

# Community development banking takes root in Springfield

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Great Southern Bank is getting in touch with Springfield's roots.

The bank is making a concentrated push toward community development under Brian Fogle, who started as vice president of community development in July. The bank's plan is to make sure it serves the community's low- to moderate-income areas, and minorities through loan programs and redevelopment.

"Community developing in banking means that we want to make sure we're serving our entire community," said Fogle. "Therefore, those areas that are typically underserved are the areas community development focuses on. ... Most of community development is not charity. It is providing capital to undercapitalized areas."

The area targeted for community development is roughly between Grand and



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**Allen Casey is remodeling the Holland Building into Class A space with the help of Great Southern's community development program.**

Kearney streets, and West Bypass and Glenstone Avenue, Fogle said. It includes both residential and commercial areas.

Great Southern also is developing a pro-

gram to attract Hispanic clients, and is starting its own community development corporation to provide additional financing opportunities.

Community development, however, does not equate to making poor business decisions on loans.

"It is doing well by doing good. It's the right thing to do, but to be sustainable it also has to be profitable," Fogle said. "... It doesn't mean you're required to make bad loans. We have found that with low- or moderate-income borrowers, there is not a higher prevalence of loss there than with higher-income borrowers, if you're making prudent loan decisions."

## Genesis

Community development in banking started with the Community Reinvestment Act in 1977. The act was rewritten in 1995, with a focus on three tests, Fogle said.

The tests make sure banks are putting branch locations and providing services in low- to moderate-income areas as defined by census tracts, investigate where loans are

made, and make sure banks are investing in entities that serve those areas.

"The genesis of community development in banking really started in the 1940s, '50s and '60s, when suburbs became more prevalent, and the businesses followed them out," Fogle said. "What that left was declining inner-city areas. ...

"What (banks) realized through the 1980s and early '90s, was that the (inner-city) segment of the population provided opportunities for the banks. These are folks that need loans. You started seeing capital going back into those areas. We do it now — not because there is a law saying we have to, but because we've realized it's good business, and it's profitable business."

## Commercial development

One of the key focuses of community development is in commercial redevelopment.

Traditional commercial loans are straightforward, with land, construction and infill costs being fairly predictable.

But redeveloping an existing building can get a little trickier.

"We do give special considerations ... because of the uniqueness of the needs to redevelop an older building," Fogle said. "Flexibility and creativity is a key there."

# Development

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Allen Casey has been working with Fogle and Great Southern on the redevelopment of the Holland Building and the Sterling Hotel.

"In days gone by, you would find financial institutions that thought this kind of (project) was something to be really cautious about and practically afraid of," Casey said. "The attitude now ... seems to be, 'Let's do all that we can to make this work.' As opposed to 'Boy, this is real pain in the rear type of project.'

There are two issues that complicate the Holland Building and Sterling Hotel projects: Both are on the national historic registry, and there's not a lot of comparable projects to judge loan value against.

That's where Great Southern's savvy comes in, Casey said.

"In a sense, they've almost become a partner in the deal," Casey said. "Another factor that is unique ... is that you've got a blend of loans - a first, second, and so on. We have a

façade loan from the city for each project, which also greatly helps the project make financial sense.

"I know Brian had a good recognition that having Class A office space in the Park Central area is a good thing to achieve, and as bankers they felt like this will really work," Casey said. "They could have said, 'Oh, there isn't any downtown, it's not a proven market yet, so we don't know if it will work.'"

## New programs

Great Southern is developing two new programs for the community.

One targets the Hispanic community, with a start date of December.

"Greene County had nearly 5,000 Hispanic residents in 2000 census," Fogle said. "Those are largely from Mexico or Guatemala and they are typically unbanked. We see some great opportunities for us to become more accessible and more friendly to that population."

Great Southern is switching its ATMs to bilingual status, and is working with a nonprofit group to implement the pro-

gram.

The bank also plans on starting its own subsidiary community development corporation during the first quarter of 2003.

"That will allow us to not only loan money, but we actually can be equity investors in community projects," Fogle said. "We also can be developers if it benefits low- to moderate-income individuals or areas. It gives us a very unique tool to redevelop areas. We are excited about that opportunity."



Brian Fogle

## Collaborative effort

"We have a loan from Great Southern, the Springfield Finance and Development Corporation, and the façade loan, combined with our own equity that we put into the project, as well as involvement of another investor who bought the federal tax credits. In a way, there are five investors in the project."

Part of Fogle's job is to bring all of these investors together into one cohesive project.

"I'm a firm believer in partnerships," said Fogle, noting his work with center-city organizations and the city.

The lack of comparable redevelopment projects in the downtown area would have been a bigger obstacle in the past, Casey said.

"It's fairly common that a lot of downtown projects are dealing with a market that may not be that proven or tested. In terms of financial institution's ability to look at traditional appraisals and have a good feel for the market.

"As an example, some of the loft apartments downtown are renting for \$900 to \$1,200 a month. If you had a traditional appraisal of what apartments are going for (generally), someone might say you can't rent many apartments at that rate. Yet, there is that known factor to those that are into the urban scene that there are those who want urban loft apartments no matter what. And they're not really comparing those rents to (other rental prices)."

Casey plans on establishing Class A office space in the Holland Building.