

**Testimony of Marie S. Nahikian, Executive Director
Queens County Overall Economic Development Corporation**

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**Public Meeting of
Federal Reserve Bank of New York
on**

Proposal by Traveler's Group Inc. to Acquire Citicorp

June 26, 1998

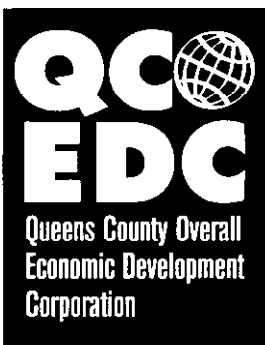
The Queens County OEDC, created in 1978, has a central focus to increase economic opportunity for the residents of Queens County. This requires Queens County to maintain multiple roles in the economic life of the an area that is home to probably the Nation's most diverse population, that is equal in size to the fourth largest city in the United States.

Our mission cannot be met without close working relationships with sources of national and international capital. QCOEDC works with over 75 financial institutions. How we work with these institutions can best be summed up in one word - selling. QCOEDC sells Queens locations, neighborhoods, business owners, entrepreneurs and residents as good investments. The interest in our "sales pitch" varies, but one important fact is critical. The Community Reinvestment Act causes these institutions to listen.

Citicorp and its affiliates, such as Citibank listens very closely to QCOEDC and our colleagues who are economic developers. We have been fortunate in having the direct participation of Citibank in our work for the past 10 years. Many Citibank employees are civic leaders and residents of Queens. Citibank and Citicorp have been visible and active corporate leaders in the Queens community. Queens County OEDC is a Citibank customer; however, we have not been a Citibank borrower.

Citibank has directly participated in the Queens County OEDC in the following ways:

- *lending* - to small business clients;
- *financial supporter* - since 1992, the Citibank Foundation has provided \$92,500 in corporate philanthropic support for projects and programs;
- *providing technical support* - Citibank corporate officials have served as volunteer members of our Board of Directors, providing lending and technical advice to small business owners, many of whom are minority and women-owners. Citibank real estate lenders have assisted with the development of a commercial retail space in at-risk communities.



The question that is posed by the proposed acquisition of Citicorp by The Travelers Group is harder, however. After listening to community developers, will there be action?

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Action is another way of defining the purpose of this public hearing.

What actions have been taken or are proposed to meet the credit needs of the new corporate institution's entire community that is consistent with the safe and sound operation of the institution.

The fact that we have almost no experience with The Travelers Group in Queens County is an important factor. The issues of the availability of insurance products and the cost/risk analysis that translates into higher premiums in a place like Queens County is well known. On a hopeful note, we believe The Travelers Group can learn from Citicorp: investing in our communities is good business and profit does not need to come from higher costs charged for a perception of higher risk. More information is needed about the potential for a bank holding company to conduct nonbanking activities. If access to affordable products is available, these "nonbanking activities" can produce significant benefits to our community. For example:

- investment, health & retirement products for non-profits and specific groups of individuals, such as low and moderate income families who can rarely afford such services;
- local recruitment for training & employment opportunities.

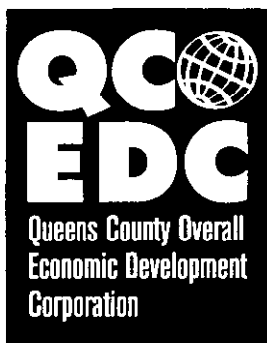
Strategy to Invest \$6 billion in Community Development

Citibank's participation in Queens County has been significant. The commitment to increase lending and support for community economic development from the current level of \$136 million to \$6 billion over the next 10 years should mean that the impact of will be even larger. The commitment is a major challenge.

- We believe that implementation strategies with community development partners must begin immediately.
- In order to move \$6 billion into community development, additional corporate resources, staff and support will be necessary. In Queens County, some of the \$6 billion commitment must be made in increments of \$5000, a loan considered not cost-effective, but critical to the growth of entrepreneurs.
- We urge the strategy to include use of community development intermediary and technical assistance providers which have a knowledge of local communities. This may be the only way that resources will get to Cambria Heights, Maspeth or Sutphin Boulevard.

Create an Investor Environment

Over the last 15 years, an entirely new "investment" strategy has increased the production of affordable housing in this country. In New York City, alone, thousands of families



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how live in housing built, in part, because of corporate investment. The economic concept of “creating value” in the market place, where none previously existed by coupling investment to tax credits is a strategic way of rebuilding and revitalizing communities.

This allowed investors to analyze a return differently and mitigated the traditional discussion of underwriting “risk.” I can fondly recall structuring a North Philadelphia non-profit housing development in 1986 to include one of the first investments in affordable housing ever made by Fannie Mae. None of us at the table were absolutely sure what this investment should look like on paper.

The same economic concept must be used in economic development. Small business owners, and in particular minority and women-owners rarely have the luxury of considering an “investment.” Most financial institutions cannot mitigate the risk of “start-up” businesses or an operation that needs to expand and grow, but cannot show the appropriately-defined “equity.”

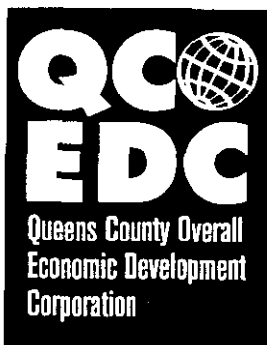
The combination of The Travelers Group, with its investment history, and Citicorp can meet this need. Some suggestions include:

- risk analysis that includes non-traditional equity, such as labor, family co-signers or intellectual property;
- developing a secondary market for small business loans, using a pooled risk concept;
- Federal, state and local tax credits for corporate investors in businesses or commercial real estate development in low and moderate income communities; creating a relationship between insurance premium volume and community investment products.

Is a \$6 billion commitment enough?

In a word, no. Is it significant? Yes. A quick case in point: QCOEDC is a 60% limited partner that owns a commercial shopping plaza that provided some of the earliest “chain store” services (Walgreens, Domino Pizza, Blockbuster) to the Hollis neighborhood near Jamaica, Queens. Last year, QCOEDC set aside \$25,000 of the income from this project to create the Queens Neighborhood Access Fund. The stated purpose of the fund is to take some risks by investing in new projects that may not yet have all of the bells and whistles. Is the \$25,000 enough? No, but it is significant, equal to almost 15% of the total net income we have received and significant because of the manner in which it can be used.

We will be glad to advise The Travelers Group and Citicorp on the how we the Board of Directors deliberated on making this commitment. Fifteen percent of their net income invested, not just loaned, could alter the economic future of several Queens Counties.



July 1, 1997 - June 30, 1998: Program Activity
Outreach: Services, Information, Technical Assistance

Direct Technical Assistance and/or Information & Data Provided: 56 Groups

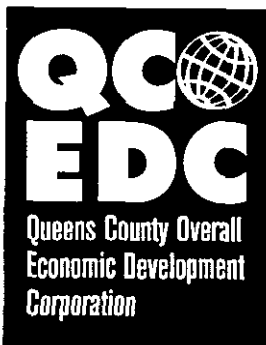
Hon. Jeff Aubry	Jackson Heights CDC	SE Queens Clergy
Cambria Heights Merchants	EDC of St. Albans	College Point Bd. of Trade
Richmond Hill South Civic Assoc.	Rego Park Merchants	BCD Day Care
Langston Hughes Library	Neighborhood Housing Services	
Greater Jamaica Develop. Corp	Ridgewood LDC	
Sunnyside Community Services	Maspeth Merchants Elmcors Youth & Adult Services	
Pomonoc Neighborhood House	Rockaway Merchants	Astoria Restoration
Muslim Economic Develop. Inc.	Friends of Sutphin Merchants	Sutphin LDC
Bellerose Merchants	Kew Gardens Merchants	Hollis LDC
Community Boards 3, 9, 10, 12, 14	Unisource, Inc.	FOB Transport
National Envelope	St. John's University	Bell Atlantic
Corona Bus. Corp (Merchants)	College Point Residents	Ramada Inn
Fleet Bank-SE Queens branches	Queens Library: Merrick Blvd. & Far Rockaway	
Metropolitan Ave. Chamber	Flushing Merchants	
Forest Hills Chamber of Commerce		Business Links, NYC
St. Albans Chamber of Commerce	Catholic Charities-SE Queens	Queens Urban League
SE Queens Coalition for Children	Venture 2000 Grp-Liberty Ave.	Gujarati Samaj
Laurelton Ave. Merchants	Pan Macedonian LI-Queens	SCORE
Auto Repair Shop Association-Queens & Long Island		
Black Women Enterprise Caribbean American Chamber of Commerce		

Events: 9

Getting Down to Business Conference - April 1997 & April 1998
 EAP Graduation - March 1997, April 1998
 Neighborhood Development Initiative Breakfast - June, 1997
 Business Start-Up Breakfast (with Queens Business TA providers)- October 1996
 Hispanic Business Congress of Queens - October, 1997
 Queens Neighborhood Development Initiative - announcement - November, 1997
 EAP Registration, Open House - January, 1998
 Queens Hospital Center Contractor Fair - March, 1998
 Congressman Meeks & SE Queens Community Development Grps Priority Briefing - April, 1998

Publications: Queens Access-Business Information Service of Queens County: 7

QCOEDC Brochure, including Business Services Insert
 "Minding Your Own Business" (English & Spanish)
 Loans for Queens Business
 Guide to Incentives for Business
 QUEENS COUNTY, USA - marketing newsletter
 Queens Quarterly - newsletter for local development corporations



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