From: Catherine Nagel [mailto:nagelcatherine@cityparksalliance.org]
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Community Reinvestment Act Regulations – RIN 3064-AD60

Cities and Neighborhoods Need 0% Capital to Turn Excess Development to Green Space, Parks and Land Banks

We support expanding Community Reinvestment Act regulations to encourage banking institutions to invest in Neighborhood Stabilization Program projects. However, these projects should not be restricted to a narrow interpretation of "redevelopment."

This nation has too much development. There are at least 5 million excess homes, vacant retail space totals over 10% and is rising rapidly due to the growth of internet shopping, and many industrial facilities are surplus due to global changes in production and just-in-time delivery. These residential and commercial vacancies are costly to communities, banks, and nearby land owners.

The property values and other interests of the surrounding community are often best served if an abandoned or foreclosed property is temporarily removed from the market. Rather than "redevelop" where it may produce more vacancies, we should encourage the stabilization of neighborhoods by demolishing excess properties and converting the land to a combination of parks and land "banked" for future development when economic conditions improve.

Banks should be given CRA credit for investment in this type of "redevelopment" as well.

We note that the projections of many "developments" frequently turn out to be too optimistic, and the developed property ultimately produces negative cash returns, hurting banks. In addition, investment in parkland and land banks is generally disadvantaged – despite its positive effects on nearby properties – primarily because it does not "project" positive near term cash flow.

To address this imbalance, CRA rules should encourage banks to make loans for parks, recreation and land bank projects. Banks should be incented, in particular, to make such loans with respect to REO in their portfolios that could be converted to such parks, recreation and land bank projects. Such incentives should include CRA credit for such

loans, multiples of the dollar value of CRA credit for any further write down in the book value of the REO to facilitate a performing loan, and treatment of such loans by regulators as bank portfolio loans, rather than requiring them to be classified due to their prior REO status. Additionally, banks should receive CRA credit for the sale to parks and recreation agencies (utilizing NSP funds or other resources), or to non-profit organizations, of REO for use in parks, recreation or land bank projects and should receive multiples of the dollar value of CRA credit for any further write down in the book value of the REO to facilitate such a sale.

Finally, the federal government should incent bank loans for parks, recreation and land bank projects by setting up a program to purchase such loans from banks when they are originated at a 0% interest rates and on a principal-only amortization schedule. These measures would allow longer-term investment by local governments, nonprofits, and community stakeholders, as well as by public-private partnerships with corporations and developers. The combination of these incentives would encourage green and sustainable land use that is in the best interest of many communities that have been affected by past real estate excesses.

Respectfully submitted,

Catherine Nagel
Executive Director
City Parks Alliance