

On the Level:

A Quarterly Forum for Construction and Rehab Issues

BY JACK JENSEN

This quarter's question: "The local school district announced they are closing a beautiful historic brick elementary school at the end of the academic year, right in the middle of downtown. It's a little town, where not much is going on. This represents an enormous amount of vacant space, either for us to handle or to sit empty in the community. It's a sure bet no private-sector developer is going to drive up in his Maserati and buy it for luxury condos. There are kids in it now. It's got multiple wings, multiple levels, gigantic old boilers. Grant deadlines? They're offering it to us for a buck. I know the steps, but what's the right order to take them in coming to this decision?" Submitted by Sheila Neville, real estate development coordinator, Steuben Churchpeople Against Poverty, Bath, New York.

Dear Sheila:

Ah, you ask the "double-edged-sword" question. You gotta take it, right? It's your mission; it's your duty; it's your job to adaptively reuse that building, for the good of your community, your conscience, and your constituency. You've got to preserve that historical asset! The other edge of the blade? Trust me, it's gonna be a logistical nightmare. If it can go wrong, it probably will.

Your job will be to make it financially viable for your organization, over both the short and long runs. It might not be worth a buck – taking it off their hands could conceivably cost you a bundle. Be afraid. Be very afraid.

There are four reused school buildings here in little Ithaca alone (population 35,000), plus three reused hospitals. These include two mixed-use (commercial, residential and office) projects, two condominium projects, two all-commercial projects, and a mostly student rental. All are flourishing, in a flat market. Their commonality? They all make sense, and they all absolutely anchor their local neighborhoods.

Step #1: Take a look and bring your partners.

Bring a dozen donuts for the team to take a first walk-through. By all means, do it while the kids are still there, giving their energy to your funders and proving that the building is safe and warm and viable, and as beautiful as you say it is. Number one on the list of invitees is your board president, or at least the chair of your new projects committee. This is a huge organizational commitment. Your board better be behind you. Invitees two through 12: reps from Neighborhood Reinvestment, The Enterprise Foundation, Local

Initiatives Support Corporation, Federal Home Loan Bank, Housing and Urban Development, USDA Rural Development, the state housing agency, the local housing CDBG gatekeeper, and your favorite banker. Take it on faith, this baby is going to require a ton of subsidy from multiple sources. These folks know the business, and you can kill two birds with one stone (pardon the trite and gruesome expression) by inviting them to this very preliminary walk-through. Not only do you get the benefit of their experience, but you also start to get them excited about the project.



Why bring the funders so early? You might be flooded with senior tax credit properties in your community; your funders will tell you that vital information right from the start. Bring a crowd, have fun seeing the kids running around the place. Let them feel the best of the neighborhood and the building. In the worst case – say the building is dilapidated and sad, and the neighborhood looks like Death Valley – even then, buy a dozen crullers and make a dozen calls. Make the pitch: Help us figure out what we are going to do to turn this situation around. You'll have to be creative in designing a project funded by the usual suspects, and trust me – at least four of these folks are going to have to collaborate to make this project a reality. Why not get them talking about it now? Invite them all and see who shows.

What's the downside? Very little. If you decide not to do the project, you haven't wasted their time. You've proved to them that you are competent at analyzing real estate development opportunities and wise enough to make an informed decision to pass, if that's the way it goes down. They'll respect you even more for it, and will probably be more likely to do business with you on the next one. Besides, those big old school buildings are cool! They'll love taking a walk through the bowels, and bending over to drink from the kid-sized fountains. Win-win-win situation. We like those. It's worth the effort to set it up ASAP. Donuts on me.

Step #2: Examine your market.

What is the need? Where are the gaps? What are the trends? Who is living in your area? Who is leaving? Who is coming? Who will be renting and who will be buying? What will they be paying? You need to pull the trigger on a quality market analysis, to determine the highest and best viable use for this building. **Don't** look at this as a building in search of a project. Figure out who has a legitimate, sustainable need for all these square feet. And to do that, somebody has to put in the grunt hours analyzing existing housing studies, GIS mapping information, HMDA data, demographics, listings, commercial data, doing a trend analysis. Hire an expert. That's the way the guy in the Maserati bought that Maserati. Spend some money from your Neighborhood Reinvestment-funded revolving predevelopment fund and take a professional look at the external environment.

Step #3: Buy another box of donuts. Take another look with your experts.

No, not the funder suits. The really smart folks – the environmental engineer, the structural expert, the local building inspector, the architect, and your favorite builder. Let's get all the bad news done with now, in a group session. (Hint: Take careful notes.) There are reasons you're getting it for a dollar. All the environmental issues – lead, asbestos, fuel tanks – and the structural issues – code violations, historical constraints. A general, expert, logistical reality check also is necessary now. Do that ASAP, as well.

You don't have to know what you're going to build yet to know that you're going to trigger all these issues. To run the numbers, you can't be guessing about these big-ticket items. (Don't forget the First Rule of Construction: "There are no problems, there are only expenses.")

You don't necessarily need to spend the money for a full-blown existing conditions survey yet, but you'd better understand at least 90 percent of the challenges (read: "costs") this project is going to present, at the feasibility stage. The experts were all there to watch each other miss the other 10 percent, so hopefully they'll be cooperative down the road working out the expenses. These folks know the challenges – and the costs – better than anybody, and most will come on a first date for the price of a lunch. Plus, you get them excited about it early too – more bonus points. They probably want to try those pint-sized drinking fountains too.



Step #4: Run the numbers.

You have options – market rate, low-income, special needs, retail, commercial – and you can mix and match them all. There are lots of ways this cat can be skinned. (Pardon the second trite and gruesome old saw. Gosh, most of those old truisms are bloody, aren't they?) Get creative. Brainstorm on the computer. Look at all kinds of combinations, using Housing Developer Pro from Enterprise and Quick and Dirty from the New York District. Use the information you've gathered above to take your best guess at costs, sources of funds, income stream, and operating costs. Preserving the asset in the way that makes the best financial sense makes the most sense to your organization, your partners, and ultimately, your community. Do it now. Of course it will change. That's why you use the computer.

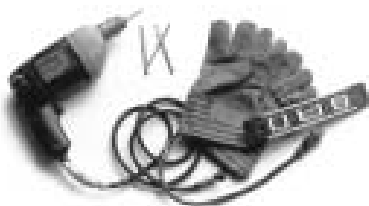
Step #5: Involve the community in the design process.

Most of the folks in your community probably went through that school (or were born in that hospital). Their emotions about it are high. Before you put the first pencil to sketch paper, have a big meeting in the gym. Let them know what you've found out, about your funding possibilities, your market, and the building's condition. Use their collective wisdom about your community to help you shape the next 50 years of this landmark's life. Not only is it their right, but the earlier you do it, the easier the rest of the development process will be.

You need the community on your side, and that's a very broad term. Generally people support the people who listen to them best. Have some competent architects and community planners in the audience. If they're not already there with their professional wisdom, by all means provide some. Invite some of the folks from the two donut meetings, above. Be as inclusive as possible.

Final Nonnegotiable Step: Do everything now.

Perfect example, right here in the network – **Ithaca Neighborhood Housing Services**, which proudly owns one of the abandoned and reused schools mentioned above. The building now contains both low-income and market apartments, commercial office space, a community gymnasium, and outdoor recreation space. It was developed



under the “we only have so much, so let's put some stuff off until later” syndrome, which unfortunately was so common a decade ago. We've learned from that mistake!

On the day it reopened, the roofing had only 10 years of life left in it, and no one ever had insulated the attic. So it needed a huge capital infusion not only just to preserve it, but also to make it affordable and financially viable in the face of growing energy costs. The logistical challenge? Back in 1920, when oil was cheap, they assumed most of the snow would melt off the flat roof from the waste heat, so the roof was only built to withstand a much lighter snow load than current codes require. This “let it melt” strategy unfortunately also produced wicked ice-damming, which eventually led to fascia and brick problems. So this wasn't just a simple re-roofing. All of this was known during the original re-development, but none of it was acute. The engineer said the roof had a decade left on it. Good enough.

A decade slid by quite quickly. A few years ago, when I was at INHS, we had to take the heavy old gravel-ballast system completely off and add an expensive, lightweight insulation and roofing system, to avoid having to double up every rafter. Plus, replace the fascia assembly and re-point most of the building's brickwork. The end result: a lot of grant writing, legal costs refinancing old agreements, general scrambling, and overall pain. Would everybody involved in the original redevelopment agree that getting the project

done no matter what was the right thing to do? Absolutely! Do they all now agree they should have moved heaven and earth in order to address the roof back then? Oh, you betcha.

We're human beings – supposedly we've evolved to the point where we learn from our mistakes. Rip out those ancient asbestos-laden boilers, **now!** Address those energy-draining windows or uninsulated components, **now!** Take care of anything iffy, **right now!** Repeat after me: No deferred maintenance! Add another funding source – get creative – but don't leave time bombs behind. Create a viable long-term asset for your community and for the owners of the property.

That's pretty much your job description, isn't it?

Good luck, Sheila! This is what we do best, and a pat on the back to us all for that. Save the school!

Sincerely, JJ

PS: Best training opportunities? Neighborhood Reinvestment Training Institutes have excellent pertinent classes in addition to the development and rehab courses mentioned last quarter. Take a look at an NRTI catalog and pick some that will help you assess your market, develop a revitalization strategy, build community support, and design appropriately, among others. Or ask your district to help you organize a local training. ■

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Community Neighborhood Housing Services (CNHS) of St. Paul, Minnesota, joined with another community-based nonprofit and a local lender in targeting rehab grants and loans to achieve visible improvements in a distressed neighborhood.

Background

Community NHS, formerly known as West Side NHS, was incorporated in 1980 and has provided services citywide in St. Paul since 1984. The organization provides NeighborWorks® Full-Cycle LendingSM services, including: first-mortgage programs; homebuyers counseling and education; housing improvement loans; and acquisition, rehab and sale of homes. The organization also provides loan servicing for other organizations. The mission of CNHS is to promote community development through education and affordable housing programs in the communities it serves.

Components

Program Partnership. In 1999, CNHS and the Neighborhood Development Alliance

(NeDA), a neighboring community development corporation that redevelops housing, formed a partnership to rehabilitate homes in a neighborhood of the city. Simultaneously, Firststar Bank decided to target a neighborhood with its Adopt-a-Block Program. In an effort to create a visible neighborhood improvement, the three joined forces and developed a two-year, targeted, neighborhood improvement program – the Winifred Improvement Initiative (WII).

Target Area. The target area consisted of 425 households in a six-block segment of Winifred Street and

two adjacent streets. This neighborhood had become inundated with rental properties (about half the homes were rental), and the housing was becoming increasingly run down. The project began with the purchase and rehabilitation of three homes, which then were sold to first-time homebuyers. The program went on to provide rehabilitation grants, home-improvement loans, purchase loans and refinance/rehab loans to other interested households.

Grant/Loan Program. CNHS had \$43,000 in flexible funds from which it could offer grants of up to \$1,500 for exterior home improvements. There were no income requirements for the grant program. Homeowners needed only to live in the designated target area and have a viable rehabilitation project (no decks, hot tubs or other “luxury” remodeling were eligible). Rehabilitation projects included retaining walls; repairing steps, windows, doors, etc.; exterior painting; and roof or soffit work.

In addition, low-interest loans also were available from CNHS and NeDA for added home improvements. Community Development Block Grant (CDBG) rehabilitation loans were available at below-market rate for families whose income was below 80 percent of the local area median. CNHS rehab loans were available for families above 80 percent of the median or for projects that didn't fit CDBG guidelines. The average loan was about \$10,000, and the terms were based on affordability or set at one year per \$1,000 borrowed. CNHS managed all of the funds and was responsible for all grant and loan packaging.

Program Marketing. A local bank, Firststar Bank, paid for all program marketing, which was done through

Targeting Rehab To Improve Neighborhood Curb Appeal

Community Neighborhood Housing Services
St. Paul, Minnesota



WINNING STRATEGIES

The impact this program has had on the neighborhood has been significant. The street view has improved as people rehabilitate their homes, and other homeowners in the neighborhood have been inspired to conduct home improvement projects on their own.

open houses, newspaper articles and flyers. CNHS also made face-to-face contact with potential customers. The local newspaper reported on the program (though no special arrangements had been made for this), which proved a very successful marketing strategy.

Funding. Funding in part came through an unexpected windfall from Washington County. Ten years earlier, CNHS had received funding from this partner for a particular project. The partner then offered a separate \$20,000 for CNHS to use in a different program. CNHS decided to use the money for rehabilitation grants for the WII. In addition, CNHS also used HOME funds.

Results

In three months (January-March 2000), 30 grants were made totaling \$43,468. Eight households also received rehabilitation loans, and 12 added their own money to conduct further rehab. In total, \$164,039 was spent on exterior home improvement for 30 households.

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Once the initial funds were depleted, CNHS designated additional funds for rehabilitation grants in other targeted neighborhoods. Homeowners in those neighborhoods can obtain a \$1,000 grant, which must be accompanied by a rehabilitation loan. CNHS marketed this program in spring and summer 2001, and several homeowners have taken advantage of it. Currently the

program is not heavily marketed but is still available in some neighborhoods.

Lessons Learned

CNHS did not designate funds to rehabilitate rental properties. Considering that half the homes in the area were rentals, with many not well-maintained, this created an obstacle to total neighborhood revitalization. The rental market in St. Paul is such that there is little need for landlords to spend much on rental maintenance, because properties can be rented, regardless of their condition.

Extensive administrative time was required in putting together the grant and loan packages. It is, therefore, important to charge a fee to help recover these costs, and also to require borrowers to contribute money of their own through a rehab loan. This not only helps recover costs, but also increases the homeowners' investment in their homes and connections with the organization.

CNHS learned that even a small grant was enough incentive for homeowners to embark on major rehabilitation projects.

Having flexible dollars without income limitations allowed anyone in the neighborhood to participate, which resulted in a wide range of rehab projects. This flexibility allowed CNHS to help a broader range of households than if the funds had been designated only for lower-income households. ■

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FIRST, ASK A LAWYER

Giving Back to Your Community

What You Should Know in Becoming a Board Member

BY DANIEL EHRENBERG

Q *I am a neighborhood resident who has been active with a local NeighborWorks® organization. A current board member recently asked if the board could nominate me as a director. Before saying “yes,” which I’m inclined to say, I wanted first to determine what duties, obligations and liabilities I would have. Can you tell me, please*

A Being a director of a nonprofit organization can be an extremely gratifying experience. The duties and obligations are fairly simple to understand, yet they require active engagement in the organization’s activities, constant vigilance, and must be taken extremely seriously.

In a nutshell, the duties of the board of directors are to play a substantial role in the corporation’s activities; appoint and remove corporate agents (i.e., outside auditors, accountants, outside legal counsel), executives and officers; direct and manage the affairs of the corporation, by setting and approving policies and directions; monitor the overall management of the organization; evaluate its programs against its purposes or mission; oversee the financial management of the organization; and serve as a link among the organization, the people it serves, and those who support it. The board of directors does not carry out the day-to-day operations and activities of the organization, nor implement policy. Those tasks should be left to the executive management team and other staff.

In General

The duties, obligations and liability of a board member of a nonprofit are similar to those of a for-profit. A director exercises his or her powers for the benefit of the corporation and for the corporation’s constituencies. The biggest difference is that a for-profit’s board is answerable to the shareholders or owners of the corporation while a nonprofit’s board is answerable to its members, the general public and, more specifically, the attorney general of the state in which it is incorporated. Because the duties, obligations and liability of a nonprofit and for-profit board are so similar, the legal standards are the same.

Individually, a director, acting alone, has almost no power. Each exerts his or her power as a participant with the board of directors. The board as a whole has power and authority only when it acts together by adopting resolutions or making decisions that determine the corporation’s actions. However, an individual director is still legally accountable for corporate actions in certain circumstances, and has legally protected rights and duties to participate in the board’s deliberations, make decisions, and have access to all information related thereto.

Most nonprofit organizations carry directors’ and officers’ insurance, commonly referred to as a D&O policy. D&O insurance protects a director from liability brought by third parties against the director. D&O policies vary as to what they cover, the amount of coverage, and any exceptions. Before becoming a director, you should check to see if your nonprofit has such a policy, and you should review it

so that you understand what it does and does not cover. A D&O policy should be reviewed periodically to ensure that it is providing the directors with adequate coverage.

A director's duties are primarily two-fold. They involve the duty of care (also known as the duty of due care) and the duty of loyalty.

Duty of Care

The duty of care requires a director to participate in the decisions of the corporation and be informed by relevant and adequate information. This means that the director must be reasonably informed, participate in decisions, and do so in good faith and with the care of an ordinarily prudent person in similar circumstances. Specifically, this means you should:

- ▶ Monitor the organization's activities.
- ▶ Regularly attend board meetings. (A director cannot act by proxy, and regular attendance at such meetings is a basic element of prudent performance.)
- ▶ Exercise independent judgment on all corporate decisions that come before the board.
- ▶ Make sure that you are adequately informed.

As a director, you may, in the ordinary course of business, act in reliance on information and reports received from regular sources you reasonably regard as trustworthy. You can rely on reports, communications and information that you receive from another director, a board committee, an officer, employee or agent (i.e., outside counsel or outside auditors), as long as you reasonably believe the source of the information is reliable and competent. However, to the extent that you do not trust the information, or believe it inadequate, you should seek out or request further information, until you are satisfied that you have sufficient information to make an informed decision.

The duty of care can be summed up by applying the business-judgment rule. The business-judgment rule is a legal doctrine created for use in for-profit corporate law. It has been applied to nonprofit corporate directors, and says the following:

Even when a corporate (organization) action has proven to be unwise or unsuccessful, a director will be protected from liability arising therefrom if he/she acted

in good faith and in a manner reasonably believed to be in the corporation's (organization's) best interests, and with independent and informed judgment.

Duty of Loyalty

The duty of loyalty requires a director to exercise her powers in the interest of the organization, not in her interest or the interest of another entity or person. Thus, with respect to any organization activity, you must determine what is in the best interest of the organization, and that decision should prevail over your individual interest or the interest of any particular entity or person. The duty of loyalty primarily pertains to three separate areas – conflicts of interest, corporate opportunity, and confidentiality.

Conflicts of Interest

The most treacherous area within the duty of loyalty is conflicts of interest. It is not unusual for directors of a nonprofit organization to have interests that may be in conflict with those of the organization. Such conflicts are not inherently illegal, nor are they a negative reflection on the integrity of the director or the board.

If a director has a conflict of interest with a proposed transaction or action, the organization may still go forward with the transaction. It is only a problem when the director and the board do not deal with the conflict of interest correctly.

A director has a conflict of interest whenever he or she has a direct or material personal interest in a proposed contract, transaction or other action to which the organization is to be a party. The conflict may arise because the director is personally involved, or has an employment or investment relationship with an entity with which the organization is dealing. Or, it may arise from a family relationship. The duty of loyalty requires that the director clear herself and the board from the consequences of the conflict by doing the following:

- ▶ The director needs to disclose all the pertinent details of her interest and conflict in the transaction to the board before it takes action on the matter;
- ▶ The director with the conflict should recuse herself from any further deliberations by the board on this matter; and



- ▶ The disinterested directors, those who do not have any interest or conflict in the transaction, should discuss and decide whether the organization should approve the transaction.

Many states have their own rules on how a board should properly deal with a conflict of interest. Many require that a majority of disinterested directors ratify the action to avoid the consequences of the conflict. The conflict-of-interest disclosure, deliberation and decision should be recorded in writing in the minutes of the board meeting. If a conflict exists, the duty of disclosure is required regardless of the fairness of the underlying transaction.

It is advisable for the organization to have a statement of policy concerning conflicts of interest and providing for how such conflicts will be handled. Many organizations, for example, require each director, officer and employee to complete and sign a questionnaire that has them disclose any interests and potential conflicts they may have with respect to their work for and activities with the organization.

Corporate Opportunity

Corporate opportunities involve situations in which the director knows of a transaction that she reasonably thinks may be of interest to the organization. In such situations, the director has a duty to disclose the transaction to the board in sufficient detail and with adequate time to enable the board to act or decline to act with regard to such transaction. In other words, the director is required to offer the opportunity to the organization before the director engages in the transaction for her own benefit.

Confidentiality

The duty of loyalty also involves confidentiality, because a director should not, in the regular course of business, disclose information about the organization's legitimate activities, unless they are already known by the public or are of public record. A director, in fulfilling her duties, becomes privy to a lot of information regarding the organization's activities and operations. An individual director is not generally the spokesperson for the corporation. Instead, all disclosures should be made by the organization's designated spokesperson, either the executive director, a public relations officer, or the board chair, unless the organization decides that an individual di-

rector should be the organization's spokesperson.

New-Member Orientation

Finally, if you do decide to serve on the board, you should make sure you are brought up to speed as quickly as possible on the organization's activities and operations. You need to understand the organization's mission and purposes.

New board members should attend an orientation session soon after they are elected. The orientation should include a briefing from the executive director and the board chair. Some organizations take the new directors on a tour of the organization's facilities and the places where the organization operates. In addition, many organizations provide new directors with a "board book" of background documents and information. A board book should consist of the organization's articles of incorporation, bylaws and amendments; a brief history of the organization and a statement of its mission and current services or activities; the most recent audited financial statements, and regular financial and operating reports provided to the board during the past year; the organization's strategic plan and business plan; a copy of the D&O policy; contact information for all board members and all staff or department heads; the organization's policies about expense reimbursements and expense forms, if applicable; and a calendar of all board meetings and other important organization events for the coming year, with dates, times and locations.

Being a director is an awesome responsibility, but it is also a wonderful opportunity that allows people to give back to and make a real difference in their community. By carrying out your duty as a director, you can make sure that your organization fulfills its mission and meets its objectives. ■

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This article is for general purposes only and does not represent legal advice as to any particular set of facts; nor does it represent any undertaking to keep recipients advised as to relevant legal developments. If you have a question involving your community development organization, or any of its activities, and the law, please send it to Allan Martin (amartin@nw.org), Neighborhood Reinvestment's publishing director.



MONEY TALKS

Housing Commission Proposes New Programs, Reforms, Streamlining

The Millennial Housing Commission May 30 issued its report, *Meeting Our Nation's Housing Needs*, that outlines 13 principal recommendations for creating new housing tools, reforming several current programs, and streamlining others. The full report is available at www.mhc.gov.

In its report, the bipartisan commission created by Congress acknowledges that Americans are among the best-housed people in the world and that federal housing support has been “tremendously successful” for most households. But it also warns, “There is simply not enough affordable housing” and stresses the importance of housing not only to the nation's economic health but also to society's overall health.

The commission recommends enacting a new home-ownership tax credit; supporting preservation with a broad system of tools, beginning with exit tax relief; providing capital subsidies for producing units for extremely low-income households; enacting a new mixed-income, multifamily rental production program; and facilitating strategic community development by empowering state and local governments to blend funding streams.

It proposes major reforms in public housing. the Federal Housing Administration, ending homelessness and linking housing assistance to work requirements.

It proposes streamlining the housing-choice voucher program; the HOME and Low-Income Housing Tax Credit programs, with increased funding for HOME; mortgage revenue bond program; and federal budget laws that deter

affordable housing production and preservation.

In addition, the commission also endorsed increased funding for housing assistance in rural areas and for Native American housing; establishing individual home-ownership development accounts; allowing housing finance agencies to earn arbitrage; exempting housing bond purchasers from the alternative minimum tax; studying Davis-Bacon Act requirements; addressing regulatory barriers that add to housing costs; streamlining state planning requirements for community development programs; expanding the financing options for small multifamily properties; fostering a secondary market for development and construction lending; launching a demonstration project for comprehensive community development; improving consumer education about home mortgage lending; improving the access of manufactured-home buyers to capital markets; and affirming the importance of the Community Reinvestment Act and of government-sponsored enterprises.

Reports Highlight CRA Gains and Challenges

Two reports on the Community Reinvestment Act – one by the Joint Center for Housing Studies, Harvard University, the other by The Brookings Institution – help mark the 25th anniversary of the law, first enacted in 1977.

The Harvard report, prepared for the Ford Foundation, is a comprehensive assessment of the CRA in the context of changes in the mortgage-lending and banking industries. In contrast, the Brookings report focuses on compliance testing for banking-services delivery – one of three CRA compliance measures, along with lending and investing.

Harvard Report

The Harvard report confirms that CRA has expanded access to mortgage capital to lower-income people and neighborhoods, and concludes that CRA-regulated lenders originate more home-purchase loans to lower-income people and communities than they would have if CRA did not exist.

Yet it cautions that widespread and far-reaching changes in the financial-services industry and home-mortgage lending have eroded CRA's coverage. The result is, according to the study, that today less than 30 percent of home-purchase loans are subject to intensive review under CRA – and in some markets, the share is less than 10 percent.

Further, the study says, CRA's impact varies from community to community. In lower-income and minority neighborhoods, for example, a disproportionate share of mortgage financing is done by subprime lenders. In rural areas, CRA's impact is minimal, the study says, because regulators give their smaller banks less scrutiny and advocacy groups are less developed.

Proposed reforms could take either, or both, of two paths, the study suggests. One would build on CRA's traditional mortgage-lending focus and extend its coverage to include independent mortgage companies and other newly emerging non-bank lenders.

The other would build on CRA's traditional branch banking focus and reposition it to emphasize financial services – including community development lending and low-cost savings and checking accounts – to lower-income people and communities. (For the full report: www.jchs.harvard.edu.)

Brookings Report

The service-test focus of the Brookings report covers an array of both retail banking and community

development services.

A bank's service test score counts for 25 percent of its overall CRA rating. But, because it covers a broad range of issues, and because service performance data are not as quantifiable as lending and investing data, the service test “remains the most eclectic and the least clearly defined,” the study says.

One result, the study finds, is that “some CRA examiners, consciously or not, inflate the service-test scores of under-performers in order to help them get an overall passing grade.”

The study suggests seven proposals for making the service test more performance-based. Taken together, the study says, they would eliminate CRA “grade inflation,” and “facilitate the development of new markets, products and technologies to help banks provide profitable basis banking services for underserved populations.” (For the full report: <http://www.brookings.org/dybdocroot/comm/policybriefs/pb96.htm>.)

FHLB-Atlanta Announces Funding for Community Development Loans

The Federal Home Loan Bank of Atlanta has committed \$5 million to its economic development and growth enhancement (EDGE) program for community economic development projects that need long-term, below-market loans.

Eligible activities include child care centers, health care facilities, recreational facilities, micro-loan funds, small-business incubators, job-training facilities, community centers, neighborhood commercial revitalization, and businesses creating permanent jobs at living wages with basic benefits.

Projects funded with an EDGE advance must provide primary benefit to neighborhoods whose

income does not exceed 80 percent of the area median. Loans funded through EDGE must be used for permanent financing.

For applications: www.fhlbatl.com, under community investment.

Social Work Scholarship

The Mandel School of Applied Social Sciences, affiliated with Case Western Reserve University in Cleveland, Ohio, is seeking candidates for Lou Stokes Fellows, a national merit scholarship program in graduate social work education, with a specialization in community organization and development.

The program honors former U.S. Rep. Louis Stokes, who retired from Congress in 1999. Stokes was elected to the House on his first bid for public office in 1968. The first African-American member of Congress from Ohio, he served 15 consecutive terms. Throughout his tenure, Stokes played a pivotal role in the quest for civil rights, equality, and social and economic justice.

The Mandel School offers an innovative combination of extensive field education with the traditions and prestige of a major university.

The program will recruit five African-American and Hispanic students each year over a three year period. They will attend the Mandel School's Intensive Weekend Program at its campus in Cleveland. Students will travel to Cleveland one weekend a month, and conduct their field experience in an approved agency in their local community with licensed LISW's trained by the Mandel School. Travel expenses and full tuition are paid by the scholarship.

For further information, phone 800-863-6772, or visit “How to Apply” at <http://msass.cwru.edu/admissions/admission.html>. ■



READERS CORNER

Book Review

Picking and Choosing Among Performance Goals

Make Success Measurable!

Douglas K. Smith
John Wiley & Sons, 1999

BY PATRICIA ANDERSON BROWN

Measurable outcomes are in demand for today's business world. Performance challenges demand both financial and nonfinancial outcomes that must benefit key stakeholders – customers, shareholders, management and employees.

Make Success Measurable! is a mindbook-workbook tool that focuses on setting performance goals through outcomes rather than activities, and lays out the managerial disciplines that are pivotal to achievement. In it, Douglas K. Smith, an author and consultant on organizational performance, innovation and change, uses this approach to explain and explore insights into setting and achieving performance goals.

Smith divides each chapter into mindbook and workbook sections. The mindbook sections explain concepts, frameworks, tools and techniques – forming the intellectual framework for achieving performance success. The workbook sections provide related examples and exercises – connecting intellect with action for greater results.

Readers will learn how to:

- ▶ Set goals that matter for customers, shareholders and funders.
- ▶ Set financial and nonfinancial goals and link them.
- ▶ Understand and use outcome-based goals that support success, and avoid activity-based goals that produce failure.
- ▶ Set and commit to goals that challenge the mind and heart.
- ▶ Use the concept of working arenas to coordinate and align individual and group goals throughout an organization.
- ▶ Understand how the time it takes to achieve different goals can help show whether they fit together.
- ▶ Convert new visions, strategies and directions into achievable outcome-based goals that can galvanize an organization.
- ▶ Identify and use the appropriate management discipline to achieve goals.

Smith is coauthor of *The Wisdom of Teams*, and author of *Taking Charge of Change*, a book providing diagnostic tools to help managers assess their needs for change. Smith's work on teams and organizational performance has been featured in *Business Week*, the *Wall Street Journal*, the *Harvard Business Review*, and the *McKinsey Quarterly*. ■

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Recommended Reading

Dealing with People You Can't Stand – How to Bring Out the Best in People at Their Worst

Rick Brinkman, Rick Kirschner
McGraw-Hill Professional Publishing, 1994

High Performing Nonprofit Organizations: Managing Upstream for Greater Impact

Christine W. Letts, William P. Ryan,
Allen S. Grossman
John Wiley & Sons, 1998

Leadership and the New Science: Discovering Order in a Chaotic World

Margaret Wheatly
Berrett-Koehler Publishers, 1999

Lincoln Stories for Leaders

Donald Phillips
Summit Press, 1997

Managing Transitions – Making the Most Out of Change

William Bridges
Perseus Book Group, 2000

Managing Your CDC: Leadership Strategies for Changing Times

Robert Zdenek, Carol Steinbach
National Congress for Community Economic Development, 2002

An examination of some of the problems that can arise for CDCs, how they can seriously impact an organization, and approaches CDCs can use to successfully deal with them.

National Insurance Task Force National Report 2001

Neighborhood Reinvestment Corporation, 2002

A snapshot of the NeighborWorks® National Insurance Task Force, which works on developing partnerships between the insurance industry and community-based organizations.

Neighborhood Planning – A Guide for Citizens and Planners

Bernie Jones
American Planning Association (Planners Press), 1990

Neighborhood Reinvestment Corporation Strategic Plan, FY 2002-FY 2006

Neighborhood Reinvestment Corporation, 2002

Sets our five-year goals, strategies and outcomes for Neighborhood Reinvestment that grow out of its mission, vision, values, core content areas of expertise, and core function and services.

Neighborhood Reinvestment General Information Brochure

Neighborhood Reinvestment Corporation, 2002

Background and history on Neighborhood Reinvestment and its core programs, and the NeighborWorks® system and its history.

NeighborWorks® Organizations in Rural America, Second Edition

Neighborhood Reinvestment Corporation, 2002

Selected profiles of rural NeighborWorks® organizations that explore the range of their activities and illustrate their growing impact.

The American City: What Works and What Doesn't

Alexander Garvin
McGraw-Hill Professional Publishing, 1995

The Multifamily Initiative: Investing in Multifamily Excellence

Neighborhood Reinvestment Corporation, 2002

An illustrated brochure on the strategies and successes of the NeighborWorks® Multifamily Initiative.

Who Moved My Cheese? An Amazing Way to Deal with Change in Your Work and in Your Life

Spencer Johnson, M.D.
Putnam Publishing Group, 1998