

Community Builders Profile

Michael Banner



Leased to the Los Angeles County Department of Social Services, this 100,000-square-foot office building in South Los Angeles is being developed by Alliance Property Group. Los Angeles LDC helped the developer secure financing for the \$38 million structure.



As a young boy growing up in Watts, Michael Banner, president and chief executive officer (CEO) of the Los Angeles Local Development Corporation (LDC), thought it the natural order of things for supermarkets to just shut down and disappear, forcing residents to scurry across town in search of basic food products. Also normal, he thought, were the banks located four miles, rather than four blocks, from his doorstep.

Such childhood impressions faded years ago, replaced by an understanding of what it takes to help low-income communities grow. The answer, Banner discovered, is capital. And so today, the former commercial banker labors to give small- and mid-sized businesses access to the loans and investments that can revitalize economically underserved communities in the greater Los Angeles area and create jobs.

According to Banner, sustainable community development is about bringing relationships back. In fact, he states, "I'm in the relationship business, and capital is the tool I use to reconnect these communities. The difference between distressed and nondistressed communities," he adds, "is the perception of value—it's a value proposition. But you begin to change the perception of value when you get the market to react and the economic impact kicks in," as it has in a very profound and phenomenal way in several economically disadvantaged communities where the Los Angeles LDC has stepped in to make a difference.

Organized in 1980 by former Los Angeles Mayor Tom Bradley to promote general and social welfare, the nonprofit association has facilitated or funded more than \$150 million of financing for businesses and real estate development projects. Since 1995, the year when Banner became the first CEO and resurrected operations, the corporation has come a long way, turning around bad loans, moving out from under the auspices of the city government, and growing its assets from \$1.2 million to \$15 million today.

Critical financial assistance has been provided to no fewer than 125 companies and organizations, including the likes of Big Saver Foods and Shopping Center in Santa Ana; Mao Foods, Inc., in Los Angeles; and Homeboy Industries in East Los Angeles, which assists at-risk youth and former gang members. In traditional capital markets, such borrowers have been shunned because the areas in which they operate are seen as a high risk for investment. Yet, each received loans from the Los Angeles LDC totaling \$3 million, \$580,200, and \$200,000, respectively.

Homeboy Industries, for example, operates a silkscreen and embroidery apparel business, one of several income-producing ventures that help fund its programs. Ruben Rodriguez, comanager of the silkscreen business, says the loan received five years ago allowed the business to purchase the facility it once leased. "Can a big business get a loan?" he asks. "Yes. Can a company that hires gang members get a loan? Not likely," Rodriguez says Banner's staff understands small mom-and-pop operations that are without CEOs or chief operating officers. "They were very helpful in explaining the process and information needed to get the loan and had all the right people to help make it happen," he says.

Banner, 50, says he takes pride in these accomplishments. He characterizes the Los Angeles LDC as a "low-volume, high-touch, niche community development finance company" that works closely with customers to offer a variety of structured finance programs ranging from small business term loans to tax-exempt development bonds. Astute at tapping into a wide array of capital sources, Banner also uses his banking industry contacts to borrow money from a cadre of sponsors and investors that he then uses to invest in others.



To create year-round interest in the Urban Land Institute **J.C. Nichols Prize for Visionaries in Urban Development**, the prize management committee is sponsoring a series of articles in *Urban Land* magazine, called Community Builders Profile. The purpose of the series is to focus on the people behind the projects—those individuals who are dedicated to building better communities and whose individual projects are contributing economic and social benefits to the greater community. To nominate someone from your community, E-mail hbroadus@uli.org.

DESIREE FRENCH

"There are few people with a [better] understanding of urban community development than Michael," says Frank Altman, president and CEO of the Community Reinvestment Fund (CRF), a Minneapolis-based nonprofit organization that provides capital to community development lenders. "He's very good at identifying what kind of capital or investment a borrower will need. He understands how to put the pieces together in ways that benefit the community. He understands the submarkets within Los Angeles, and he understands projects that can have a catalytic impact on the community."

Take the Old Bank District in Los Angeles. Local developer Tom Gilmore, considered a key player in the rebirth of downtown, received a \$500,000 loan from the Los Angeles LDC to help get the first of three abandoned office buildings in the historic district converted into lofts. Gilmore's foray into the underbelly of downtown has sparked a colossal loft movement downtown, with developers bringing thousands of new units to the market since 2000.

Also changed is the once-bleak industrial zone of Culver City, a major venue for motion picture and TV production facilities that is adjacent to much-maligned South Los Angeles. Urban developers Frederick and Laurie Smith have adapted several warehouses there, providing flexible office and studio space for media companies and creating several hundred jobs in the process.

Few are aware that in 2003 the Los Angeles LDC was involved with two office building projects, each comprising 100,000 square feet, both being developed by African Americans, that together culminated in a \$90 million transaction. "That was really a great opportunity to demonstrate that we are mission centric," says Banner. "Developers of color don't often have access to capital. But we were able to help one with predevelopment financing and worked with Bank of America Community Development Banking to turn around what was viewed as a failed project."

Banner, who devotes a considerable amount of time to ULI—he is a trustee and an inner-city adviser; the former chair of ULI Los Angeles's Inner-City Committee and Urban Marketplace, an interactive conference devoted to neighborhood revitalization; and the new chair of ULI Los Angeles—says he delights in lending "a little bit of money" to make big deals happen. He says he hopes to make several more deals by borrowing capital and attracting more community development-minded investment.

At present, however, his biggest challenge is one that is also faced by the very people Banner supports: access to capital. As such, he must relentlessly strive to convince commercial banks, socially responsible investors, and other providers of community development capital to lend money to the Los Angeles LDC so that he may invest in transactions that they typically would not.

Despite this hardship, Banner says there is nothing he would rather do more. "One of my goals was to prove that I could make this thing sustainable, that you could be a capital provider with a conscience. Our business is to serve a segment of the market that may not be the most profitable, but serving this segment has an aspect of redemption about it because you're making a difference in someone's life," he explains.

"It's challenging to take all the skills that I've learned as a commercial banker and apply them to the most difficult market sector and get results. There's a lot of personal satisfaction at the end of the day," he says.

This is especially true given the Los Angeles LDC's spotless record, with zero defaults on the books since Banner's arrival. To what does he attribute such stellar performance? A mix of public and private capital that is delivered with an eye toward creating future value while not sacrificing market discipline. ■

DESIREE FRENCH IS A FREELANCE WRITER LIVING IN WASHINGTON, D.C.



Los Angeles LDC helped arrange financing for this \$51 million office building, being developed by Strategic Urban Development Associates. It will be leased to Alameda County for its Self-Sufficiency Center.



Michael Banner (right) with urban developer Frederick Smith in South Los Angeles.