New York and Massachusetts for training and employment services
- U.S. Dept. of Education funded Social Finance, Inc. and Jobs for the Future10 to support the development of PFS K–12 career and technical education opportunities
- [U.S. GAO 2015 report](#) reviewed 10 PFS projects and recommended that federal agencies could collaborate on PFS projects as a financing method
- [Social Impact Partnerships to Pay for Results Act of 2018 \(SIPPR\)](#), enacted in February 2018, \$100 million U.S. Department of the Treasury-controlled fund for state and local PFS projects

SIPRA

- Federal government acts as the end payor for projects undertaken
- First requests for proposals: employment and workforce development, high school graduation, early childhood education, and resilience planning for weather-related events in cities and rural areas
- Funding for projects, feasibility studies, and evaluations will be available for 10 years after the date of enactment so that state and local governments may propose projects with outcome goals over a 10-year time period

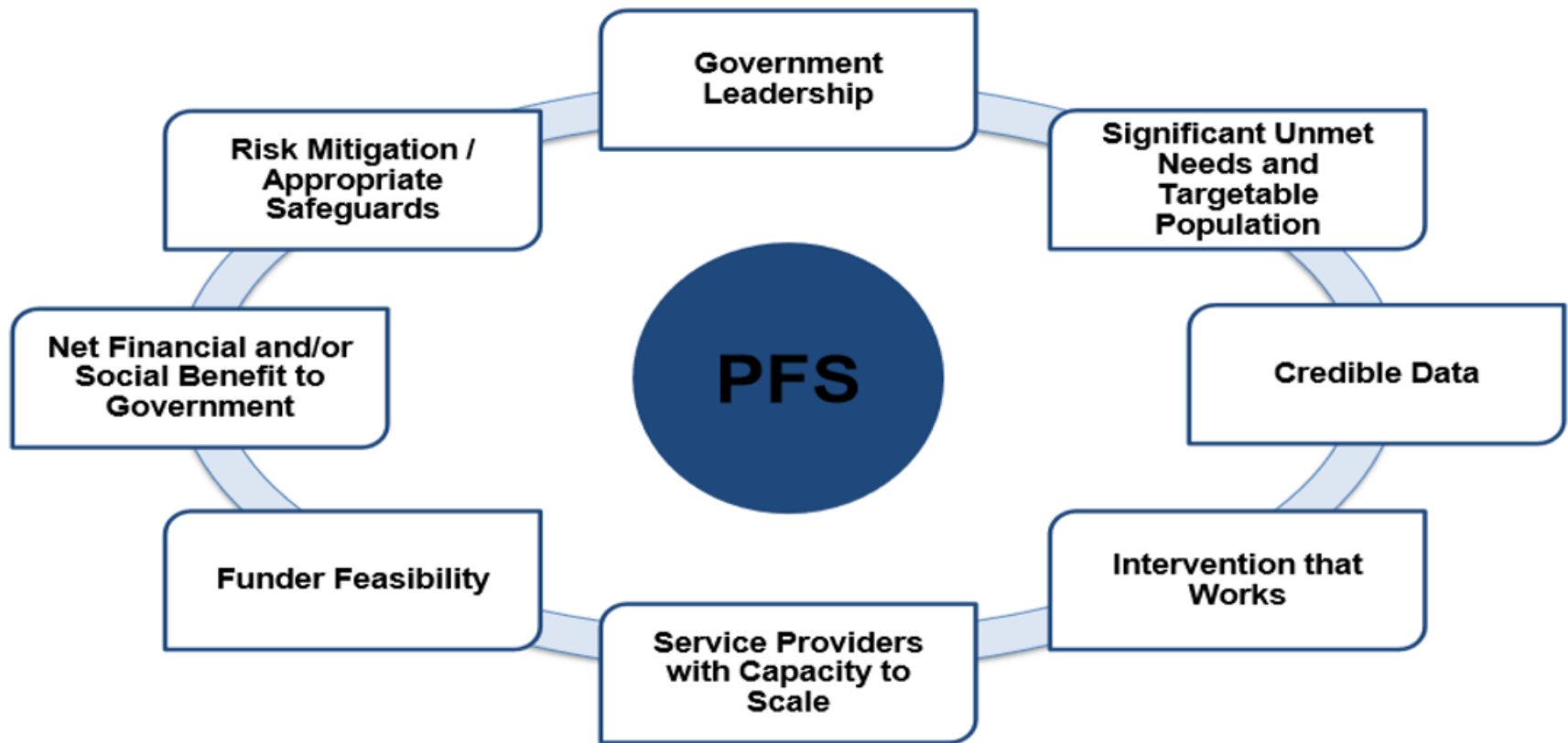
More than \$800 million
deployed in public funding for
outcomes contracts



Sample Outcomes Prioritized in Workforce Contracts

- Improved Educational Functioning Level
- High School Equivalency
- English Language Proficiency
- Measurable Skill Gain
- Nationally-recognized Credential Attainment
- 12+ College Credits
- Job Placement
- Job Retention (30, 90, & 180 days)
- Wages (above minimum wage or Area Median Income)
- Wage growth over time

When Does PFS Make Sense?



Traditional vs. Outcomes-Oriented Approaches

Traditional Approach

Periodic Enrollment



Providers serve clients who walk in the door

Prescriptive Services



Providers funded for delivering specific, prescribed service components

Ad Hoc Data Gathering



Minimal, self-reported data is tracked at the beginning and end of services

Cost Reimbursement



Providers are reimbursed for time and materials

Outcomes-Oriented Approach

Coordination and Outreach



Partners use data to coordinate proactive recruitment and referrals

Flexibility to Customize Services



Providers have flexibility to adapt evidence-informed services to local context and client needs

Outcomes Tracking & Data Sharing



Education and employment outcomes are tracked in real time and data is shared across agencies

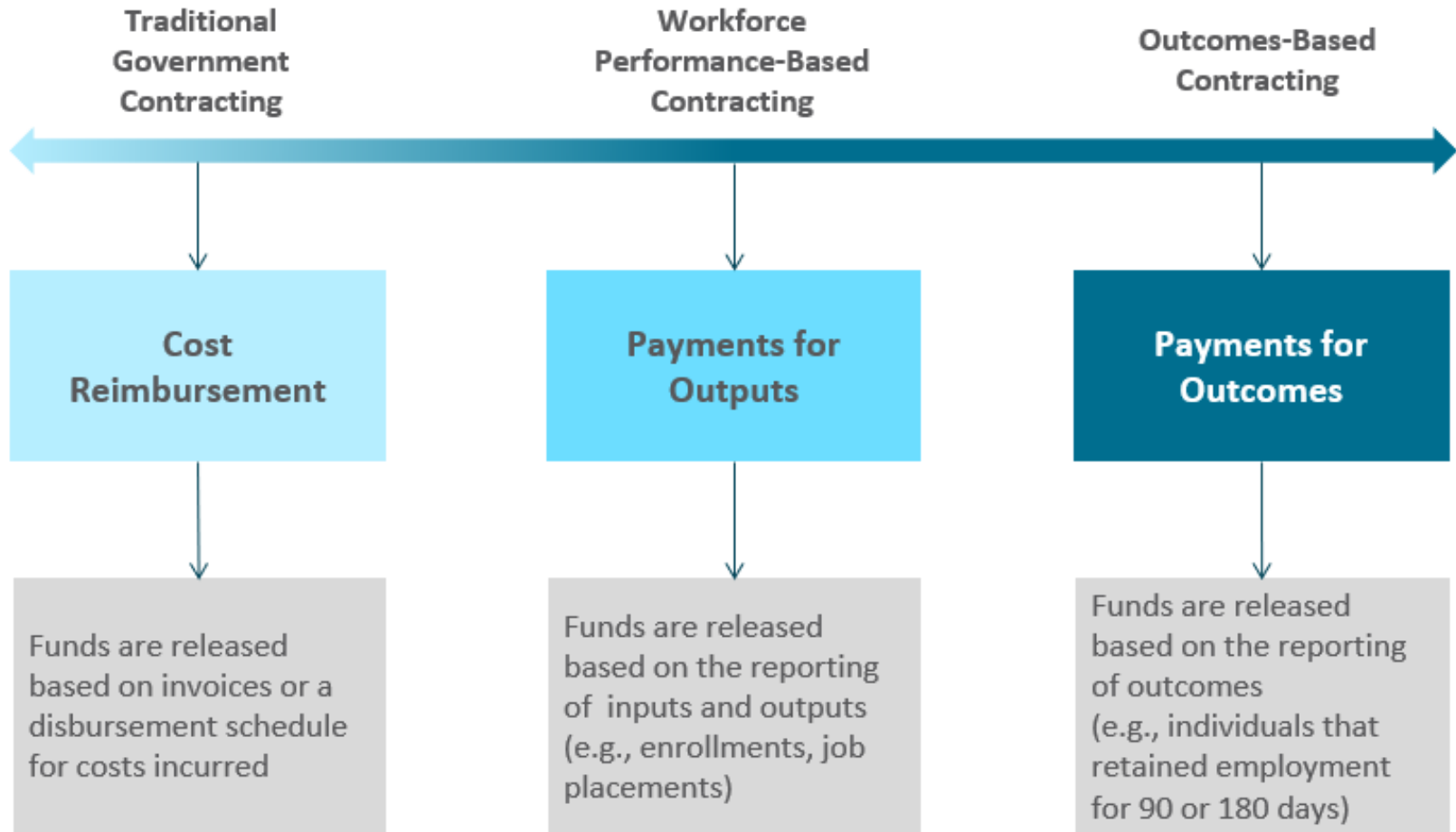
Performance Payments



Providers can earn outcomes payments for measurable results

Outcomes-based contracting builds off of performance-based contracting by paying for longer-term outcomes achievement

Contracting Spectrum



Promising Strategy

- Northern Virginia WIOA Youth Program is a PFS targeting opportunity youth
- As youth age out of foster care, taxpayers pay \$300,000 over that young person's lifetime through public assistance, incarceration, and lost wage costs
- Redirect youth to education, training, and gainful employment, benefits accrue to the individuals and taxpayers

SkillSource

- SkillSource is a nonprofit organization of the Northern Virginia Workforce Development Board (NVWDB), serving Northern Virginia employers, incumbent workers, and job seekers with job placement, training, and educational services
- Contract: increase the number of young adults engaged in education and employment programs and to improve skills development and employment outcomes for economically disadvantaged foster care and justice-involved young adults
- Population: 100 out-of-school and unemployed foster care and justice-involved young adults through mobile outreach
- Measures: skills gained during programming; placement in training, employment, or education six months and a year after exit; and attainment of a degree or certificate within a year after exit

What's Next? What do Investors want?

- More streamlined contracts and evaluations to reduce administrative costs
- More interest by local governments
- Less time contract to implementation

Innovations

Disaster Area (including Pandemic) Recovery for Resiliency

Banks can play a role in the recovery, rebuilding and resilience of a designated disaster area (DDA) and receive favorable CRA consideration

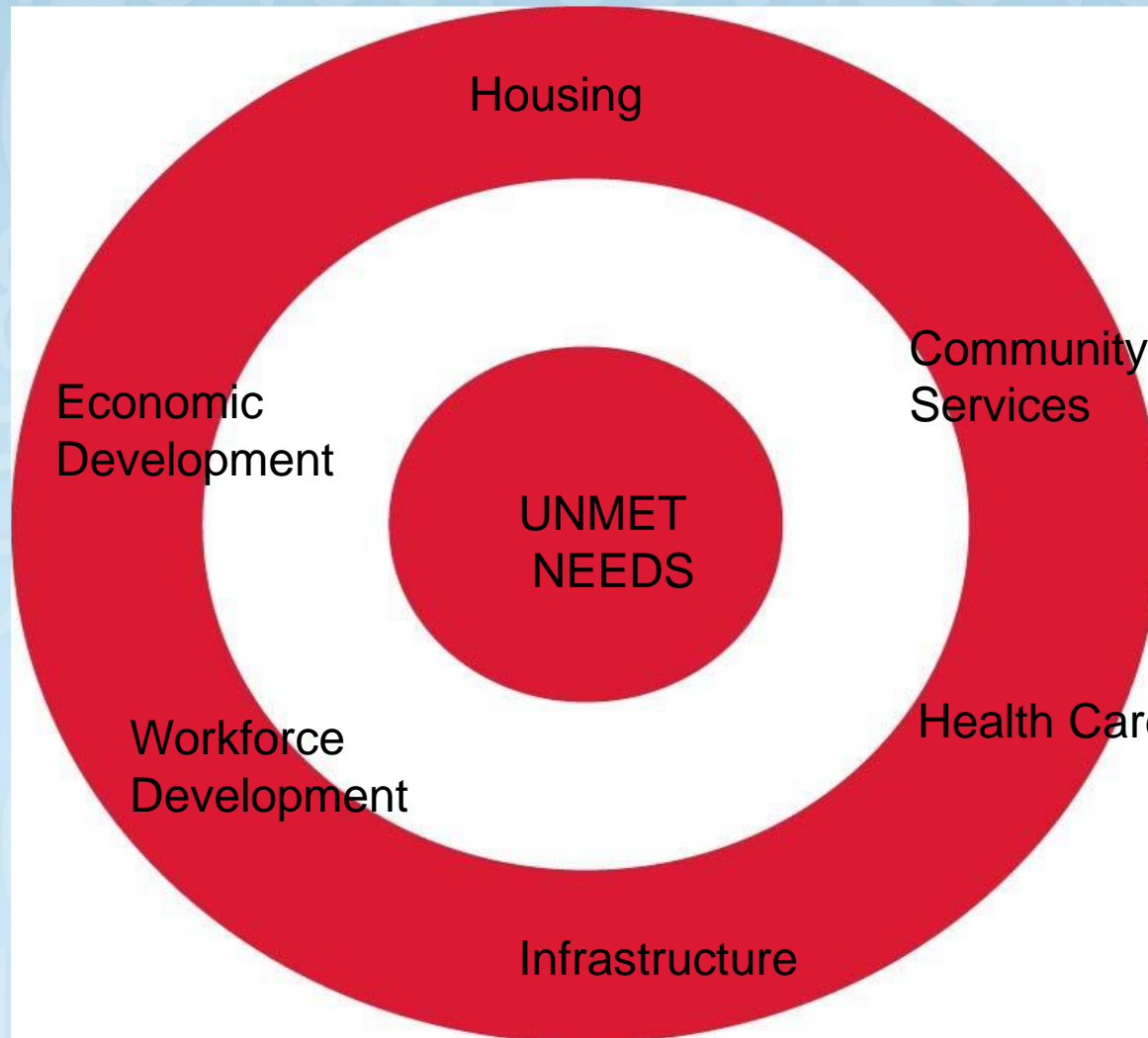
- Activity considered “community development” if related to disaster recovery and if it helps to attract new or retain existing businesses or residents within DDA.
- Must provide long-term benefit to area.
- Activity is presumed to revitalize or stabilize if consistent with a bona fide government revitalization, stabilization, or disaster recovery plan.
- CRA consideration for up to 36 months after disaster designation date.

Resources:

<https://www.occ.gov/topics/community-affairs/publications/fact-sheets/pub-fact-sheet-desig-disaster-areas-cra-aug-2018.pdf>

<https://www.dallasfed.org/cd/pubs/storm/storm1.aspx>

Potential CRA Opportunities



Disaster Recovery:

Examples of Qualifying Activities

Qualifying activities may include the following, as long as they include LMI individuals:

- providing financing to help retain businesses in the area that employs local residents
- providing financing to attract a major new employer that will create long-term job opportunities
- providing financing or other assistance for essential community-wide infrastructure, community services, and rebuilding needs
- activities that provide housing, financial assistance, and services to individuals in DDAs and to individuals who have been displaced from those areas

Designated Disaster Areas

Activities to Consider:

- Waiving ATM fees for customers and non-customers
- Increasing ATM daily cash withdrawal limits
- Waiving overdraft fees
- Waiving early withdrawal penalties on time deposits
- Reducing availability restrictions on insurance checks
- Easing restrictions on cashing out-of-state and non-customer checks
- Easing credit card limits and credit terms for new loans
- Allowing loan customers to defer payments
- Waiving late fees for credit card and other loan balances
- Delaying the submission of delinquency notices to the credit bureaus

Designated Disaster Areas

CRA Performance Evaluation – How much weight is given?

- Greater weight given to those activities that are most responsive to community needs, including those for LMI individuals or neighborhoods
- Banks located outside the designated disaster areas may receive positive CRA consideration for activities that revitalize or stabilize the designated disaster **must first adequately meet the CRA-related needs of its assessment area**
- Banks may provide CRA-related activities directly or through a third party

Designated Disaster Areas

Resources:

- FFIEC – www.ffiec.gov/cra
- OCC – www.occ.treas.gov
- FDIC – www.fdic.gov
- FRB – www.federalreserve.gov/communitydev/cra_about.htm
- FEMA – www.fema.gov

Response and Building Resiliency: Natural Disaster

- [Data from Small Business Credit Survey](#)
- New Papers
 - [Climate Adaptation Investment and the Community Reinvestment Act](#)
 - CDFI Pre-Disaster Lending
- Programs
 - [2019 CONFERENCE: The Three Ps of Resilience: Planning, Partnerships, and Paying for it All](#)
November 15, 2019 William and Mary Law School
Panel: Resilience Funding Efforts in the Banking Industry

Small Business Credit Survey

- Small businesses that experienced losses in FEMA-designated disaster areas had a harder time getting access to capital than businesses with no losses, despite filling out more loan applications with large banks, community development financial institutions (CDFIs), and the Small Business Administration (SBA).
- Among affected firms:
 - 66 percent that applied for financing experienced a funding gap, receiving less than the amount requested, compared to 55 percent of firms in affected areas without losses.
 - 48 percent applied for credit, compared to 30 percent of unaffected firms.

Small Business Resiliency

- There is a strong need for small-dollar loans and grants for small businesses in the immediate aftermath of a disaster. Among affected firms:
 - 27 percent sought financing of \$25,000 or less and 35 percent applied for financing of \$25-\$100,000.
- Lenders can help make small dollar loans and grants available quickly after an event.
- Include diverse stakeholders in planning ahead for the next natural disaster to help make disaster recovery more responsive to community needs.
- Help small business owners assess their insurance needs and move their records online to minimize disruption to their operations when the next event occurs.

CRA: From Post-Disaster Recovery to Pre-Disaster Resilience

- “Planning Presumption Clause:” important and underutilized provision of the Disaster Clause in the Interagency Q&As.
- An activity “will be presumed to revitalize or stabilize such a geography or area if the activity is consistent with a bona fide government revitalization or stabilization plan or disaster recovery plan.”
- Plans: post-event recovery and pre-event investments.
- Public policy (FEMA, Appropriations) findings: every \$1 in hazard mitigation and resilience can yield up to \$6 in benefits.
 - Disaster Clause - Local Planning Efforts – Service Test
 - Planning Presumption Clause – organize investments that prepare for the next disaster – could qualify
 - Pre-determined post-disaster CRA investment options could be integrated into other housing, infrastructural and programmatic investments that seek to advance not only short-term recovery but the long-term adaptive capacity for the community resilience of impacted communities

Examples

- Bank provided office space to a nonprofit organization in a vacant commercial space
 - Housing Recovery Center – counseling,

Table 6: Potential Investments Utilizing Planning Presumption Clause

People	Housing & Infrastructure	Small Business
<ul style="list-style-type: none">• Savings Accounts for Emergencies• Funds for Rent Deposits• Labor force training & education• Financial Literacy as Preparedness• Childcare• Transportation Assistance• Foodbanks	<ul style="list-style-type: none">• Pooled Construction Financing• Retrofit Financing• PV Installation• Finance 25% Federal Cost-share	<ul style="list-style-type: none">• Integrated Government Procurement & Credit• Business Continuity Insurance

The Future

- The Disaster Clause and the Planning Presumption Clause open the door to diversify engagement to advance the adaptive capacity of communities and financial services markets.
- Opportunities to promote community resilience through advances in social welfare and economic stability.
- Public, private and civic sectors can plan to shape emergency, capital, infrastructure, resilience and adaptation.
- CRA was designed to mobilize collective action in the advancement of the social welfare of LMI communities.
- Planning Presumption Clause allows for proactive investments in disaster areas that benefit from public governance and private capital allocation.
- Banks engage this work from the perspectives of their own internal corporate responsibility and external market reputation.

Single Family Rehab Financing Programs

The OCC encourages banks to continue to develop responsible, innovative lending strategies intended to meet the credit needs of individual borrowers and support revitalization efforts.

- OCC Guidance for Higher-Loan-to-Value Lending Programs in Communities Targeted for Revitalization (OCC BULLETIN 2019-28 <https://www.occ.gov/news-issuances/bulletins/2019/bulletin-2019-28.html>)
- FHA 203(k) Rehabilitation Mortgage Insurance Program
- Fannie Mae's HomeStyle Renovation Mortgage Program
- Purchase-Rehabilitation Programs
- National Community Stabilization Trust—A Bridge for National Bank and Community-Based Partnerships
- Others

Partnerships with Minority Depository Institutions

Banks may receive CRA consideration from partnerships with other financial institutions, MDIs, women-owned financial institutions, and low-income credit unions (MWLI financial institutions), including:

- loans to a financial institution that lends primarily to promote community development.
- purchasing or selling a loan participation made by another FI.
- Investments, grants or deposits in an FI that primarily lends or facilitates lending or community development activities in LMI areas or to LMI individuals.
- technical assistance, in-kind contributions, or other community development services to an FI whose primary purpose is community development.

Resource:

<https://www.occ.gov/publications/publications-by-type/other-publications-reports/cdi-newsletter/minority-depository-may-2018/article-5-texas-banks.html>

What Needs to Happen in the world of Impact Investing?

- Expand the knowledge base of both institutional and community leaders
- Deepen their commitment to inclusive and equitable community economic development
- Expand policies that promote long-term resiliency
- Generate more impact dollars committed to data-driven community development measured through best and promising practices
- Create new financial tools and products to capture and deploy capital that effectively addresses the most complex community challenges
- Build future institutional and local capacity to deploy and accept impact dollars
- Build future impact investment and sustainable finance leaders in government and business

What should local government leaders do?

- **Relationships** with Banks (CRA), Philanthropy (DAFs, PFS), Corporations, Investment Funds
- Networks
- Regulatory Innovations – PFS, CRA, CDFIs
- New Legislation – CDFIs, CRA, Disaster/Pandemic Recovery and Resiliency, Tax Code

Resources

Resources

To accompany the 2016 Q & A, the Fed published “Closing the Digital Divide: A Framework for Meeting CRA Obligations” to provide the rationale and “How to” for banks and their community partners. Visit: www.fedcommunities.org
www.dallasfedcomdev.org

New York Fed published teaching activities for CRA trainings, “A Case Study on Closing the Digital Divide,” www.newyorkfed.org

The Fed published, “Preparing Workers for the Expanding Digital Economy” to provide an expanded discussion of why digital inclusion is workforce development. Visit: <https://www.dallasfed.org/cd/digital.aspx>

For an expanded discussion on closing the digital divide and health care access, “Telehealth Initiatives Highlight the Need to Close the Digital Divide,” visit: <https://www.dallasfed.org/cd/pubs/telehealth.aspx>

OCC’s Rural Broadband Financing and Development resources page at www.occ.gov/rural

Resources

Videos

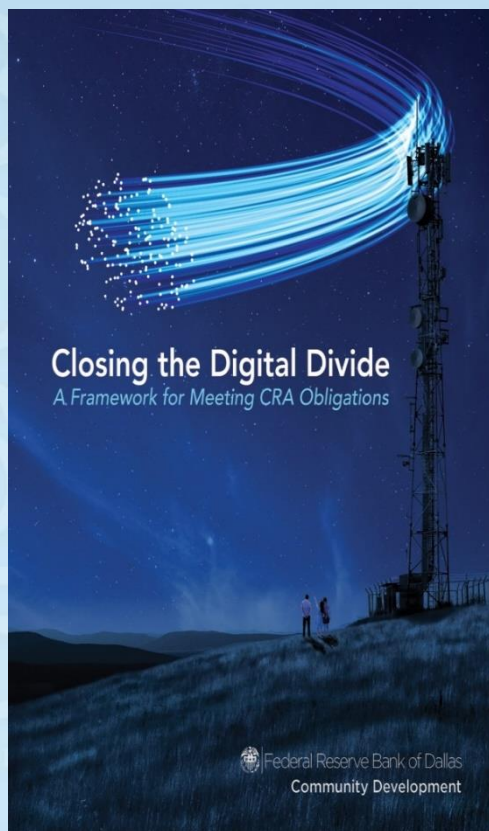
- [What is the Community Reinvestment Act?](#)
 - [The Small Bank and Intermediate Small Bank CRA Examination](#)
 - [Leading Practices for Effective CRA Programs](#)
 - [CRA Community Development Defined](#)
-
- [Connecting Communities: Broadband](#) (podcast and presentation)

North Carolina's Broadband Office Releases a [Community Playbook](#)

“This resource is presented as a guide to help communities create incentives and favorable policies, enabling them to build new partnerships with broadband providers and to increase broadband access throughout their communities.”



Resource: Closing the Digital Divide (Dallas Fed's Framework for Meeting CRA)



A Template for Financial Institutions to Tell Their CRA Story

PART FIVE

Your Financial Institution's Community Development Story

Section A: Background

I. Your mission and/or purpose

II. Your geographic market(s):

A discussion of demographic data related to income, deposit market share, Home Mortgage Disclosure Act market share, CRA small-business/small-farm share and identified needs. For demographic information, a bank can use the Census Bureau data (some of which is provided in this report), the broadbandmaps and the community's economic development plan.

III. Define the CRA

Below is sample text.

- "Under the Community Reinvestment Act (CRA), it is our responsibility to identify and invest in low- and moderate-income (LMI) communities. These activities must benefit both our financial institution and these communities."
- "The CRA defines community development as that which encompasses affordable housing (including multifamily rental housing) for LMI individuals; community services targeted to LMI individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs or have gross annual revenues of \$1 million or less; or activities that revitalize or stabilize LMI geographies, designated disaster areas or distressed or underserved nonmetropolitan middle-income geographies designated by the Federal Reserve Board of Governors, the Federal Deposit Insurance Corporation (FDIC) and the Office of the Comptroller of the Currency (OCC)."

IV. Examples of how your financial institution has met your CRA obligations

Below is sample text.

- "There is a distinct digital divide in our assessment area (see NTIA broadband map for our assessment area below) and this is how LMI people are affected. ... Our work with (give name of partner, such as nonprofit, economic development center or school) to bring broadband infrastructure to LMI communities is designed to revitalize and stabilize the LMI geography. ... (Provide evidence of impact on workforce development, access to health care through telemedicine, small-business development or improved educational outcomes.)"
- "Specifically, we provided a grant (amount) to offer home Wi-Fi and computers, as well as training for students at the local high school to help close the homework divide. The majority of students at the high school are LMI (>51 percent of the students qualify for free and reduced lunches.)"

Part Five is a template a financial institution can use to tailor its own community development story and recognize ways to demonstrate leadership, responsiveness, and innovation

Resource: A Case Study on Closing the Digital Divide Federal Reserve Bank of New York

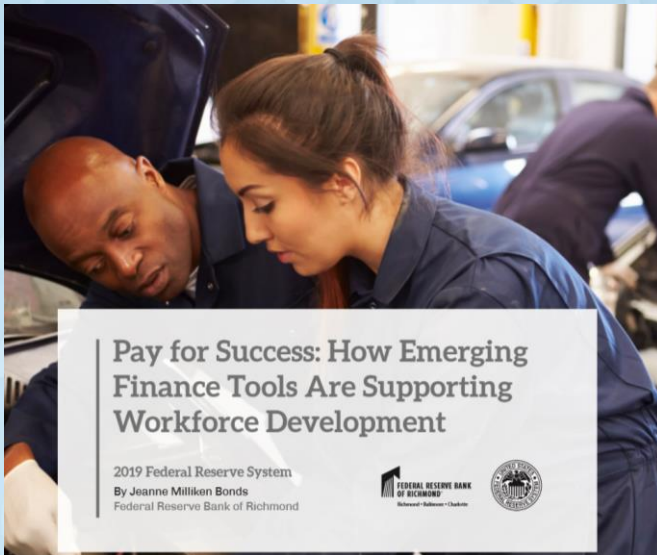


[Investing in Our Communities: A Case Study on Closing the Digital Divide](#)

The case study follows the events in New Amsterdam, a fictional urban area that has suffered economic hardship.

Source: Federal Reserve Bank of New York
Community Development

Pay for Success: How Emerging Finance Tools are Supporting Workforce Development



Closing for Town Hall Series

The Elements of Equity and Resiliency: A “new” New Deal

- Fixing Places and Spaces – infrastructure, sick buildings, broadband
- Review existing federal, state and local government policies and regulations governing land-use as well as all types of development (residential, retail, commercial, etc.)
- Equity as a Tool
- Inclusive supply chain management system that levels the playing field
- Dismantle barriers to economic participation in the American enterprise system.
- Mobilize collective ambition to successfully execute
- Finance using “Triple Bottom Line”

Equitable, Resilient and Healthy Communities –
Fix Spaces and Places,
Apply Equity, Mobilize
Collective Ambition

Speed and spread
innovative solutions –
review policies and regs,
Inclusive Supply Chain,
Dismantle Barriers

Accelerate Dollars
towards SDOH, Triple
Bottom Line



- Data and Skills to Address “Certain-Uncertainty” ✓
(Migration Fields Attached to end of Presentation)
- Reputation Equity ✓
- Whole Community Health (Equitable and Inclusive) ✓
- Collective Ambition ✓
- Investing to Sustain ✓