



Making Reinvestment WORK for San Diego

by Jim Bliesner, Director, San Diego Reinvestment Task Force & Michael Lengyel, Project Analyst, San Diego Reinvestment Task Force

For 24 years the Reinvestment Task Force (RTF) has been actively involved with ensuring that the reinvestment needs of San Diego County are properly addressed. During these 24 years, everything has changed—most notably the density and diversity of San Diego, the financial services industry and the overall business landscape. This article will provide an overview of the RTF and how it has evolved to meet the ever-changing economic and political environment, with the goal of providing a blueprint for other communities interested in creating a similar entity. The processes employed by the RTF are accessible and replicable for almost any community regardless of size, location or resources.

DESCRIPTION

The San Diego City-County Reinvestment Task Force was established in 1977 by joint resolution of the San Diego City Council and County Board of Supervisors. It was formed as a trilateral, quasi-public entity to include elected officials, lenders and community representatives. The purpose of linking these three parties was to encourage dialogue among the primary

stakeholders involved in CRA-induced projects. Despite being chaired by seven different councilmen and three members of the Board of Supervisors since its inception, the RTF has maintained its trilateral balance and remained a forum where creative ideas for reinvestment can be discussed and then implemented.

As a catalyst for economic progress, the RTF serves the population of San Diego County,¹ with emphasis on low- and moderate-income constituencies, and local nonprofit housing and economic development organizations. The RTF carries out City and County policies that specifically address reinvestment as it relates to the lending practices of regulated financial institutions at the local level.

The San Diego Housing Commission and the County Department of

Housing and Community Development have provided annual funding to the RTF since 1983. The funding, which is considered annually, covers basic administrative costs. The RTF Director is a contract employee to the RTF, also with an annual renewal. The base funding (\$165,000 in 2001) is supplemented by research grants from private and other public sources.

The RTF is co-chaired by a member of the City Council and a member of the County Board of Supervisors, who are responsible for appointing the additional fifteen seats that include lenders, representatives of community housing and economic development agencies, and at-large public members representing other municipalities and unincorporated areas of San Diego County. These appointees are identified or recommended by staff and serve three-year terms. The RTF also has a standing committee of representatives from fifteen nonprofit organizations responsible for the development and monitoring of lender agreements.

MISSION

The mission of the RTF is to spur private and public financing of affordable housing and economic development in

¹ *The County of San Diego is comprised of 18 cities totaling 2,911,468 residents. 26.7% of the residents are of Hispanic descent, 50% are White, 5.5% are Black and 9.8% are Asian or other. 5.8% of the residents are classified as low-income, 21.6% are moderate-income, 34.4% are middle-income and 26.3% are upper-income.*

areas suffering from disinvestment through negotiation, partnership building and strategy-formation. The RTF accomplishes its goals by monitoring lending practices and policies and developing strategies for reinvestment in underserved areas. By proactively fostering initiatives, the RTF continues to encourage positive, long-term public/private ventures with businesses and community organizations.

THREE ACTIVITY CATEGORIES

Activities of the RTF fall into the categories:

- 1) *research, education and monitoring*
- 2) *community reinvestment infrastructure facilitation*
- 3) *lending strategies and commitments*

Under its *research, education and monitoring* function, the RTF has produced an innovative body of research data pertinent to understanding the nature of disinvestment in San Diego.² The research has been funded by the City and County, HUD and financial institutions, and conducted in conjunction with the San Diego Fair Housing Council, the San Diego Non-Profit Federation, the California Reinvestment Committee, as well as state universities and the San Diego Association of Governments. Topics have included analysis of home mortgage lending patterns, fair housing, homeowners insurance, and small business credit and equity capital.

Research has served as the basis for merger interventions and public testimony and has helped to define policy and develop strategic plans for the RTF. For example, research showed that

while large statewide or national banks were receiving satisfactory CRA ratings by regulators, their CRA lending and investments were disproportionately focused in their headquarter cities. This finding led the City Council and the County Board to authorize the RTF to intervene on their behalf in bank mergers. Another research endeavor, a Comprehensive Credit Needs Assessment, funded jointly by lenders and local government, revealed an absence of equity capital for housing and small businesses. This finding prompted the RTF to embark on an effort to create an equity capital “family of funds.” Other research that showed rejection rates for home loans in low-income and minority-dominant census tracts as disproportionately high has prompted the City to design a policy that would link deposits to positive performance under CRA lending.

Work by the RTF around *infrastructure facilitation* has focused on the formation, development, funding and support of nonprofit organizations for the purpose of enhancing the capacity of the San Diego community to utilize bank financing and to access capital markets. These organizations bridge the gaps between traditional lenders, affordable housing developers and small businesses. For example, the RTF was the lead advocate in the formation of Neighborhood National Bank, a San Diego-based community development financial institution, and has assisted in the formation of local community development corporations involved in housing development and a multi-bank housing lending consortium.

The third area of focus for the RTF has been *lending strategies and commitments*. In 1991, the RTF was authorized to secure commitments from

lenders regarding their proposed CRA lending activities for the San Diego region. Commitments were developed jointly by the RTF and local lenders, and were presented to the City Council and the Board for approval. Although the commitments are voluntary, participating banks benefit from a coordinated reinvestment strategy with government and the community, which increases the potential for profit and impact. Agreements were formed with the eight largest lenders, which represented a combined 76 percent of deposit market share in San Diego County in 1999. That same year, the lender commitments generated \$1.3 billion in CRA-related lending in San Diego County, a 28 percent increase (\$294 million) over 1998. The average ratio of CRA lending to total deposits was 7.88 percent in San Diego.

Lender commitments also called for annual reporting of home mortgage, small business, affordable housing and community development lending data in low-income communities for San Diego. Data are also reported for corporate giving and some categories of consumer lending. Reporting allows for

1999 CRA REINVESTMENT BY INSTITUTION*

() – REINVESTMENT AMOUNT AS
% OF ASSETS

Bank of America	\$204.53 (4%)
Washington Mutual	\$311.74 (6%)
Wells Fargo	\$298.51 (3%)
Union Bank	\$238.22 (8%)
CA Bank & Trust	\$89.52 (6%)
San Diego National	\$157.48 (16%)
California Federal	\$17.12 (2%)
Borrego Springs	\$6.98 (18%)
Total	\$1,324.09 / Average (7.88%)

* dollars in millions

² www.co.san-diego.ca.us/rtf/publication/index.html

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ongoing bank-by-bank comparison in each lending category that RTF uses to monitor performance. Drops in performance are discussed and recommendations made on programs and strategies for improvement. One example of recommended strategies for improvement involved opening new bank branches. Four different banks responded to this request after being provided data regarding levels of income and potential customers in comparison to other areas of the County.

FUTURE DIRECTION

As the local economy and the banking industry evolves, the RTF has adjusted its strategy to accommodate broader socio-economic conditions. Early focus on information and education was appropriate and reflected local and national conditions. With increased financial industry consolidation, the RTF necessarily changed to a strategy of merger intervention and advocacy. However, recent passage of the Financial Modernization Act and the disappearance of locally headquartered banks due to mergers have diminished the RTF's ability to intervene in mergers and effect agreements for local reinvestment. The separation of many banking services from CRA over-

sight over the past decade, which has resulted in a notable reduction of bank branches, increased mortgage company lending and expanded check cashing facilities, has caused the RTF to reevaluate its focus on separate lending agreements with individual banks.

In light of these challenges, the RTF has formulated a three-year Reinvestment Master Plan³ that contains 18 recommended actions. The goal of the Master Plan is to mitigate against the distancing of financial services from low-income communities in San Diego. At the heart of the Plan is the development of a \$100 million equity fund that will provide much needed capital for affordable housing and small business development. Other recommendations include the recruitment of credit unions, insurance companies and other financial service entities into the reinvestment efforts, and a requirement that all financial service providers doing business with the City or County discuss their involvement in community reinvestment efforts with the RTF.

At the core of the Reinvestment Master Plan is the persistence of a forum for dialogue about responsible reinvestment. A second feature has been the creation of collaborative models utilizing the capacity of the community, government and lenders to address common problems. The third and most recent component has been the development of a multi-year, systematic strategy for addressing credit needs throughout the region. The hope is that these core features will enable the RTF to remain effective in addressing reinvestment needs in San Diego County. **CI**

For further information about the Reinvestment Master Plan or investment opportunities, please contact Jim Bliesner at 858/694-8729 or via email to: jbliesed@co.san-diego.ca.us.

³ <http://www.co.san-diego.ca.us/rtf/new/plan.pdf>

ABOUT THE AUTHORS

JIM BLIESNER is the director of the San Diego City/County Reinvestment Task Force and has served in that position since 1985. The Task Force is a quasi-public, trilateral agency authorized by the City and County of San Diego to monitor lending practices and develop strategies for reinvestment. The work of the Task Force has received national recognition as a model for encouraging partnerships between the lending industry, community nonprofit organizations and government by the National Association of Housing and Redevelopment Organizations.

Jim has been a board member of the California Community Reinvestment Corporation. He also served as a founding member of the California Reinvestment Committee. He was appointed by the governor of California to his Office of Neighborhoods, and by the mayor of San Diego to the City Committee on Growth and Development and the City Committee on Redistricting. Jim has also been a faculty member in San Diego State University's Community Economic Development Certificate Program.

Mr. Bliesner is recognized in Who's Who in American Business and Finance as an innovator in economic and housing development. His efforts have received the Honor and Special Merit Awards from the American Planning Association and the American Institute of Architects. He was most recently awarded a "Lifetime Achievement Award" from the San Diego Housing Federation.

MICHAEL LENGVEL is the program analyst for the Reinvestment Task Force (RTF). Michael has an MBA and a masters of science in accounting from San Diego State University. His duties include analyzing economic and financial data of financial institutions and working with community groups to develop reinvestment strategies. Michael has prepared multiple financial and lending analyses for nonprofit organizations in addition to the research and monitoring work he does for the RTF. Before joining the RTF, Michael worked as a research paralegal at a San Diego law firm, specializing in the area of construction defect litigation.