

**Interview with Jim Tierney at the Community Action Team**

*February 2010: Meyer Memorial Trust, ShoreBank, and the Community Action Team partner to repair hundreds of homes ravaged by the late 2007 floods in the Pacific Northwest. The program-related investment made by the Meyer Trust, in the form of a loan guarantee and grant, has helped the Community Action Team (CAT) provide bridge financing for the repair of over 140 homes. Here we interviewed Jim Tierney, Deputy Director of CAT and head of the Community Investment Program about the investment.*

**KM: Can you tell us more about the Community Action Team?**

The Community Action Team is a community based, nonprofit antipoverty agency serving Clatsop, Tillamook and Columbia counties. CAT works to strengthen communities by investing in people and community institutions. The goal of Community Action Team is to increase family and community self-reliance and thereby reduce the incidence of poverty.

JT: Kim, the first and easiest is that we are what is left over from the War on Poverty in these three counties. We were formed in 1966, in the very first wave of that antipoverty effort. Over the years we have added other programs to be more effective. About 20 years ago, we began to place more emphasis on community development to go with our "social services programs." At that time, we divided CAT into the Human Investment Program and the Community Investment Program. I lead the Community Investment division at CAT.

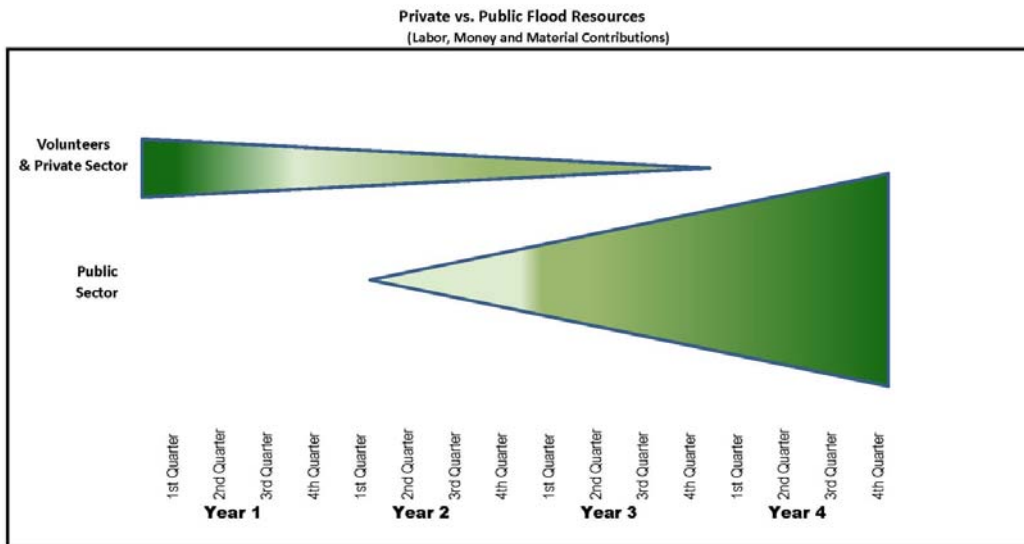
**KM: Sadly we all saw the devastation from the 2007 floods in OR. How many homes have been repaired and families helped by Community Action Team?**

JT: So far, working primarily with small charity grants, volunteers and missionary groups, we've helped coordinate the repair of more than 140 homes. That number doesn't really tell the whole story, however.

There are really three phases to recovery from a disaster like the 2007 floods:

- Phase 1) Managing the initial crush of volunteers and donations during the first few weeks
- Phase 2) Coordinating and managing the more sustained private volunteer effort that assists those families with the most manageable needs, and
- Phase 3) managing the much larger, more well-financed public response that uses FEMA and CDBG money to address the more difficult, expensive projects.

The graphic below illustrates this point. If anything, the dates are optimistic.



**KM: Meyer Memorial Trust structured the program-related investment in CAT as a loan guarantee in combination with a grant. Can you tell us more about the investment and walk us through how you decided upon that structure?**

JT: To understand the rationale behind the PRI we structured with Meyer Trust and ShoreBank, it's necessary to understand the underlying public financing. Although I'm simplifying, what is a more complex set of financial tools, it's sufficient to understand:

- 75% of our projects will be paid for with FEMA Hazard Mitigation Grant Program dollars.
- We've asked for and received \$2 million of Community Development Block Grant (CDBG) funds to fill the 25% gap.

In practice, FEMA and CDBG funds trickle in with anywhere from two to six-month delays. Of course, construction contractors have to pay for the materials and their labor during the month in which the work is completed. In new construction projects, this is managed by a construction loan. We have structured the PRI to allow us to do the lending necessary to allow construction to continue while we package payment requests and wait for payments.

FEMA has determined that it can pay construction interest. CDBG has determined that it cannot. Meyer Trust was gracious enough to provide us with a \$96,000 grant in addition to the PRI guarantee that allowed ShoreBank Enterprise Cascadia to lend us \$400,000. The \$96,000 grant will help us pay interest and fees for the CDBG portion of the work.

**KM: Do you have any lessons learned from this investment for other program related investors?**

JT: Yes, in this particular instance, Meyer Trust chose to use a loan guarantee and asked us to work with ShoreBank Enterprise Cascadia. The rationale was to take advantage of their lending experience and existing installed systems. That strategy makes a lot of sense. One area where it was difficult was dovetailing ShoreBank's lending documents with the reality of Community Action Team's varied income sources and diverse balance sheet. A large nonprofit like Community Action Team typically holds significant cash resources in trust. The perfect example of this is the \$96,000 Meyer grant mentioned above.

Modern commercial loan documents are remarkably onerous. They typically grant the lender authority to unilaterally seize the assets of the borrower in the event of default. Even the definition of default is tilted in the lender's favor. Our loan documents allow default to occur if the lender simply feels "insecure."

ShoreBank had limitations on how much they could modify their standard loan documents, and Community Action Team board and staff were obliged to protect assets belonging to other funders from indiscriminate seizure.

In the end we found acceptable compromises on both parts. However, from my point of view, it would be a good investment to design a less onerous set of PRI documents that do not involve shoehorning nonprofits into lending systems designed for for-profit enterprises.

**KM: Can you share a story of one of the families the Community Action Team has helped?**

How about two stories to illustrate the flexible responses necessary:

**Client Number One**

Our first example is an older couple who lived in a manufactured home along the Nehalem River. At the time of the flood, they lived with a disabled elderly woman for whom they were caretakers. The three barely escaped a manufactured home, which was 4 feet off the ground. Thinking they would be safe, they went to a neighboring manufactured home, built further up the hill. That home was swept partially off its foundation, by then, with seven people inside. Unable to live on Social Security alone, the husband had continued to practice his profession as a small independent welder and machinist. His uninsured workshop, containing tens of thousands of dollars in equipment, was flooded to the ceiling.

Shortly after the flood, the husband had a heart attack. As he was recovering, our staff worked with a missionary group, which obtained a newer manufactured home. We helped the family and the missionary group arranging small grants to move the project along. Finally, we have been able to use \$10,000 from the first influx of public funding to complete their project by putting on decking and ramps.

**Client Number Two**

Ms. X is a 60-ish woman with a history of mental problems, who was living in her manufactured home at the time of the flood. Initially, her behavior made it look likely that she would do something that would cause her to be institutionalized. In which case, her destroyed manufactured home would become a problem for the public, and she would receive no compensation for her lost equity. Ms. X. is not eligible for Social Security, since she never worked. She lived with three or four dogs, several cats and a chicken. Some would characterize these animals as pets, however it soon became clear that they were what attached her to the world of the here and now.

Our case managers work with Ms. X. to put her back in touch with our County's mental health system. They worked with her to reinstitute her drug regime and help her manage her grief and stress. In the meantime, we placed her manufactured home on the list for FEMA's buyout program. Our hope is that she will net approximately \$100,000 from the sale of her property. In our discussions with Ms. X, we came to a collective conclusion that she would be more successful as a tenant than a homeowner.

We reached an agreement with Ms. X to place her proceeds into a trust that can provide her with a monthly stipend. This arrangement will also allow Ms. X to apply for, and eventually receive Section 8 rental assistance to supplement that monthly stipend. Once we had this strategy in place, we were left with only the problem of finding her a place to rent which would accept at least some of her pets. Ms. X was convinced that her chicken was better off with a family that had a large yard. She also made a concession; she agreed to not replace animals as they passed away.

To find that rental, we took advantage of another part of our flood recovery effort. We had received a \$500,000 grant from the state of Oregon to buy a five-unit site in Vernonia, on which we were to build replacement housing for families selling their destroyed homes to FEMA. This site had an existing home straddling two of the lots. We borrowed \$40,000 to supplement a share of the state grant, picked the home up, turning it sideways onto a single lot, and refurbished it inside and out.

Ms. X is remaining in contact with the mental health organization and appears to be thriving. She's now living in the rental as our tenant, waiting for the FEMA buyout. Once that is complete, her monthly stipend should give her enough income to get by, particularly when rental assistance becomes available to her.

**KM: What can others do to help the community of Vernonia, OR?**

JT: At this point, we are on track to complete a \$12-\$14 million project involving the repair, elevation or acquisition of flooded properties. We expect that to reach halfway through our waiting list. It would be tempting to ask for additional resources to serve individual families. Certainly, there will remain a need for that assistance. However, Vernonia as a community has larger problems.

Our downtown was 50% flooded. This is requiring us to reorient how we will grow. As a first step, we are working to move our senior center, health clinic and food bank (all of which were flooded) to higher ground. We have a donation of land from the state, and expect to use the CDBG grant to assist the food bank and the senior center. In addition to those resources moving these three critical institutions will take significant amounts of charitable capital to achieve.

Perhaps even more crucial to the life of the town, all three of our schools were flooded. The Oregon Solutions Team, a special strike force set up by the Governor, is currently trying to cobble together a set of funding resources that include: FEMA funds, CDBG funds, a \$14 million bond, and charitable donations to pay the \$37 million necessary to move the schools out of harm's way.