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A Tale of Two Cities: How a Bank Helps Communities in Transition

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Just a few miles north of downtown Atlanta in DeKalb County are two small cities, Chamblee (pop. 9,552) and Doraville (pop. 9,862), that have seen their share of struggle. Both experienced the flight to suburbia and the urban blight that follows. By the late 1980s, many traditional businesses had either closed or relocated and many residential properties were in decline.

Doraville's main economic engine was a General Motors assembly plant that threatened to close down every year. Chamblee had warehouses, automobile repair shops, antique dealers, and some former army barracks that had been converted to low-cost housing. The only newcomers were minorities of all kinds — Asians, African Americans, East Europeans, and Hispanics — drawn by affordable rents. Long-time residents weren't at all happy about the transition. But there's good news: this tale of two cities has a happy ending.

A dream of grand proportions

In 1987, the Summit National Bank (now part of Summit Bank Corporation) was organized to bank the underserved of Atlanta. In 1989 the bank opened a storefront branch in the heart of the Chinese business cluster in Chamblee known as Chinatown Square.

The bank struggled initially and had begun to show meaningful profits in 1992. That same year, the DeKalb County Chamber of Commerce launched a redevelopment initiative known as the "International Village." The goal was to make part of Chamblee and Doraville a destination place for work, home and leisure — a dream of grand proportions.

The initiative got mixed reviews. Doraville saw no need for it (and in fact strongly opposed it) because by this time GM had pledged to keep the plant open. But Chamblee embraced the idea. To avoid needless cultural tensions and delays, the project proceeded without Doraville's participation. The DeKalb County chamber enlisted help from county and state governments as well as the private sector to fund the economic study and development plans.

Summit was an enthusiastic supporter. In 1993 the bank broke ground for a \$2-million, 18,000-square-foot office building and bank branch on land previously littered with uninspiring metal sheds

— an initial effort to end the building moratorium previously imposed by city councilmen who were as concerned about the influx of minorities as they were about the quality of subpar developments that could continue to erode real estate value.

In 1994, the Chamblee city council adopted the International Village master plan for land use, building code, and ordinances for landscape and signage. Summit's calculated risk paid off: by having the landmark multi-story building and the best-furnished retail banking office in the neighborhood, Summit's branch thrived; and its upstairs office space was an added bonus for a community where well-managed professional space had not been available.

With Summit's initiative and Chamblee City Hall's stringent enforcement of code, other property owners were keen to improve their properties. Summit made commercial loans to improve the low-cost rental housing in the former army barracks that were low cost rentals, thereby improving both occupancy rates and the quality of tenants.

Utilizing the Small Business Administration's 7(a) Loan Guaranty Program, Summit was also able to help business owners upgrade owner-occupied properties. The 7(a) program also made it possible for businesses to purchase their own space, since the long loan tenure of up to 25 years made it possible for borrowers to make affordable monthly payments similar to what they might pay in rent. Pride of ownership made a significant difference in how the properties were maintained.

Soon, local businesses were deciding to build their own facilities rather than converting. Summit was able to make that happen, using the 7(a) program as a take-out for construction loans. Thanks to the flexibility of the SBA program, some owners were able to offset mortgage expenses with rental income by building facilities slightly larger than their immediate need.

Diversity at work

The Chamblee Commercial Center project illustrates the creative ways in which Summit was able to put the 7(a) program to work for economic development. The developer approached the bank to finance development of a shopping mall on land occupied by abandoned apartments infested with drug dealers. Summit fully appreciated the value of such a development in enhancing the community. But the risks were relatively high because of the developer's lack of relevant experience and the speculative nature of the proposal. And it appeared that there would be no way to guarantee such a loan.

To address these concerns, the bank devised a loan structure for the borrower that mitigated his and the bank's risks and made it possible for the 7(a) program to help. First we stipulated that the borrower must make the project a condominium in which he could keep only a portion of the space for rentals, and we also required that he have agreements for the purchase of a predetermined amount of space from business owners who were serious buyers. Summit would pre-qualify and pre-approve each buyer based on standard SBA 7(a) requirements. Only when the required number of units had qualified buyers with pre-approved SBA loans, thus ensuring a final take-out, would Summit begin to disburse the unguaranteed construction loan. Furthermore, a qualified contractor had to be hired to oversee construction, and Summit approved each disbursement based on independent inspection. Although this was a complex process in which Summit took on significant responsibilities, it was a win-win situation for all — the bank, the developer, the owner-occupied businesses, and the community.

One good thing led to another. The Resolution Trust Corporation deeded to the city of Chamblee, for a nominal amount of money, abandoned and dilapidated apartment buildings foreclosed by

the Trust. The city bulldozed the ruins and together with United Way, Sheltering Arms and corporate fundraising activities spearheaded by Summit, built a childcare facility, a family support center, and a playground for the neighborhood.

Today, diversity and harmony thrive in the Chamblee community. All residents have contributed to its economic well-being, thus increasing real estate values significantly. The International Village, through not yet a place of destination as the originators dreamed, has helped spur the economic rebirth of Chamblee.

Summit Bank Corporation is now a \$470-million NASDAQ-listed company serving small and mid-size businesses, mainstream and minority, with domestic and international services provided from six locations. This year the *Atlanta Journal-Constitution* ranked Summit as the sixth best public company in Georgia in total return to shareholders. The bank has made \$165 million in SBA loans in the past 10 years and is an SBA Preferred Lender, which means that Summit can make SBA commitments without prior SBA approval. And our branch at Chamblee, which languished for six years with deposits at around \$17 million, has now passed the \$100-million mark — solid evidence that serving the community is a reward in itself.

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