



THE ARTS AND THE POWER OF THE PASSIONATE BANKER: AN ARTICLE FOR BANKERS, ARTISTS AND THOSE WHO INVEST IN ARTS ORGANIZATIONS

Winifred Neisser
Arts for LA

“Some people look for a beautiful place. Others make a place beautiful.”

–Hazrat Inayan Khan

Close your eyes and think of your favorite city. Why is it your favorite? Is it the people? The sounds? The aromas? Architecture? Is what beckons you something tangible or is it a feeling? Probably it is a bit of both. Somehow in the creation of this place, the physical space is imbued with a vitality giving it a life of its own. Isn't that what we all strive for in developing community?

When contemplating the idea of community development, one might begin by thinking about the tangible – brick and mortar investments, which depend heavily on investor-provided funds. The intangible quality at the center of any community that speaks to the emotions comes from dreamers and artists. While banks may be the first stop for the bricks and mortar, they are not necessarily the first thought for funding in the arts or in arts organizations. This article explores the role of the arts in community development from the perspective of bankers who are looking to invest in the arts as a way of promoting community development and perhaps even getting recognition under the requirements of the Community Reinvestment Act (CRA), according to insights gleaned from various CRA officers from across the West Coast.

The CRA is a consumer protection law designed to prevent the practice of redlining, “whereby lending institutions refused to offer home loans in certain neighborhoods, based on the income, racial, or ethnic composition of the area.”¹ The CRA is intended to encourage banks and

savings associations to help meet the credit needs of all segments of their communities. Inherent in this definition is the expectation that the financial institutions serve the convenience and needs of their local communities, with emphasis on low- to moderate-income neighborhoods and individuals. Complying with the CRA can be challenging as there are no prescribed ratios or benchmarks to which institutions must adhere. Rather, their task is to design qualified community activities that will help rebuild and revitalize communities through sound lending and good business judgment.

GATHERING BANKER INSIGHT ON ARTS AND CULTURAL VITALITY

In January 2017, the Federal Reserve Bank of San Francisco’s (FRBSF) Community Development group and Arts for LA (the greater Los Angeles arts advocacy organization), sponsored a program on creative place making in Los Angeles. Maria Rosario Jackson, a professor at the Herberger Institute for Design and Arts at Arizona State University, and a senior advisor on Arts and Culture at the Kresge Foundation, served as the keynote speaker.

Professor Jackson illustrated the crucial role that the arts play in “cultural vitality” and community improvement. She defines “cultural vitality” as “evidence of creating, disseminating, validating, and supporting arts and culture as a dimension of everyday life in communities.”² In her address, she expressed the need to expand definitions of what constitutes “art” beyond a public art space, living and work spaces for artists, and consumption of art products. However, as banks invest in community development, the banker is hard pressed to articulate “cultural vitality” as part of the official criteria for funding consideration.

The views expressed are those of the author and do not necessarily represent the Federal Reserve Bank of San Francisco or the Federal Reserve System. This paper does not serve as an official interpretation of the CRA and should not be interpreted as such.



Rosario Jackson identifies four broad categories of arts organizations that can spark this vitality and contribute to healthy communities:

- Artist-focused organizations
- Community-based organizations (place-based organizations that make possible active engagement of the arts)
- Ethnically-specific and traditional arts organizations
- Intermediary arts entities (those which connect artists to a range of opportunities within and outside of the community)

The organization Arts for LA would maintain that implicit in these categories is an educational component recognizing that the arts promote personal exploration and expression, creativity and innovation, problem solving, collaboration and other aspects of personal and communal development.

Following the convening at the FRBSF, a group of bankers were asked, “How do arts organizations fit into the bank funding criteria for community development investments under the federally mandated CRA?” Information was then gathered through interviews with bankers about their perceptions of the importance of arts in community development and to what extent bankers consider the concept of cultural vitality as part of their investment criteria in accordance with the CRA.

All the participating banks had demonstrated significant investments of both money and time into the low- and moderate-income (LMI) communities they serve. The priority given to the arts in these communities varied significantly from bank to bank, however. Variance in investments was generally a result of the following factors: federal regulatory agency CRA guidelines; philosophy or culture of the bank; influence of executives; and the importance given to supporting data. What follows is a distillation of the main findings from conversations with the sample group participants.

DEFINING COMMUNITY DEVELOPMENT INVESTMENT ACCORDING TO THE CRA GUIDELINES

Almost every respondent referred to the strict parameters the CRA regulation sets out regarding activities considered to qualify as community development when undertaken by a bank. Specifically, an investment, loan, or service activity must primarily provide:

- Affordable housing for LMI individuals
- Community services to LMI individuals
- Promote economic development by financing small businesses or small farms

- Revitalize or stabilize LMI geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies

In order for arts-related efforts to qualify for CRA financing, bankers and arts organizations must demonstrate how they meet these criteria and be prepared to demonstrate their impact. It is therefore necessary to explore how the arts organizations from Rosario Jackson’s typology might qualify for CRA consideration in relation to the eligible activities of affordable housing, community services, job generation and small business development.

EXAMPLES OF BANKS INVOLVED IN THE ARTS

The banks participating in this inquiry were selected on the basis of their frequent engagement in community development events held at the FRBSF. Early in the interview process it became clear that each bank, regardless of regulatory requirements, has its own guiding philosophy when considering grants and investments to community organizations. While each bank supports arts groups in a variety of ways through its own “culture of giving,” there are no overt guidelines in the CRA legislation that speak to where the arts fall in the definition of community development. In fact, bank sponsorship of an arts event, such as a concert by the Philharmonic or an arts festival, may fall under the auspices of the bank’s marketing department budget rather than community development.

Bank of America

Bank of America is a significant contributor to arts in Los Angeles. It invests in large scale art museums such as the Los Angeles County Museum of Art (LACMA), as well as in local community arts organizations like SELF-HELP GRAPHICS. Raul Bustillos, Senior Vice President and Community Relations Manager at Bank of America, confirmed that the bank sees the arts as an economic driver. Larger arts organizations create jobs, expand communities, and attract tourists and others. SELF HELP GRAPHICS, an arts center that promotes the development of new works by Chicano and Latino artists operates at a smaller scale than LACMA and has deep roots in this underserved, low-income community known as Boyle Heights. It nurtures emerging artists, provides forums for local and international artists, and draws visitors from beyond its borders.

MUFG Union Bank

MUFG Union Bank (Union Bank) realizes that the arts, in addition to enhancing the educational experience for youth, also play an important role in developing skills that go beyond academics. Rossina Gallegos, Corporate Social Responsibility officer at the bank served on the board of artworxLA, one of many arts organizations supported by Union Bank. artworxLA, in addition to



combatting the high school dropout crisis for disadvantaged youth of low-income and low-wealth, also develops a clear pathway for economic success. Gallegos stated, “While the arts are not one of the focus areas of giving for the Union Bank Foundation, our consideration of the arts goes beyond the obvious and focuses on the economic contributions that arts bring, especially in low-to- moderate income communities.”

American Business Bank

Inner City Arts (ICA) enjoys ongoing support from American Business Bank, thanks largely to the work of Silvia Marjoram, Regional Senior Vice President who currently sits on the ICA board. Her work there predates her employment at American Business Bank. ICA’s mission is to engage young people in the creative process to shape a society of creative, confident and collaborative individuals. The Center serves roughly 6,000 LMI children a year from elementary through high school. As an integral component of its services, ICA’s in- house Professional Development Institute actively trains its teachers, educators and administrators. Located in the middle of Los Angeles’ skid row, Marjoram describes Inner City Arts as a haven in a turbulent community. ICA provides arts instruction missing from the public schools of its community.

CIT Bank

Claudia Lima, Director of Community Development Lending and Investing at CIT Bank spoke of the consideration of creative place making within community development. Her bank’s investments have supported the preservation of anchor institutions and historical buildings, as well as the creation of public art spaces through the murals and artfully painted telephone boxes as part of a larger project. She agreed that art helps promote an identity and pride in a community. However, she added that these elements were embedded in a larger project and were never the lead in the decision to invest.

Umpqua Bank

Umpqua Bank serves a number of rural communities which are not likely to have as many arts organizations as urban areas. Ric Gaunt, Vice President and Community Development Manager, shared that educational initiatives are of key importance and the bank’s arts support has come through those efforts. The bank has tried to support arts programs which offer young people an opportunity to participate in activities, such as theatre, that are not readily available in rural areas and not always available in schools. Through arts, the bank looks to fill a void.

U.S. Bank

Bonnie Tseng, Community Development Manager at U.S. Bank, spoke of comprehensive community investment in the Downtown Los Angeles Art Walk, a nonprofit organization focused on community and economic development through small and micro businesses, artist entrepreneurship, student internship, and art placemaking programs. The organization supports local community economic development through a variety of year-round programs, including the self-guided “Art Walk” on the second Thursday of each month. U.S. Bank’s investment in economic development and art helps the organization fulfill its mission to “improve the local community and to create economic opportunities for artists, galleries, small businesses, and youth, through our programs.”

Beneficial State Bank

Beneficial State Bank describes itself as a “mission driven” bank.³ Monique Johnson, Senior Vice President and Director of Client & Treasury Management says that employees of Beneficial see themselves as part of a movement in which people from the community are considered the priority. The bank’s goals are centered on creating a better world for its clients and the broader community. Social justice and protection of the environment stand out as key values in this bank’s “culture of giving.” Profits are important, but not as important as the people they serve. Monique referenced her personal background when describing the bank. She grew up in a small Midwestern town where the bank was an essential part of the community that supported farmers’ livelihoods.

The importance of arts and culture is clearly acknowledged in the bank’s vision of community development. The bank even has an arts-inspired motto, “Together we will build something beautiful.” Where other banks might have folded investing or lending in the arts into one of the bank’s community development strategies, such as workforce development or education, Beneficial gives Arts and Culture its own priority area, highlighting the importance of cultural vitality as an essential element in the development and sustenance of a healthy community. Arts and cultural institutions received \$32 million in loan commitments from Beneficial Bank in 2016, 75 percent of which were made in LMI areas. This was the fifth highest category out of 12 for the institution behind consumer loans, environmental sustainability, affordable housing, and job development.



THE DEEPLY PERSONAL ARTS CONNECTION

Because the impact of the arts is sometimes elusive, we asked questions exploring how the bankers' personal experience influenced their decisions when evaluating investments in the arts. One question was whether the arts had played a significant role in their lives. Seven of the ten respondents replied positively and enthusiastically to this question. Here is where their passion really surfaced. In some cases, the influence came from a parent. One woman described her father as an untrained, but very talented painter. Another spoke of her mother as a creative seamstress. Some recalled classes and teachers of music, dance, art and theater in their schools or community centers. There was talk of the cultural ties to childhood communities in Central America through the arts. Another carries a deep connection to her childhood in Florence, Italy where she was surrounded by a rich environment of art and music. One woman spoke eloquently of her observation that urban arts capture the essence of struggle in a community. One respondent is currently a musician who often plays in rock and jazz bands. More than one person spoke of the importance of arts in the lives of their children.

Only one banker replied that all his exposure to the arts came through his work at the bank. However, he was convinced, through his work, of its impact and importance. Another spoke admiringly of his co-worker who had influenced the bank by making the arts a part of their culture of giving. "Bank interests come from the top down" he said. "The bank has a sincere desire to be involved in the community and passion helps drive that investment."

In each telling of personal experience with the arts, there emerged an unbridled energy, as if the vitality that Professor Jackson spoke of was internalized by the respondents. Proponents of arts education often cite the passion of a principal or educator in the success of strong arts programs. A passionate banker may also wield a powerful influence.

In several cases, most notably in the support of Downtown Artwalk, Inner City Arts, and artworxLA, passion from executive teams for the work of those organizations inspired the bank investment and support. This may be the case for other non-profit organizations as well. It speaks to the importance of community engagement to drive funding. Those who have experienced, witnessed, or benefitted from the success of arts in their lives will be the strongest proponents.

THE IMPORTANCE OF DATA

The concept of measuring the impact of arts through data can present challenges, since the value and appreciation of the arts, by its nature, is subjective. How does one measure the success of a drawing, dance or piece of music? Is it measured by the number of people who express their appreciation, or measured through the change in the artist through the experience of creation? It is the former that is important in the world of commercial success and from a utilitarian perspective. However, in community or personal development, the latter is perhaps more important. Both ICA and artworxLA cite arts education as a way of keeping students engaged in learning. They may not devote their lives to arts, but in many cases, those students may owe their diploma to that engagement and that is a marker of success. These organizations see their work as nurturing engaged and healthy citizens. How can they accurately measure the benefits of engagement and pride in one's community?

When asked about the importance of data to banks when granting or investing in community arts, the bankers gave a broad range of answers. How does a bank or organization choose the data? What if it is the wrong data? How are outcomes anticipated? In searching for a return on the investment, data may sometimes give a false sense of security.

Raul Bustillos stated that Bank of America is known for making significant investments in the arts, and that many of these investments are for formal arts like a philharmonic orchestra or a major museum. Bustillos noted however, that funds for the arts often do not come from the community development division, but rather from their investment and marketing divisions. As mentioned before, this phenomenon may be, in part, because the CRA only considers activities that primarily serve LMI people and places. Providing data that demonstrates the arts organization's impact on the LMI community can be challenging. For many banks, it is easier if a direct connection to the CRA criteria exists, such as a school program in a low-income area for which data needed to qualify the CRA investment is already available.

Silvia Marjoram maintains that American Business Bank believes it is more likely to invest in arts organizations that have a proven track record. She shared the ICA 2016 and 2017 Impact reports which outline the constituents served, the programs offered, the community engagement in the arts presentations, personal testimonials, and financial information on donors and support. The reports relate progress of the students served in English language improvement and math, support for teachers and administrators in developing healthier school environments, and



partnerships with businesses and cultural institutions that have led to deeper connections with the skid row community. This kind of information is extremely valuable for validating investment in the arts in community development. It speaks to the heart of Maria Rosario Jackson's definition of "cultural vitality." This sophisticated data collection may not be unusual from a successful organization with a long track record. Similar data may also be available from local government, nonprofit, academic institutions, and policy research centers, such as the Urban Institute, the National Endowment for the Arts, or the Herberger Institute. Data to demonstrate programmatic impact is much more difficult for new programs and initiatives.

Four of the respondents clearly stated that data collection is becoming more important as banks base their CRA investment decisions on impact. Rossina Gallegos, of Union Bank, said that as banks become more accountable internally for knowing the outcomes from what they are funding, verifiable results become important. "How do you know if you are making a difference without data?" she asked. She also noted that non-profit organizations have difficulty generating meaningful data. Many do not have the staff or the tools to provide this information. "The funders need to provide the questions (to the non-profit) upfront. So many times, the non-profit may respond that 'we want to be there, but we are not there yet.'" That burden of proof is most often the responsibility of the non-profit. Data collection in the arts has always been challenging and is perhaps more so for a struggling community non-profit.

Beneficial State Bank approaches the data question from a different perspective. The bank accepts the burden of tracking data, looking for impacts that are relevant to CRA, and framing the criteria for the organizations. The burden of proof here is on the bank, as opposed to the non-profit, and Beneficial analyzes its own success through the impact of the organizations and clients it supports.

INFLUENCE OF REGULATORY OVERSIGHT

For several reasons, federal banking examiners travel in teams that rotate regularly. It is likely that a bank will be examined by a different set of examiners from one exam to the next. Broad guidelines may be defined differently, depending on the team.

One bank respondent noted how helpful it would be if the regulatory agencies provided the language that banks could use to discuss arts investment with examiners. "That is what we need—the language to discuss with the examiners. Parameters that we can all understand," she said. Conversely, another banker

stated that "The rules are intentionally broad. Inclusion of the arts is not overt; you have to interpret the rules." Perhaps bankers and the examiners find themselves in the role of interpreting and translating something as pragmatic as CRA rules in the way that an audience interprets and translates art.

MOVING FORWARD

For years, banks have invested in formal arts as good corporate citizens. Investments in community arts programs, particularly as a part of community development strategy is a relatively new phenomenon. Even so, our small group of bankers found evidence that art is strongly associated with economic development. This idea merits further exploration from both bankers and arts organizations.

One point came across repeatedly in speaking with all respondents. Bankers, like artists, do indeed have heart. Those committed to community development act with a passion and vision which may sometimes be hidden by the numbers that too often define their work. Bankers and arts organizations share many of the same community development goals. What separates the two cultures and creates challenges in how they work together are the different interpretations of guidelines and how to measure concrete data. The concept of cultural vitality, though not clearly described as a goal, comes through in the vivid descriptions from the bankers of the arts projects of which they are most proud.

Bankers can (and often do) help clarify CRA information for newer arts organizations to help them succeed. They can have a more formal role in guiding non-profits to understand the information that banks need to demonstrate that their participation will be CRA eligible. Banks can also help promote financial capability within the arts organizations and among their clientele to support and sustain these programs. The Beneficial model, in which the bank takes an active role in the data collecting to measure the impact that the partnership between the bank and arts organization is having on a community, is a good model to build upon.

Both banks and arts organizations need to take a view of community development that encompasses both the need for capital and for those elements that nurture creativity, innovation, and community cohesiveness. The best leaders to shape this view may be those bankers with an evident passion for the arts or who are looking for new ways to address issues they have personally observed in low- and moderate-income communities. One



cannot underestimate the importance of community involvement by the bankers themselves.

This combination of bankers, arts advocates and artists working together presents challenges for the regulatory process and raises some important questions. How much flexibility do examiners have in qualifying activities under the CRA? Is a bank rewarded or punished for progressively taking innovation to higher levels or in unique ways such as investing in arts programs in LMI communities?? Are the guidelines broad enough to incorporate the many benefits of community development investment in community arts? Can examiners give banks CRA credit for advancing cultural vitality?

Because the financial world is one of concrete numbers, whereas the world of the artist involves the less tangible elements of emotion, creation, and connection, there will always be a tension between the two. Both banks and artists need to work on developing a common language or set of standards that facilitate identification of the components necessary for community vitality. Though the burden of proof still falls mostly on the non-profit organizations, banks and arts organizations need to join with academics and researchers to develop ways that data can be collected, measured, and communicated. In community development, these two cultures have much to teach each other. Bankers, like artists, should be given the opportunity to dream. Artists need the tools to make their dreams reality. These partnerships between the culture of banking and the culture of arts should result in the creation of truly vibrant communities.

BREAKING THROUGH THE CULTURAL BARRIERS: SOME GUIDELINES FOR BANKERS AND ARTS NON-PROFITS TO FURTHER THE CONVERSATION

Developing vibrant communities takes more than just financing. Recognizing and identifying how an arts organization contributes to community vitality and how that, in turn, supports the overall financial health of the community could be extremely helpful in attracting the participation of banks. The following questions are sample conversation starters to help bankers and arts organizations learn more about each other's work and identify opportunities for partnership:

- Is there an educational component to the program that helps LMI kids stay or succeed in school and perhaps encourages them to go on? The thinking behind this question is not just that education is easier to defend under a CRA category. An educated populace is certainly a component of a healthy

community. Healthy, educated kids will have more chance of becoming citizens who will ultimately engage with their banks.

- How may a specific arts program contribute to workforce development of LMI young people or adults?
- How does one factor in the value of the creative process along with the physical product in evaluating the effectiveness of a program on the personal development of LMI individuals? Someone who participates in an art or music class may never actually become good at the practice and yet they may develop confidence or an appreciation for the work and the creative process which serves them throughout their lives.
- Is the program bringing other patrons into the community?
- Does the project demonstrably contribute to pride in the community so that people want to live or start their businesses here?
- How can banks better understand their role in the community, not only to its physical infrastructure, but also to its resiliency?
- How should organizations begin to collect performance data from the beginning? What information is needed to identify the milestones that will help them get financing in the future? That loan or grant may not come in the beginning, but clear records of progress should help to bring financial support in the coming years. For example, the solid backing of ICA and artworxLA has come from years of forward, demonstrable progress.
- How can bankers and arts organizations benefit from the work of regional universities and similar local institutions by contributing data to their system data platforms and portals that can then be made available to the public in the form of storytelling for adoption by others?
- How can we (bankers and arts organization) help each other better understand their priorities and those of the community? How can the banks help the arts non-profits embrace principles of financial capability as a means of furthering the learning experiences of the community residents the arts organizations seek to reach? How can the arts institutions help the banks to understand and quantify the less tangible benefits of the arts?



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Arts organizations highlighted in the article:

- artworxLA www.artworxla.org
- Downtown Los Angeles Artwalk www.downtownartwalk.org
- Inner City Arts www.inner-cityarts.org
- Self Help Graphics and Art www.selfhelpgraphics.com

Additional Resources:

- City of Los Angeles Design Strategy Research <http://culturela.org/programs-and-initiatives/designstrategy-dca/>
- Nonprofit Arts for LA County http://www.artsforla.org/cultural_assets_map
- USC Sol Price Center for Social Innovation's Neighborhood Data for Social Change <https://socialinnovation.usc.edu/special-initiatives/neighborhood-data-for-social-change/>



Winifred Neisser is an advocate for the arts and is currently the Chair of Arts for LA. She has worked for several years as a Senior Executive in television development at NBC and later at Sony Pictures Television. She recently completed the Advanced Leadership Initiative Fellowship at Harvard and the Cultural and Ethnic Arts Executive Leadership Program at Rutgers.



ENDNOTES

¹ “Community Development Fact Sheet, Community Reinvestment Act”, Office of the Comptroller of the Currency, Community Affairs, March 2014 P. 1

² Jackson, Maria Rosario, Florence Kabwasa-Green, and Joaquin Herranz. “Cultural Vitality in Communities.” *Culture, Creativity, and Community Program*; The Urban Institute. P. 16

³ Kat Taylor, CEO and Co-Founder of Beneficial State Bank, was a panelist at the January 2017 Creative Placemaking event.

⁴ Some of these individuals have since retired or changed positions. The titles listed here reflect the affiliations they held when these interviews were conducted.