for South Shore housing. The bank’s Park-
side Banker program, which examined
the housing problems of South Shore’s most
blighted areas, was the impetus to the Park-
ways project of City Lands.
Two of the bank’s subsidiaries—City Lands
Corporation and the Neighborhood Insti-
tute—have complemented the bank’s ef-
forts in neighborhood revitalization. City
Lands’ most ambitious project has been the
Parkways, the largest multi-family rehabili-
tation project currently under way in the
country. The project will produce 446 units of
rehabilitated housing partly at market
rates and partly subsidized by Section 8 rent
supplements, at a cost of roughly $20 million.
This project is a joint venture with First
Chicago Neighborhood Development Cor-
poration (a subsidiary of First Chicago Cor-
poration) and RESCORP (a real estate ser-
dvice corporation owned by 55 Chicago sav-
ings and loan associations).
In addition to demonstrating a strong
commitment to a specific project, most
successful CDCs have targeted their efforts
to a single, well-defined neighborhood,
thereby increasing their visibility and the
likelihood of generating additional invest-
ment for other projects. Within the context
of targeting, some CDCs have adopted the
strategy of pursuing small, short-term pro-
jects, while others have chosen the route of
large-scale land development. Generally,
small projects entail less risk than large-
scale, long-range developments, and the
failure of a small project is less catastrophic
than that of a large one. The small project
strategy was adopted by First Bank
System of Minneapolis, which built and fi-
nanced a luxury condominium in a North-
brook neighborhood. This project, in turn, generated ad-
ditional investment in a small shopping
center in the same neighborhood.
One notable example of the broad-based
approach is the Pyramidwest Development
Corporation (formerly the North Lawndale
Community Development Corporation), which
is located in the North Lawndale community
on Chicago’s west side. Pyramidwest was a
CDC that became a bank holding company
by acquiring the Community Bank of Lawn-
dale. Its two other subsidiaries are Pyramid-
side Management and Realty and Community
Health Care, Inc. Although the found-
ners of Pyramidwest recognized the risk inher-
ent in a large proportion of its projects, they
undertook this approach to have a
measurable impact on the community and to
demonstrate the CDC’s financial viability.
Because land development projects are more
complex and require more time for comple-
tion, the CDC often foregoes the rewards
provided by small project development op-
portunities. In addition, large-scale land acquisi-
tion involves expensive dealing with all levels of
government and property owners.

An additional factor critical to a CDC’s success
is the financial institution’s ability to elic-
t the participation of community residents
who, with a vested interest in the econo-
ic vitality of their communities—a fact
that has sharpened their interest in com-
munity development projects. This
Economic Commentary examines
one vehicle that enables financial institutions
(a and the stimulation of the local communities—Community
development and the Economic
Development Administration, there is a
prominent role played by local financial institutions in
the promotion and stimulation of community
development. The stagnation
depends on acceptance and cooperation by
community residents who must live with the
consequences of any project. By eliciting
resident input, the CDC will be better able
to show community residents that their
interests are being served.

Finally, CDCs must take advantage of the
variety of funding sources available for
development projects and package their pro-
jects to attract private as well as public
funding. While private-sector commitment
is essential for community development pro-
jects, direct government support of devel-
opment efforts is also available. There
are numerous programs available that use public
funds as an incentive to attract private-sector
investment. Programs such as the urban de-
velopment action grant (UDAG), admin-
istered by the Department of Housing
and Urban Development, require an up-front,
private-sector commitment before approval
of an application. The Warren-Shenner
area in Toledo is an example of a major develop-
ment effort that utilized both public and
private financing. Toledo’s largest bank
and holding company, Toledo Trust Company
and Owens-Illinois, respectively, prepared
a plan to revitalize Toledo’s distressed
downtown. In addition, a commitment was ob-
tained from the city of Toledo to support
the effort with public improvements that
would complement the private investments.
The city of Toledo responded by obtaining a
$12 million UDAG to fund various improve-
ments and projects in the adjacent

Section 8 rent supplements also have been
used extensively to counter the ad-
verse effects of displacement that often
occur in rehabilitated neighborhoods.
The Parkways project, described earlier, utilized
Section 8 rent supplements to ensure that
rehabilitated properties would be affordable
to low- and moderate-income families. The
CDC obtained a federal commitment of rent
subsidies as well as below-market financing
from the state housing finance agency.
Federal grants also have been used to estab-
lish investment companies that finance
small, young companies as well as loan-
guarantee programs to protect loans ex-
tended by commercial banks.

Conclusion
Although the activities of CDCs are broad
in scope, all face the challenge of going be-
Yud Z. Menich

Fed. Reserve Bank of Cleveland Research Department
P.O. Box 6387
Cleveland, OH 44101

Please send mailing label to the Research Department,
Fed. Reserve Bank of Cleveland, P.O. Box 6387, Cleveland, OH 44101.
activities that are closely related to banking. Included among these permissible activities is (1) the provision enabling "... charitable, educational, and similar nonprofit institutions.

Included in this activity reflects the Federal Reserve System's policy of encouraging bank holding companies to take an active role in the quest for solutions to the nation's social problems. Although the Federal Reserve Board's published interpretation of the 1970 amendments highlights projects specifically targeted to low- and moderate-income areas, other projects that contribute to community welfare are also permitted. The Federal Reserve Board does not delineate specific investments, but instead allows bank holding companies considerable flexibility to develop and implement their own projects.

Permissible investments include, but are not limited to, projects that (1) construct or rehabilitate housing for low- and moderate-income groups; (2) construct or rehabilitate ancillary local commercial facilities necessary to provide and services principally to low- and moderate-income neighborhoods; (3) create employment opportunities for low- and moderate-income individuals; (4) facilitate the development of the financial institution's deposit- and credit-granting facilities; (5) increase the financial institution's capital; and (6) maintain the investments appear on the bank's books under "other assets."

The project is of a predominantly civic, commercial, or public nature and not merely private; and (3) the project or program is not for profit or not for profit entities.

The choice of structure for a CDC depends on the project and the resources that the CDC, or the for-profit CDC, is eligible to receive and the recipients of revenue from projects. A non-for-profit CDC can receive government grants and loans or tax-exempt status. A for-profit CDC, on the other hand, must pay taxes and may experience higher costs for development.

National banks can make direct investments in CDCs subject to the satisfaction of several conditions specified by the Comptroller of the Currency. Any national bank seeking to make an investment in a CDC must have a CRA record that (1) demonstrates strong commitment on the part of the financial institution to participate in community development, including low- and moderate-income neighborhoods, consistent with safe and sound lending practices.

The following examples illustrate the importance of these factors to the formation of community development programs. One example is the Neighborhood Fund, a minority small business investment corporation licensed by the South Shore Bank of Chicago, the banking subsidiary of the Illinois Neighborhood Development Corporation (INDC). INDC's other subsidiaries are City Lands Development Corporation, a for-profit CDC formed to develop and sell housing; the National Bank of Chicago, a for-profit CDC formed to develop and sell industrial areas; and the Neighborhood Fund, a minority small business investment corporation licensed by the Small Business Administration to invest in community development projects in minority neighborhoods. Another example is the Community Development Corporation (CDC) of the City of Chicago, a for-profit CDC formed to develop and sell housing. The CDC's primary goal has been to promote neighborhood revitalization through the activities of the bank and its affiliates. The bank has focused its activities on development lending, raising over $30 million for development projects since 1973.

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Through participation in a CDC, a financial institution can assume a leadership role in urban revitalization. One example of a financial institution's assuming a leadership role in urban revitalization is the South Shore Bank of Chicago, the banking subsidiary of the Illinois Neighborhood Development Corporation (INDC). INDC's other subsidiaries are City Lands Development Corporation, a for-profit CDC formed to develop and sell housing; the National Bank of Chicago, a for-profit CDC formed to develop and sell industrial areas; and the Neighborhood Fund, a minority small business investment corporation licensed by the Small Business Administration to invest in community development projects in minority neighborhoods.

CDC Investment Activities

Although the investment activities of CDCs are not limited to low- and moderate-income areas, several characteristics have emerged as common to successful CDCs. These include the participation of the financial institution and willingness to assume a leadship/initi-