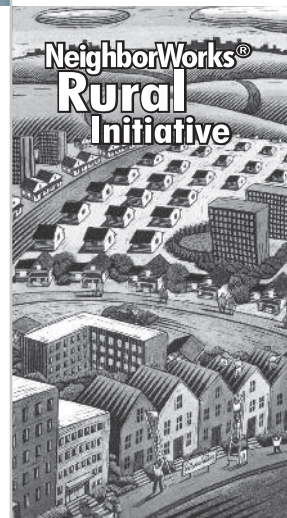




# Beyond Housing

## Commercial Loans and Community Success

Five stories illustrating the impact of commercial loans  
in five communities across America





**A**t NeighborWorks® America we know that it takes more than a healthy supply of affordable housing to strengthen communities and improve lives. It takes jobs and the positive economic ripple effects of new and expanding businesses.

Across the 240 community-based organizations that are chartered members of the national NeighborWorks® network, a growing number of programs offer commercial loans as a direct way to support entrepreneurs. In 2007, 31 NeighborWorks® organizations across eight districts reported commercial loan activity that:

- ▶ Provided 598 new commercial loans,
- ▶ Produced \$64,571,639 in investments in disinvested communities, and
- ▶ Had an outstanding loan portfolio balance of \$98,527,694.

With this inaugural edition of Beyond Housing, we are pleased to showcase five stories from around the country: testaments to the enormous impact that access to affordable capital for commercial enterprise can provide. From a \$7,000 loan to a bi-lingual day care provider on Long Island, to a \$35,000,000 vision for a revitalized downtown in Bowling Green, Kentucky, these stories reflect the diversity that has always fueled the strength of America's communities.

Kenneth D. Wade, CEO  
NeighborWorks® America

## Beyond Housing – Commercial Loans and Community Success

Five stories illustrating the impact of commercial loans in five communities across America

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## INTRODUCTION

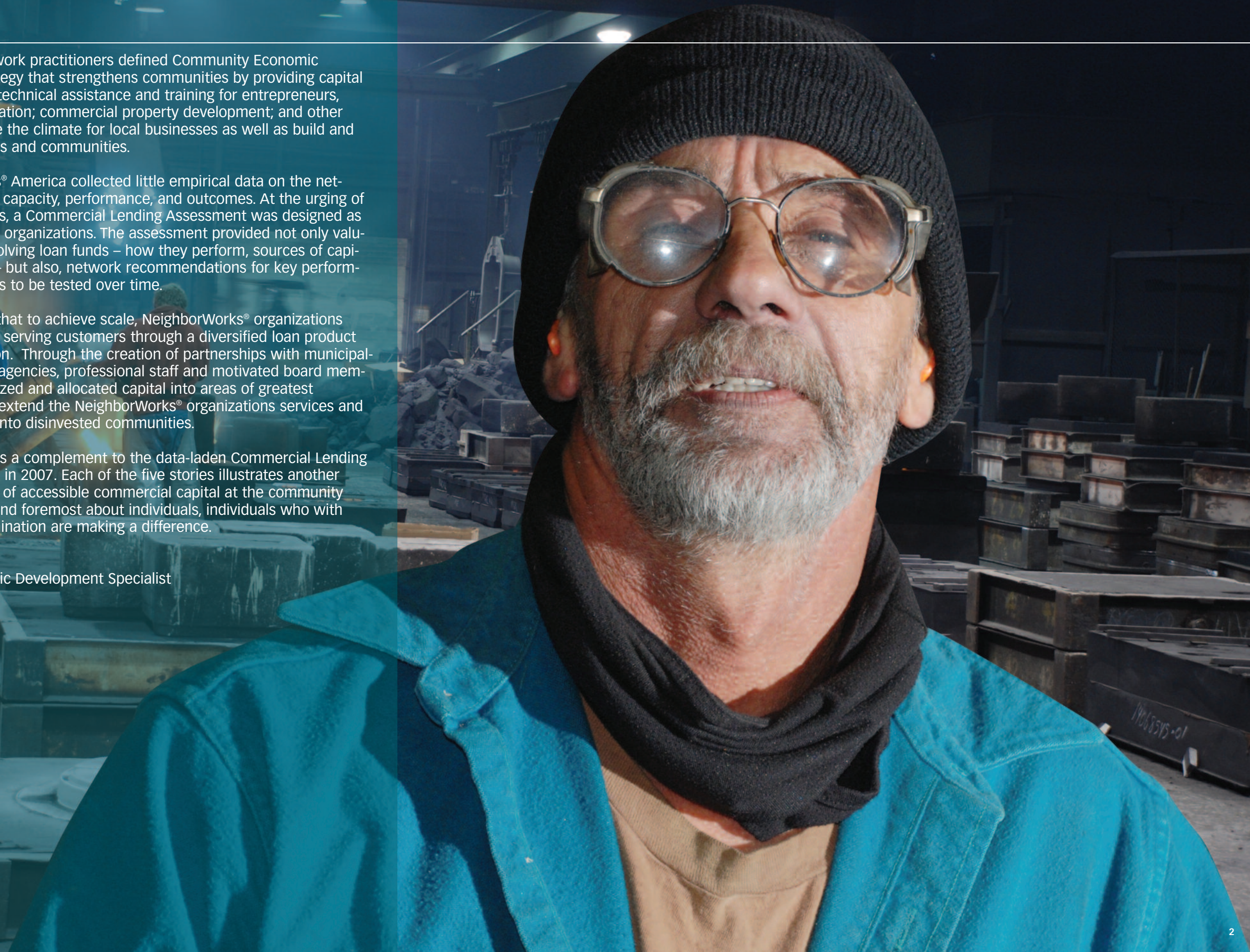
In 2006 NeighborWorks® network practitioners defined Community Economic Development (CED) as a strategy that strengthens communities by providing capital access, commercial lending, technical assistance and training for entrepreneurs, business support and job creation; commercial property development; and other related efforts which improve the climate for local businesses as well as build and preserve assets for individuals and communities.

Prior to 2006, NeighborWorks® America collected little empirical data on the network's commercial loan fund capacity, performance, and outcomes. At the urging of NeighborWorks® organizations, a Commercial Lending Assessment was designed as a deep dive into five network organizations. The assessment provided not only valuable data on commercial revolving loan funds – how they perform, sources of capital, loan products and scale – but also, network recommendations for key performance indicators and standards to be tested over time.

The deep dive also revealed that to achieve scale, NeighborWorks® organizations have developed new ways of serving customers through a diversified loan product menu and regional distribution. Through the creation of partnerships with municipalities, banks and government agencies, professional staff and motivated board members have successfully mobilized and allocated capital into areas of greatest demand. These partnerships extend the NeighborWorks® organizations services and leverage financial resources into disinvested communities.

This publication is intended as a complement to the data-laden Commercial Lending Assessment report published in 2007. Each of the five stories illustrates another dimension to the importance of accessible commercial capital at the community level. These stories are first and foremost about individuals, individuals who with vision, hard work and determination are making a difference.

**Rebecca Seib,**  
National Community Economic Development Specialist  
NeighborWorks® America



## NeighborWorks® Organization Profiles

### BCL of Texas, Inc.

In 1990 an Austin utility company, the Lower Colorado River Authority (LCRA), created CenTex Certified Development Corporation, a nonprofit corporation, to provide commercial lending services to its 43 rural county service area in central Texas. During the first nine years of operation CenTex demonstrated that, not only could they impact the economic health of central rural Texas, but the organization was also financially sustainable. In 1999 CenTex became independent of LCRA but stayed dedicated to total communities.

Because of their SBA certification CenTex served a federal restricted market area for 14 years. In 2004 SBA changed its rules, allowing CenTex to expand its lending throughout Texas. Therefore, in 2005 CenTex changed its name to BCL of Texas to better represent their state-wide expansion. CenTex today is doing business as BCL of Texas and provides a array of commercial loan products to mixed markets throughout Texas.

Since 1990 BCL has become a major commercial lender in the central Texas region. They have provided almost \$53 million in loans to 227 enterprises, leveraged commercial loan participation of over \$65 million, and attracted over \$12 million in entrepreneurial equity investment. This is over \$130 million of new capital for commercial development into rural, mixed rural, mixed urban and urban counties over a 16 year period. In addition, they have secured financing for customers by referring them to local banks that provided direct conventional financing of almost \$1 to \$2 million per year. In 16 years that would be between \$16 and \$32 million.

It is safe to say that, without BCL's efforts, this capital would not have been invested in the communities.

### Rural Opportunities Enterprise Center, Inc.

Rural Opportunities Economic Center, Inc. (ROECI) is a small business lending organization in business since 1993. The organization is a subsidiary of Rural Opportunities, Inc. in Rochester, New York. As of June 2007, ROECI has injected almost \$11 million of capital to underserved communities and to low-income individuals in 20 counties in upstate New York. Without the effort ROECI this new capital would not have been available to these communities.

To lend to small and micro businesses, ROECI borrows funds from SBA, USDA-IRP, commercial sources and corporate entities. Their highly capable staff has established partnerships with municipalities and strong ties with area banks for program and market expansion.

### Community Ventures Corporation

Community Ventures Corporation (CVC) is a well-established commercial lender that has provided over 137 loans and injected over \$15 million of new capital into 30 counties in central Kentucky. CVC works in a difficult market. Their service area expands south of Lexington and north to the Cincinnati MSA. Their markets include urban, mixed urban, mixed rural and rural counties with a host of social, economic, and cultural differences.

CVC provides primarily micro and small business loans to minorities, women, unbankable entrepreneurs and residents of underserved communities. To accomplish this mission, CVC acts as an intermediary, borrowing capital from SBA, USDA and local and regional banks to re-lend to their clients. In addition, they originate and manage large loan pools such as SBA 504 and New Market Tax Credits. In 2007 CVC was awarded \$48 million of New Market Tax Credits by the CDFI Fund. The managed loans address job development and sustainable employment for their constituents and communities.

### CDC Long Island, Inc.

Community Development Corporation of Long Island (CDCLI), a well established small business lender, has been in existence for more than 37 years on Long Island, New York. Between 2000 and 2006 CDCLI has provided almost \$5 million in small business and micro-loans to 195 unbankable individuals within a two-county service area. Without CDCLI's efforts this capital would not have been invested in the community.

CDCLI borrows funds for relending from SBA, CDFI and commercial sources and leverages NeighborWorks® America capital to reduce interest for the borrower. Their highly capable staff has established partnerships with municipalities and developed strong ties with area banks in the Second Look Program. They also provide lending to home-based and nonprofit child care centers and, in so doing, are targeting this underserved market niche on Long Island.

In 2006 CDCLI, through an LLC partnership, became a licensed SBA 7(a) lender. SBA requires that in order to obtain a SBA 7(a) license, an entity must be for-profit and must be regulated by a Federal or a State regulatory agency. It took several years for CDCLI to gather its investors and develop the for-profit, the Community Loan Fund, LLC. Once incorporated, the LLC discovered that the current New York State Banking Department law did not allow an LC to fall under their regulations. Therefore, the New York Banking Department's legislation was amended to allow only the Community Loan Fund, LLC to fall under the auspices of the state banking regulatory agency. CDCLI, through the LLC, now has the ability to provide loans in the amount of \$950,000 to unbankable businesses in Nassau and Suffolk Counties, New York. This unique business model is worth noting and celebrating throughout the Neighbor-Works® network.

### Neighborhood Housing Services of Dimmit County

Neighborhood Housing Services of Dimmit County (NHSDC) is a well established small business lender which has been in existence for more than 15 years. Between 1998 and 2007, NHSDC has provided over \$4 million in loans to 72 unbankable individuals within an eight-county service area. Without NHSDC's efforts this capital would not have been invested in the community.

According to USDA and the 2000 Census, NHSDC's service area is "hard to develop" with high poverty and unemployment rates. NHSDC has borrowed funds from SBA and USDA to relend to small and micro businesses in the middle Rio Grande region in southwest Texas. NHSDC is an active, dynamic participant in economic development issues throughout the southwest Texas region and has established partnerships with SCORE, Sul Ross University, Texans for Rural Entrepreneurship and Education (TREE), and the Middle Rio Grande Development Corporation.

## Snap Shot of NeighborWorks® Commercial Lenders in 2007

▶ Number of NeighborWorks® Organizations **31**

▶ Commercial Lending **Line of Business** in Eight Districts

▶ Number of New Loans **598**

▶ Amount of New Loans **\$64,571,639**

▶ Outstanding Loan Portfolio Balance  
**\$98,527,694**

*Data Obtained from FY 07 Annual Survey*

## Economic and Community Development

NeighborWorks® organizations are most often associated with affordable housing, both home ownership and multifamily. Study after study has reported the growing distance between modest incomes and housing costs, and the importance to communities of having a sufficient supply of affordable housing. So NeighborWorks® organizations play an important role in sustaining communities creating safe, decent and affordable housing.

A story that is less often told, yet equally vital, is the story of the work that NeighborWorks® organizations nationwide are doing in economic and community development. People need jobs in order to afford housing and to support themselves and their families. In some communities jobs may be scarce, and NeighborWorks® organizations help create, preserve and expand businesses through providing access to affordable loan capital. This is exemplified in the story of the Dakota Foundry in South Dakota, where the Northeast South Dakota Economic Corporation loaned money to a group of 15 employees to buy the business the parent corporation was about to close. In Louisiana, Southern Mutual Help Association used a “layered capital” approach to help Intra-coastal Seafood recover from the devastating hurricanes in 2005. In doing so, they helped save not just one business but an entire community of families dependent on fishing for their livelihood.

Some borrowers simply have a dream of creating or expanding their own small business, and again NeighborWorks® organizations stand ready to offer low-interest loans and technical assistance to help this happen. The C&C Executive Barber Shop and Miss Marisela’s Day Care offer examples of the way in which NeighborWorks® organizations can support the creation of new businesses that support families and offer much-needed services to the community.

Sometimes community revitalization requires complex deals and infusions of large amounts of capital, and NeighborWorks® organizations can help with these projects as well. Community Ventures Corporation, in Kentucky, has allocated \$25 million in New Market Tax Credits to the WKU Gateway to Downtown Bowling Green project. The tax credits will create new residential and commercial mixed-use development on a single city block, which is just one piece of an ambitious \$250 million redevelopment plan.

Supporting big dreams and small ones, responding to natural disasters or those that are man-made, NeighborWorks® organizations help bring together the financial and technical capacity to support businesses and sustain the communities they serve.



**DAKOTA FOUNDRY, INC.**  
 Northeast South Dakota Economic Corporation  
 (NESDEC)

Webster is a town of 2,000 in the heart of South Dakota's glacial lakes region, about 150 miles northeast of Sioux Falls. It's so remote the nearest Wal-Mart is an hour away. The area is rich in hunting and fishing, but good jobs are hard to find, so when the 15 employees of the local foundry were told the business would be closing, things looked pretty bleak. It was mid-October, 2004. Christmas was just six weeks away. Everyone knew that the foundry division had been losing money for some time and that the owner, Mereen-Johnson Machine Corporation, had tried unsuccessfully to find a buyer.

The foundry sits right in the middle of Webster's industrial park, right off the main strip. At that time it was one of the town's larger private employers, with jobs that paid on average almost twice the minimum wage. If it closed, not only would its employees be out of a job, but also the town would lose the tax revenue, and other businesses that sold goods and services to the foundry would suffer as well. Families might have to move to find employment elsewhere, severing ties with the community that went back decades. Webster would eventually recover from the blow, but in the short term the foundry closing would be devastating.

About half of American foundries had closed in recent years due to overseas competition, so the fact that Mereen-Johnson was unable to find a buyer was no surprise. Who would want to buy a declining business out in the middle of nowhere?

The answer, it turned out, was the employees themselves.

Over the course of three Saturdays, three men sat around a kitchen table to hammer out the details of the buy-out. One was Doug Valsvig, who worked for Mereen-Johnson in Minneapolis, some 230 miles away. Valsvig worked in the financial side of the business, and knew that the foundry could be profitable. Another was Josh Bartus, who understood the operations side of the business, and the third was Terry Sampson, a management consultant. As they talked, the men agreed that key to the foundry's turn-around would be keeping debt low, which meant that they had to raise as much equity as possible.

Bartus and Sampson called the foundry employees back into the break room, and sketched out a plan in which they could each buy in to the company. "This is going to be one of the most important decisions of your lives", they told the assembled men. "Go home and talk to your wives, and see what you can raise for cash." The next morning, 13 employees came back and offered about \$10,000 each, borrowed against their 401(k) plans. Terry Sampson bought in also.

The \$140,000 in employee equity was fundamental to raising the other capital needed to acquire the business. Next in was a loan from the Northeast South Dakota Economic Corporation (NESDEC), which was started by Northeast South Dakota Community Action Program, a NeighborWorks® affiliate. NESDEC's loan and technical assistance helped bring in a private lender to complete the rest of the purchase. Because everyone was nervous about the deal, the first phase was to buy just the equipment needed to run the



foundry. If that was successful they would buy the real estate later. The structure of the deal looked like this:

Initial Purchase	Amount	Rate & Term	Security
Bank	\$92,500	7%, 7-year term	1st Position
NESDEC	\$92,500	5%, 7-year term	1st Position
Employee Equity	\$140,000	-	2nd Position
<b>Total</b>	<b>\$325,000</b>		

The re-christened Dakota Foundry opened under its new management on January 1, 2005. With 14 owners instead of one, the drive to be successful was greater than ever. For the first time, nearly every employee had a financial stake in the business that went beyond a mere paycheck, and attention to work quality and efficiency produced immediate results. At the outset Mereen-Johnson, the old parent company, comprised 90% of the foundry's business, and one of the first priorities was to reduce that ratio. Within three years new accounts brought in 90% of the business, and Mereen-Johnson's share of business was reduced to 10%.

"We knew right away that it would be successful" recalled Doug Valsvig, now the Dakota Foundry's Vice President/Controller. Within short order they had gone back to NESDEC for additional loans to upgrade equipment (\$25,000) and to purchase the foundry buildings NESDEC split this latter loan with a bank, each lending \$100,000 for 15 years, NESDEC at 5.75% and the bank at 7.75%. Later on, NESDEC also helped Dakota Foundry find additional financing to build a new 7,500 square foot storage building.

As the company grew concerns emerged about having two classes of employees; owners and non-owners. To give them some of the same financial incentives, Dakota Foundry made non-owners eligible for bonuses equivalent to that received by the smallest shareholder. This unites all employees in a commitment to delivering high-quality products as cost effectively as possible.

In just three short years, what began as a desperate gamble to preserve 15 jobs has transformed into a thriving business. The Dakota Foundry has almost tripled its employees to 43 full- and part-time positions, and in the last three years it has pumped about \$4 million in payroll and dividends into the local community. Webster and surrounding towns can relax a little, knowing that the Foundry's roots in the community run deep. These are good jobs that will never move overseas in search of cheaper labor. The Foundry's owners are committed to operating the business to ensure long-term success, as opposed to earning short-term profits that benefit only a few. As their Web site says, "This is not a job, it's our life and future."

The transformation at the individual level is equally important. "It's rare to have a chance to have some ownership and control your destiny" muses Valsvig. Under the previous ownership the employees had been undervalued, and made to feel expendable. "Now they own the company, and they really feel like they're something. It's changed them." ■

## MISS MARISELA'S DAY CARE

Community Development Corporation of Long Island  
(CDCLI)

On a hot June afternoon, a group of parents sat on folding chairs placed in rows on a "sport court" behind a suburban Long Island home. "Pomp & Circumstance" blared softly from a portable CD player, and like parents at graduations everywhere they craned their necks for a proud glimpse of their child. The seven graduates, wearing caps and gowns, marched up the center aisle to the front and stood in a row facing their parents, ready to receive their certificates.

This was not your typical graduation, however. Closer inspection revealed that the "graduates" were all under three feet tall, and about five years old. Their "gowns" were actually their fathers' white Oxford button-down shirts worn backwards, although they did have conventional caps, complete with tassels. They were graduating from Marisela Diaz's pre-school, and would be attending kindergarten in the fall.

Marisela Diaz still smiles when she remembers that day. She finished up the ceremony with Louis Armstrong's "What a Wonderful World," and there wasn't a dry eye in the house. "That was a wonderful group of kids," she recalls. "It was unusual for me to have so many children the same age, they were all so intelligent, and I had them for two years so we could work together to prepare for kindergarten." Over the two years both the children and the parents formed a tight bond; in a sense the graduation ceremony celebrated not just the children's achievements but the close-knit community they had become. "Some of the kids still come here for afterschool care" says Diaz, "but we still get the whole group together once or twice a year and they all really enjoy seeing each other again."

This extraordinary touch is commonplace at Diaz' daycare, where her love of children and commitment to their growth and well-being are evident in everything she does.

Originally from Venezuela, Diaz grew up on Long Island and attended public school in the United States. She was trained as a teacher, and taught English in Venezuela for several years. In 1991 Diaz and her husband returned to Long Island, but they were soon divorced, and to make ends meet Diaz took a job doing accounts payable. She found the work dull, and disliked being away from her son so much, so she decided to open a daycare in her home. Her large house with its one-acre lot was well-suited for the purpose, and she hoped her teaching credentials would help make her attractive to parents. She opened Miss Marisela's Day Care in 2000, and received state licensure in 2002.

Looking back, Diaz recalls that it was hard to get started. Daycares, more than other businesses, are built on trust. Parents need to feel confident that their children will be safe, happy, and well cared for. Referrals from other satisfied parents are key to bringing in new customers, but how do you get those first families in the door? Diaz realized it might help to improve her daycare's curb appeal. As a single mother, exterior improvements to her house and yard had been low priority, but now they were important to the success of her daycare. Her yard lacked a fence, it was sloped, and there was no place where the kids could safely ride their bikes. Her house needed new siding as well but these were expensive improvements, and banks consider daycares a hobby, not a business, so financing can be difficult to arrange.

Diaz first learned about the low-interest loan program at Community Development Corporation of Long Island (CDCLI) at a meeting of the Child Care Council of Suffolk, Inc. CDCLI is a NeighborWorks® organization that offers small business loans as well as homeownership assistance. CDCLI's loan program sounded like a good fit with her business, so she called them up and a staff member came out to take her application. Altogether, Diaz has borrowed money three times from CDCLI. "I have improved only because of CDCLI," she insists.

The first loan, for \$25,000, Diaz borrowed at 3 percent for five years. This allowed her to create a fenced-in "sport court," of rubber tile over cement, where her young charges could ride bikes and play safely. Her



improvements helped attract several new families, and her business really took off. "I paid that loan off in a year and eight months," says Diaz, proudly.

A few months later Diaz returned to CDCLI asking for a second loan. She used these funds to convert her garage and attached shed into usable space for her daycare, and to install new vinyl siding. This expanded her daycare space and allowed her to qualify for a group daycare license, serving up to 12 children. She also extended the driveway with an asphalt path to allow for easy drop-off and pick-up of the children. This loan was for \$13,000, at 3 percent interest and a five-year term, and once again she paid it off early.

In 2006 she was approved for a third loan of \$7,000, at 6 percent for three years, which helped pay for playground equipment and materials such as outdoor rugs, new toys, bicycles, shelving, and air conditioners. Most recently, CDCLI invited Diaz to participate in an Individual Development Account matched savings program. After one year she was able to save \$1,000, which CDCLI matched with another \$1,000. Diaz used these funds to buy a new, high-quality swingset for the children in her care.

CDCLI's Child Care Loan Program required Diaz to have her daycare evaluated by the Child Care Council, which gave her outstanding ratings. A unique feature of her daycare is that Diaz is bi-lingual. As a result, she is able to better serve Spanish-speaking families, and can also teach the language to non-Spanish speakers at an age when they can learn it most easily. One young boy from Nigeria, who was with her for four years, was able to understand almost everything she said to him in Spanish by the time he left her care. "His parents were so happy about that!" Diaz recalls.

Diaz isn't sure what she will try next at her daycare, but she is constantly looking out for new ways to improve her business. Her son is grown now, but she's not ready to go back to her old job. "I have worked in an office and I was never appreciated; no matter how hard I worked it was never enough," says Diaz. "Working with children it is so rewarding, you have no idea. It's not just the children it's also the parents, because they see what their children learn when they're with me and they are so appreciative!"

Bill Klatsky, CDCLI's CEO, points out that providing loans to daycares "responds to the underserved of Long Island." Sustaining a high-quality, multi-lingual daycare helps ensure that Long Island children can be in an environment where they can grow and thrive as their parents go off to work. "A loan like this is good for the business owner, the families, and the community as a whole." ■



## Intracoastal Seafood Southern Mutual Help Association (SMHA)

When times get tough, Southern Mutual Help Association (SMHA) goes looking for the people who are determined to rebuild their homes, businesses and communities. "Throughout rural Louisiana the need is so great that there simply isn't enough money to help everyone" explains SMHA Assistant Director Helen Vinton. SMHA knows that people— not government programs— build communities; when SMHA invests funds in a key family or business the return on their investment is much greater than just the interest repaid on the loan. One strategically made loan can put an entire industry back in business, supporting hundreds of families.

The concept sounds easy, but in the aftermath of Hurricanes Katrina and Rita in 2005, SMHA's resources were strained to the breaking point. Among the hardest hit were the fisher communities along the Gulf where families lost not just their homes but their boats, which were their source of livelihood and the very heart of their culture. Restoring the fishing industry was critical to helping rural Louisiana recover from the blows it had sustained, but when so many people had lost so much, it was tough to know where to begin. "We do a lot of lis-





tening,” explains Vinton. “You listen, you don’t fill out forms right away, you listen to their stories and find out what’s happened and how the family has helped itself.” Their self-help efforts are evidence of their commitment to restoring their homes, their businesses, and their community.

SMHA reached out to Joseph and Dung Thi Bui Doan, owners of Intracoastal Seafood. If there were a PhD in “Surviving What Life Throws at You” the Doans would have earned degrees several times over. They came to Louisiana from Vietnam in the 1960s, starting over in a new country with a new language and culture. Joseph graduated from Abbeville High School in 1975 and went to work in a machine shop. In 1992 he discovered that his parents, whom he believed had died in the war, were still alive. He returned to Vietnam to visit them, and found them living in terrible poverty. His machine shop paycheck would not be enough to support his own family as well as his parents, so he and Dung Thi Bui started a convenience store. It was difficult at first and they worked hard to get it established, even installing a kitchen and doing some cooking. After a couple of years the hard work paid off, and the store began to flourish.

In 1997 Joseph met an old friend who owned Intracoastal Seafood, which serviced the shrimp boats, while selling them diesel fuel and ice, and helping to process the catch when they

brought it in. The Doans bought the business and it prospered for several years, but in October 2002 Hurricane Lili made landfall in Intracoastal City as a Category 1 storm. The storm brought winds gusting 120 miles an hour, six inches of rain, and a 12-foot storm surge. Intracoastal Seafood lay directly in the storm’s path and was wiped out. The Doans had to rebuild their dock and their buildings, and replace equipment, but they did so quickly and were soon operational again.

The 2005 hurricanes Katrina and Rita devastated the region again, submerging the Doan’s dock, their iceplant, freezer, conveyor, and buildings under 15 feet of water. As the storm waters receded, the Doans took stock, shoveled out the mud, and tried to re-open Intracoastal Seafood on a limited basis to catch the end of the shrimping season.

Impressed by the Doans’ spirit and determination, SMHA offered assistance, but with limited resources could only scrape together a \$5,000 grant. Joseph and Dung Thi looked around at the destruction to their business and shook their heads. The help was nowhere near enough, and they turned it down. An additional problem was that the fishing fleet had also been severely damaged by the storms, and replacing the boats would take some time.

By late 2007, however, enough recovery had occurred that prospects for the 2008 shrimping season looked brighter. Through 2006 and 2007 the Doan family had scrambled to run the business and make ends meet, in the process running their credit cards up to their limits. The high-interest rates on the credit cards were crippling them, so Joseph contacted SMHA and asked whether there was any more assistance available.

In the years since the hurricanes SMHA had been successful in raising funds which could be used for larger grants as well as loans. They made their largest contribution yet to the Doans, a financial package that included a \$10,000 grant; a \$50,000 loan at 3%, with quarterly payments; and a \$150,000 line of credit, also at 3% interest. SMHA calls this approach “layered capital,” a combination of grants and debt that fills gaps and helps to move customers along in their recovery. They choose businesses strategically to ensure that their investments also support the recovery of an industry or a particular region. The Doans business supported up to 50 shrimp boats, each one of which might have a crew of four. In addition, approximately 20 to 30 local women are employed seasonally dehead the shrimp when they come in, which is vital income for their families.

The line of credit allowed the Doans to purchase the supplies, such as diesel fuel, that they needed to service the shrimp boats, and to extend credit on a limited basis. Joseph Doan says that SMHA’s help has been invaluable. Even though they are small they “really reach out to the community,” he says.

Relatively few people have returned to live in Intracoastal City after the 2005 hurricanes. There is too much water there, says Joseph, and they would have to rebuild their houses 15 feet off the ground to protect against future floods. Most have moved their families to higher ground, to Abbeville or other towns away from the immediate coast. But fishing has been part of the culture for generations, and it remains vital to the region’s economic future. SMHA’s assistance ensures that in this one section of coastal Louisiana, at least, the fisher people will be there for years to come. ■

Charles Harris got more than he bargained for when he went to talk with Clearwater Neighborhood Housing Services about a new business expansion loan. He not only got the loan, but also some counseling that helped him become a more successful business owner, and (eventually) a place on the CNHS Loan Committee!

Harris was already a successful entrepreneur who owned C&C Hair Designs Studio, a popular barber shop in Clearwater's North Greenwood neighborhood. He had begun cutting hair on the front porch of his parents' house as a teenager, and he developed a loyal following even though he was young and self-taught. He finally enrolled in cosmetology school when he was 23, and he worked in a barber shop in St. Petersburg before opening his first shop next to his father's grocery store. "That shop I opened with just cash alone," Harris recalls, "and it had just the bare necessities." There were just three chairs, but it was enough to get him started, and after a few years he was ready to remodel and expand. With some savings and a commercial bank loan he went from three chairs to nine, five for men and four for women. He resurfaced the

## Charles Harris, C&C Executive Barber Shop Clearwater Neighborhood Housing Services (CNHS)

floor, and added some other touches that made the interior more attractive. As is common in the industry, the people working in Harris's shops are independent contractors who pay him a certain amount each week to operate the chair.

Business was great until an extensive road construction project nearby made it difficult for customers to get to his shop. The slowdown gave Harris the time to act on an idea he had been considering for some time: opening a barber shop in Clearwater's central business district. This was when he approached CNHS.

The new shop would cater to a different clientele, and it needed a different look. Greenwood is a predominantly black neighborhood, and C&C Hair Designs fit comfortably into those surroundings. The new store was in a downtown location that would draw more professional people and tourists, and serve a more diverse customer base. Harris knew he had to approach it differently; starting small with the "bare necessities" among people who did not know him would not work downtown.

CNHS staff were very encouraging, but they didn't make the loan right away. First they helped Harris improve his credit, and referred him for help in creating a business plan. "The business planning process was the best thing for me!" says Harris



now. While he did obtain a loan from CNHS, what he learned in working through the business planning process would help him approach any business lender in the future. The \$20,000 that Harris borrowed from CNHS allowed him to fix up the shop the way he wanted it, and the loan included some working capital that allowed him to launch his new business venture smoothly. C&C Executive Barber Shop had five chairs, and within two months Harris had contractors for all five of them. He has seen a steady stream of customers in that location ever since, and has gone on to open a third shop in another part of town.

As a successful entrepreneur Harris was soon fielding requests from friends to help them start businesses of their own. He was happy to share the skills he had learned, and has helped start a tax and accounting firm, another barber shop, a beauty salon, and an automotive detailing company. CNHS appreciated his energy and interest in helping others, and recruited him for their Loan Committee. In this capacity Harris found himself reviewing loan applications and says he learned a great deal from this experience as well. Through discussions with staff and other board members about each application, he has developed a better sense of why businesses succeed. Similarly, when they foundered he has helped analyze how they got into trouble and what they can do to become profitable again.

CNHS considers Harris a model small business owner. He has adopted a steady, yet conservative approach to growing his businesses, always staying within his financial limits and not trying to take on too much at one time. He's also given back to the community along the way. "Charles Harris has been very generous and open with his time" explains John



Maloney, one of CNHS's commercial loan officers. "He has counseled other people through their business start-ups, and several of these have become very successful in their own right. He's also been active with youth groups and in other community activities." This is just the mindset that CNHS tries to nurture in its small business customers.

Harris seems a little surprised to find himself the owner of three businesses. "All I really wanted in the beginning was to have one business and be successful at that," he says. "I didn't necessarily plan to have three." One of the reasons he's continued to expand is that people he has counseled through cosmetology school want to come work for him when they graduate. Since he might not have a chair for them, he tells them "I'll tell you what, when you

finish school we'll start a new business and you can work there." Another reason is his growing family, which includes eight children and 14 grandchildren. Supporting new businesses helps make Clearwater a great place to live and raise a family, and creates new opportunities for the young people coming along.

Harris is already plotting his next business venture, which will combine his skills and experience in hair care with his passion for teaching and counseling people just starting out in the business. He wants to start a barber school. This will be bigger and more complex than anything he's started before, requiring a team that can handle financial aid, admissions, state and national licensing, and all the other administrative details of running a school so he can concentrate on teaching. This project is in the early planning stages, but Harris is already taking the same careful, steady steps towards achieving this goal that he has taken with his other businesses. One day soon, we can be certain, Clearwater will have its very own barber school, courtesy of Charles Harris. ■

"The character of your city is judged by the character of its downtown, not by its strip malls on the edge of the city or by big houses in suburban subdivisions," declares Mike Buchanan, a Judge Executive in Warren County, Kentucky. "It's what you do with the downtown that matters." This statement lies at the heart of an ambitious redevelopment project aimed at revitalizing downtown Bowling Green. Buchanan, as a county elected official for the last 15 years, is at the forefront of efforts to plan and implement this project.

## WKY Gateway to Downtown Bowling Green

### Community Ventures Corporation

Bowling Green is the county seat and has a population of about 53,000. It has a lovely, historic downtown wrapped around a fountain and a park, but just a couple of blocks away the picture is much bleaker. Like many other cities around the country, Bowling Green has seen an exodus of residents from its downtown into surrounding suburbs. The resulting sprawl burdens the county with more expensive infrastructure costs and reduces the tax base available to support the city. In the blocks stretching out from downtown Bowling Green, buildings stand empty or house marginal businesses, such as a used carpet store. Some old residential and commercial buildings have been torn down, leaving empty, grassy lots. The facades of remaining structures look tired and worn. Sidewalks are broken in some places, and missing altogether in others. There is little reason for tourists to visit, and when they come they do not stay long.

All this is about to change. Over several years different groups have been meeting to improve some aspect of downtown Bowling Green. A cultural arts group wanted to build a new 1,600-seat performing arts center and another group has been working on bringing Class A Minor League baseball team to town. Various others were looking to beautify the area, to bring in more businesses, to expand tourism, and to establish links to nearby Western Kentucky

University, whose 19,000 students provided a ready market for downtown activities.

All of these efforts have come together under the umbrella of the WKU Gateway to Downtown Bowling Green redevelopment plan. This ambitious effort encompasses 40 acres and nine city blocks, creating a corridor that will connect Western Kentucky University at one end with a brand new minor league ballpark, hotel, and park space on the other (see Figure 1). The corridor will retain and showcase historic structures such as the county courthouse, and it will create new commercial, residential, and office space as well. The price tag for the entire plan is \$250 million.

Bowling Green is a relatively small city, so a plan of this scope requires a substantial investment by both the private and the public sectors. One of the ways to attract private investment is through tax credits, such as the New Markets Tax Credit (NMTC) program, administered throughout Kentucky by Community Ventures Corporation (CVC). CVC is a NeighborWorks® organization that helps people increase income and build assets through ownership of homes, small business and through new jobs created by business expansion. The NMTC program provides a credit against federal income taxes for investors making qualified equity investments into Community Development Entities (CDEs). CDEs then use the proceeds of these investments to make qualified low-income community investments which may include, among other things, investments in businesses and real estate projects in low-income communities.

CVC is assisting with the redevelopment of Block 6, which flanks the proposed new ballpark on its southeast side. Block 6 will create over 185,000 square feet of new mixed-use space that will include retail, office and residential condominiums, and restaurants, as well as a new parking garage. Development of Block 6 (excluding the parking garage) will



cost \$35,280,000; as with most projects of this size, financing is a "layer cake" made up from the following sources:

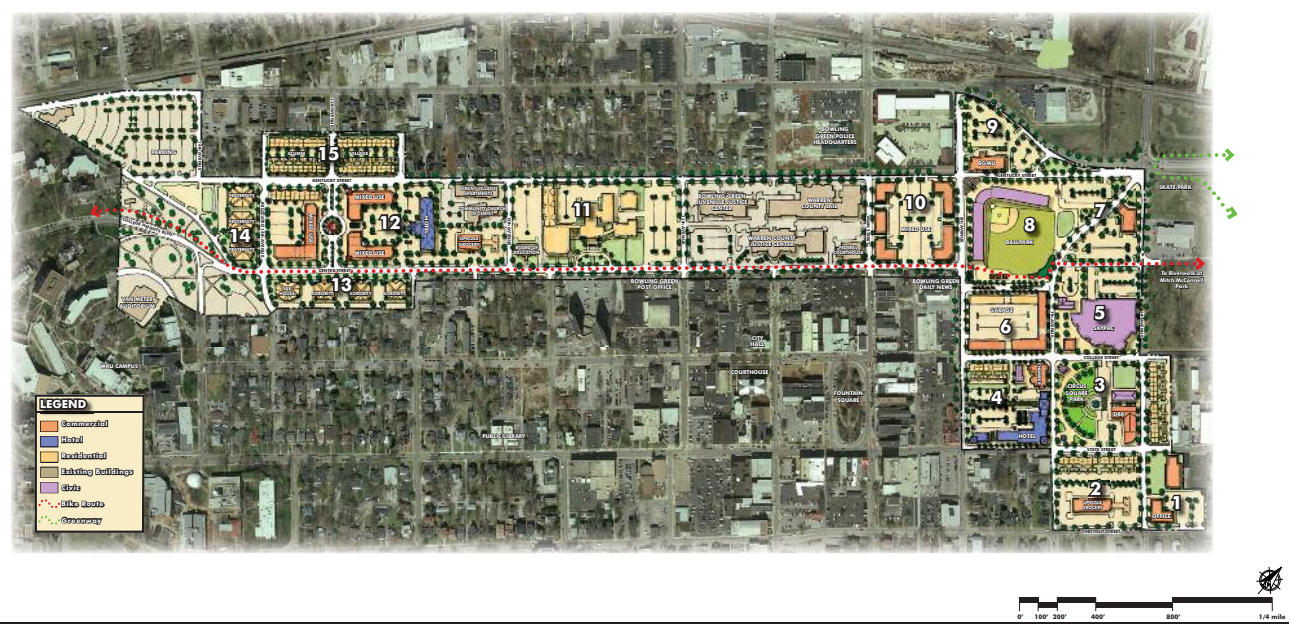
Block 6 Redevelopment Costs	
Commercial loan from PBI Bank	\$18,674,000
New Markets Tax Credits capital raised – CVC	\$7,500,000
New Markets Tax Credits capital raised – US Bank	\$1,626,000
Cash from developers (Alliance Corp)	\$4,000,000
Value of property donated by city	\$3,480,000
<b>Total</b>	<b>\$35,280,000</b>

CVC's \$25 million investment is its single largest use of NMTC to date. This is a complex project that involves many players. The development will occur in phases, each of which depends on the one preceding it. CVC's NMTC helped secure private investment in Block 6 that was vital to the success of that project. Obtaining financing for the ballpark and Block 6 will help attract investors for projects in later phases as well.

In a sense, CVC views its investment as seed money. It will take time for the entire project to be built out, and longer still before the economy of Bowling Green takes off as a result of this new development. But it will be worth the wait. "CVC has always seen downtown revitalization as a key element in creating quality employment, and this project will create hundreds of jobs both directly and indirectly, which are desperately needed in the Bowling Green/Warren County area," says Kevin Smith, CVC's Executive Director. "We believe when we invest in and revitalize our downtown communities they become stronger, and the quality of life for residents is improved."

The WKU Gateway to Downtown Bowling Green corridor will become the new heart of the city, both a source of pride for residents and a destination for visitors from throughout the region. Expanded housing, employment, and entertainment options will attract young people to downtown, giving the city a vitality it and energy it now lacks. Judge Executive Mike Buchanan can't wait. "I'm so excited about this! It's the biggest single thing that's happened to Warren County in my lifetime," he says. If the character of a city is judged by its downtown, this ambitious project shouts big, bold and visionary. ■

<b>1</b>	Office Total 20,000	<b>5</b>	SkyPAC Phase 1 SkyPAC Phase 2 Retail 23,300 Office Condos 25,200 Restaurants 13,000 Residential Condos 118,900 Garage Total 180,300	<b>8</b>	Ballpark Total 25,000	<b>11</b>	Residential Total 163,976	<b>13</b>	Sorority House 3 Units
<b>2</b>	Townhomes 30,000 Retail 10,000 Total 40,000	<b>6</b>	Office 20,000 Bank 3,500 Total 23,500	<b>9</b>	BGMU Office Total 25,000	<b>12</b>	Foodstore 9,600 Hotel 100 rooms 25,200 Office 36,000 Restaurants 15,000 Office Condos 26,100 Retail Condos 49,000 Restaurants 19,400 Residential 51,300 Townhomes 14,000 Total 197,250	<b>14</b>	Fraternity House 3 Units
<b>3</b>	Census Square Park Townhomes 30,000 DRA Building 17,500 Total 47,500	<b>7</b>	Office 20,000 Bank 3,500 Total 23,500	<b>10</b>	Residential Condos 29,900 Bank 3,500 Total 172,800	<b>15</b>	Townhomes Total 72,000		
<b>4</b>	Townhomes 15,000 Hotel 135 rooms Total 15,000								

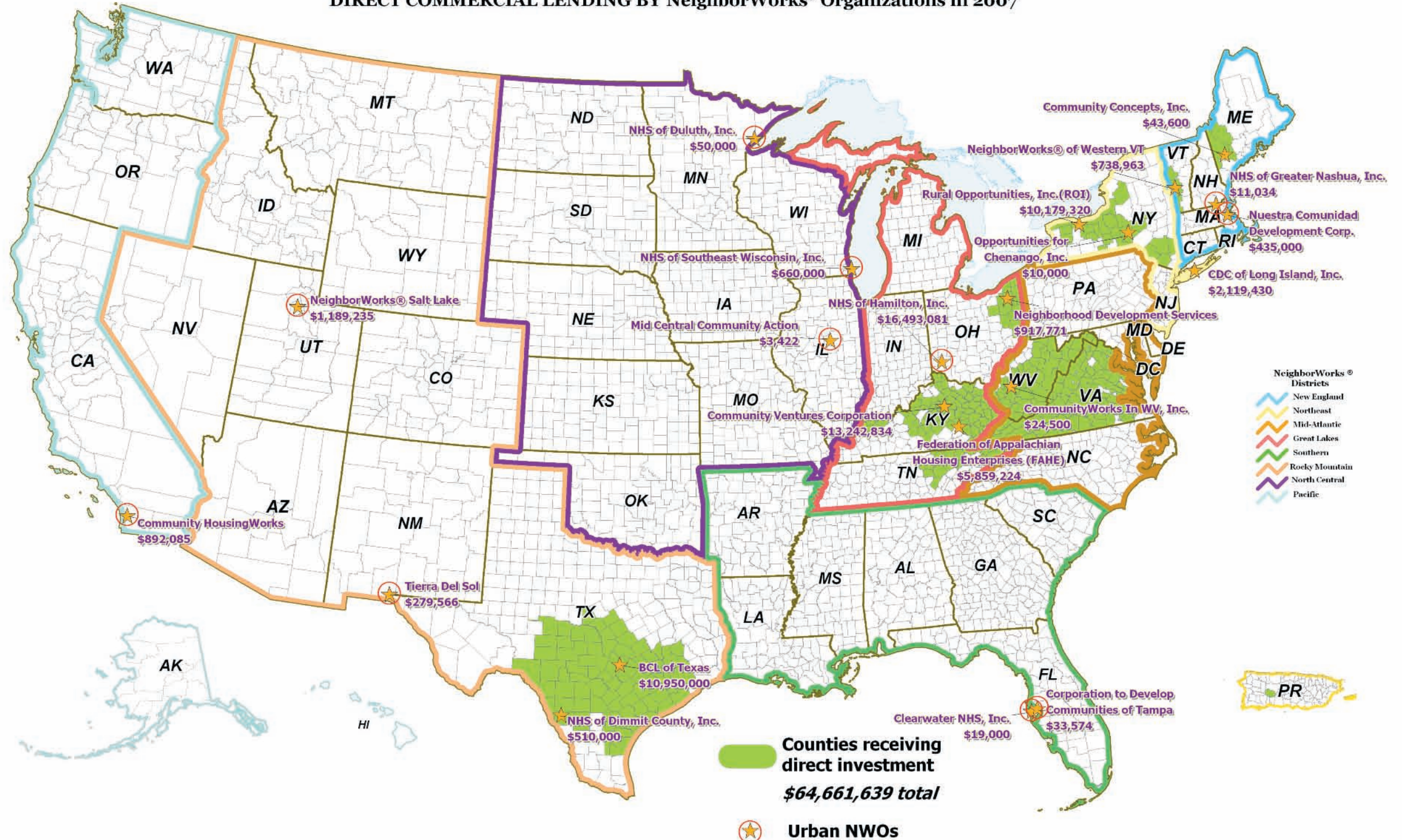


WKU Gateway to Downtown Bowling Green  
Bowling Green, Kentucky  
August 23, 2007

While this publication features just five stories of communities strengthened because of access to commercial credit, 22 NeighborWorks® organizations made commercial loans during 2007 alone. This map illustrates both the regions of the nation served by these community-based organizations and the direct loan amounts committed by each – for a total of \$64.6 million.

## NeighborWorks® Community Economic Development (CED) Program

DIRECT COMMERCIAL LENDING BY NeighborWorks® Organizations in 2007





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