

Bank of America Lending a Helping Hand to Hurricane Victims

By Ellen Rogers, SVP, Community Development, Bank of America

Following Hurricanes Katrina and Rita in 2005, Bank of America and its associates responded with more than \$5 million in emergency relief to hurricane victims. The bank's Charitable Foundation contributed \$1.5 million in direct grants to the American Red Cross, Habitat for Humanity, and local organizations. Additionally, Bank of America matched, dollar for dollar, nearly \$2 million in employee contributions. The bank has also pledged \$100 million in real estate development financing and equity investments to assist in the rebuilding of the Gulf Coast.

Our strategy to aid in the revitalization efforts focused on selecting strong sponsors, aligning resources with projects that leveraged our core product offering, and creating sustainable financial solutions that benefit the customer and contribute to the bank's strategic business priorities.

Bank of America identified opportunities to provide loans and tax credit equity investments to support the development of affordable multi-family housing and mixed-use projects in low- and moderate-income areas and census tracts. The plan leveraged construction period debt and investments in low income housing tax credits (LIHTC), historic tax credits (HTC), and New Market Tax Credits (NMTC). In addition, the bank also created a \$250,000

pre-development loan fund to assist nonprofit developers with the increased upfront project costs associated with building in the region.

Funding for Gulf Opportunity Zone (GO-Zone) initiatives and increased tax credits generated a tremendous amount of interest among local developers and housing providers, as well as those from outside the region seeking to capitalize on the incentives, and play a role in an historic rebuilding effort. Project location and site selection were critical factors in determining how to rebuild. Significant funds were directed to re-develop formerly poverty-stricken areas and convert them to mixed-income housing. Some areas had limited access to transportation, services, schools and amenities, which could contribute to difficulty in achieving occupancy and stabilization.



Port Allen Warehouse Distribution Center, developed by Port Allen Land Company, LLC, was financed with Bank of America leveraged debt and NMTC investment. This manufacturing facility located outside of Baton Rouge, LA, will create 495-743 permanent jobs. Financing closed March, 2007.

In addition to working with existing clients, we added several new clients from the region, relying on referrals from our external partners such as tax credit syndicators, and national professional partners to assist in identifying quality developers and solid deal opportunities. This process has helped the bank to create a network of local connections with key contacts among attorneys, architects, local lenders, and municipalities in several markets to assist in keeping Bank of America informed of potential projects that match the interests of the bank and with the strength to progress on the ground.

Bank of America clients in the region are a mix of for-profit developers, nonprofit organizations, and housing authorities, developing in both rural and urban markets. New construction and rehab projects range in size from small (32 units) to large (385 units). The bank has provided financing for multifamily and detached rental and for-sale affordable housing. In addition to the creation of affordable housing, the bank also provided financial solutions to support the development of market rate rental units in a downtown rehabilitation. These projects were made possible through the use of historic tax credits and the new construction of an industrial warehouse using new markets tax credits in addition to traditional financing. To date, our lending and investment in the region has exceeded \$250 million, more than twice the original commitment, creating close to 1,800 units of much needed housing stock.

The challenges in the months following the storm were significant, and progress was slow as state housing agencies working with minimal staff created regulations and funding plans to allocate tax credits and Community Development Block Grant ("CDBG") funds. Advocacy groups met to define redevelopment plans and sought input from residents who were displaced and not easily located. Insurance companies were reluctant to underwrite policies for commercial properties, and when they did, annual rates exceeded \$1,500 per unit for affordable rental housing. Municipalities were understaffed as displaced personnel struggled to return, resulting in long lead times for planning, zoning approval, and building permits. State



This is an artist rendering of Walnut Square Apartments, developed by The NHP Foundation, which closed July 07. The 209 units of mixed income rental housing will replace 284 apartment units that were flooded and subsequently demolished, located in New Orleans East. Sources include Bank of America construction/permanent debt, CDBG funds, tax credit equity and grant funds.

licensing laws required that architects and contractors be licensed in the state, resulting in a limited pool of available professional resources. Appraisers in many markets had no reliable comps, making valuations difficult. Construction and labor costs spiked with per unit costs for affordable rental housing of new construction in some cases as high as \$225,000/unit and rehab costs exceeding \$80,000/unit.

Over time we have made progress. The first year passed and then the second without another storm, which resulted in a decrease in insurance premiums. Costs have stabilized and labor is more readily available as other markets around the country have experienced slowdowns in construction. Congress extended the deadlines for projects using tax credits through 2010 to offset some of the delays, and the first units are now being placed in service. Many residents have returned, though the population in the region remains smaller than before the storm. Redevelopment plans have looked to address the larger socio-economic challenges the region has long struggled with—poverty, a substandard public education system, and economic reliance on tourism as a mainstay of employment. The storm and resources devoted to rebuilding have provided the region with the opportunity to examine a broader range of issues than just housing, and those involved in the planning have risen to the task.


In addition to providing debt and equity financing, Bank of America has established deposit and treasury management relationships with our clients by providing remote banking products and services to address the lack of retail banking access in the region, including online banking and electronic scanning equipment

to process rent checks in leasing offices. Based on the needs of our clients, we have referred several of our clients to our affiliate office of U.S. Trust, Bank of America Private Wealth Management, based in New Orleans.

Education is a critical element of community development along with stable housing and job creation. Bank of America acted upon an opportunity to support the newly-energized charter school system in Louisiana. We are in the early stages of structuring financing for several charter school facilities using historic and NMTC in partnership with a national educational intermediary. Building Hope, one of our partners based in Washington, D.C., provides technical assistance, capacity building, and grant funding for charter school operations. They identified several charter schools seeking new facilities in the area, and approached the bank to assist in financing the rehab and upfit of properties for school operations.

We are in discussions with the development teams involved in the redevelopment of former public housing sites, several downtown historic rehab projects, and replacement housing in the Gulfport Mississippi area, which was also heavily impacted by storm surge.

Three years later, the work continues. We were able to use our community development expertise

and experiences from across the country and target our energies and resources to meet the needs of low-and moderate-income individuals and families. We continue to seek additional opportunities to add value and continue to support the rebuilding of the Gulf Coast region. With a healthy pipeline, we look forward to continuing to make a difference in this region and in communities across the United States. 



Ellen Rogers manages community development lending and equity investment activities in the Carolinas and the Gulf Coast Region, covering a client base with large regional or national development scope. She works with for-profit and not-for-profit real estate development organizations to provide financial products and services for affordable housing, economic development, and area revitalization in markets across the country. Ms. Rogers has more than 15 years experience working in community development financing, and serves on a number of local and regional housing and community boards, and belongs to various national real estate groups and associations.