

DISTRICT

EXTRA

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Bank's Quest: Investing in an Urban Future

*Fighting Legacy of Neglect,
City First Offers Loans to
Areas Starved for Credit*

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PHOTOS BY STEPHANIE K. KUYKENDAL FOR THE WASHINGTON POST

Greg Maison, left, is renovating a Southeast unit apartment complex, using a City First loan. Above, chief lending officer Kim D. Saunders, left, and Chief Executive Clifton Kellogg visit a project at 15th and Irving streets NW.

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A Bank for the Rest of D.C.

City First Focuses on Neighborhoods That Development Boom Passed By

By NEIL IRWIN
Washington Post Staff Writer

In a once-charming brick apartment building on Alabama Avenue SE, Greg Maison shuffles across a floor covered with bits of plaster and insulation, then pries trim off the walls with a crowbar.

"It's not the easiest thing in the world, but it's a good workout," said Maison, with a subtle lilt to his voice that is a holdover from his childhood in Guyana. "It makes you proud to work on something like this, because you're taking an eyesore out from the neighborhood."

Maison was renovating the burned-out interior of the nine-apartment brick building—just down the street from St. Elizabeths Hospital, which has been boarded up for years—although some drug paraphernalia in the apartment building's basement is a sign that it hasn't been totally unoccupied.

What makes Maison's renovation project special is the source of his funding. Mainstream banks, he said, have been reluctant to lend money for projects such as his, because they aren't particularly interested in putting money into small apartment buildings in low-income neighborhoods.

So Maison got financing to buy and renovate the Alabama Avenue building from City First Bank of DC, a four-year old institution that, despite its small size, is making a big impact on struggling neighborhoods in the District.

City First is a for-profit bank that was started with a note of altruism. The founders included Lloyd D. Smith, a former chairman of the Marshall Heights Community Development Corp. who currently runs the National Capital Revitalization Corp., and Debbi Hurd Baptist, who was active for much of her life in D.C. development issues until she died of cancer in 2000.

By Smith's and Baptist's reckoning, one of the reasons many District neighborhoods had long languished was a lack of investment capital for rebuilding them. Following the mold of long-established "community development banks" in other cities, they set out in the early 1990s raising money.

The bank opened in 1998, counting as investors mainstream banks such as Allfirst, Bank of America, SunTrust and First Union (they can essentially use City First to make part of their investments in inner city Washington and count it toward federal requirements for lending to low-income communities). Other investors include



PHOTOS BY STEPHANIE K. KUYRENDAL FOR THE WASHINGTON POST

An abandoned apartment building on Alabama Avenue SE is being renovated with financing from City First Bank. Below, Donald Gaines, 18, strips trimming from the nine-unit complex as part of that rehabilitation project.



Fannie Mae, the home mortgage giant, and Georgetown University.

While big institutions provided the initial funding for City First, it now re-

lies, like any bank, on deposits as the source of funds from which to lend. The bank has about 1,000 customers and \$50 million in assets. It is now in-

vesting in the revitalization of District neighborhoods to the tune of \$20 million a year.

And it is doing it mostly in parts of the city that are just starting to benefit from the city's real estate boom of recent years, although some of its loans are in areas that are beginning to see considerable investment through conventional banks. City First has supported only a handful of projects west of 16th Street NW, but has made dozens of loans in neighborhoods such as Petworth, Bloomingdale, LeDroit Park and Edgewood.

The projects the bank chooses tend to be those that large banks aren't much interested in, said Clifton G. Kellogg, president and chief executive officer. Small apartment buildings such as Maison's have a hard time qualifying for loans because large banks prefer either small mortgage loans—which they can then package and sell to others, getting the debt off their books—or very large loans that offer low risks and solid returns.

"At the big banks, little projects like mine have as much paperwork as a big office building, so it's not worth their time," said Maison, who started renovating apartment buildings a decade ago with self-financed purchases and has renovated about 10 buildings in the past three years with City First money.

City First also lends to small businesses and to nonprofit groups, such as charter schools and churches, that often have trouble persuading conventional banks to make loans.

To be sure, City First is not the only Washington area bank that lends in long-neglected areas of the city. Under federal regulations, all banks are required to serve their local communities and are rated by the Comptroller of the Currency on their success. But on that scale, City First gets a rare "outstanding" rating.

The Capital City Public Charter School, located above the CVS drugstore on 14th Street NW, is one example. School officials are currently renovating a former Presbyterian church for a permanent location—with loan money from City First—on 15th Street NW, said Karl Jentoft, the school's treasurer.

"Three years ago, we were a start-up nonprofit," Jentoft said. "A start-up anything is hard to find financing for, but a start-up nonprofit is very hard to find financing for."

The founders of the school got lots of blank stares from loan officers as they sought a loan to build the interior of the school's current space. It was rather different when they approached City First.



Chief Executive Clifton Kellogg, shown top right with chief lending officer Kim D. Saunders, says his bank works closely with prospective borrowers before making loan decisions. Renovator Greg Maison, bottom left, generally had to self-finance projects before City First opened in 1998. At bottom right, teller Tamika Harris counts money for a customer. Building loans are funded through group deposits.



"Before saying yes or no, they took the time to get to know us a little bit, the board members setting up the school," Jentoft said. "They actually took time to look through our budget and our business plan and to learn about charter schools."



Indeed, City First's Kellogg considers that willingness to carefully consider loan proposals to be one of the biggest differences between his bank and a more conventional competitor. "Everything a conventional bank does is geared toward centralizing de-

City First Bank Borrower Locations

The map shows the District locations of the more than 100 properties that have received financing from City First Bank from 1999 through 2001.



isions and making them automatic," Kellogg said. "We are much more inclined to sit down with prospective borrowers and learn about what they want to do, and help them figure out how we can work out financing."

As he sees it, charity can only go so far in improving the state of D.C. neighborhoods, and it will take investment from banks such as City First for downtrodden neighborhoods to really develop. Some involved with those communities agree.

"The state of disrepair in these neighborhoods occurred over a period of 20 to 30 years," said George W. Crawford, president of North Capital Neighborhood Development Inc., a nonprofit community development corporation. "Hopefully, it will not take 20 to 30 years to turn these communities around, but it takes time, and it takes private investment to make it happen."

"Money follows money," said D.C. Council Member Jim Graham (D-Ward 1), who has seen the area he represents develop rapidly, in part with projects funded by City First. "Their contribution is critical because public sources of financing will do just so much."

The biggest limit on the bank's ability to do those projects, said Kellogg, is lack of funding. City First can only lend out as much as it brings in, and so the bank is trying to attract depositors—especially the kinds of businesses, large nonprofits, and individuals who have lots of money they wish to sock away ("We have competitive interest rates!" he pleads. "And we're FDIC-insured!").

He said that of 190 loans the bank has made to date, only one had defaulted and that none of the loans are more than 30 days delinquent.

But that was not Maison's worry as he continued the long process of taking apart the Alabama Avenue apartment building last week. "Some of the hardwood floors are okay. And eight of the nine bathrooms are in good enough shape. But there's still a lot I have to do."

He and his crew of four workers will do most of the carpentry and finishing work, though he'll hire contractors to handle the plumbing, electrical, and heating and air conditioning. He typically completes renovation on an apartment building within six months of buying it, then leases the apartments to tenants who frequently pay with Section 8 housing vouchers, a federal program that subsidizes the rents of those with low incomes who live in privately owned buildings.

Maison guesses he would have been able to buy and renovate four buildings over the past decade were it not for City First loans. As it is, he's done about a dozen.

"Ever since I was a little kid, I liked building stuff. I liked doing this sort of thing," he said. "I'm just glad I'm able to do it now."