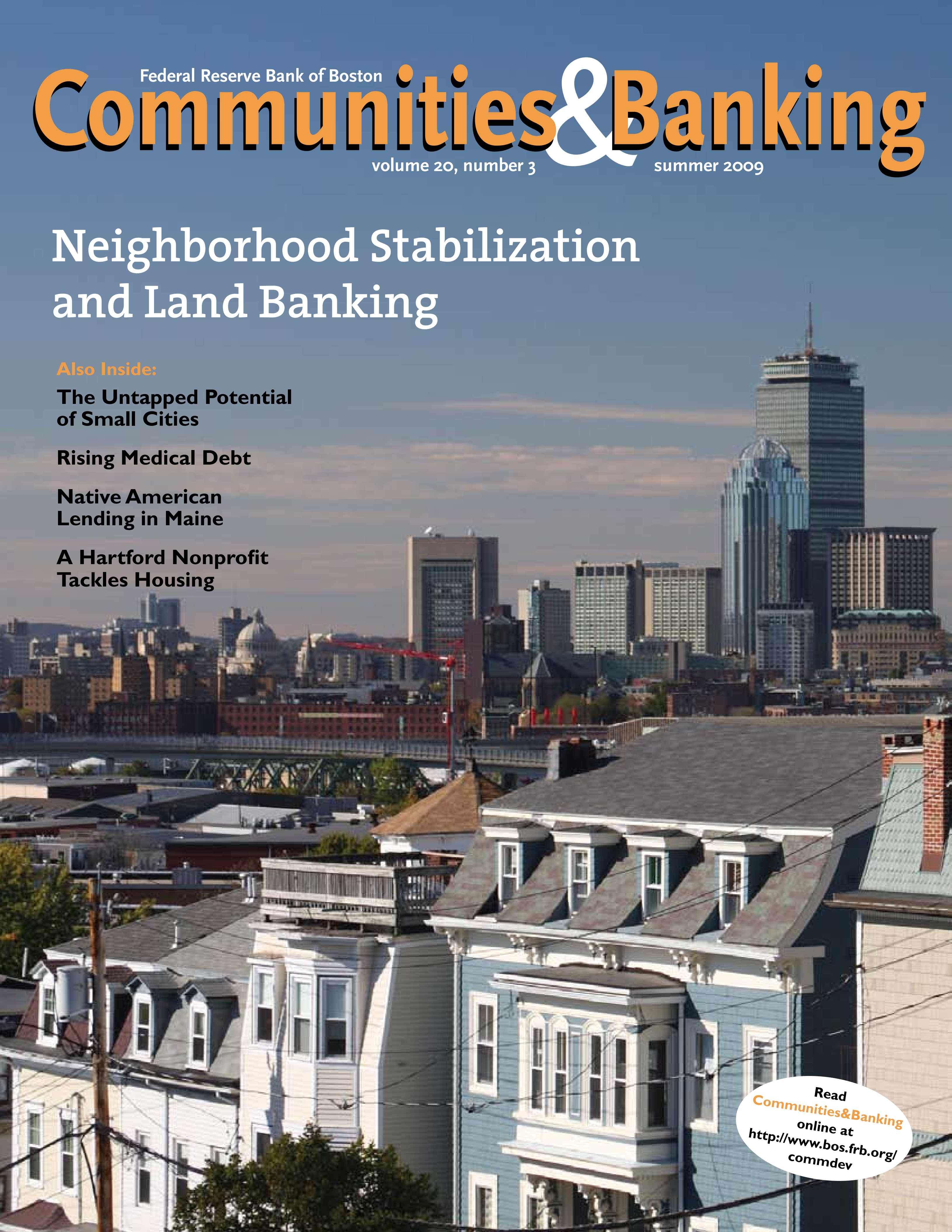
Federal Reserve Bank of Boston

Communities&Banking

volume 20, number 3 summer 2009

Neighborhood Stabilization and Land Banking



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Neighborhood Stabilization & Land Banking

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by Frank S. Alexander
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The Housing and Economic Recovery Act of 2008, with its much-needed Neighborhood Stabilization Program, is the first federal recognition of the severe costs borne by neighborhoods and local governments when properties are vacant or abandoned.[1] For the first time, Congress has appropriated funds for the acquisition, management, and disposition of such properties—at the same time recognizing the important role of a tool called land banking. Today, as more communities deal with foreclosures, they are increasingly likely to make use of land banking.

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Land Banks and the Housing and Economic Recovery Act of 2008

The statutory provision authorizing the creation of what is known today as the Neighborhood Stabilization Program is found in section 2301 of the Housing and Economic Recovery Act of 2008, Pub. L. 110-298. That statute says in section 2301(c)(3) that "amounts made available under this section may be used to … (c) establish land banks for homes that have been foreclosed upon." In February 2009, Congress enacted the American Recovery and Reinvestment Act (ARRA), which allocated an additional $2 billion for NSP purposes. See American Recovery and Reinvestment Act, 111 Pub. L. 5 (2009).*

The Neighborhood Stabilization Program regulations issued by HUD on September 29, 2008, provide the following description of a land bank: "A land bank is a governmental or nongovernmental entity established, at least in part, to assemble, temporarily manage, and dispose of vacant land for the purpose of stabilizing neighborhoods and encouraging re-use or redevelopment of urban property. For purposes of the NSP program, a land bank will operate in a specific, defined geographic area. It will purchase properties that have been abandoned or foreclosed upon and maintain, assemble, facilitate redevelopment of, market, and dispose of the land-banked properties. If the land bank is a governmental entity, it may also maintain abandoned or foreclosed property that it does not own, provided it charges the owner of the property the full cost of the service or places a lien on the property for the full cost of the service."

With respect to the 10-year provision, the HUD regulations state the following: "An NSP-assisted property may not be held in a land bank for more than 10 years without obligating the property for a specific, eligible redevelopment of that property in accordance with NSP requirements."

* Further, the ARRA amended section 2301(c)(3)(C) of HERA to read, "establish and operate land banks for homes and residential properties that have been foreclosed upon." This expanded statutory language will allow land banks to use NSP funds for operating costs associated with the land bank as well as allowing land banks to use NSP funds to purchase and maintain residential properties.

Land-Banking Basics

A land bank is not the same as a land trust, in which property may be held in perpetuity for a community purpose such as conservation or affordable housing. It is more like a bank into which one deposits valuables until they are needed.

Land banking is useful because markets for land rarely, if ever, operate with market efficiency. By definition, a parcel of land is a commodity fixed in location and hence not interchangeable with similar products. As a result, when supply and demand fluctuate, land prices and consumption do not adapt as they would for other products.

In the current economic climate, with demand for housing and new development receding, some previously strong and vibrant neighborhoods are being severely stressed. Land banking can allow regions, states, and municipalities to remove abandoned properties from the market and either convert them into new, productive uses or hold them in reserve for long-term strategic planning. The idea is not to replace or supplant either the open market or land-use planning but to step in when there is a failure of market demand, acquiring abandoned inventory and making it available for other land-use planning.

First proposed as a form of urban planning in the 1960s, the concept has taken root in several metropolitan communities in the last 25 years. As with other new approaches to land use and planning, some efforts have been more successful than others. But all land-banking initiatives share the ability to address inefficiencies in real estate markets and the potential to bring together federal, state, and local policies to build stronger communities.

Community Goals

Communities that employ land banking do not do so with the idea of holding a large public inventory of land. Their most common goal is to convey properties to not-for-profit entities for the development of affordable housing, including both rental and homeownership programs. The second most common goal is to foster economic redevelopment by conveying properties to for-profit and not-for-profit entities that will create mixed-use developments or mixed-income housing.

Land bank proponents are well aware that simply holding vacant properties achieves little and that getting them reoccupied and returned to the tax rolls expeditiously is critical. There are only two exceptions. The first occurs when there is no market at all for development or reuse and the property must be removed from the market indefinitely (often demolition and environmental clean-up are needed). The second kicks in when there are longer-term strategic purposes, such as future parks and green spaces or affordable housing in a market where gentrification is causing concern.

Strengthening Neighborhoods

During the last quarter of the 20th century, the cities of St. Louis, Cleveland, Louisville, Atlanta, and Flint, Michigan, moved to create public authorities focusing exclusively on land-banking activities. Those cities' land banks emphasize acquiring abandoned tax-delinquent properties and converting them into new, productive uses. For example, the Genesee County Land Bank in Flint acquires an average of 1,000 abandoned properties each year and has been the catalyst for increasing property values by more than $100 million. It has developed hundreds of units of affordable housing, has renovated major commercial buildings, and has remediated more than 1,000 brownfield properties.

Other local governments, whether large industrial cities or small, rural communities, also face property abandonment. Some areas were once paradigms of thriving economic investment and hot real estate markets that now suddenly have large inventories of vacant and foreclosed properties—with the accompanying economic and social costs. Local governments worry that they lack the power to address the new, multijurisdictional challenges or to access the capital necessary for acquiring, managing, and controlling a large number of

Forty years ago, advocates urged land banking's adoption as part of federal housing and urban development policy. The need is greater than ever, and the opportunity is here.

properties. An added concern is the possibility that vacant real estate will attract vandalism and will lower property values and create neighborhood instability.

Fortunately, the new Neighborhood Stabilization Program provides funding that can be used to establish land banks for homes that have been foreclosed upon—and the resources to acquire the homes and rehabilitate or demolish them. Moreover, although the NSP contains an unusually tight time frame (18 months) for spending most of the funding, land banks are exempted and may hold properties for up to 10 years. (See "Land Banks and the Housing and Economic Recovery Act of 2008.")

Similarity to Banks

Land banks serve four functions that are directly analogous to more familiar forms of banking: storing assets; stabilizing secondary markets; holding capital reserves; and operating within a regulatory framework. The biggest difference might be that whereas traditional banking often focuses on national and international markets, land banking specializes in neighborhood and community stability and land-use planning.

Asset Banking

Land banking engages in asset banking by acquiring inventories of real property, primarily from five sources: (1) tax delinquencies and tax foreclosures; (2) excess residential real estate foreclosures; (3) foreclosure of government liens arising from housing and building code violations; (4) direct market purchases; and (5) third parties' "deposits" of properties to be held pending redevelopment. A sixth source is property that has been identified as holding potential for development (over a two- to five-year time horizon) but for which there is no current market demand.

A deposit-based program can permit a governmental or not-for-profit entity to transfer ownership of property to the land bank, reserving the right to "withdraw" the property at any time after paying the land bank for holding costs.

Secondary Markets

Land banking engages in the equivalent of property-market stabilization by creating the functional equivalent of a publicly controlled secondary market. Its ability to acquire inventory when land has no readily available private market lets it address the contraction and expansion of property "liquidity" relative to demand. Regulation of private development is not affected, nor are traditional zoning initiatives and land-use planning.

Capital Reserves

Land banking also can serve the functional equivalent of maintaining "capital reserves." Land-banking programs maintain real property reserves to respond to a community's future strategic needs, such as affordable housing, green space, and the like.

Regulatory Aspects

As part of a public agency, or as a separate public authority, a land-banking program is, and should be, required to exercise its authority consistent with the common good. All real property transactions must fall within clearly stated purposes and priorities on land use. These purposes and priorities are established by state legislatures, by intergovernmental contracts, or by the local governments that create the programs.

Looking Ahead

Land banking has come of age. The time for scaling it up is now, as communities nationwide struggle with the impact of record numbers of foreclosures and as funding is made available for the first time from Washington.

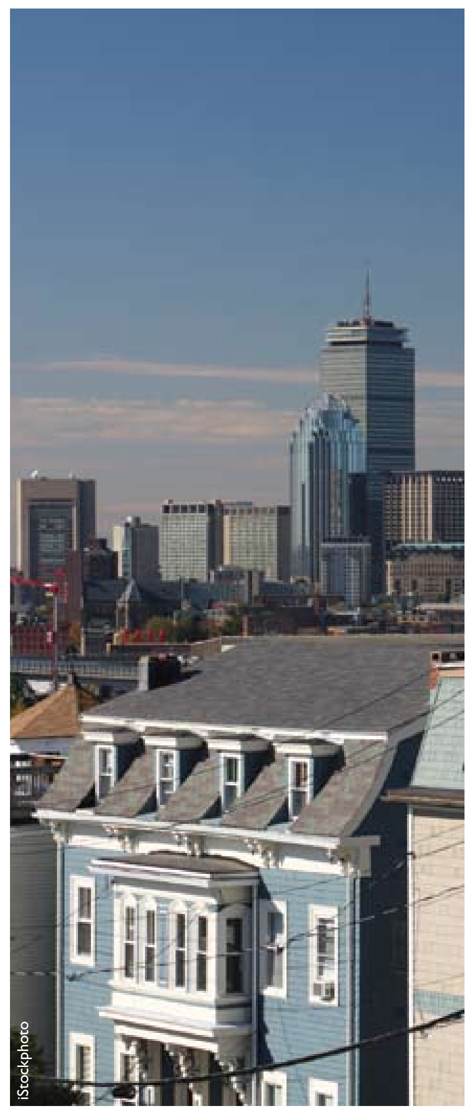
Consider all that land banks can do. They can become a kind of depository institution for surplus lands. They can engage in asset banking and eliminate the danger of abandoned land becoming a liability. By temporarily reducing the supply and returning it to the market only when private demand returns, they can engage in real estate market stabilization when supply suddenly exceeds demand. They can create capital reserves of property pending future development capacity or public need. Finally, they can regulate the short- and long-term use of the surplus properties they acquire, ensuring that they become assets for communities and not liabilities.

Land banking's ultimate objective is to provide a multijurisdictional response to inefficient land markets and to reallocate land for inclusionary, sustainable purposes. Forty years ago, advocates urged its adoption as part of federal housing and urban development policy. The need is greater than ever, and the opportunity is here.

Frank S. Alexander *is a professor of law at Emory University School of Law in Atlanta and director of the Project on Affordable Housing and Community Development.*

Endnote

[1] This article is drawn from Frank S. Alexander, *Land Banking as Metropolitan Policy* (Washington, DC: Brookings Institution, 2008): http://www.brookings.edu/papers/2008/1028_mortgage_crisis_alexander.aspx.



Complete Communities

Green Space and Affordable Housing

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Enthusiasm for living in "complete" communities is growing, with more people seeking denser, walkable neighborhoods that have a range of conveniences nearby. Many Americans want spaciousness, too. One way of achieving density without inducing claustrophobia is through the creative use of natural greenery. In suburbs, that means backyards. In the city, it means parks. Complete communities also entail multiple transportation opportunities and enough housing types for a diverse population.

When it all comes together, it's magical. However, single-issue advocates sometimes find themselves at loggerheads. Parks and affordable housing proponents, in particular, have trouble finding common goals or even a common language. When space is at a premium, what is more important? But if neither constituency has enough clout to get what it wants, together they may.

In September 2007, under a grant from the Home Depot Foundation, The Trust for Public Land's Center for City Park Excellence tested that notion. It gathered 22 experts in housing, parks, urban development, and planning to dissect and discuss the issues.[1] Although the participants agreed that there were Herculean challenges to collaboration, they dug deeply and found many theoretical opportunities for collaboration.

California

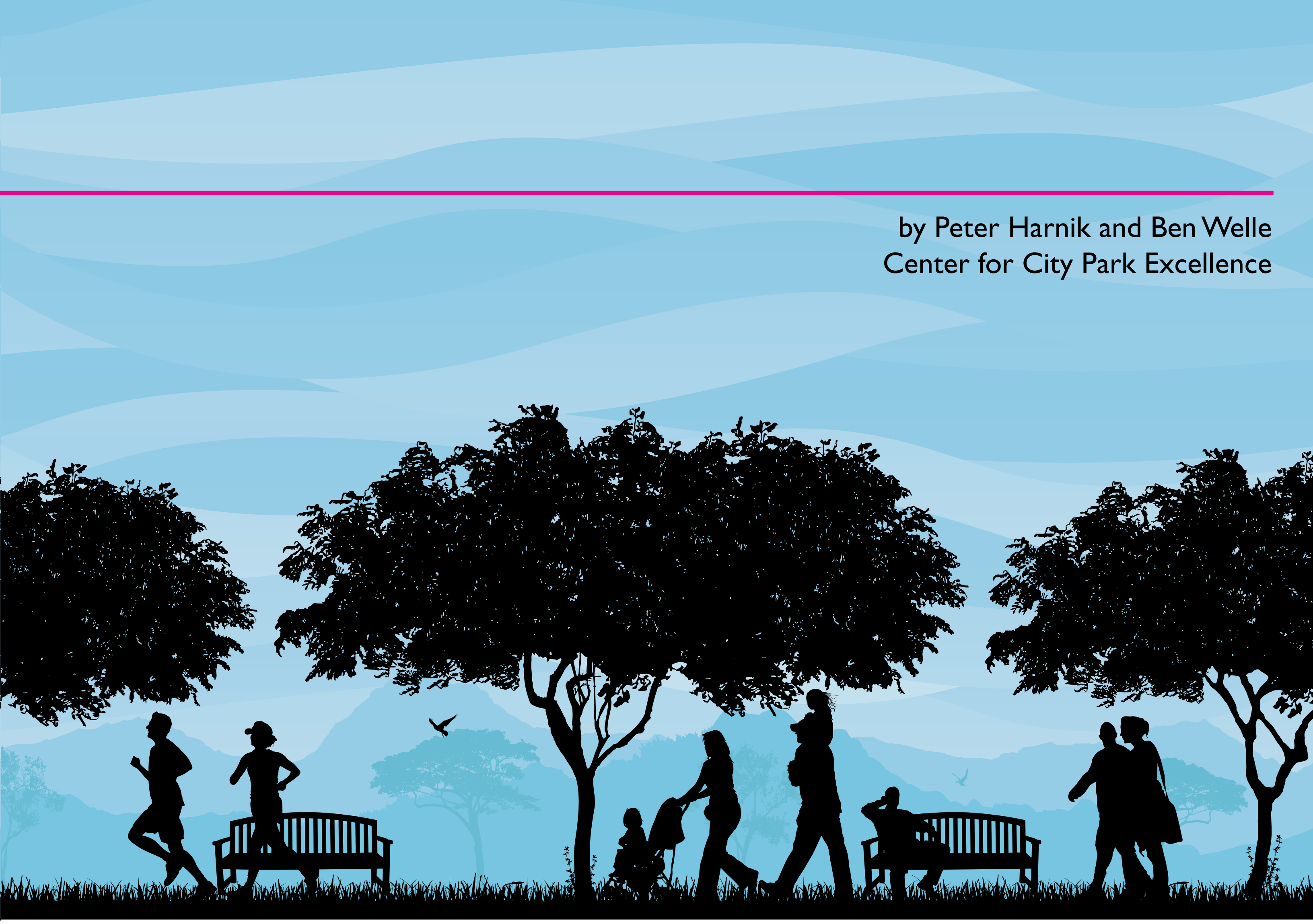
Follow-up research reveals that several localities have already instituted successful cross-functional programs. California is one. Although requiring affordable units has proven controversial, California has had some success giving communities incentives. The state's Workforce Housing Rewards Program offers incentives such as park money. Sacramento, for one, has constructed enough low-cost housing since 2002 to generate rewards of $6.7 million from the state and has programmed about $2.6 million toward park-related projects. In a neighborhood where 300 new mixed-income housing units substantially increased the population, the city acquired and cleaned up a one-acre brownfield for a new plaza.

"We're using the Workforce Housing Rewards money to put amenities in place," says Desmond Parrington, Sacramento's urban infill coordinator. "We've invested in this park to provide for all of the new development in that area, including both affordable and market-rate housing."

In 2007 Californians strengthened the effort with a ballot measure. Under the straightforward name The Housing Related Park Program, the state offers communities cash for creating and renewing parks in return for building affordable housing. The $200-million program runs for six years and could be profoundly influential for those seeking to make affordable housing more attractive to mayors and neighbors.

Minnesota

Minnesota's Livable Communities Act, passed in 1995, similarly tries to foster both affordable housing and breathing space. The concept is far from universally accepted, but of 472 Livable Communities grants made in the Twin Cities over the first 10 years,



by Peter Harnik and Ben Welle
Center for City Park Excellence

24 were for projects that had both components. Most notable was the Wacouta Commons redevelopment in downtown St. Paul, which turned a barren neighborhood of parking lots and gap-tooth buildings into a vibrant community with mixed-income, multistory housing built around a new two-acre park. St. Paul and Minneapolis still need more affordable housing, but according to the recently retired manager, Jan Gustafson, the program "has given cities a chance to show that these kinds of developments can work."

New England

In Massachusetts, the Community Preservation Act of 2000 allows towns to tax themselves to participate in a state fund. A minimum of 10 percent of the annual revenues of the fund must be used across three core community concerns: acquisition and preservation of open space; creation and support of affordable housing; and acquisition and preservation of historic buildings and landscapes. Thus far, more than one-third of the state's jurisdictions have voted to participate. Through 2007, more than $100 million in Community Preservation funds were spent on affordable housing, $142 million on open space preservation, $38 million on recreation facilities, and $91 million on historic preservation.

Significantly, in the run-up to the act's passage, extensive political polling revealed that neither the conservation community nor the housing community alone had sufficient strength to pass a one-dimensional measure. Only by combining the passionate support of two separate constituencies were proponents able to prevail.

Vermont, meanwhile, has united separate missions in one agency, the Vermont Housing and Conservation Board. The board invests in both the preservation of rural natural land and the provision of urban affordable housing. In 20 years it has produced 8,700 permanently affordable homes and 250,000 acres of recreation and natural areas.

Good Ideas from Cities

Some cities are thinking comprehensively, too. In Oregon, the Portland Development Commission (PDC) has provided nearly 92 acres of new and renovated parks in the past quarter-century. Most famous are the four parks of the new Pearl District. The Pearl is a dense, upscale neighborhood built on a former rail yard. PDC built 1,700 low-income housing units there and spent $23 million renovating one park and creating three others. The combination of affordable housing and parks explains the unusual number of children in the Pearl—almost unique among urban infill neighborhoods nationwide. PDC pays for the parks with tax-increment financing, a mechanism whereby new taxes generated in a specific neighborhood are channeled for a period of time not to the city's general fund but to localized infrastructure improvements. Also, the commission is required to set aside 30 percent of tax-increment revenue for affordable housing.

"Keeping the park clean has been important in bringing residents together. People may not always agree with affordable housing, but they usually support better open spaces — and we can use this as a source of common ground."

Denver has seen the private sector create similar results. On the site of an old amusement park, New York-based Jonathan Rose Companies set a goal of creating a housing development with sale, rental, market-rate, and affordable options. Opened in stages between 2002 and 2007, Highlands Garden Village has a central neighborhood park and community gardens. The green spaces, which the Rose Companies own and maintain, are open to the public.

Similar expansion of mission and vision is happening at the grassroots level. Boston's Allston Brighton Community Development Corporation (ABCDC) began in 1980 as an affordable housing group, but its leaders soon realized that nearby trash-strewn parks were harming its mission. The corporation has since adopted 10-acre Ringer Park, the area's main green space, where it organizes clean-ups and varied programming.

"Keeping the park clean has been important in bringing residents together," says Kate Jordan, ABCDC's open space organizer. "Plus it defuses our role as an affordable housing developer. People may not always agree with affordable housing, but they usually support better open spaces—and we can use this as a source of common ground." ABCDC also led the effort to create an open space master plan for the area.

A group in Lincoln, Nebraska, is taking a similar tack. Working in historic Antelope Valley, where only 14 percent of residents own their homes, NeighborWorks Lincoln is simultaneously investing in a 24-unit mixed-income development and the expansion of eight-acre Trago Park. The housing is financed through affordable housing tax credits, city support, and loans; the park is a joint effort with the city. NeighborWorks paid for a community organizer and donated $30,000 in capital funds. Executive Director Michael Snodgrass says the improved park is expected to attract and retain residents and is key to achieving additional investment. "Families want to be next to parks, especially when yard space is limited," he notes. "But for the park, I don't think we'd be in this neighborhood."

Strength in Numbers

Perhaps most exciting, collaboration between housing and parks advocates can yield a result greater than the sum of its parts. Back in 1994, following Myron Orfield's detailed research in Portland, Oregon, the University of Minnesota professor warned the city about its apparently negative economic and housing trends.

Concerned about losing their status as "smart growth capital" of the United States, local leaders formed the Coalition for a Livable Future. Today it comprises more than 90 organizations spanning the urban spectrum and has scored impressive results—for example, playing a major role in passage of a $227-million regional parks referendum and increasing funding for affordable housing. The Coalition successfully advocated for the fair distribution of the Portland Development Commission's tax increment financing revenue, with parks advocates taking the unusual position of agreeing to a 30 percent set-aside for affordable housing. According to Michael Houck, executive director of the Urban Greenspaces Institute and one of the coalition's founders, without the coalition a fight would have ensued between parks and housing advocates.

"It's been a very powerful movement that's led to a tight connection between the 'greens' and the 'housers,' " concludes Houck.

Forming and maintaining tight connection is not easy. But it's what will make cities great places to live, with the housing and parks gears cranking in sync. And it is not a moment too soon, as the country contemplates how to absorb 100 million more persons in the next 40 years.

Peter Harnik *is director and* **Ben Welle** *is assistant director of the Center for City Park Excellence in Washington, DC.*

Endnote

[1] A longer report, "Livable, Affordable and Diverse: How Parks Can Promote and Mitigate Increased Urban Density," is available from the Center for City Park Excellence in Washington, DC. E-mail ben.welle@TPL.org or call (202) 543-7552.

Ringer Park baseball field and playground, maintained by Allston-Brighton Community Development Corporation. Photographs: Caroline Ellis

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by Mark Rukavina
The Access Project

The Financial Burden of Health Care


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Escalating medical costs are threatening the nation's financial well-being and its health. With insurance premiums increasing 78 percent between 2001 and 2007 and wages by only 19 percent, American workers have felt the pinch. Few workers or their employers have been able to absorb premium increases comfortably, and for many people, coverage has been priced beyond reach.

Nearly 46 million Americans have no health insurance. The percentage of Americans who buy their health insurance through their employer has declined in recent years, and those who do buy it struggle with the cost. The average worker purchasing family coverage through an employer has experienced a doubling of the premium paid (from $1,620 in 2000 to $3,281 in 2007). Not only have costs increased, but coverage has been reduced. As strapped employers raise the amount that workers contribute to premiums, office visit co-payments, deductibles, and fees paid for prescription drugs have all gone up.[1]

Uninsured Adults Are More Likely To Be Paying Off Medical Debt
Adults ages 19 to 64 paying off medical debt over time

		Total	Insured all year	Uninsured anytime in past year	
				Insured now	Uninsured now
Percent with medical debt or bills being paid off over time?		28%	24%	39%	35%
How much are the medical bills that are being paid off over time?	under $2,000	51%	57%	46%	38%
	$2,000-$3,999	21%	20%	25%	22%
	$4,000-$7,999	12%	11%	11%	14%
	$8,000 or more	12%	9%	13%	20%
Was this for care received in the past year or earlier?	Past year	54%	57%	53%	43%
	Earlier year	37%	35%	37%	44%
	Both	8%	7%	9%	12%

Source: The Commonwealth Fund Biennial Health Insurance Survey (2007)

High health-care costs devour family budgets. In 2004, an estimated 45 million Americans lived in households that spent more than 10 percent of total income on health insurance premiums and out-of-pocket expenses. This was an increase of nearly six million individuals from 2001.[2] And in 2008, an estimated 72 million Americans reported that they were struggling to pay their medical bills or had medical debt that they were unable to pay.[3]

Medical Debt

Medical debt is personal debt or money owed for medical services or medical products. It may be owed directly to a health-care provider, to an agent of the provider, or to another source, such as a credit card company or other lender. For the past eight years, the issue of medical debt—a problem largely invisible to policymakers—has been documented and studied by a national organization called The Access Project.[4]

In 2000, this nonprofit group conducted a study with two dozen groups in dozens of communities across 18 states and found that nearly half of the uninsured had unpaid medical bills or debts to local health-care providers.[5] Since then, national data have been collected revealing how widespread medical debt has become.

More than one in four American adults under the age of 65 (28 percent, or 49 million people) have a medical bill or medical debt that is being paid off over time.[6] Although medical debt is most common among people without health insurance, the extent of the problem is broader. (See "Uninsured Adults Are More Likely To Be Paying Off Medical Debt.")

Twenty-four percent of Americans buying health insurance still incur debt—a serious public policy challenge. Even in Massachusetts, where health-insurance reform has successfully expanded coverage for hundreds of thousand residents, the financial burden is far from eliminated. The percentage of Massachusetts residents with medical debt is lower than seen nationwide, but a 2008 study showed that nearly one in five residents was trying to catch up on medical bills, and more than one in 10 adults did not receive needed care because they thought the costs were too high.[7]

Medical debt is a barrier to care. Privately insured adults with medical debt demonstrate nearly the same care-seeking behavior of the uninsured. Compared with those having insurance and no medical debt, they are more likely to skip a test or treatment, postpone care, or decide not to fill a prescription.[8]

Medical debt threatens other basic needs, too. In 2007, when an estimated 28 million American adults used up all their savings trying to pay off medical bills, nearly one-third of those with medical debt were unable to pay for food, rent, or heat, and a small percentage took out a mortgage or loan against their home to pay medical bills. Moreover, those with medical debt are often contacted by collection agencies, carry higher outstanding balances on credit cards, experience housing problems, and have difficulty accessing loans or credit.[9] Researchers examining personal bankruptcy filings have cited medical causes (loss of income and/or medical debt resulting from a medical incident) for nearly half of the filers.[10]

Debt Resolution Program

Several years ago, The Access Project developed the Medical Debt Resolution Program to assist people in resolving unpaid medical bills. The protocol involves giving people critical information and a framework for assessing whether relief from medical debt might be provided through private insurance, public programs, a health-care provider's charity care, or another form of assistance.

The program has proven very effective. Hundreds of people have been assisted and millions of dollars in medical debt have been resolved through payments from private insurance and public programs, provider discounts, and renegotiation of the outstanding balance payment terms into something more realistic. Recently, the number of people reaching out for help has climbed dramatically, providing a window into underinsured patients' current challenges—including handling the stress of potential economic ruin while trying to recover from an illness.

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Credit Reporting

Many Access Project clients have pulled their credit reports and found that medical bills are damaging their credit. One study on consumer debt and credit reporting published by the Federal Reserve found that more than one-half (52 percent) of collection actions are associated with medical bills.[11] Unsurprisingly, accounts in collection have a detrimental effect on credit scores. Once a health-care provider transfers bills to a collection agency, that agency is likely to report the account to the credit bureaus. Even after accounts have been paid off in full, the black mark can linger for seven years, lowering credit scores and increasing the consumer's cost of credit.

Consumer Protection

Consumers should not be punished for medical bills that, unlike many other forms of debt, are incurred involuntarily. What can be done? The new administration is considering health-care reform at the national level, and there may be an expansion of comprehensive insurance coverage that provides protections from financial ruin for Americans experiencing serious illness.

In the meantime, state and national regulators could take other steps to provide relief. For example, regulators could call on health-care providers to enact a credit-reporting holiday, during which providers and their collection agents would be banned from routinely reporting accounts to credit bureaus. Massachusetts Attorney General Martha Coakley's Community Benefit Guidelines for nonprofit, acute-care hospitals provide another approach. The guidelines will take effect in October 2009 and advise hospitals not to "report a patient's medical debt to a credit-reporting agency unless specifically approved by the hospital's board of directors."[12] A few health-care providers have voluntarily adopted such policies without significant financial cost. Other steps might include more effective regulation of health insurance products; and having providers screen patients for eligibility in public or private financial assistance programs.

America faces a health-care crisis in the midst of a credit crisis, and protections are needed for millions of struggling families. Regulators could help by acting to ensure that these families are not further compromised when facing simultaneous medical and economic challenges.

Mark Rukavina *is the executive director of the Boston-based Access Project, a resource center for communities working to improve health and health-care access.*

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by Antoniya Owens

New England Immigrants and the Labor Market

In recent years, New England has seen many people leave the region for other parts of the country. Birth rates have been lower than for the nation, and few residents of other states have moved in. Fortunately, population tallies have been kept from declining overall by growing numbers of immigrants. The new arrivals are playing an increasingly important role in New England's labor force.

To aide policymakers in assessing immigrants' contributions to New England's economy and society, a November 2008 research report from the New England Public Policy Center provides a comprehensive overview of the size, composition, and characteristics of the foreign-born population.[1] The report's findings on the labor market behavior of New England's immigrants are of particular interest.

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Labor-Force Participation and Unemployment

With an age structure heavily skewed towards working-age years, the region's growing immigrant population has become its key source of labor supply. During the 1990s, their numbers in the civilian labor force grew by 181,000, while the numbers of natives declined by 1,700. Thus foreign-born workers were responsible for the entire net growth of the region's labor force in that decade. Between 2000 and 2006, New England's outflow of native workers reversed, but immigrants still continued to account for the majority—58 percent—of labor-force growth during that period. (See "Labor-Force Growth.") The impact of immigrants on the labor force depends not only on the number of working-age foreign-born individuals, but also on their labor-force participation rate—the share of people in a certain population who are either employed or unemployed and actively seeking work. In 2006, immigrants and natives aged 25 and over had virtually equal rates of labor-force participation in New England. (See "Labor-Force Participation Rates of Immigrants and Natives in New England, 2006.")

This apparent equality masks significant variations across gender, especially among immigrants. Immigrant men are significantly more likely than immigrant women to participate in the labor force—79 percent of them do, compared with 60 percent of their female counterparts.

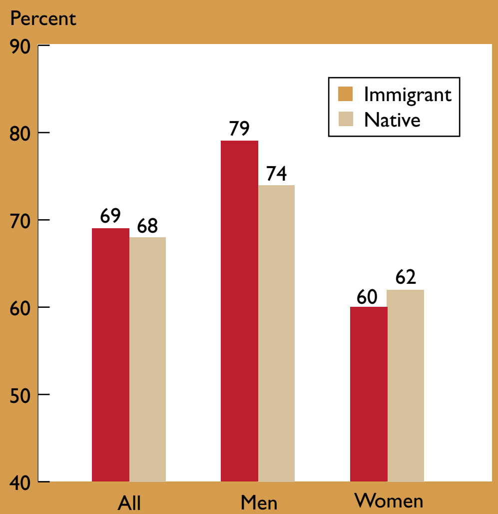
The labor-force participation rates of immigrant men are also significantly higher than those of native men, whereas immigrant women are *less* likely than native women to be employed or seeking work. These discrepancies likely result from both cultural and demographic conditions. Foreign-born men who migrate in search of employment are likely to actively seek work once they are in the country. The women who accompany them, however, often do not. Potential

Labor-Force Growth
Civilian labor force members aged 16 and over

	1990–2000		2000–2006	
	New England	United States	New England	United States
Labor force growth:				
Native	-1,700	8,716,500	183,400	7,231,300
Immigrant	181,000	5,726,500	253,900	6,295,000
Total	179,300	14,443,000	438,600	13,546,100
Immigrants' share of net growth (percent)	101	40	58	46

Sources: 1990 and 2000 Public Use Microdata, Census of Population and Housing; 2006 American Community Survey.

Labor-Force Participation Rates of Immigrants and Natives in New England, 2006
(population aged 25 and over)



Source: Public Use Microdata, 2006 American Community Survey.
Notes: The labor force participation rate is defined as the percent of the population aged 25 and over that is in the civilian labor force.

explanations for the lower labor-force participation of immigrant women, especially from developing or highly religious countries, include low educational attainment, high child-bearing rates, and religious and cultural views that emphasize women's primary roles as wives and mothers.

Immigrants' attachment to the labor force is strongly correlated with their education and English proficiency. In New England, 78 percent of immigrants with graduate degrees participate in the labor force, compared with only 54 percent of immigrant high school dropouts. The differences by English proficiency are smaller, with 72 percent of immigrants proficient in English participating in the labor force, compared with 66 percent of those with limited English skills. (See "Immigrants' Labor-Force Participation Rates.")

When they do participate in the labor force, the region's immigrants are somewhat less successful at finding jobs than native workers. The higher unemployment rate among immigrants, however, is entirely driven by the labor-market performance of immigrant women. Their unemployment rate exceeds that of native women by more than one percentage point, as their lower education levels and English skills impede their ability to compete for employment. (See "Unemployment Rates of Immigrants and Natives in New England, 2006," page 15.)

Industries

The largest shares of both native and foreign-born workers in New England are employed in manufacturing, health services, and professional and business services. (See "Employment of Immigrants and Natives by Industry in New England.") Forty-four percent of New England's immigrants and 38 percent of its natives work in these three sectors. At the same time, immigrants in the region are more likely than natives to work in manufacturing; accommodation and food services; construction; and other services, including personal services like dry cleaning, barber shops, and nail salons. In fact, although immigrants comprise 14 percent of all civilian employees, they account for 19 percent of manufacturing employment and 31 percent of employment in accommodation and food services.

In contrast, native workers are more likely to be employed in industries like financial services, retail trade, information- and data-related services, and educational services. In fact, natives are almost 60 percent more likely to work in educational services. Most teaching jobs, especially in elementary and secondary schools, require English proficiency and familiarity with cultural and social customs, which immigrant workers often lack.

Occupations

Differences between immigrants' and natives' employment choices are especially apparent at the occupation level, often within the same industry. The occupational breakdown of New England's immigrants largely reflects the bimodal distribution of their educational attainment: a higher share of immigrants lack a high school diploma compared with natives, and yet a higher share hold a graduate degree as well. Thus, immigrants are more likely than natives to hold highly skilled professional occupations that require graduate training, but they are also more likely to be employed in low-skilled and low-paid positions. Within the health-care and social assistance industry,

Immigrants' Labor-Force Participation Rates
Percent of population aged 25 and over that is in the civilian labor force

	New England	United States
Educational attainment:		
Less than high school	53.6	59.1
High school degree	69.6	68.3
Some college	75.9	72.2
College degree	74.7	74.5
Advanced degree	77.9	78.9
English proficiency:		
Speaks English only or speaks it very well	71.5	72.3
Speaks English less than very well or not at all	66.0	64.6

Source: Public Use Microdata, 2006 American Community Survey.

Population tallies have been kept from declining overall by growing numbers of immigrants. The new arrivals are playing an increasingly important role in New England's labor force.

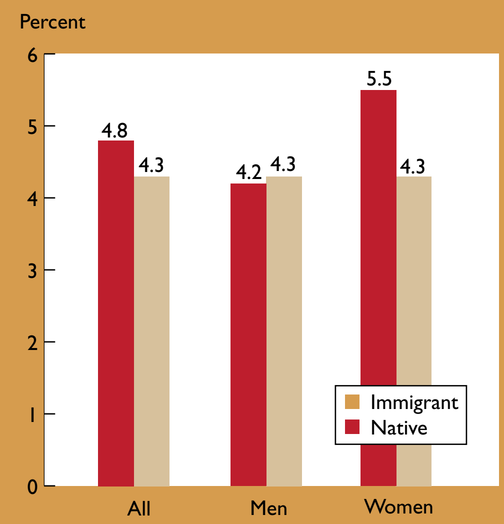
for example, immigrants are twice as likely as native workers to be employed as physicians and surgeons and, at the same time, twice as likely to work as home health aides.

A closer examination of the most popular occupations among immigrants and natives highlights this point. The occupations that immigrants are most likely to hold are primarily a collection of very low-skilled jobs (housekeepers, janitors, health aides) and very highly skilled positions (software engineers, college professors), with hardly any medium-skilled occupations in between. In contrast, natives are more likely to work as administrative professionals, registered nurses, elementary school teachers, accountants, and other jobs that span more skill and education levels and provide a more certain path to the middle class.

Median Earnings

The larger concentration of immigrants in low-skilled industries and occupations is in turn reflected in their lower earnings relative to native workers. In New England, the median annual earnings of both male and female immigrant workers are only 80 percent as high as those of their native counterparts. (See "Median Annual Earnings, 2006.")

Unemployment Rates of Immigrants and Natives in New England, 2006
(population aged 25 and over)



Source: Public Use Microdata, 2006 American Community Survey.

Employment of Immigrants and Natives by Industry in New England
Percent of civilian employed population aged 16 years and over

	Immigrants	Natives
Manufacturing	16.6	11.9
Health care and social assistance	15.2	14.7
Professional and business services	12.0	11.0
Accommodation and food services	9.8	3.5
Retail trade	8.3	10.0
Construction	7.8	7.4
Financial activities	7.1	8.9
Educational services	6.8	10.7
Other services	6.0	4.1
Transportation and utilities	3.1	4.2
Wholesale trade	2.1	3.4
Government	2.0	4.8
Information	1.8	2.9
Arts, entertainment, and recreation	1.2	1.8
Agriculture, natural resources, & mining	0.3	0.8

Source: Public Use Microdata, 2006 American Community Survey.

The relative earnings of immigrants and natives vary widely within the region, however. In southern New England, immigrant male workers are substantially less well paid than native males. In Connecticut and Massachusetts, immigrant men earn only three-quarters of natives' median pay; in Rhode Island, this ratio is even lower, at two-thirds. That is consistent with the nation as a whole, where immigrant men earn 70 cents for every dollar earned by a native male worker. In the three northern New England states, by contrast, immigrant male workers earn on a par with or slightly higher than native men, This parity in wages likely reflects their stronger educational backgrounds as well as their longer tenures in the United States and their national origins. More than one-fifth of immigrants in northern New England hail from Canada and benefit from stronger cultural and economic ties and lower language barriers than their immigrant counterparts in the region's three southern states.

Similar intraregional earning patterns persist for female workers, albeit to a lesser degree. In southern New England, female immigrants are paid substantially less than female native workers. In the northern states, they still earn less than female natives, but the gap is much smaller.

• • •

New England has an interest in fostering immigrants' economic potential and long-term commitment to the region. Large numbers of well-trained working-age immigrants can replenish the regional workforce and can fill the increasingly specialized positions offered by local employers, including those vacated by retiring baby boomers. In doing so, foreign-born workers also help expand the tax base needed to support the growing elderly population. The cultural, linguistic, and economic connections that some immigrants maintain with their homelands has the added potential to give the region an edge in the global economy.

Antoniya Owens, *a graduate student at the Harvard Kennedy School, conducted this research in 2008 as a research associate at the Federal Reserve Bank of Boston.*

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Large numbers of well-trained working-age immigrants can replenish the regional workforce and can fill the increasingly specialized positions offered by local employers, including those vacated by retiring baby boomers.

Median Annual Earnings, 2006
Employees aged 16 years and over, with earnings, employed full-time and year-round

	Male immigrants	Male natives	Ratio of immigrant to native earnings	Female immigrants	Female natives	Ratio of immigrant to native earnings
Connecticut	41,269	55,458	0.74	36,173	42,483	0.85
Maine	41,274	40,086	1.03	28,126	30,433	0.92
Massachusetts	41,406	54,339	0.76	31,670	41,411	0.76
New Hampshire	48,163	48,259	1.00	29,387	35,022	0.84
Rhode Island	32,805	48,847	0.67	25,637	36,797	0.70
Vermont	42,114	40,030	1.05	27,983	31,867	0.88
New England	40,635	50,794	0.80	32,000	39,619	0.81
United States	31,749	45,252	0.70	28,085	33,573	0.84

Source: 2006 American Community Survey.

Endnote

[1] Antoniya Owens, "Profile of New England's Immigrants" (New England Public Policy Center Research Report no. 08-2, Federal Reserve Bank of Boston, November 2008), http://www.bos.frb.org/economic/neppc/researchreports/2008/rr0802.htm.

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by Olivier André

Dispute Resolution

The Use of Arbitration in the Credit Card Industry


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The fine print in most credit card agreements states that any dispute with a credit card issuer has to be resolved through arbitration.

Arbitration is a dispute-resolution mechanism that enables parties to resolve their disputes out of court. Instead of having a judge adjudicate disputes, the parties may put in their contract a process for appointing an arbitrator—or choose a neutral arbitrator or arbitration panel. By making stipulations in their contract, the parties choose both substantive and procedural rules, decide where the arbitration will take place, and who will pay the fees and expenses. An arbitral decision, unlike a judicial decision, is final and binding upon the parties. The grounds for appeal to the courts are limited, and a judge may vacate or modify the award on only the narrowest grounds.

Growing Popularity

For many years after 1925, when Congress enacted the Federal Arbitration Act (FAA), arbitration was used primarily by businesses—to resolve maritime, international trade, labor, and securities disputes. In the past 10 years, though, mandatory arbitration clauses began appearing in many consumer contracts, notably in the financial and credit card industry. By 2004, more than 69 percent of financial consumer contracts, including credit card contracts, had arbitration clauses.[1] In a study that included mostly credit and financial-services industries, 76 percent of the contracts contained arbitration clauses in 2008.[2]

Challenges for Consumers

According to card issuers, arbitration is cheaper, faster, and more efficient to resolve disputes than traditional litigation. According to advocates, however, consumers unwittingly give up their constitutional right to a trial and are forced to sign contracts featuring mandatory arbitration if they want a card.

Critics believe that arbitration favors the card issuers, in part because arbitrators are usually hired by the issuers through independent companies such as the National Arbitration Forum (NAF) and the American Arbitration Association (AAA). Consumer advocates argue that arbitrators may have an incentive to rule in favor of the issuers—and continue to be hired.

Another challenge has to do with confidentiality, a cornerstone of arbitration. Arbitrators do not have to publish their decisions and have been reluctant to provide information regarding the outcome of cases. For consumers, that translates into lack of access to empirical data and greater difficulty proving their allegations.

A consumer group called Public Citizen (www.citizen.org) recently analyzed data pertaining to 34,000 arbitration cases conducted by NAF in California between 2003 and 2007.[3] The results show that consumers lost cases 94 percent of the time. Public

Citizen points to the fact that 90 percent of the cases were handled by just 28 arbitrators, usually corporate attorneys. One attorney handled 68 cases in one day, an average of one case every seven minutes, assuming an eight-hour day.

Differing Viewpoints

The Institute for Legal Reform (ILR), a business organization, refutes the allegations of bias. It analyzed the same data as Public Citizen shortly thereafter and reached a different result.[4] ILR concluded that consumers lost only 68 percent of the cases, an outcome identical to cases that go to court and suggesting that arbitrators, like impartial judges, neutrally apply the law to the facts. The divergent readings of the data resulted from different methodologies. ILR counted all dismissed cases as victories for the consumers whereas Public Citizen considered only decisions adjudicated on the merits by arbitrators.

Credit card issuers maintain that arbitration enables borrowers and lenders to resolve their disputes at greatly reduced cost, that a faster, simplified process means lower attorney fees, and that the limitations on discovery rules can result in savings for both parties.[5] Issuers contend that the savings ultimately benefit all borrowers because lenders often pass on the cost savings to customers.

Advocacy groups counter that arbitration is more expensive for consumers. First, arbitrators' fees are high, and they are paid by the hour. Second, arbitration does not eliminate litigation costs when a consumer, unaware of having signed an arbitration agreement, asks a court to declare the agreement unenforceable. Third, it is costly for losing parties to get a court to review arbitral awards. Finally, most arbitration agreements provide that the parties will divide the expenses of arbitration equally, which many consumers cannot afford.

Consumer advocates also argue that consumers do not realize that they are giving up their constitutional right to a court trial when signing credit card agreements. Even if they wanted to, they could not negotiate the exclusion of arbitration from the boilerplate contracts drafted by the five dominant credit card issuers.[6] Advocates also wonder why, if companies think arbitration is a better way to resolve disputes, they do not choose it when dealing with other companies. According to one study, arbitration is used in 69.2 percent of financial contracts between companies and consumers but in fewer than 10 percent of the same companies' contracts with businesses.[7]

In fact, some advocates argue that increased cardholder litigation in the 1990s is the real reason behind issuers' preference for consumer arbitration. It also could explain why so many consumer arbitration agreements contain class arbitration waivers preventing class actions.

Reacting to consumer concerns, several members of Congress have introduced bills which, for the most part, aim at prohibiting "predispute" arbitration clauses in several industries. For instance, the Fairness in Nursing Home Arbitration Act of 2008 would, if passed, invalidate any predispute agreement between a long-term care facility and a resident. The Automobile Arbitration Fairness Act of 2008 would prohibit arbitration agreements in a motor vehicle consumer sale or lease unless the parties agree to arbitration after a dispute arises.

Consumers need to be aware of arbitration provisions in their contracts and understand what might be the effect of those provisions should a dispute with a credit card company arise.

The Fair Contracts for Growers Act of 2007, if passed, would allow arbitration in livestock and poultry contracts only if the parties agree to arbitration in writing after the dispute arises. The most important bill currently pending, in terms of its implications and its status in the legislative process, is the Arbitration Fairness Act of 2007. This bill would prohibit any predispute agreement for employment, consumer, and franchise disputes, or disputes between parties of "unequal power."[8]

Credit card issuers argue that such bills would significantly impair arbitration. They contend that parties are unlikely to agree to arbitration after a dispute has arisen and that consumers would have to go to court. They hold that dispute resolution would be more difficult and costly for consumers—and that the laws would have negative consequences at the international level.[9]

Looking Ahead

Whatever the outcome of this debate turns out to be, one thing is certain: consumers need to be aware of arbitration provisions in their contracts and understand what might be the effect of those provisions should a dispute with a credit card company arise.

Olivier André, *a student at Northeastern University School of Law (class of 2009), wrote this article during an internship at Federal Reserve Bank of Boston.*

Endnotes

[1] Linda J. Demaine and Deborah R. Hensler, " 'Volunteering' to Arbitrate Through Predispute Arbitration Clauses: The Average Consumer Experience," *Law and Contemporary Problems* 67 (2004): 55, 63-64.

[2] T. Eisenberg, G.P. Miller, E. Sherwin, "Arbitration's Summer Soldiers: An Empirical Study of Arbitration Clauses in Consumer and Nonconsumer Contracts," *University of Michigan Judicial Law Reform* 41 (2008): 871, 890.

[3] California is the only state requiring arbitration providers to disclose arbitration results.

[4] See the analysis at http://www.instituteforlegalreform.com/index.php?option=com_ilr_issues&issue_code=ADR&view=ilr_issue.

[5] But consumer advocates say that less discovery makes it harder to prove a case against a big corporation.

[6] D. Akers, J. Golter, B. Lamm, and M. Solt, "Overview of Recent Developments in the Credit Card Industry," *FDIC Banking Review* 17, no.3 (2005): 25.

[7] T. Eisenberg, G.P. Miller, and E. Sherwin, "Arbitration's Summer Soldiers: An Empirical Study of Arbitration Clauses in Consumer and Nonconsumer Contracts," *University of Michigan Journal of Law Reform* (2007): http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1076968.

[8] None of the aforementioned bills was passed during the 110th Congress, which ended on January 4, 2009. As a result, the bills have been cleared from the books and have not yet been reintroduced by their sponsors at the time of going to press.

[9] The Federal Arbitration Act applies to international arbitration as well as domestic. International arbitration is predominantly used between companies—generally sophisticated parties of equal power who deliberately choose arbitration for dispute resolution. One of the main reasons for companies choosing this approach is that it enables them to avoid the unpredictability of a potentially biased foreign court. Additionally, international arbitral awards can be enforced almost anywhere in the world, thanks to a widely ratified international treaty, whereas there is no international treaty on the recognition of judicial decisions.

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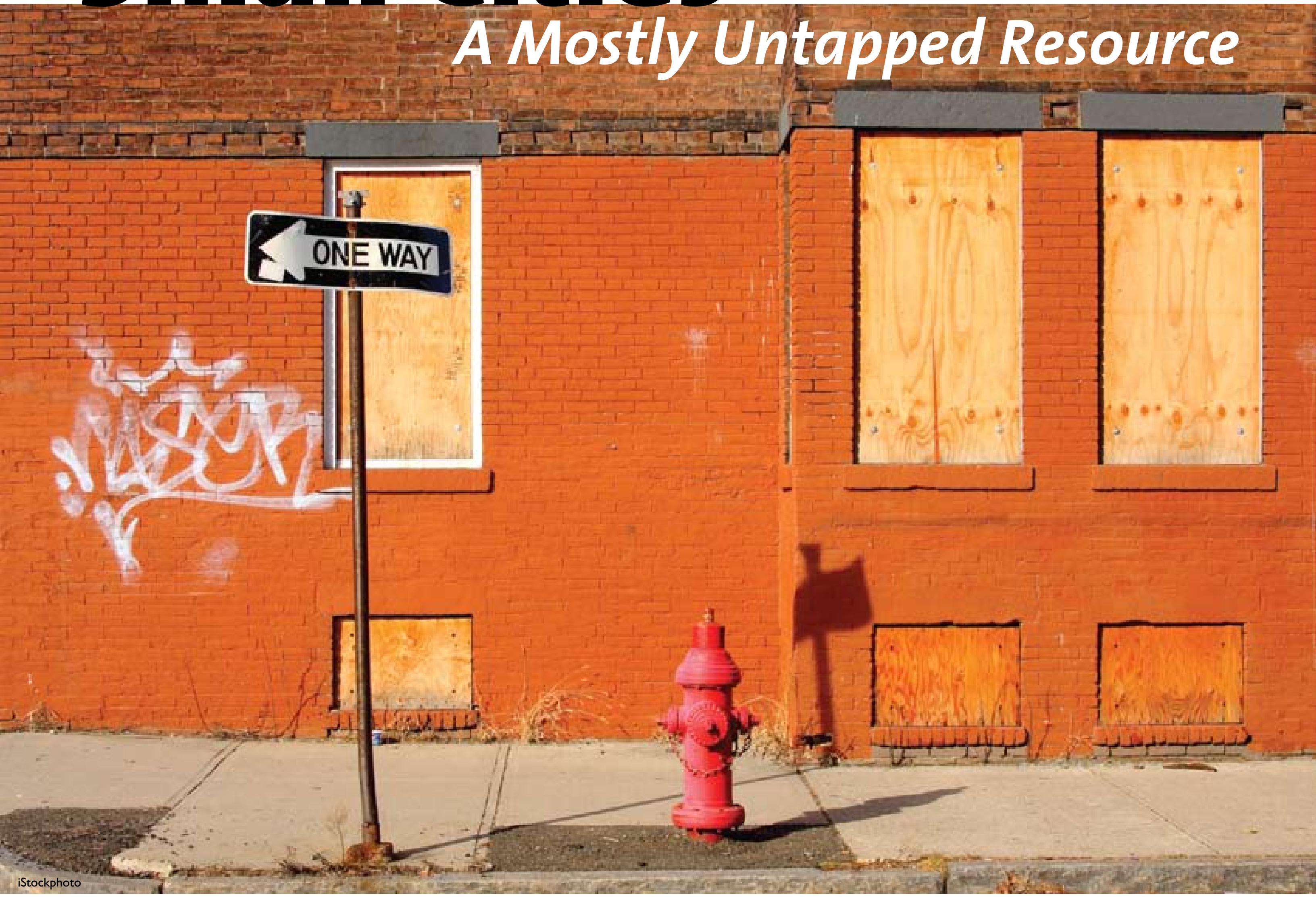
by André Leroux
Massachusetts Smart Growth Alliance

New England's Small Cities

A Mostly Untapped Resource



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When 2008 energy prices spiked and transportation costs surged, many of New England's suburban families began to wonder if they might be better off living someplace where they wouldn't need a car all the time. Many do not realize that not far from their doorsteps are small cities offering highly desirable amenities: walkable neighborhoods, transportation access, a critical mass of stores, restaurants, services, affordable housing opportunities, historic places—all without major-metropolitan congestion or the relative isolation of suburbia.

Downtown New Haven, Connecticut. iStockphoto

Some aspects of small cities need attention and support before many suburbanites tap those amenities. Fortunately, momentum is building among policymakers, advocates, and researchers for new actions to strengthen these cities and all who choose to live in them.

Forgotten Cities

Settled before the advent of the automobile, most small New England cities were once booming industrial centers, dense with population, jobs, shopping, and infrastructure.[1] But in the wake of economic restructuring and deindustrialization, they faced plant closings, job losses, "white flight," weakened civic institutions, and a shrinking property-tax base.

The challenges and possibilities have inspired numerous studies, which characterize these municipalities in a variety of ways. Lorlene Hoyt of MIT, for example, calls them "forgotten cities" and defines them as having a population of at least 5,000 by 1880 (implying a former industrial or commercial base), a population according to the 2000 U.S. Census of between 15,000 and 150,000, and median household income of less than $35,000. (See "The 18 Forgotten Cities in New England.")

Slicing the data another way, the Brookings Institution and MassInc defined 11 "Gateway Cities" in Massachusetts as having populations of at least 35,000, high poverty rates, low educational attainment levels, a strong manufacturing heritage, and a location outside of Greater Boston.[2]

A still different metric was used by Citizens' Housing and Planning Association (CHAPA) and Massachusetts Association of Community Development Corporations (MACDC). CHAPA and MACDC believe that a financial vulnerability is indicated when a city gets more than 35 percent of its municipal budget from state aid, and so they focused on the 21 Massachusetts cities that fit that description.

Regardless of how you define them, small cities in New England generally share several attributes: a manufacturing and mill heritage, resources that are not equal to the big-city challenges they face—and the seeds of opportunity.

Small Cities, Smart Cities

Until the economic slowdown, New England had been losing 1,200 acres of land every week to development. Land-use and tax policies encouraged large-lot development on greenfield (undeveloped) sites along the urban fringe. Today, however, many observers question whether such policies make sense. Why extend sprawling new infrastructure when maintenance of existing infrastructure is already resource-challenged?

While sprawl was continuing in many suburbs, smart-growth developments nationwide were emulating the traditional patterns of small New England cities, with their lively and walkable squares, downtowns, and neighborhoods. Advocates of cities were drawing attention to their human scale, enriched by numerous amenities: railways, rivers, and parks; historic mills, homes, and churches; institutions such as museums, small colleges, and hospitals; diverse populations; and competitive housing and job opportunities.

Fortunately, small cities want to grow and often have the elements others want, including commercial stock and vacant or underutilized housing. With a coordinated regional strategy, they could absorb a greater share of economic growth and allow undeveloped natural areas to remain pristine. Some cites—for example, Burlington, Vermont; Portsmouth, New Hampshire; Portland, Maine; and Lowell, Massachusetts—have successfully begun to diversify their economies by investing in their historic infrastructure and improving their quality of life. Their strategies have included rehabbing mill space for housing and mixed use, attracting anchor institutions, and creating more enjoyable and welcoming environments for residents and entrepreneurs.

Challenges

Unfortunately, most small cities have been unable to capitalize on recent trends.

The 18 "Forgotten Cities" in New England

Connecticut	Bridgeport
	Hartford
	New Britain
	New Haven
	New London
	Waterbury
Maine	Augusta
	Bangor
	Lewiston
Massachusetts	Chelsea
	Fall River
	Holyoke
	Lawrence
	New Bedford
Rhode Island	Pawtucket
	Woonsocket
Vermont	Burlington
	Rutland

One reason is that they have both limited resources and a need for sustained strategic investment in their social and physical infrastructure.

Some of the most significant challenges include struggling public schools, a workforce unprepared for twenty-first century jobs, and the significant loss of young working adults between the ages of 24 and 35. MassInc estimates that the 11 Gateway cities in Massachusetts are home to 15 percent of the state's population but 30 percent of the families who live below the poverty line. These cities have new immigrants, many of whom need special services, English as a Second Language, and adult basic education to integrate them into the local economy.

Additionally, government policy that favors large-lot suburban housing—because it is cheaper and easier than rehab or infill development—undermines small cities' interests. MassInc has found that in Massachusetts economic development dollars have largely bypassed the state's smaller, older cities.[3] Moreover, local regulatory barriers may be deal-breakers for private investment.

An Agenda for Small Cities

Recent research recommendations form an emerging policy agenda for small cities. (See "Concrete Steps in Massachusetts.")

First, improve neighborhoods and urban parks. Safe, clean neighborhoods are more likely to retain residents, and owner-occupancy can promote mutual assistance and stability. Aggressive foreclosure prevention activities can head off new waves of abandonment and prevent tenants from being removed from their homes.

Second, invest in civic life. Although revitalization efforts often seem to be about making communities attractive to look at, they should focus on creating an environment among residents that raises expectations, encourages broad resident participation in public life, and results in more people demanding better services and accountability.

Third, develop transparent municipal systems. States could help by requiring reforms as a prerequisite for state aid.[4]

Fourth, prioritize state infrastructure investments that strengthen smaller industrial cities as opposed to supporting infrastructure sprawl. Agencies need to share information and apply sustainable development criteria.

Fifth, level the development playing field. Smaller cities often have higher development costs as a result of inadequate planning, deferred maintenance, pervasive brownfields, and cumbersome regulations.[5] When those considerations are weighed against weak real estate markets, small cities have an uphill challenge. State policies that promote regulatory reform and expose the hidden long-term costs of greenfield development could help.

Sixth, support education reform and lifelong learning, including English as a Second Language, college for adult learners, day care, after-school programs, and a strong K-12 school system.

Finally, incubate the green economy. Former mill cities could be ideal for industries like green manufacturing, construction, and energy partly because they offer inexpensive start-up space. And wide-scale weatherization could create local jobs while saving millions in aggregated energy costs.

Advocates believe that the benefits to the region as a whole would spread outward if states were to focus more capital spending on small cities, coordinate their activities across agencies, and help local governments modernize management systems and set goals based on the best practices of peer cities. Now is the time to take advantage of the energy, transportation, and climate trends unfolding. An untapped resource is right under our noses.

Concrete Steps in Massachusetts

The University of Massachusetts-Dartmouth organized the Urban Initiative, led by Former Fall River Mayor Ed Lambert, which got the executives of the 11 Gateway Cities to sign a compact pledging cooperation on a statewide agenda for the revitalization of their communities. Legislators, meanwhile, formed a Gateway Cities Caucus to promote relevant legislation, such as an expansion of the state historic tax credit.

CHAPA, MACDC, and the Massachusetts Smart Growth Alliance convened an Innovation and Policy in Smaller Cities event at MIT, at which the state announced its new Gateway Plus Action Grants to support housing and economic development activities in smaller cities. It has awarded a total of $1.35 million to 18 municipalities.

Local organizations such as Nuestras Raices in Holyoke, Lawrence CommunityWorks, Groundwork Lawrence, and the Martin Luther King Jr. Empowerment Center in Worcester, are developing new models of linking residents to wealth-building opportunities and networks of mutual support.

The Pioneer Institute has convened staff and officials from smaller cities across the state to discuss best practices, including the information-management system employed by the City of Somerville, SomerStat.

Other programs include the new Growth District Initiative to expedite residential and commercial development in the Commonwealth; the Pathways out of Poverty grants to support job training in clean energy; Brownfields Support Teams; and the Commonwealth Urban Parks Initiative.

André Leroux *is the executive director of the Massachusetts Smart Growth Alliance, based in Boston. He grew up in Worcester and currently lives in Lawrence.*

Endnotes

[1] Lorlene Hoyt and André Leroux, *Voices from Forgotten Cities: Innovative Revitalization Coalitions in America's Older Small Cities* (Boston: Citizens' Housing and Planning Association and PolicyLink, 2007).

[2] Mark Muro et al., *Reconnecting Massachusetts Gateway Cities: Lessons Learned and an Agenda for Renewal* (Boston and Washington, DC: MassInc and The Brookings Institution, February 2007).

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[4] Jim Stergios, *Rehabbing Urban Development* (Boston: Pioneer Institute, February 2007).

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by Robert Clifford
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Massachusetts Proposition 2½

Simulating Overrides with Low-Income Elderly Exemptions

In 1980, Massachusetts instituted Proposition 2½, a law limiting increases in local property taxes. Nevertheless, municipalities facing revenue shortfalls have repeatedly sought overrides—votes by community residents to approve levy increases higher than 2.5 percent. Of the approximately 1,180 override attempts since 2000, nearly 51 percent have passed.[1]

Now legislation has been introduced to exempt low-income elderly homeowners from property tax increases authorized by overrides. Three criteria must be met: The head of the household must be 65 years of age or older; the total household income must be $60,000 or less; and the ratio of the household's property tax to income (the *property tax burden*) must be 10 percent or greater. In effect, seniors who own their homes and have a fixed or moderate level of income are generally granted an exemption.

To study the implications, the New England Public Policy Center developed a *circuit-breaker* analysis. The analysis was based on publicly available data from the 2006 American Community Survey, published by the U.S. Census Bureau. With its up-to-date demographic and economic data, including total household income and total property taxes paid, the ACS enabled the NEPPC to analyze the number of households that could benefit from the exemption and the potential effect on the property tax burdens of nonexempt households.

A Simulation Tool

The ACS surveys one out of every 100 households. The smallest available geographic regions are Public Use Microdata Areas (PUMAs). Since a PUMA contains a minimum population of 100,000 while preserving the internal political boundaries, any given PUMA may contain more than one municipality. So for purposes of simulating potential override effects, the NEPPC chose three municipalities that lie within their own PUMA—Cambridge, Springfield, and Worcester. (Although these three are not among those that regularly propose or pass overrides, they are useful for demonstrating the simulation tool.)

To understand the simulation results, it is necessary to know the basic economic and demographic profiles of the municipalities. (See "Median Demographic and Economic Profiles of Residents in Owner-Occupied Homes, 2006.")

Median Demographic and Economic Profiles of Residents in Owner-Occupied Households, 2006

	Property tax burden	Property tax	Income	% Households owner-occupied
Massachusetts	4.0%	$3,050	$76,471	64.9%
Cambridge	3.2%	$2,650	$80,495	39.0%
Springfield	3.9%	$2,150	$50,732	51.6%
Worcester	3.8%	$2,750	$66,912	47.6%

Source: 2006 American Community Survey.

Compared with Massachusetts overall, Cambridge owner-occupied households have a higher median income and a far lower property tax burden. Cambridge, with roughly 60 percent of its housing units occupied by renters, is below the Massachusetts owner-occupancy rate of 65 percent. Springfield and Worcester households have median property tax burdens similar to Massachusetts as a whole but a lower median income. They also have a lower percentage of housing units that are owner-occupied.

Communities' owner-occupied elderly households differ significantly in their property tax burdens and incomes. (See "Median

Property Tax Burdens of Owner-Occupier Householders 65 and Older.")

In Cambridge, elderly owner-occupied households have a much larger median income, are less burdened by property taxes than their counterparts statewide, and have more than double the median property tax burden of the city's median owner-occupied households. Cambridge also has a larger percentage of owner-occupied households headed by elderly residents.

In Springfield, elderly owner-occupied households have a lower median property tax burden, lower median income, and a slightly higher percentage of all owner-occupied houses. In Worcester, elderly owner-occupied households are more severely burdened then their statewide counterparts. Compared with the median owner-occupied household, the median elderly owner-occupied household in Worcester has exactly double the property tax burden.

Median Property Tax Burdens of Owner-Occupier Householders 65 and Older

	Property tax burden	Property tax	Income	Households headed by person age 65+
Massachusetts	7.1%	$2,850	$38,738	23.0%
Cambridge	6.6%	$4,050	$53,731	26.5%
Springfield	5.6%	$2,050	$31,091	24.4%
Worcester	7.6%	$2,450	$28,173	20.1%

Source: 2006 American Community Survey.

A Circuit Breaker

To analyze the effects of a property tax increase with the proposed exemption for low-income elderly households, the override simulation froze the property tax bill of low-income elderly households currently paying more than 10 percent of their total income in property taxes at its current level. If any such household reached a 10 percent property tax burden as a result of the override, the property tax burden was capped at that level.

Clearly, since overrides increase the community's total tax levy by a specified amount, taxes are higher on taxpayers not receiving the exemption. So NEPPC asked the question, What is the potential impact of a 6 percent property-tax increase for each municipality?[2]

According to the analysis, 9.6 percent of all owner-occupied households and 35.4 percent of elderly owner-occupied households in Cambridge would benefit from the exemption. That is, their taxes would be lower with the exemption than if the override passed without the exemption. (See "Simulation Results.")

The median property tax burden of a qualifying household is 23.9 percent. The average nonexempt household in the lowest-income quintile would see its property tax burden increase by 1.06 percentage points, a $170 increase.[3] (See "Distributional Effects on Select Nonexempt Groups," page 24.)

In the top-income quintile, the median nonexempt household's property taxes would go up $280, increasing the property tax burden by only 0.15 percentage points. Nearly 11 percent of all nonelderly owner-occupied households in Cambridge have an annual income of less than $60,000 and would reach or exceed a 10 percent property tax burden after the override.

A Springfield override would exempt only 5.7 percent of all owner-occupied households and 23.6 percent of elderly owner-occupied households. The median property tax burden of an elderly household qualifying for the override exemption is 15.7 percent. The nonexempt households in the lowest-income quintile would experience the largest increase in their property tax burdens, 0.49 percentage points, an increase of $118. The highest income quintile households in Springfield would experience a 0.1 percentage point increase, with property taxes increasing by $181. Of the nonexempt owner-occupied households headed by individuals less than 65 years old, approximately 8.5 percent have incomes less than $60,000 and would have a property tax burden of 10 percent or greater after the override.

An override exemption would benefit 8.3 percent of all owner-occupied households in Worcester and 41 percent of

Simulation Results

	Nonexempt*			Exempt prior to override			Exempt because of override		
	Property tax increase	% Point increase in property tax burden	Owner-occupied households	Property tax increase	% Point increase in property tax burden	Owner-occupied households	Property tax increase	%Point increase in property tax burden	Owner-occupied households
Cambridge	$184	0.20	90.4%	$0	0.00	8.3%	$116	0.45	1.4%
Springfield	$137	0.25	94.3%	$0	0.00	4.5%	$3	0.10	1.3%
Worcester	$180	0.23	91.7%	$0	0.00	7.8%	$127	0.47	0.4%

Source: 2006 American Community Survey and authors calculations.
*Nonexempt groups are those that would receive no tax relief from an override's higher rate.
Note: Calculations are representative of median households.

Proposals for exemptions protecting vulnerable groups may help municipalities successfully pass overrides. However, other groups vulnerable to overrides may be motivated to vote against such proposals.

elderly owner-occupied households. The median property tax burden of a qualifying owner-occupied household is 18.2 percent. Of all the households that would not qualify for the exemption, the largest increase in property tax burden—0.49 percentage points, an additional $147—would occur for those in the lowest-income quintile. The burden of households in the highest-income quintile would increase by 0.12 percentage points, or $200. Of the nonexempt nonelderly owner-occupied households, about 6.6 percent have incomes less than $60,000 and would experience a property tax burden of 10 percent or higher in the event an override.

Tough Decisions Ahead

Proposition 2½ overrides offer a tempting solution for Massachusetts cities and towns searching for new revenues. When override ballot questions fail to pass, however, municipalities are left with budget shortfalls causing cuts in public services, school programs, public workers, and the like. Proposals for exemptions protecting vulnerable groups may help municipalities successfully pass overrides. However, other groups vulnerable to overrides—say, nonelderly low-income households with severe property tax burdens—may be motivated to vote against such proposals. The NEPPC's circuit breaker analysis provides a tool to understand what happens when some people are exempted from the effect of override and how that affects property-tax distribution. This type of analysis can help communities decide how to move forward in funding municipal services.

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Endnotes

[1] See Massachusetts Department of Revenue's Municipal Databank, http://www.mass.gov/Ador/docs/dls/mdmstuf/Prop2_LevyCap_RefVotes/overrides.xls.

[2] The tool simulates a 6 percent increase in the property tax levy of each town over the 2.5 percent growth in the property tax levy. The selection of the 6 percent increase is arbitrary. The analysis is just meant to show what can be analyzed. For purposes of the simulation, property taxes are assumed to be stagnating.

[3] Quintiles are constructed based on Massachusetts owner-occupied households for comparison across municipalities.

Distributional Effects on Select Nonexempt Groups*

	Cambridge			Springfield			Worcester		
Nonexempt	Property tax increase	% Point increase in property tax burden	Owner-occupied households	Property tax increase	% Point increase in property tax burden	Owner-occupied households	Property tax increase	% Point increase in property tax burden	Owner-occupied households
Elderly Households	$246	0.26	17.5%	$130	0.31	18.5%	$154	0.36	11.9%
Nonelderly households < $60,000 with property tax burden ≥ 10%	$253	1.74	10.8%	$149	0.99	8.5%	$206	1.20	6.6%
Lowest income quintile (< $ 37,230)	$170	1.06	16.4%	$118	0.49	28.9%	$147	0.49	16.4%
Second income quintile ($ 37,230 - $ 63,200)	$170	0.38	12.2%	$130	0.27	28.3%	$167	0.34	20.9%
Middle income quintile ($ 63,200 - $ 91,300)	$114	0.15	12.8%	$143	0.18	19.4%	$173	0.23	21.4%
Fourth income quintile ($ 91,300 - $ 132,650)	$211	0.18	12.9%	$149	0.15	12.8%	$200	0.18	18.8%
Highest income quintile (> $ 132,650)	$281	0.15	34.4%	$181	0.10	4.9%	$200	0.12	14.2%

Source: 2006 American Community Survey and author's calculations.
*Nonexempt groups are those that would receive no tax relief from an override's higher rate.
Note: Calculations are representative of median households.

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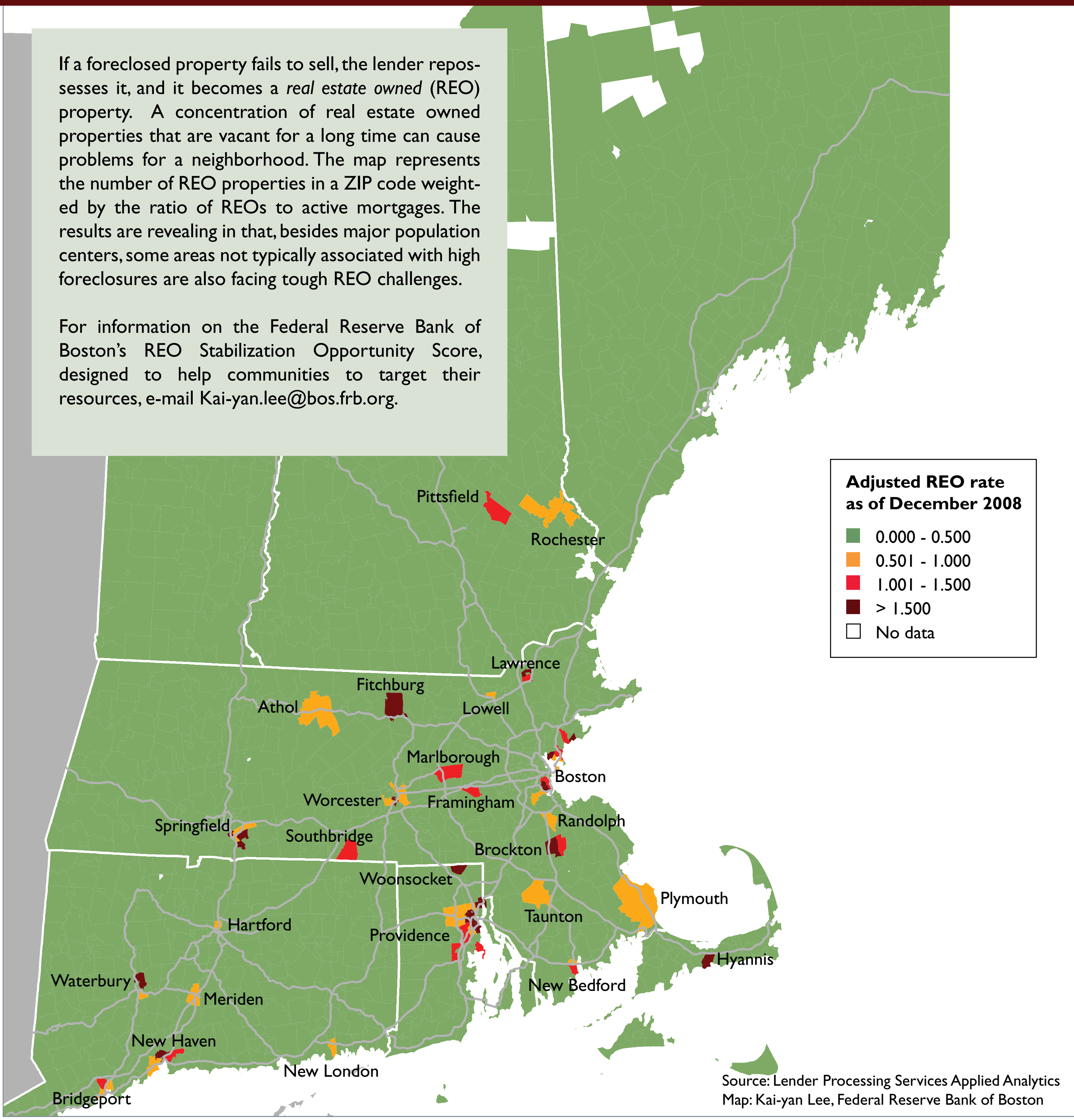
Mapping New England

Real Estate Owned Properties in New England

If a foreclosed property fails to sell, the lender repossesses it, and it becomes a *real estate owned* (REO) property. A concentration of real estate owned properties that are vacant for a long time can cause problems for a neighborhood. The map represents the number of REO properties in a ZIP code weighted by the ratio of REOs to active mortgages. The results are revealing in that, besides major population centers, some areas not typically associated with high foreclosures are also facing tough REO challenges.

For information on the Federal Reserve Bank of Boston's REO Stabilization Opportunity Score, designed to help communities to target their resources, e-mail Kai-yan.lee@bos.frb.org.



Source: Lender Processing Services Applied Analytics
Map: Kai-yan Lee, Federal Reserve Bank of Boston

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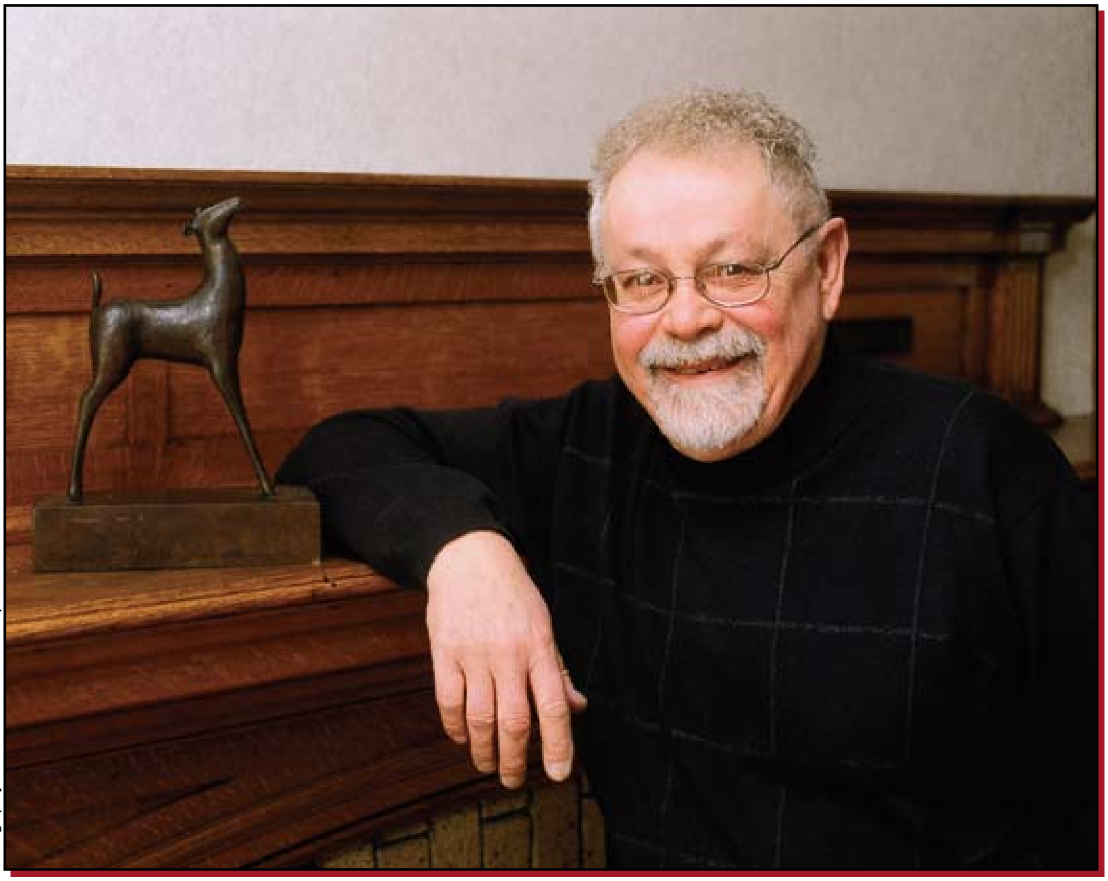
Reverend Don Steinle

Christian Activities Council, Hartford



Photograph: Jeff Sobiach of Richard Daley Studios

Breaking Barriers & Building Communities

From his youth, Don Steinle felt a calling to ministry, but his passion for urban ministry in particular took him by surprise. Having grown up in rural Kansas, he hadn't even visited a city until he attended Northwestern University in Chicago. It was love at first sight. After four years in Chicago, he attended Yale Divinity School, eventually serving on the faculty. An ordained minister in the United Church of Christ, Rev. Steinle has served in the cities of New Haven, Passaic (New Jersey), and Hartford. For 27 years, he has been the executive director of Hartford's Christian Activities Council, a faith-based, non-sectarian organization with a major focus on affordable housing and empowering the poor.

What made you choose ministry?

My family can't figure it out. They were mostly lawyers and judges. But I attended many church youth camps. Some ministers became role models. I particularly liked the emphasis on compassion and justice. While on the faculty at Yale Divinity School, I helped launch a community-based program in "practical theology." We placed divinity students in the public health department, a taxi company, the mayor's office, places where future ministers could experience the obstacles the poor often face.

Have you always sought out urban churches?

Yes. After New Haven, I went to Passaic to serve as pastor at First Congregation Church, UCC. At the time, President Carter had an initiative called "public service employment." It gave people who were out of work—often professionals—an opportunity to be employed in community service. With the full support of the congregation, we formed Neighborhood Resources Passaic, with at one point 22 public service employees. We started a food co-op, a food-delivery program, a home-repair program, a legal aid clinic, and more. There were lawyers, doctors, laborers on the staff. It was a wonderful 10 years.

What brought you to Hartford?

In Passaic, we got very involved with a program called Neighborhood Self-Help Development, but the Department of Housing and Urban Development was our only funding source. After the 1980 presidential election, funding was frozen. Then I got called to the Christian Activities Council and continued my urban ministry in Hartford.

CAC has a long history. It was founded in 1851 as the Hartford City Missionary Society, with an outreach to poor immigrants, an outreach that continues today. Affordable housing had been a longstanding priority, and I wanted to continue that tradition. When I arrived, there was a half-time secretary and a budget of about $150,000. Today we have a staff of 12, a budget of $1 million, 36 sponsoring churches (up from 15), and diverse funding sources.

When did you start partnering with city government?

After I had been here about 10 years, a great local visionary, Hartford Housing Authority's John Wardlaw, issued a challenge to area churches to help him begin moving people from public housing to homeownership. He and I first collaborated in the early 1990s when the condominium market collapsed. There was a state program to purchase troubled complexes for resale to lower-income families, and we traveled the region looking for opportunities. We discovered a small, partially built condo complex in West Hartford's Elmwood section and received state funding to purchase 11 units.

Rev. Don Steinle, right, with Federal Reserve Bank of Boston President Eric Rosengren in Hartford, February 13, 2009. Photograph: Andrea Pereira

Eleven families from public housing were selected to buy the units. They attended intensive homeownership training, put in extensive "sweat equity," and finally purchased their homes, each priced affordably depending on family needs and resources.

Our focus is on the so-called "invisible poor," the working poor — people who don't have many opportunities for affordable homeownership.

Our next project was a scattered-site ground-lease program. The idea was for CAC to purchase the land under an existing house for $15,000 to $30,000. Families earning 80 percent of median income would purchase the houses and rent the ground from us. It worked fabulously. We have since helped 250 families and have received more than $3 million in additional state money to run the program.

Our focus is on the so-called "invisible poor," the working poor—people who don't have many opportunities for affordable homeownership. A typical buyer might hold a college administrative position, work as a correction officer or for a property management company, or deliver flowers. All families receive homeownership training, and we work with them every step of the way to ensure their success. Upwardly mobile lower-income families have a stake in the outcome and can strengthen a neighborhood.

Do you ever encounter local opposition?

In the mid-1990s, we ventured into an affluent suburban community, where the metropolitan district water company was willing to sell us a 34-acre parcel. We proposed to develop 28 starter homes. Some town residents fought so fiercely that the hearings took 30 hours. Our church groups attended in numbers equal to the opposition, but they weren't as ferocious. One opponent called our plan nothing but "an attempt to transport the social pathologies of Hartford into [our town]."

We lost a close vote. Connecticut has an affordable housing appeals procedure in which the burden of proof is on the town to prove that the project would have a significant negative impact. We appealed, eventually ending up the State Supreme Court. Unfortunately, we lost. Later, when a blue-ribbon commission assessed Connecticut's

Visitors from the Federal Reserve touring the Upper Albany section of Hartford, where Christian Activities Council works to improve the housing stock.

affordable housing appeals process, it recommended that the legislature make modest clarifying changes in the law. Those changes affirmed our argument, but it was too late.

Is Hartford more welcoming than that suburb?

It depends. The neighborhood around our headquarters, Upper Albany, was the only one that welcomed our HIV/AIDS residence. But with a HUD grant for a pilot program, we purchased two vacant brick buildings, rehabilitated them, bought a vacant lot in between, and built a matching building. We now have 18 two-bedroom apartments for families with an HIV member who can live independently.

Our board realized that with most of our assets in Upper Albany, we should make the area our focus. They voted to lend up to $1.5 million of the endowment for what we call the Upper Albany Revitalization Initiative—a combination of housing redevelopment and neighborhood organizing. We started with Deerfield Avenue because there was already some homeownership strength despite signs of decline and deferred maintenance. We bought four abandoned two-family houses and three vacant lots, amassing funding from diverse sources. We rehabbed the four existing properties and on the vacant lots built two-family houses designed to reflect the prevailing architecture. A resident organization was formed, and we even replaced a vandalized deer statue at the corner of the block.

Since then, we have worked on three additional blocks, producing nine two-family houses. And we've begun a six-unit condo project. When that is completed, we will have invested over $7 million and produced 22 homeowner units and 16 rental units. Additionally, we have hired a full-time community organizer to work with residents on issues such as public safety and streetscape improvements.

Funding for all these efforts has been provided by the Local Initiative Support Corporation, Connecticut Housing Investment Fund, Connecticut Housing Finance Authority, the State of Connecticut and the City of Hartford, with corporations such as Northeast Utilities assisting through the purchase of various tax credits.

Does Christian Activities Council run other programs?

Yes. Our overarching theme is to serve and empower the poor and seek social justice in the Hartford area. Under that umbrella are youth education, mission education, neighborhood revitalization, universal health care, and affordable housing.

We are almost a one-stop shop for homeownership, with a down-payment assistance program, our own property development, and a HUD-certified housing counseling program that does financial literacy training and foreclosure prevention. When Hartford receives its neighborhood stabilization money (about $2.8 million), we hope to get resources to purchase foreclosed properties, do modest repair work, and resell.

How has the current economy affected your work?

It's hard times. Fear has taken over the country, especially lower-income homebuyers. CAC does need to recoup development costs, so it's a worry. But when the working poor are having difficulty with winter heating bills and feeding their children at the end of the month, they think, "Maybe we shouldn't take on a mortgage. What if we lose our jobs?" And they hear the stories about how people were taken advantage of by unscrupulous mortgage brokers. Although we work with very good banks—such as First Horizon Mortgage (Bank of Tennessee), Bank of America, and TD Banknorth—people are afraid of mortgages.

Have your properties had any foreclosures?

In our scattered site program comprising 250 families, we have far fewer foreclosures than nationally. Our homeowners are well prepared, but no one can avoid a crisis like an illness, a job loss, or divorce. We are trying to let people know we can assist with foreclosure prevention.

We want to empower people. We have a deep-rooted commitment to working with the poor. Our activities are backed by a religious community, a diverse staff, an endowment built up over 155 years, and wonderful funding partners. In spite of the difficult times, we will find a way.

We have far fewer foreclosures than nationally. Our homeowners are well prepared, but no one can avoid a crisis like an illness, a job loss, or divorce.

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Four Directions

Community Development Financial Institution

Artists for Humanity

Native American Lending in Maine

by John A. Moore
Bangor Savings Bank

Four Directions gets its name from Native American spirituality, in which the four directions and the four winds are drawn together in a circle representing the unity and wholeness of creation.

Underserved populations in rural Maine communities are benefiting economically from the vital role played by community development financial institutions. CDFIs typify Maine's "can do" spirit—its focus on self-determination, creativity, enterprise, cooperation, and making the most of local resources. One CDFI that serves Maine's Native Americans, Four Directions Development Corporation, is a good example of how community development financial institutions can adapt themselves to unique circumstances.

Filling a Need

Maine's first and only Native American CDFI was founded in 2001 in accordance with the goal of the Community Development Banking and Institutions Act of 1994 "to increase the capacity of financial institutions to provide capital, credit, and financial services to underserved markets."[1] The CDFI Fund, which is part of the U.S. Department of the Treasury, provided the initial funding.

Like other Maine CDFIs, Four Directions increases and leverages the flow of private-sector capital and socially responsible investments for public purposes; it uses the financial tools and management methods of for-profit businesses to support nonprofits' community mission and improve their effectiveness; and it demonstrates "values in action" through community development initiatives that are inclusive, rooted in social justice principles, and respectful of the rights and dignity of individuals.[2]

The CDFI's name derives from Native American spirituality, in which the four directions and the four winds are drawn together in a circle representing the unity and wholeness of creation. Four Directions serves members of Maine's four Wabanaki, or "People of the Dawn," communities—the Houlton Band of Maliseet (near Houlton), the Aroostook Band of Micmac (near Presque Isle), the Passamaquoddy tribe (along the Canadian border near Eastport), and the Penobscot Indian Nation (near Bangor). Together, the four tribal communities have more than 6,000 members, five reservations, and sovereignty over 260,000 acres of Maine trust lands.

From the beginning, Four Directions committed itself to the principles of tribal self-determination and cooperation. Among the board members were each tribe's chief plus representatives of each tribal housing authority. Four Directions was able to leverage the shared cultural, environmental, and community values, while working to overcome the barriers associated with the unique status of Indian reservation and trust land.

Among the barriers are limitations on using property as collateral: land may be held in common by the tribe; leasing or owning home sites may be restricted to tribal members. Hence mortgage lending is often confusing to conventional financial companies, making them reluctant to engage with Native Americans. Their reluctance, in turn, may exacerbate the sense of exclusion permeating isolated rural communities already struggling with poverty and unemployment. Institutions run by tribal members can be critical.[3]

Four Directions started out with revolving loan fund programs supported by the CDFI Fund and other public-sector resources, which enabled the development of mortgage products and homeownership opportunities on reservations where mortgage financing was not previously available. Then in 2005, the CDFI launched the Giving Winds campaign, an outreach to faith-based and philanthropic organizations.

The campaign helped those organizations understand why Maine's Native American community faces unique challenges in housing and economic development. It also worked on a formal mechanism that could assist potential nonprofit benefactors to make grants and low-interest loans to support the revolving loan fund and financial literacy programs. By aggregating program-related investments of local and national philanthropic organizations, tribal governments, and socially responsible individual investors, Four Directions made its public sector grant funding go farther.

Housing and Beyond

Four Directions' familiarity with tribal sovereignty and its credibility with tribal board members has enabled it to offer financial services for individuals and technical support for tribal governments. By showing the leaders how to adopt local resolutions and develop administrative agreements with federal agencies, the CDFI helped first-time homebuyers living on Maine reservations to access federally guaranteed affordable mortgage products from the U.S. Department of Housing and Urban Development, the Department of Agriculture, and beyond.

Four Directions established a single-purpose subsidiary to assist the Pleasant Point Passamaquoddy Reservation community in building 28 units of new, subsidized rental family housing under the Low-Income Housing Tax Credit program. The first LIHTC project on a Maine reservation, this initiative tapped the resources of the Passamaquoddy tribal government, the Bureau of Indian Affairs, Indian Health Service, HUD, USDA Rural Development, the Federal Home Loan Bank of Boston, and the Maine State Housing Authority.

In a partnership with the Penobscot Indian Nation tribal housing authority, Four Directions helped develop 12 new LEED-certified affordable homeownership units on the Indian Island Reservation.[4] The CDFI provided construction financing and will also offer affordable mortgage financing for individual home purchasers utilizing its own revolving loan fund programs as well as the HUD and USDA conventional mortgage programs it has made available for the first time.

In addition to addressing the fundamental issues of affordable housing development and financing, Four Directions has provided technical assistance and small business training and lending to those working on economic development—both individual tribal members and tribal governments. It has convened housing and economic development conferences to bring together tribal leaders and officials from several levels of government. Native American economic development professionals from across the country have joined these conferences and have helped to move forward the twin goals of attracting quality employment to Indian country and developing successful Native-owned business.

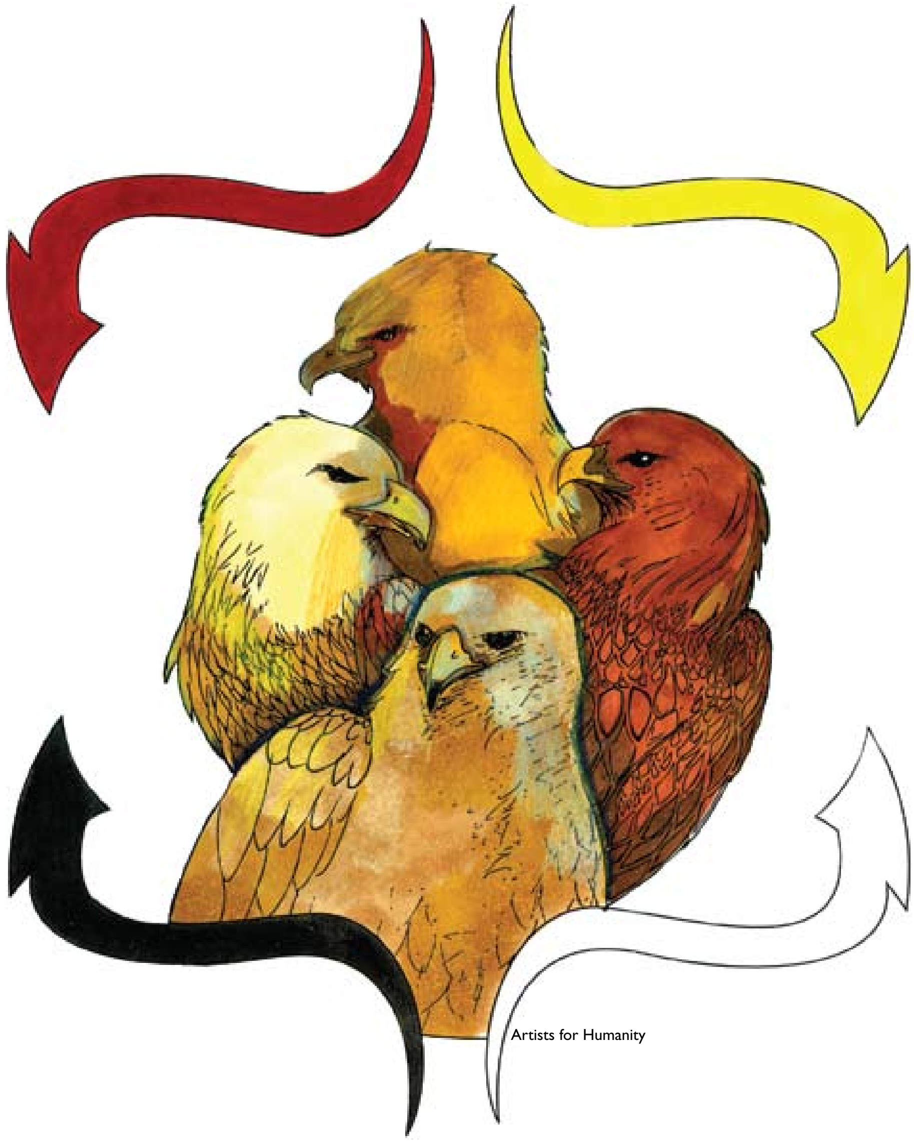
At the first event, a summit called the Wabanaki Business Development Institute, the conference series set goals. The goals included identifying building blocks for economic and workforce development, utilizing Indian Country's best practices and cultural values to make decisions and develop businesses, and encouraging partnerships among Maine's tribal leaders. Partnerships were seen as critical to pursuing local, national, or global opportunities in areas like renewable energy, Native American arts, cultural tourism, sustainable forestry, and government contracts.

Looking Ahead

Four Directions plans to continue partnering with other Maine CDFIs, regional community development corporations, and private-sector banks to attract more capital for business investment.

It has entered into "pooled loan funding" facilities with financial institutions—to fund loans to tribal members that are then pledged as collateral to the lender. And it has signed other agreements with regional economic development corporations for small business loan underwriting services and joint grant applications. More recently, Four Directions has entered into a cooperative origination agreement with Coastal Enterprises Inc., a community development financial corporation that is authorized by the CDFI Fund to access below-market capital for business loans utilizing the New Markets Tax Credit program.[5]

With such initiatives, Four Directions hopes to replicate its successes in affordable housing, increase employment opportunities, and build a strong foundation for sustainable economic development. Through it all, the CDFI will work on behalf of tribal communities to create a more prosperous future for Maine's Native Americans.



Artists for Humanity

Four Directions' familiarity with tribal sovereignty and its credibility with tribal board members have enabled it to offer financial services for individuals and technical support for tribal governments.

John A. Moore, *a senior vice president at Bangor Savings Bank, is the primary institutional liaison for outreach and delivery of community development lending, investment, and service to nonprofit organizations and governmental agencies in Maine. He is also a founding board member of Four Directions Development Corporation.*

Endnotes

[1] The legislation states that "its long-term vision is an America in which all people have access to affordable credit, capital, and financial services. Access to credit, investment capital, and financial services are essential ingredients for creating and retaining jobs, developing affordable housing, revitalizing neighborhoods, unleashing the economic potential of small businesses, and empowering people." See http://www.cdfifund.gov.

[2] Four Directions Development Corporation is a Native-governed, independent, nonprofit community development corporation and community development finance corporation. Its mission is to improve the social and economic conditions of the tribal members of four Maine tribes by investing in affordable housing, tribal business ventures, and small and midsize businesses. It helps tribal members by increasing homeownership and the number of Native-owned businesses, raising the level of financial literacy among tribal members, and attracting capital to Indian Country. See http://www.fourdirectionsmaine.org.

[3] See, for example, http://www.bos.frb.org/commdev/c&b/2008/summer/swan_Native_American_Bank.pdf.

[4] The LEED green-rating acronym stands for "Leadership in Energy and Environmental Design."

[5] The NMTC program is available in designated distressed communities, including Native American reservations.

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