



# CRA AT FORTY

## Healthy Communities: Thinking Beyond the Housing Box to Communities of Choice

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The federal Community Reinvestment Act was created in 1977 as a direct response to rampant redlining across the United States that systematically denied home loans and financial investment in select neighborhoods based on race or ethnic composition. The birth of the CRA rightfully shaped the pattern of investment that followed, with a significant majority of CRA-qualifying bank activities in low- to moderate-income neighborhoods focusing on affordable housing development, direct home loans and credit counseling. But housing alone is not the only form of asset building needed to drive increased equity for our distressed neighborhoods. At Innovate Memphis, we believe that impactful investment needs to extend beyond housing to truly change a community.

### INVESTIGATE THE CHALLENGE

Truly achieving “innovativeness” in the application of the CRA should deliver new financial tools and increase the impact of dollars spent. To this end, banks, federal regulators, community development corporations (CDCs), local government and philanthropy all must play an active and collaborative role in identifying the true needs of residents in LMI neighborhoods in order to build a strategic vision for more equitable empowerment. Building these associations not only helps stakeholders better identify and understand local needs, but also draws upon a more robust toolkit of lending and investment products that can help remedy those needs. Practitioners should also look to the policies, programs and initiatives of peer cities for inspiration and promising practices to address common challenges. Cultivating healthier communities will require more creativity and flexibility in identifying the activities that successfully meet local community development needs while qualifying for CRA credit.

While the pronounced emphasis on housing provides significant benefits in communities of need, it is merely one piece of the puzzle in creating more holistic “healthy communities” that provide access to choices that empower residents economically, socially and environmentally. Healthy communities include housing choice, but also strong small business activity, access to quality schools and green space, reliable internet connectivity, building weatherization and much more. In 2014, the Federal Reserve Bank of Dallas supported this idea in a white paper

entitled, “Healthy Communities: A Framework for Meeting CRA Obligations,” which outlined a detailed and comprehensive checklist for holistic community development that fits within the parameters of the CRA.<sup>1</sup> The Healthy Communities Framework includes a series of best practices for model community development<sup>2</sup>:

- Use innovative methods to leverage private capital;
- Blend people and place-based strategies to realize a broader vision;
- Provide equal opportunity access to quality education so that everyone can reach their highest potential;
- Measure outcomes to identify what works; and
- Invest resources in what works.

## GENERATE NEW IDEAS

The push for greater innovation requires buy-in and cooperation between all stakeholders involved in community building. Financers, regulators, builders and philanthropies all must work together to create a progressive climate that opens up new arenas for accessing and applying capital. While affordable housing is essential, targeted infrastructure investments that expand transit access, small business development and land use changes can help provide additional support to create healthier, more sustainable communities.

Bank CRA officers can further promote innovative approaches in community development by expressly pushing for deals that move beyond housing in ways that both impact neighborhoods and best fit with their institutions’ missions. Layered projects, such as mixed-use or transit-oriented developments, offer the opportunity to improve local access to both housing and commercial prospects. Banks can use the strategic planning process afforded by the CRA to significantly engage constituencies in local assessment areas. Residents themselves can best speak to neighborhood needs. Incorporating local knowledge into the planning process can help better align need with opportunity and further empower CRA officers to seek out creative deals that are a good fit for the area.

Simultaneously, the regulatory agencies that oversee CRA examinations should accelerate practices that allow banks credit for new, creative projects and lending and investment tools, while keeping a keen eye on safety and soundness. Banks are risk averse in application of the CRA, often defaulting to easily approved projects like affordable housing development to make the process as streamlined as possible. Examiners can expand the types of projects and opportunities that they deem credit-worthy and should make these projects just as easy to pursue. Creating a universal standard of CRA examination qualifications and rating criteria would also help eliminate some of the ambiguity in allowable project types and tools. By reducing barriers and creating a more even playing field among investment and lending opportunities, regulatory agencies establish a fertile environment where banks and community development agencies can innovate and grow their impact.

At the local level, local government, CDCs and philanthropy can all work cooperatively to help cultivate a community development climate that affords some risk to achieve impactful innovation in the policies and programs that uplift healthy communities of choice. The most successful private companies are those that commit to a deliberate process of engagement, research and exploration in order to understand the true desires of their

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<sup>1</sup> “Healthy Communities: A Framework for Meeting CRA Obligations” by Elizabeth Sobel Blum, Federal Reserve Bank of Dallas, March 2014.

<sup>2</sup> Ibid, page 3.

customers and develop products that provide solutions. Shouldn't we want our local community development stakeholders to think along the same lines?

## PREPARE TO DELIVER

Memphis remains largely divided across economic and racial lines. A recent study found that in 2012, approximately 56 percent of businesses in the city were Black-owned but only collected 0.83 percent of total business revenue.<sup>3</sup> The most economically distressed census tracts are concentrated in a curved fashion both north and south of the central downtown core, creating what is locally referred to as “The C of Poverty.” However, local stakeholders are moving to place a more pronounced emphasis on economic empowerment and small business assistance to create a more equitable landscape across Memphis. Preparing to deliver healthy communities of choice requires a deliberate process aimed at LMI residents and neighborhoods, defined targets for improving economic equity, and an effective strategy for communicating with all relevant stakeholders.

The South City Renewal Plan, the targeted redevelopment of a disinvested area on the southern border of the city, serves as a shining example of the type of holistic development projects that can spur communities of choice with CRA-qualifying investible elements. Located just southeast of Memphis' downtown, the initiative includes the historic demolition and replacement of Foote Homes, the city's largest and oldest public housing tract. The Memphis Housing Authority and Division of Housing and Community Development received a Choice Neighborhood Grant from the United States Office of Housing and Urban Development (HUD) for approximately \$30 million of the \$100 million project.<sup>4</sup> The remaining \$70 million will be leveraged from a mix of public and private funding sources.

The South City Renewal Plan includes elements beyond housing and is aimed at increasing viable commercial activity and improving local access to living wage jobs, public transit, education and quality food.<sup>5</sup> In addition to 712 new units of mixed-income, mixed-use housing, the project aims to expand economic opportunity with ground-floor retail in new mixed-use developments and a commercial exterior repair grant program designed to help make high-quality improvements to existing businesses. Empowering the residents of South City also includes improving access to vital social services. The plan includes improving access to quality food with a new neighborhood grocer and youth and family services with the inclusion of an early childhood development center. Each of these components provides amenities that help uplift the South City neighborhood and increase accessibility to vital community services and opportunity, in effect creating a healthy community.

## DELIVER AND ADAPT

As innovative approaches are deployed, we must also take stock of the results of the community development projects and evaluate if investments are truly meeting community needs. In Memphis, we are seeing firsthand how

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<sup>3</sup> Madeline Faber, “Black-Owned Business Revenue Drops in Memphis”, Memphis Daily News, January 29, 2016, available at <https://www.memphisdailynews.com/news/2016/jan/29/black-owned-business-revenue-drops/>

<sup>4</sup> Bill Dries, “Memphis Nabs \$30 Million South City Grant After Last-Minute Negotiations”, Memphis Daily News, September 25, 2015, available at <https://www.memphisdailynews.com/news/2015/sep/25/choice-neighborhoods-announcement-clouded-by-lipscomb-investigation/>

<sup>5</sup> Memphis Housing Authority, “South City Urban Renewal Plan,” 2016, available at [http://memphisha.org/images/SCURP\\_DRAFT\\_MA%20Updates419.pdf](http://memphisha.org/images/SCURP_DRAFT_MA%20Updates419.pdf)

holistic community development projects such as the South City Renewal Plan can be a catalyst not just for providing affordable homes in our LMI neighborhoods, but for opportunities for economic and social empowerment.

For decades, the majority of CRA-qualifying bank activities have focused on housing, and for good reason. Increasing the availability of affordable housing, credit counseling and rehabilitation loans help to improve a vital component of livability. But healthy neighborhoods are not solely defined by the local housing stock. In order to truly uplift our LMI communities, stakeholders must work cooperatively to identify tools, projects and products that uplift economic, social and environmental well-being. From banks to regulators, local government and CDCs, everyone involved should allow for flexibility in innovation to help turn our traditionally marginalized communities into thriving ones.

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## ABOUT THE AUTHORS

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## ABOUT THE BOOK

This article first appeared in **CRA at 40: Views on the Present and Future of Community Reinvestment**, published by findCRA in November 2017. The book was created in celebration of the 40<sup>th</sup> anniversary of the Community Reinvestment Act. It tells the stories of community development, from the perspective of those working in our communities who bring their knowledge and passion to bear every day in confronting the most critical problems facing communities in need. The book is about real-world experiences told in plain language by those who live them to provide a lens for readers to see CRA at work, ideas for its future and most importantly, what it means in people's lives. To access the full text or order copies of the book, please visit [www.findCRA.com/CRAat40](http://www.findCRA.com/CRAat40).