BLACK ENTREPRENEURS IN REAL ESTATE

by

ARTHUR JOHN CLEMENT

B.Arch., North Carolina State University at Raleigh (1971)

SUBMITTED IN PARTIAL FULFILLMENT
OF THE REQUIREMENTS FOR THE
DEGREE OF MASTER OF
ARCHITECTURE IN ADVANCED STUDIES
at the
 MASSACHUSETTS INSTITUTE OF TECHNOLOGY

25 May 1973

Signature of Author

Department of Architecture, 25 May 1973

Certified by

Thesis Supervisor

Accepted by

Chairman, Departmental Committee on Graduate Students
ABSTRACT

BLACK ENTREPRENEURS IN REAL ESTATE

Arthur John Clement

"Submitted to the Department of Architecture on 25 May 1973, in partial fulfillment of the requirements for the degree of Masters of Architecture in Advanced Studies."

This thesis is a survey of twelve case studies of Black entrepreneurs in the business of real estate development. The study documents their early years of entry into the field, and analyzes their ability to survive and grow in light of six variables. Individuals and groups involved were contacted through personal interviews, and the data about their work compiled into separate case histories.

Results of the study reveal that Black entrepreneurs in real estate develop primarily multifamily residential units for low and moderate income persons. When in control of the land, they have been able to raise and borrow equity funds for the initial capitalization of their projects. In all cases, Black entrepreneurs have also utilized federal assistance in some aspect of the financial arrangements of their development ventures.

Thesis supervisor: Gary Hack
Title: Assistant Professor, Architecture and Planning
ACKNOWLEDGEMENTS

This document would not be complete without a few words of kindness to those individuals who have guided me along the way. First and foremost, I would like to thank both my parents for their unshakeable trust and confidence in me, and my immediate and extended family who took me in during my trip South to research and interview many of the entrepreneurs studied in this thesis.

I am especially indebted to the businessmen who granted me private interviews, freely giving of their time and knowledge. Most of all, I appreciated their personal encouragements. In particular, I express my gratitude to Denis Blackett who allowed me the opportunity to write a case history about his company (HII), which became the prototype for later studies.

I owe a special word of thanks to Gary Hack, my thesis advisor, who offered, on a regular basis, constructive suggestions for writing, editing, and filling-in the gaps of this study. To Bill Southworth, I am extremely grateful for his capable and objective criticisms during the early formulation of my problem statement. A final word of since appreciation is extended to Barbara Kohl at the Project MAC Library who worked with me in the final production of my thesis.

Without the help of all of these people this document would not have been completed.

ÀÈ È O OLODUMARÈ.
TABLE OF CONTENTS

ABSTRACT ........................................................................................................ 2

ACKNOWLEDGEMENTS .................................................................................. 3

CHAPTER I:  INTRODUCTION

Research Methods .......................................................................................... 7
How to Read This Thesis .............................................................................. 8
Conclusions of the Study .............................................................................. 9

CHAPTER II:  CASE STUDY: BLACK DEVELOPERS IN THE PAST

Overview ......................................................................................................... 14
Historical Perspective ................................................................................... 14
Historical Appraisal ....................................................................................... 20
Analysis ......................................................................................................... 23
Afro-American Realty Company ..................................................................... 27
Standard Life Service Companies ............................................................... 37
Footnotes ....................................................................................................... 49

CHAPTER III:  CASE STUDY: PROFESSIONAL DEVELOPERS

Analysis ......................................................................................................... 57
United Community Development, Inc ......................................................... 64
Union Insurance & Realty Company ............................................................ 69
John W. Winters & Company ......................................................................... 75
H. J. Russell Companies ............................................................................... 83
Housing Innovations, Inc ........................................................................... 89
Footnotes ....................................................................................................... 112

CHAPTER IV:  CASE STUDY: NON PROFESSIONAL DEVELOPERS

Analysis ......................................................................................................... 115
Westside Professional Associates, Limited ................................................... 117
H. A. DeCosta Company .............................................................................. 127
Footnotes ....................................................................................................... 132

CHAPTER V:  CASE STUDY: COMMUNITY BASED DEVELOPERS

Analysis ......................................................................................................... 134
Low Cost Housing Corporation ................................................................... 136
Roxbury Action Program ............................................................................. 142
United Durham, Inc. .................................................................................... 148
Footnotes ....................................................................................................... 160

BIBLIOGRAPHY .............................................................................................. 162
"If the Negro is to take his place in this western civilization, it is going to depend very largely upon the way he is prepared. To graduate from a school of higher learning is one thing, but the group that has been trained to supply that which the world needs and wants, is the group that is going to survive. In this respect, the Negro unfortunately has not succeeded in developing himself to the point where that which he has to offer is an indispensable asset to his fellow man." \(^1\)

---

C. C. Spaulding  
Former President  
North Carolina Mutual Life Insurance Company  
Mechanics & Farmers Bank  
Mutual Saving and Loan Association  
Durham, North Carolina

INTRODUCTION
RESEARCH METHODS

This study is concerned with the enterprises of Black entrepreneurs during their early or formative years in the business of land development. The purpose of the research was to document the accomplishments of these individuals into a compendium of case histories for comparable analysis. The selection of developers was based solely upon the desire to record a representative sampling of past and present companies in the real estate development business. A core category of professional developers was first chosen because of the relevance of their companies to the study. The group of developers then selected were those individuals not dependent upon real estate as a livelihood, but who were nevertheless packaging deals. The next classification decided upon included groups or organizations with broadly defined political and economic goals, and whose involvement in residential or commercial development was justified as an adjunct to their overall program. Historical examples were chosen to broaden the time horizon of the study, and to reinforce the idea that Blacks in the business of real estate were not a current phenomenon. Therefore, the presentation of the case studies into four categories reflects this selection process.

Each case history was compiled within the context of examining how the developer performed in six specific areas:

1. Previous background before becoming a developer.
2. Entry into the field, and level of involvement.
3. Attempts to obtain financial backing, either as equity capital for the company, or as loans for development projects.
4. Experiences in building a credible track record for attracting additional investors and packaging new developments.

5. Marketing strategy given the goals of the company.

6. Success in competing in the open market on a comparable footing with similar types of development companies.

Case histories were obtained by personally visiting each developer, interviewing the principals of the company, surveying company files (when permitted) and periodicals for related information, and later inspecting some of the completed projects. A preliminary report was then drafted, and returned to the individuals interviewed for any corrections or additions. A final interview was conducted when supplemental information was needed to make complete comparisons on all six points.
HOW TO READ THIS THESIS

The framework for reading this paper is structured for digestion in several stages. For those people searching only for the informational core of the text, the author suggests a cursory glance through the abstract and conclusions. Readers wishing to skim the thesis in a short but compact manner should read the main conclusions and each case study summary. For those attempting to peruse the document in a long but complete way, it is strongly suggested that the second approach be complimented with the reading of the twelve case histories. A brief chronology of important facts is also inserted at the end of each case for quick review. The outcome however of the reading in all three approaches should be similar. One should extract from this thesis the singular thought that Black entrepreneurs, particularly in the development of real estate, are beginning to lease inroads into the American Dream.
CONCLUSIONS OF THE STUDY

1. Since the 1900's, Black Americans have actively been involved in the buying, selling and developing of real estate, particularly within their communities.

2. Black entrepreneurs have entered the field of real estate development most often from the construction trades, and secondly from the realty business (property management, brokerage, etc.) Many have included on their staff a construction management capability (sometimes a general contracting firm) once in the development business.

3. Black entrepreneurs have been able to raise or borrow equity funds for the initial capitalization of their development projects. However, they have not been successful in persuading private investors to supply venture capital to support future development activities of the company.

4. Excluding the historical case studies, every remaining Black developer has utilized federal assistance in either a direct (grant, or mortgage subsidy), or indirect (mortgage guarantee) manner for at least one of their early development projects.¹

5. Once a firm contact is established, Black developers repeatedly used the same financial and lending sources.

6. Black entrepreneurs have built their record of performance by en-

¹Figures released from the Office of Equal Opportunity for the Calendar Year 1972, estimate that Blacks alone received 12.5% of all the total mortgages insured for sponsors of subsidized multifamily housing, but only 1% for the total amount of subsidized home mortgages insured.
larging upon an earlier development strategy. Diversification into other
types of development (large-scale commercial, industrial, or recreational),
or into other regions of the country was non existant in almost all cases.

7. Black developers continue to market their developments toward a
minority clientele. However, there is a noticeable trend toward new
projects involving broader classes of people with higher incomes.
"If a race through the ages has made no worthwhile contributions to civilization, its influence is negligible, and its history, such as it is, is soon forgotten. In a like manner, a race that has achieved great things, yet fails to preserve its accomplishments by means of a continuous record, not only loses caste among the races, but leaves no heritage to guide and inspire the youth of succeeding generations."¹


CASE STUDY: BLACK DEVELOPERS IN THE PAST
OVERVIEW

This category of cases centers around the exploits of two pioneering Black entrepreneurs during the early 1900's. The two men, Philip A. Payton, Jr. of New York City, and Heman E. Perry of Atlanta, Ga., were included because their accomplishments within their respective communities have crystallized patterns of residential development which have subsequently affected the location of Black neighborhoods in these two cities. By studying their operations, as well as the historical milieu of their times, a more enlightened perspective can be applied to the latter cases concerning real estate activity among Black people of the United States.

HISTORICAL PERSPECTIVE

The years between the Civil War Reconstruction and World War I were a turbulent time in the history of the consciousness of Black people in this country. It was during this period that the expectation of equal opportunity and full citizenship for the recently emancipated Black slaves became empty and frustrated dreams lost in the rebuilding of the New South. ¹ By the 1880's and 90's, Southern states had already begun the systematic disfranchisement of Blacks with the legislation of the Black Code laws, which virtually stripped the Black man of his right to vote. ² Economically, the Southern policy of legal segregation was aimed primarily at confining Black workers to a position of cheap, surplus labor. ³ Schools hastily set up after the Civil War for the "separate but equal" education of Black children, were now substantially cut in appropriations. ⁴

Growing stresses in the living environment of the post reconstruction of the South, therefore, caused drastic changes in the tactics for survival within the Black community. Its leaders began to identify three basic issues that have remained central to the inevitable
confrontation between Blacks and Whites in America. They were (1) political and civil liberties -- namely the right to vote and participate in the electoral process, (2) economic opportunities -- demands for free land, fair work and wages, and (3) educational training -- the need for a public school system and higher schools of learning. On the educational question, Black leaders were unanimously in accord, and tenaciously fought for the preservation of schools for Black youth. On the political issues, Blacks were mislead by the promises of the white leadership, and were unable to prevent the rapid enforcement of the Black code laws. On the economic front, Black workers found themselves in direct competition with labor unions and poor whites, who perceived themselves as being threatened by free Black laborers seeking similar employment. The unanswered question concerning the demands for free land, a fair and natural right since it was the custom to endow freely emancipated slaves property in other European countries, was never resolved here in this country. This major failure by Black leaders to win such a critical concession as land ownership, was a tremendous setback for the great majority of propertyless Black folk.

Denied a voice in the government, and granted a separate school system by the mandate of Southern whites, Black leaders were forced to look for salvation through "knowledge and industry." Appeals were made in the name of racial unity and solidarity as a mechanism of self-defense. Goals of industrial education, moral and economic development became the cornerstone of the belief in a doctrine of self-help. This was based upon the assumption that through self-effort Blacks could attain
the "ultimate citizenship rights" accorded to other ethnic groups in the country. 8

From the 1890's onward, the disfranchised masses of Black people were urged by their leading spokesmen to look inward and place increasing faith on their own abilities to achieve economic parity. Out of the political vacuum created by the Southern whites, Blacks began formulating a new creed of "Buy Black," "Double-Duty Dollars," and "Support Your Own." "At times, emphasis on race pride and solidarity approached a kind of nationalism..." referring to Black Americans as a nation within a nation, a unique and distinct ethnic nationality. 9 Assertive attitudes of "economic chauvinism" grew in popularity during the 1890's, and became part of a larger clustering of ethnocentric goals based upon racial cooperation. Ideas of separate social institutions, such as the church, the fraternal orders, and even "all Negro Communities" 10 were espoused and supported. These also accompanied a new interpretation of race history, the cultural heritage of Blacks in this country, and their ties back to ancient African civilization. 11

Aspirations were cast upon the growth of an employer class of "Black Capitalists," who would operate business enterprises that would employ as well as service members of the Black Community. A clear expression of such a growing trend of thought was recorded at the Fourth Atlanta University Conference in 1899, which devoted its entire meeting to "The Negro in Business." 12 The keynote address was given by Prof. John Hope of the Atlanta Baptist College (presently Morehouse College), who delivered a paper on "The Meaning of Business." 13 In his speech, Prof. Hope
called upon Black workers to save their earnings; hold on to it, and
then rise above the insecurity of a laborer by becoming self-employed.
He explained that jobs for Black men and women would now have to be
created "from Negro sources." As an ethnic group, Blacks must learn to
survive and prosper while living among the "so called Anglo-Saxons...a
conquering people, where business is...the power motive...and the raw
material of their civilization." To neglect the world of business, to
remain out of touch with the industrial and merchantile spirit of this
age, Prof. Hope concludes, "...would be suicide to the Negro." 14

The conference ended with the adoption of numerous resolutions, the
general content of which implored the Black masses, and "the better clas-
ses of thinking Negroes," to cooperate with and patronize the business
establishments run by members of their own race. 15 Thus, the concep-
tual formulations of the Atlanta University Conference for a business
ethic to be applied throughout the everyday lives of Black Americans,
received a favorable endorsement from the outstanding educators and
businessmen of the South. 16

Actual implementation of the Conference's resolutions through the prac-
tice of a racially based economy started with the formation of the National
Negro Business League (NNBL) in 1900 by Booker T. Washington, its founder
and first president. Beginning with his famous Atlanta Exposition Address
in 1895, and continuing until his death in 1915, Washington was the most
powerful figure for anything affecting Black affairs in this country. 17
He advocated the minimization of tensions between Blacks and Whites, es-
pecially in the South, to harmonize the mutual interests and progress
of both races. He encouraged his race to engage in agriculture, commerce and the service professions; to learn the skills and knowledge for the everyday occupations needed in their lives. Washington's economic viewpoints were a corollary to this main doctrine. Emphasis was placed upon the value of, and need for, earnest labor, capital accumulation, and the careful management of money. Additionally, he personally admonished his people to purchase land and to build their own homes. In the context of Negro thinking of the period, perhaps the most significant force of Washington's philosophy was his clear expression of the racial ideals of self-help, group solidarity, moral character, frugality, and wealth.

A rational extension of the Washington Ideology was the development of a separate economy operated exclusively for and by Blacks in this country. His approval of the doctrine of "race enterprises" was borne out in his formation of the NNBL, to support and encourage the growth of Black owned businesses. The birth of the League (which still exists today) "gave emphatic proof of his belief in at least the necessity of trying to develop...racial businesses."

The ideology of "Negro support for Negro businesses had been growing since the 1870's. There were numerous factors encouraging the spread and acceptance of this concept. Foremost was the decline of the Black worker as a skilled craftsmen during the later years of Reconstruction. These enterprising artisans who catered to white customers were gradually losing their dominance of the skilled trades of shoemaking,
tailoring, printing, barbering, butchering; as machinists, black smiths, caterers, and as owners of popular eating and drinking establishments. Many were either replaced by white merchants or forced out of business by the ordinances of the Black Code laws. What later emerged from this occupational shift was a new class of Black entrepreneurs who were dependent upon the patronage of their race for their livelihood. Consequently, the real burgeoning of Black businesses after 1890, and especially after 1900, represented both the retrenchment of one group of skilled enterprisers, and the development of a new breed of business and professional men who were now locked-onto a segregated class of people.

The formation of Black owned businesses flourished during the years between 1895 - 1930. Based upon a study conducted by Dr. W.E.B. DuBois, the number of Black enterprises grew from 1,900 in 1898 to 70,000 in 1930. This period also witnessed the founding of all the major Black controlled financial institutions in existence today. The bulk of the new businesses, however, were in the field of personal services -- restaurants, beauty parlors, barber shops, funeral homes, and "Mom and Pop" grocery stores. These "defensive enterprises" were the direct result of the inverse effects of racial segregation. But many such businesses begun within this period were ruined during the Depression years of the early thirties. The aggregate number of surviving businesses continued to decline in later years, and was not turned upward until the decade of the sixties when the demands for community control and economic development once again sprang forth from the hearts and souls of the Black
HISTORICAL APPRAISAL

The financial posture of racial economics has been critically attacked by business historians of later years. M.S. Stuart writes, "perhaps because he (Washington) realized the formidable difficulties involved in persuading white America to accept a broader commercial policy for the Negro," Washington was nevertheless assuming "the Negro can accomplish that which under similar circumstances, no other group has achieved -- a successful but isolated 'race business' by the side of, and in competition with the general business (economy) of the nation." 32 Race business concludes Stuart, "that is exclusively owned by and caters to only members of a particular group...is a policy in conflict with the fundamental logic of commerce, of trade, which thrives the more by expansion and suffers under constriction." 33 Stuart labels thoughts of racial isolation as "cruel mockeries...in racial experimentation," expecting the Black man, "admittedly the weakest of all American groups, economically naked just three-quarters of a century ago,...to rear a stepchild economy, without the protection of any distinct political autonomy." 34 Stuart ends his criticism by posing the question: why must the Afrikan dragged over to this continent be driven into a solitary corner, and then coerced to embark along an "Economic Detour" which no other ethnic group in the history of this country has been required to travel? 35

Writing at a similar time, James B. Mitchell offered his comments...
on the inadequacy of an all-Black market. Black owned business suffers in particular "from the handicaps of its strictly racial market," from the meagerness of accumulated capital among its customers and from the "economic exclusion which directly affects their investment opportunities." Moreover, for the Black businessman, his own community "is not his exclusively to exploit." Large scale, multi-billion dollar enterprises have few if any obstacles of entry, and conduct their particular business freely and at will within the Black community. Unfortunately, the reverse has not been true. Unable to shelter or regulate his own "domestic" economy, Black businessmen have not reciprocated by crossing over and penetrating the larger and more lucrative markets of white America.

Historian August Meier points to three basic shortcomings to the race economy concept. A "truly segregated economy," Meier writes, was impossible for Black Americans when (1) the basic industrial and credit facilities still remained in the control of whites, (2) the majority of the Black workers were in the employ of white industrialist, and (3) Black entrepreneurs were unable to capture even a small proportion of the Black market when forced to compete against other firms within the constraints of white America's political and legal systems.

It is difficult to pass final judgment on the effects of Booker T. Washington's economic ideology. His peculiar mixture of ethnic solidarity, political complacency, and economic immobility was a functional strategy for survival for the period of history in which it was designed. In more recent years, the legacy of Washington's thought has become em-
bodied in a more militant political posture, and again, coupled with a plea for economic nationalism. But, both ideologies continue to confine and stereotype economic development for Black Americans. It is a mentality which in effect places blinders on the purview of Black businessmen, narrowing their exposure to other geographical markets, and shackling their growth to a lame duck economy.

In the current world of international trade and worldwide markets, Black owned enterprises can no longer be measured against themselves, nor can specialized businesses thrive by catering exclusively to segregated markets. Consequently, it is paradoxical that the rationale which gave existence to the early development of Black owned businesses years ago, today threatens their economic well-being for the years to come.
ANALYSIS OF THE HISTORICAL CASES

Philip A. Payton, Jr. is generally credited as the one individual most responsible for the opening-up of Harlem to Black Americans in the first decade of this century. As an enterprising realtor, he was astute enough to envision the need for a readily available supply of housing for New York City's expanding Black population. Primarily through his persistent efforts and without any previous experience, Payton persuaded white realty owners and landlords to let him manage their properties for the sole purpose of filling the buildings with Black tenants. Through this approach, Payton "fathered and engineered" the first major influx of Blacks into Harlem.

In Atlanta, Ga., Heman E. Perry is likewise remembered for initiating the development of a new residential neighborhood during the early 1920's which has since grown into a stable Black community of numerous subdivisions. He originated the movement to the West side of the city through the establishment of a combination of business enterprises that offered life insurance protection, bank financing, and homeownership to the Black residents of Atlanta. Perry's achievements were lasting in that he left behind both the blueprint and the foundation for Black controlled financial institutions to carry forth his bold and pioneering spirit of service enterprises for Blacks.

Entry into the Field: In both cases, the driving force of each organization was the enterprising dreams of one individual. Philip Payton was an educated man who first learned about real estate while working as a janitor in a white realty company. He immediately seized the potential
of beginning a similar operation for himself, and later opened his own 
realty office. Heman Perry also gained valuable business training as 
an insurance agent for two white insurance companies in Texas. It was 
not until he had established his own company, Standard Life, that he 
saw the need to branch out into real estate.

Track Record: Payton began his career strictly as a property manager. 
Acting as the rental agent, he would lease the apartments for five years 
from white landlords, and begin filling the vacant units with Black ten-
ants. As the demand for available housing increased, more and more 
Blacks began migrating into Harlem where occupancy was obtainable. To 
counter white neighborhood opposition, Payton was forced to begin pur-
chasing the apartments to guarantee that Blacks would not be evicted. 
Perry began buying property on the Westside of Atlanta around 1917. In-
itially, he was selling individual parcels on a sporadic basis. But, 
following the sale of a large tract of land to the City of Atlanta, 
Perry began subdividing the lots, promoting homeownership, and the ser-
vices of his companies to finance and build the houses.

Financial Backing: When performing as just a managing agent, Payton had 
little need for large sums of money. But, when he began purchasing 
apartment houses on a bigger scale, he had to form a partnership and 
later incorporate the company. Payton was assisted enormously by the 
backing he received in raising equity capital. He had among his inves-
tors some of the most prominent and wealthy members of the New York 
Black community. As protegees of Booker T. Washington, they were in
accord philosophically on the reason for the Afro-American Realty Com-
pany. Unfortunately, many withdrew their support when the company later
became embroiled in legal and financial problems. Perry first raised
the capital for his insurance company, Standard Life; from this financial
base came the funding for the remaining Service Companies. In reality,
Perry was only re-circulating the same cash flow that Standard Life
brought in from insurance premiums. When the Service Companies began
investing heavily in underdeveloped real estate, essentially a frozen
asset, Standard Life similarly became non-liquid. To remain solvent,
the company was forced to dig deeper into its legal reserves normally
set aside for coverage of its insured policies.

Marketing: In both cases, each business was servicing only one residen-
tial market. This was based in part by their philosophy which stressed
cooperative ventures for racial as well as economic development. But,
by defining their market domain so narrowly, both Payton and Perry cor-
respondingly reduced the investment opportunities for their companies.
Unconsciously, they locked-out new investors. Both enterprises also
suffered from a complete dependency upon the earning potential of a
particular market segment. Payton felt the sharp decline in his rent-
rolls when the recession of 1907-08 depressed the wages of Black workers
(for those who were not put out of work). Perry's combination of com-
panies was also subject to the fluctuations in the incomes of the Black
working class who struggled with the little money they had to pay their
weekly premiums or mortgage notes.

Open Market: Neither company catered to the broadest market possible.
Payton concentrated on Harlem, and Perry on the Westside. In the process of overcoming strong white opposition, Payton had few resources left to expand outside of Harlem. Perry, perhaps, possessed the potential for competing on a competitive level in the real estate market at large. All the financial and building services were located within the scope of his operations. Consequently his organization of total-development services was precocious for its time, but inadequately restricted by the meager resources of a racial sub-economy.

Summary: Afro-American Realty Company and the Standard Life Service Companies were not the first or last of the major real estate operations conducted by Black Americans during this period of history. Their significance, however, is that they embodied directly the popularly held concepts of racial cooperation and economic self-help. Their valiant attempts to build a financial base within a geographically circumscribed market proved to be economically impractical.
PHILIP A. PATTON, JR.
AFRO-AMERICAN REALTY COMPANY (AARC)
NEW YORK CITY

Harlem Residential Market before 1900's

During the early years of the twentieth century, numerous northern cities were witnessing the rapid expansion and re-settlement of their Black populations. The resulting demographic shifts produced strong hostilities on the part of most white residents, causing buildings occupied by Blacks to be bombed in Chicago and Cleveland, and a race riot in Springfield, Illinois.¹ The origins of all Black segregated communities in northern cities was perhaps best exemplified by the takeover of Harlem by Black Americans.

The creation of such a large racially-segregated neighborhood within one large and well-defined geographical area was a unique occurrence in New York City's history. Prior to the 1900's, Blacks living in the City were restricted to small residential sections dispersed across Manhattan Island. These communities were only a few blocks in length, and were juxtaposed among neighborhoods of white working class families.²

In the 1890's, Harlem was a predominantly white residential section located far uptown.³ The main source of transportation was the recently built elevated train running along Eighth Avenue. With the announcement to build another line up to Harlem via Lenox Avenue, a real estate boom swept that part of the city. This new wave of building activity was spurred by real estate speculators anticipating the appreciation of property values after the completion of the new subway route. All vacant, unimproved or underdeveloped land untouched by the first wave of specu-
lation in Harlem during the 1870's was now being built over. 4

Property speculation had the dangerous effect of inflating the price of land and the cost of constructing homes (rowhouses) out of proportion to their actual monetary value. Real estate operators were frantically buying and reselling buildings for prices beyond what the gross income of the tenement houses justified. The common attitude, in the early 1900's was only the urge to get rich quickly by trading Harlem properties. 5

The inevitable collapse of Harlem's building boom came in 1904-1905. Overbuilding had filled Harlem with apartments, many with high vacancies, particularly east of Lenox Avenue. Market values had been artificially inflated for too long, which in turn produced rents ($35-$45 per month) too high for the general population. With many rent rolls shrunk by expensive vacancies, the frequency of mortgage foreclosures prompted financial institutions by 1905 to stop making loans to Harlem speculators and building and loan companies. 6

Concurrently, between 1890 and 1900, Blacks throughout Manhattan were in search of better living conditions. In midtown Manhattan, the construction of the Pennsylvania Station had touched off the commercial expansion of that area of New York City. These events lead to the dislocation of many Black neighborhoods, whose residents were forced to seek decent accommodations uptown in Harlem. Landlords there were plagued with unoccupied tenement houses, and welcomed any tenants they could get. Furthermore, these modern rowhouses in Harlem offered Blacks housing far superior to anything they had ever engaged or lived in while in New York.
These dwellings could house several families, thereby serving the purpose of apartment houses. Consequently the imbalanced nature of Harlem's housing market presented the unique opportunity whereby astute real estate agents could capitalize on a 'soft' real estate market by steering large numbers of Black folks toward Harlem.

Philip A. Payton, Jr.

Philip Payton was born in Westfield, Mass. in 1876, the son of a barber. He was educated in the South, graduating from Livingstone College in Salisbury, North Carolina in 1898. A year later he came to New York City and worked several odd jobs (handyman, porter, and barber) a pattern typical of many other Black businessmen of this generation who were forced to accept menial service jobs in the early years of their career. Later, as a janitor in a white real estate office, Payton first became exposed to the world of housing and real estate speculation. Brash and confident at the youthful age of 24 years, he began his own business, specializing in the management of tenements occupied by Blacks. For nearly a year he was unsuccessful before he convinced a disgruntled landlord to let him manage and fill his empty house with Black tenants. Payton was immediately successful in this endeavor, and afterward induced several other landlords to follow suit.

By late 1904, Payton had incorporated his business, and was considered within his community as the leading real estate agent. He was an ambitious and impetuous man, a hard-driving salesman exuding confidence and bubbling with enthusiasm. His early exploits made him rich
almost overnight and he closed business deals involving large sums of money before he had accumulated much practical experience. 10

His business career was punctuated by the vicious cycles of the New York economy in general and the feast or famine fluctuations of the local real estate market. He reached his lowest point in 1908 with the collapse of his Afro-American Realty Company, and soared to his biggest triumph in 1917, one month before his death, when he and several associates bought six elevator apartment houses -- the ultimate in luxury apartment house construction -- catering exclusively to "...refined colored tenants...." 11

Payton and the business circle to which he belonged were all members of Booker T. Washington's National Negro Business League, and were tremendously influenced by his economic teachings. As one of the leading minds behind the organization of AARC, Payton would often explain the ultimate goals of his company by calling upon other members of his race to follow his example and pool together their financial resources in order to obtain decent housing for themselves. He would express grave concern that often Blacks hesitated to patronize competent professionals of their own race. 12 James Weldon Johnson, a peer of Payton's generation, later wrote that Payton's overriding ambition was to make available the best housing in New York (and later Harlem) for his people. 13 Payton was convinced that the best approach for improving housing conditions for Blacks was through the industrious involvement of Black real estate agents, and not through the graces of "disinterested white landlords." 14 Even when confronted with the fact that white homeowners
Payton was resolute in pursuing his goal of opening tenement houses block by block for his race.

**Afro-American Realty Company -- Its History**

Payton organized a partnership of ten Black businessmen in 1902 to acquire five year leases of white-owned property in Harlem, and then manage the building for Black occupancy. Early success in obtaining leases, opened up housing near Fifth Avenue. As more Blacks moved in, the colony began spreading westward, block by block, across Lenox Avenue. White residents of the area became alarmed, and attempted to halt the advance of Black settlement. They formulated plans to check the "invasion" by creating a dummy corporation, the Hudson Realty Company, in which they invested their resources. Next they bought up properties that housed Blacks and evicted them. Payton countered this action by the purchase of tenements located on the same block, to rent to Black Americans.

To raise additional capital, Payton then reorganized his partnership into a real estate corporation, the Afro-American Realty Company. It was legally incorporated (1904) in the city of New York to buy, sell, lease, and rent properties and/or buildings. "It was capitalized at $500,000, and authorized to issue 50,000 shares at $10 a share. Ten of the eleven original members of the all-Black Board of Directors subscribed to 500 shares each. The company began with an estimated capital of $100,000. The result of Payton's organized opposition enabled more Blacks moving uptown to penetrate still further into Harlem.
The steady and increasing influx of Afro-Americans pushed across Lenox Avenue and on beyond to Seventh Avenue. This created a new outbreak of white resistance resulting in the formation of the "Harlem Property Owner's Improvement Corporation" for the purpose of preventing Blacks from coming into Harlem to live. They apparently brought pressure on white financial institutions not to refinance mortgages on properties occupied by Blacks. The repercussions of this move established a precedent that has plagued Black homeowners ever since. When many whites began leaving and selling their homes at prices far below the properties' assessed value, many banks and lending companies holding mortgages on these deserted houses were compelled to take them over rather than rent or sell them to incoming Black people. The withholding of large amounts of debt capital, created unjustifiable hardships among Black owned realty companies and other Black property owners.

The Black community reacted by launching campaigns of their own. Prompted by the appeals of the Black press and churches, decisive action took shape in the formation of "crusading companies" organized "to acquire property, dispossess whites, and rent to members of their own race." The Afro-American Realty Company was the largest and most widely known of these newly launched companies. The business venture started with sound financial backing, and its board of directors and investors included local entrepreneurs, eminent leaders and politicians of the Black community in New York City. The group included, among others:
Charles W. Anderson, leading Black Republican politician in the city, and presidentially appointed (Theodore Roosevelt) collector of Internal Revenue in New York.

J. Thomas Fortune, editor of New York Age, oldest, and most influential Negro newspaper in New York. (For some time his paper advertised appeals for stock investment into the AARC.)

James C. Thomas, first president of AARC was considered one of the wealthiest Black businessmen in New York.

Fred Moore, general manager of NNBL, became editor of New York Age when Booker T. Washington bought controlling interest in the paper in 1907.

Wilfred H. Smith, one of the most esteemed Black lawyers in New York during this period, an attorney for AARC; an intimate of Booker T. Washington, who later severed connections with the company and was influential in bringing suit against Payton for fraud and misrepresentation.

Emmett J. Scott, investor in AARC and secretary to Booker T. Washington.

Through his association and membership in the New York branch of the National Negro Business League (NNBL) founded by Booker T. Washington in 1900), Payton became a disciple of Washington's business philosophy. The two men corresponded regularly, Payton sending periodic reports of the corporation's progress, and Washington maintaining friendly ties with the officers of AARC.

Under the original company structure Payton was vice-president and general manager. Nevertheless, he wielded the real power, and controlled the day-to-day operation of the corporation. Early company transactions were profitable and gave credence to the existence of AARC. By the end of 1904, AARC had acquired and completely filled five, four story flats, and had five year leases on eleven other buildings. A year later, the
Realty Company owned six tenement houses and had fourteen leased.\textsuperscript{22} To attract more financial support, Payton advertised regularly in the Black press, soliciting investors among the Black working class, and hired a salesman to sell company stock.\textsuperscript{23} Payton continued a policy of aggressive speculation based upon his optimistic business judgment. By early 1906, Payton had leased or purchased with loans or mortgage some 25 houses, located primarily in Harlem, that represented an estimated value of $1.1 million based upon an annual rental income of $114,500.\textsuperscript{24}

However, many of the directors of the company strongly disagreed with Payton's policies as general manager. The internal dissension erupted in October of 1906 when disgruntled stockholders sued Payton and the Realty Company for exaggerating and falsifying the corporation's financial prospectus.\textsuperscript{25} The outcome of the suit was that specific charges of fraud involving Payton were dismissed and the Company itself found guilty of misrepresentation by claiming it owned unencumbered property when in fact all of its houses were fully mortgaged.\textsuperscript{26}

A final reorganization of AARC left Payton as president and general manager. The company continued to do business through 1907 despite the bad press it had received in the civil suit case. In order to restore confidence in the company's name, the first and only dividend was issued in June of 1907. Payton continued to buy property at a rapid rate, and disavowed any advice for a more moderate policy of acquisition. His bullish attitude did not hold true, and the recession of 1907-08 caught the Realty Company rich in assets but poor in cash. Payton could not raise enough money to pay his mortgage and interest payments to remain
solvent. The company collapsed when Booker T. Washington rejected a desperate proposal for him to underwrite the company's note due 1 January 1908. All of its mortgages were foreclosed and AARC lost control of all its properties.

The Legacy

As a financial corporation, AARC never survived to see the lasting accomplishments of its early work. Instead, it succumbed to four years of internal dissension, three major reorganizations of its Board of Directors and officers and a highly publicized court battle. But through the determination of its promoters, AARC "spearheaded the growth of Black Harlem." The company was a pioneer and vanguard in securing homes for Afro-Americans into sections of New York previously unavailable to Black tenants. Payton and his backers initiated a wave of real estate buying among Harlem's new Black community that lasted well beyond World War I. By the 1920's, practically every major Black institution had moved from its downtown (mid-town Manhattan) quarters to Harlem. Even when AARC had to dispose of its properties, the new owners continued to cater toward incoming Black tenants. Furthermore, after its collapse, other Black organizations sprang onto the scene to pick up the fallen mantle of AARC.

The groundwork for the establishment of the largest Black community in the early decades of the twentieth century was built through the efforts of the AARC, and was carried forward by the help of other Black realty companies. Therefore, the lion's share of the credit for opening up decent housing for Blacks in New York must rest with the individuals of the Black community.
PHILIP A. PAYTON, JR.
AFRO-AMERICAN REALTY COMPANY, INC.
NEW YORK CITY

Chronology

1900 -- Payton opened his own business

1902 -- Payton organized partnership of Black Businessmen

1904 -- Payton reorganized partnership in a real estate corporation -- Afro-American Realty Company, Inc.

1906 -- Civil suit brought against Payton and Afro-American Realty Company by stockholders for misrepresentation

1907 -- First and last dividend of Corporation declared

1908 -- Economic recession in the city; collapse and bankruptcy of Realty Company

1917 -- Payton and his associates purchase six luxury apartments; deal concludes business and personal lift of Philip Payton.
HEMAN E. PERRY
THE SERVICE COMPANIES
ATLANTA, GEORGIA

In 1908, Heman E. Perry astounded the Black business community of Atlanta and of Georgia with the announcement of his plans to organize the first Black-owned "old line legal reserve," ordinary life insurance company. The apparent reason for the amazement was that such an insurance company required an initial stock capitalization of $100,000. Most insurance enterprises organized by Blacks at that time were generally cooperative ventures for group protection that grew out of church relief, mutual aid and benefit societies, fraternal orders, and provident or assessment associations. They usually offered burial insurance, sick and accident claims, plus assistance to widows and orphans of deceased members. But no group of Black businessmen had ever gotten together before to begin a straight ordinary life insurance company to gamble against the high mortality expectations of the Black population. The large white insurance companies discriminated by either charging exorbitant premiums, or by refusing to insure Blacks completely. Thus, the impact of Perry's intentions was tremendous.

He was partially successful in raising the equity capital, launching two successive campaigns over a three-year period in which he raised $70,000 worth of stock. A note was secured for the balance he lacked ($30,000), and the Standard Life Insurance Company of Georgia opened for business on 22 March 1913. The company started operations in the Big Bethel AME Church building located on Auburn Avenue, which at the time was the main business street in the Black community.
Heman Perry -- The Man

Perry was born in Houston, Texas, on 5 March 1873. He completed the sixth grade in the city's public schools, and afterwards left to start working as a cotton sampler. After numerous other jobs in between Perry served as an agent for two white insurance companies in Texas, learning about the business during his employment.

Why he left Texas and moved to Atlanta is not known. Perhaps he shrewdly recognized that Atlanta with its stable and active Black community was rapidly becoming the "Black Mecca of the South." For whatever reasons, Perry came onto the Atlanta scene in the early 1900's, and created several institutions whose very existence had a lasting influence on the growth and prosperity of Atlanta's Black community.

Perry envisioned and had a constructive part in the development of the Standard Life Insurance Company in 1913, the Service Companies in 1917, the Citizens Trust Company in 1921, and the Penny Savings Bank in Augusta, Georgia. "Perry believed that the control of wealth was the road to economic independence, the solution to the Negro's problem. The ultimate objective of his companies was to harness the resources of the Negro, so that a wealth of capital could be put to use wherever and whenever needed." Perry later created and organized various affiliated financial schemes, most of them subsidiary enterprises of Standard Life. They were collectively referred to as the Service Companies:

Service Realty Company
Service Engineering and Construction Company
Service Printing Company
It was Perry's dream to promote business enterprises filled with young and talented business leaders. His approach to the economic development was to recruit educated men and women in colleges and universities across the nation, and persuade them to put their newly trained skills to work in his business enterprises. One of his favorite maneuvers was to visit or communicate with a young Black in school, offer him a job, then go to his home town and sell him a life insurance policy with the argument that now he (or she) was gainfully employed, it would be sensible to protect his future and its economic potential (in terms of future earnings).

Undoubtedly, Heman Perry was a man ahead of his time. Those who remember him, or knew people who had worked in the employ of one of his businesses have only positive remembrances and fervent words of admiration for the man personally. He was characterized as an individual of unusual perception and of unselfish service, who knew what he wanted to do and how he was going after it. By nature, he was a "genius," a dynamic and creative person; but a "slave to caprice and novelty, impatient of routine, and prone to shun the drudgery of detail. He was entirely unfit for any role in business save that of promotion and salesmanship (in which he was top-notch)." Perry was a "prolific reader" who nourished his fertile mind with the "conception of plans and schemes that on the surface appeared feasible and profitable, but if were pur-
sued with diligent persistence might have worked out successfully.\textsuperscript{17}

Despite the later failure of Standard Life, "Perry was not dishonest for any selfish purposes, and there is much to indicate that he cared little for personal pleasures or luxuries. He devoted nearly all the salary of $800 per month he received as president of Standard Life to the financing of other schemes. He never owned an automobile, did not gamble or drink, never married or succumbed to the least dissipation or social extravagance." In fact, Perry had to be often persuaded by his close associates to buy "presentable wearing apparel."\textsuperscript{18}

After his resignation from Standard Life in 1923, Perry went to St. Louis, Missouri, in a "feeble attempt to rehabilitate and revive the Mid-West Life Insurance Co." He later died in Kansas City in 1928, desperately trying to interest investors in his latest business scheme.\textsuperscript{19}

Nonetheless, the results from Heman Perry's dreams and manipulations rests on three major accomplishments. First, he sold the stock necessary to receive a state charter for the creation of the Citizens Trust Company in 1921. Until his departure two years later, Perry served as chairman of the board.\textsuperscript{20} Consequently, his founding efforts launched the growth of one of the largest Black controlled banking institutions in this country.

Perry's second notable achievement was the formation of the now defunct Service Realty Company which acquired property and developed new homes for Blacks in the Westside of Atlanta.\textsuperscript{21} His pioneering efforts of creating a new residential subdivision for Blacks has expanded and continued unabated until the present. The entire Westside today is
now a stable neighborhood of detached homes and apartment complexes that are owned and occupied by Blacks of all incomes.

Perry's last contribution was his recruitment and in-house training of numerous young businessmen who later went on to higher careers with other companies, having got their initial start in at least one of Perry's enterprises. They include among others:

L.D. Milton, Past President of Citizens Trust Company

Harry Pace, Former President of the Supreme Liberty Life Insurance Company in Chicago

J.B. Blayton, Past President of Mutual Federal Savings and Loan Association in Atlanta

C. R. Yates, Owner of a drugstore chain in Atlanta; his first store, Gate City Drug, was formerly Service Pharmacy, Inc. and was bought by Yates when the Services Companies failed

**Standard Life -- The Collapse**

Unfortunately, Standard Life never began its operations on solid financial backing. Perry had fallen short of the required stock capitalization of $1000,000 as stated by Georgia law, and was never successful in eliminating the deficit, or adequately maintaining the mandatory legal reserve limits essential to a life insurance company.

In 1922, just prior to the time when Standard's financial difficulties came to public notice, the annual statement showed over $28 million of life insurance in force, and assets totaling $2,042,439.18. Of this amount, $936,268.85 or approximately 45% was in mortgage loans and real estate. $305,172.35 or about 15% was reported as being in cash.
large holdings in mortgages and cash were a direct result of Standard's affiliation with its Service Company subsidiaries, including the newly opened bank. The insurance company had made a large deposit in Citizens Trust, who had in turn invested heavily in the financing of the operations of Service Realty Company.24

By the end of the following year the financial situation of Standard Life worsened. The annual statement as of December 31, 1923, revealed the following:25

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>mortgage loans</td>
<td>$840,845.43</td>
</tr>
<tr>
<td>cash</td>
<td>880,977.83</td>
</tr>
<tr>
<td>bonds</td>
<td>215,043.02</td>
</tr>
</tbody>
</table>

Of the $840,000 in cash, over $700,000 was deposited in the subsidiary bank of Citizens Trust.26 The $700,000 in cash had been "largely loaned by the bank to Service Realty Co. which had invested the capital into vacant properties on the Westside of Atlanta where Blacks were beginning to move. Citizens Trust, having loaned its money out to Service Realty, was then short of ready cash to meet its own clearings." Therefore, Standard was forced to keep its cash reserves in the bank so it could remain open, and to keep intact on Standard's balance sheet a "doubtful and completely frozen asset of $840,000" (whose real value was essentially non-income producing real estate.)27

Just prior to the December statement, Standard had to double its stock capitalization from $125,000 -- $250,000. The new stock issue was financed accordingly. Service Realty used the collateral of its assets (equity in land investments, plus the personal endorsement of its officers) which in reality was money the bank had originally loaned the
the company to underwrite the new equity financing in Standard. The amount of $335,000 was then credited to Standard Life's cash deposit in Citizens Trust as the purchase price of the stock. Consequently, Standard Life could not draw on its account for fear of closing the bank, and the bank could not collect on its note to Service Realty until the company liquidated its property and paid for the new stock. Essentially, the whole process was a paper transaction, which served to inflate the assets of Standard, and was made feasible only by the interlocking directorships. Heman Perry and his staff at the insurance company were almost exclusively the officers to Citizens Trust, Service Realty, and the other subsidiaries.

To inject some sorely needed capital, Perry secured a loan from the President of the Southern Insurance Co. of Nashville, Tenn., in the name of the Service Holding Company. The face value of the loan, $550,000 was exchanged for a majority block of stock in Standard, as well as an additional mortgage covering all of the combined assets of the Service Companies (mainly Service Realty).

Upon an audit by the Georgia Insurance Commissioner and the state Banking Dept., Standard Life was ordered to divest itself from its subsidiaries. Citizens Trust was directed to separate from the insurance company, the insurance company from the Service Companies, and the Service Company from the bank. By the end of 1924, Standard Life had ceased affiliation with Citizens Trust, and the Service Company was now only a stockholder of the bank. The resulting reorganization reduced the bank's assets by one half (from $1,500,000 -- $725,000).
However, the financial crisis became more acute for the insurance company. Perry was forced to relinquish his control of the failing Standard in June of 1923. The company was later reinsured by Southern Insurance Co. -- the majority stockholder at that time -- and converted in 1925 to the Standard Life Insurance Company of Arkansas. Control rested there until the Black-owned National Benefit Life Insurance Co. in Washington, D.C. bought what was left of the business. Standard, unfortunately, was "milked" on each successive re-organization of the company's ownership.

The entire affair culminated in litigation with a large number of persons and corporations involved. In the major legal battle, Charles H. Brown, et al, vs. Standard Life Insurance Company, the "courts tried to put an end to the numerous cases being litigated, as well as provide for the administrating of Standard's affairs." Court evidence revealed that "... the deficiency in the legal reserve required, far exceeds the amount of the capital stock...," and that the company "... had sustained losses of property and funds to such an extent that it does not now have the amount of assets which the law requires as a reserve for the protection of the policyholders." The final death blow came in 1931, when the National Benefit Life ceased operations. Part of its decline was directly attributable to its reinsuring of the debt-ridden Standard Life.

Service Realty Company

The Service Company started in 1917 with an authorized capitaliza-
tion of $100,000. From this base, Perry launched most of his service enterprises. However, the largest and most active was the Service Reality Company. One of Perry's first ventures was the purchase of twenty acres of vacant land in the Westside across Ashby Street. He later sold ten acres to the Atlanta Board of Education who were in need of a site for its second all-Black high school. Perry not only made a profit on the transaction (of $20,000), but he successfully obtained the contract to build the school through his Service Engineering and Construction Company. This was in part influenced by the fact that the construction company had earlier built the first all-Black high school for the city.

Inspired by his early successes, Perry continued to purchase additional vacant land, subdividing the acreage into smaller lots, and then constructing homes on them. The Citizens Trust Company was created to assist in the financing of these homes. "The original prospectus of the bank stated: Citizens Trust Company would lend funds for the building of homes from the reserves which the insurance company had built up."

But, contrary to Perry's future plans of the insurance company becoming the capital feeder to his subsidiary ventures, Standard overextended its assets and became insolvent in 1924. Service Realty was most affected by the failure, because its assets were tied up as stock in Standard Life. When Perry resigned all interests in the insurance company, he also lost all title to the properties owned by Service Realty.

The Legacy

Perry's goal of financing a service industry of businesses to work
collaterally did not succeed. The diversity of enterprises required too many different skills and administrative back-up. Perry was not equipped with enough trained personnel who knew what they were doing in each of the numerous ventures. He compounded the problem by continuing to spread himself, his manpower, and his capital too thinly. Consequently, Perry's companies eventually suffered from poor business decisions, from a lack of technical stuff, and from a dependency upon one financial source of capital.

In the case of Standard Life, Perry overextended the financial resources of the company, and involved Standard in a maze of entangling transactions that inflated its real worth, but later precipitated a liquidity problem. Perry's biggest setback was his inability to raise large sums of capital from outside sources.

Judged by his own aspirations, "Perry lived and died a martyr of his wild zeal to build a combination of Negro financial enterprises of favorable comparison with any in America." But, he nevertheless left a blueprint for how a tandem of companies could work together in future operations.

Following in Perry's footsteps, though more successfully, three independently controlled, but Black owned financial institutions emerged to pick up the fallen mantle of Standard Life and the Service Companies. The Atlanta Life Insurance Company, the Mutual Federal Savings & Loan Association, and the Citizens Trust Bank (formerly Citizens Trust Company) have furthered the expansion of Black families into residential subdivisions on the Westside of Atlanta. Their combined efforts from
1940 onward has supported the establishment of home-buying in the Hunter Road development, the Mozley Park area, in Collier Heights, and Crestwood Forest, the Bankhead area, and the Edgewood section.44 Thus, even today, Atlanta's Black community is widely known for its traditional pride in homeownership.45 The bold, pioneering spirit of Heman Perry continues on into the nineteen seventies.
HEMAN E. PERRY
THE SERVICE COMPANIES
ATLANTA, GEORGIA

Chronology

1908 -- Perry announced plans to organize a legal reserve insurance company.

1913 -- Standard Life Insurance Company began business as a legal reserve company, the fruition of Perry's plans.

1917 -- The Service Companies were formed.

1921 -- Citizens Trust Company was chartered.

1923 -- Perry is forced to resign as President and Chairman of the Board Of Standard Life, the Service Realty Company, and the Citizens Trust Company.

1923 -- Perry died in Kansas City, Missouri.

1931 -- Standard Life, now a part of the National Benefit Life Insurance Company, both collapse.
FOOTNOTES

HISTORICAL PERSPECTIVE

2. Ibid., p. 694.

3. Ibid., p. 696.


5. DuBois explains these three issues more completely in the last three chapters -- 14, 15, and 16 of Black Reconstruction.

6. Ibid., p. 694.

7. Ibid., p. 611.

8. Meier, Negro Thought, pp. 42 and 50.

9. Ibid., p. 53.

10. Ibid., p. 146. Many were started during this period. The most notable and still active is Mound Bayou in Mississippi.

11. Ibid., p. 51-53. Also read Chapter 14.


13. Ibid.

14. Ibid.

15. Ibid.


22. Ibid., p. 124.


24. Meier, Negro Thought, p. 140.

25. Harris, Negro as Capitalist, pp. 9-12.


27. Ibid., pp. 140-141.

28. Harris, Negro as Capitalist, p. 53.

29. A few of the larger financial institutions that were started during this period:
   Industrial Bank of Washington, D. C., 1904.
   Atlanta Life Insurance Company, Atlanta, Ga., 1904.
   Mechanics and Farmers Bank, Durham, N.C., 1908.
   Citizens Trust Bank, Atlanta, Ga., 1921.
   Universal Life Insurance Company, Memphis, Tenn., 1923.
   The major exception is the Freedom National Bank of New York City which was started in 1965, and is currently the largest Black controlled commercial bank in the U.S. today (based upon their aggressive campaign to get large white corporations to place block deposits in their bank).

30. Harris, Negro as Capitalist, p. 54.

31. Ibid.
HISTORICAL APPRAISAL
32. Stuart, Economic Detour, p. XVIII.
33. Ibid., p. XIX.
34. Ibid., p. XX.
35. Ibid., p. XXIII.
37. Ibid.
38. Ibid.

ANALYSIS OF THE HISTORICAL CASES
No Footnotes

AARC
4. Osofsky, Harlem, p. 87.
5. Ibid., p. 90.
6. Ibid., p. 91.
7. Johnson, Black Manhattan, p. 147.
9. Ibid., p. 94.
10. Ibid., p. 95. Payton once closed a deal involving more than a million dollars for a group of rowhouses, which in 1900's was a huge sum of money.

11. Ibid., p. 119.


13. Johnson, Black Manhattan, p. 149.


17. Osofsky, Harlem, p. 96.

18. Ibid., p. 107-110.


20. Ibid., p. 186.

21. Ottley, New World, pp. 32-33. Behind the hue and cry, barely a thousand Negroes had moved into the neighborhood. Ottley comments "... actually Harlem did not begin to take shape and character as a Negro community until 1910."

22. Scheiner, Negro Mecca, p. 36.


25. Ibid., p. 100.


27. Ibid, p. 102.


29. Osofsky, Harlem. All major churches, Masons, Elks, and other fra-
ternal orders; YMCA and YWCA, local offices of Urban League and NAACP, and both prominent Black newspapers, The New York Age and Amsterdam News.

30. Ibid., p. 103.

31. Ibid., p. 113-119. All the important and wealthy Negro churches, such as Abyssinian Baptist, Bethel African Methodist Episcopal, African Methodist Episcopal Zion ("Mother Zion"), and St. Philip's Protestant Episcopal, moved uptown and invested heavily in Harlem real estate, and thereby helped to stabilize Harlem as a Black community. Additional real estate companies were also established such as Nail and Parker, and the Watt Terry Holding Company, both of which continued in existence up through the late twenties. In fact, by 1920, there were twenty-one Negro real estate firms with offices in Harlem.

THE SERVICE COMPANIES

2. Ibid.


4. Ibid., p. 307


7. Ibid.

8. Ibid., p. 306.


11. Ibid., p. 4.

13. Ibid., p. 53.


18. Ibid.

19. Ibid., p. 311.


24. Ibid.

25. Ibid.

26. Ibid.

27. Ibid., p. 36.

28. Ibid.

29. Ibid.

30. Ibid.


33. Ibid.

34. Ibid., pp. 41-42.

36. Ibid.
37. Ibid.
40. Milton, Interview.
42. Milton, Interview.
44. Lamar, "Citizens Trust Company," pp. 22-26
ANALYSIS

The case studies compiled for this chapter -- professional developers -- reflects Black entrepreneurs at their best. Developers such as:

Larry Smith of United Community Development, Inc.
H. M. Michaux, Sr., of Union Insurance and Realty Company.
John W. Winters of John W. Winters & Co.
Herman J. Russell of H. J. Russell Companies
Denis A. Blackett of Housing Innovations, Inc.

all of whom are examined in this chapter, form an unusual group of resourceful businessmen. The case histories of their companies are noteworthy in that singular respect. Each study which traces the penetration of their company into the real estate industry essentially becomes a testament to the extraordinary achievements of each of these individuals.

These enterprising Black men are categorized as professional developers (and builders) for several reasons. One, land development is the largest source of revenue derived from their business activities. Two, as entrepreneurially inclined persons (who thrive on taking risks, surmounting obstacles, and getting things done), these men "live" from one business deal to the next. Three, all are financially secure, self-made men, who have built land development companies that have survived in the industry for five years or more.

Entry into the Field: In four of the five cases studied, each entrepreneur entered the real estate business via another occupation. With the exception of Michaux, who began as a real estate agent immediately
following college, the remaining group of developers started their professional careers in other jobs. Before moving into development, Smith was a general contractor, Winters a skycap, Russell a plasterer, and Blackett an architect planner. Furthermore, the transitional shift in professions was not done abruptly. Smith began as a consultant to non-profit groups in the packaging of federally insured housing projects. Winters first built his own home, and then started building others; but he retained his job as an air porter during the early years. Russell began buying properties and constructing duplexes early in his career although plastering was his principal trade. Blackett got involved in implementing unique and experimental housing programs for the inner city on a non-profit basis. Michaux spent his early years working for another real estate company before forming his own firm. He also increased his real estate acumen by first specializing in property management.

Financial Backing: Several routes were tried by these men as inexperienced developers attempting to begin their first independent project. Smith invested most of his time and energies as a housing consultant, relying upon the 100% mortgage guarantee of the government to close out the transaction. Blackett began with the solicitation of private donations and grants to begin a pilot housing program. He later revised his program to include agencies funded from government sources. Blackett was extremely successful in persuading private financial institutions to commit funds for the completion of his projects. Michaux started when governmental assistance was unheard of; consequently, he had to seek private lenders. As he pointed out, during the twenties and thirties,
"it was difficult to borrow as well as pay back." Following the New Deal legislation of Franklin Roosevelt, Michaux was able to obtain FHA insured loans for Black homeowners. Winters also utilized FHA loans during the fifties when he began building homes. His problem was finding a suitable mortgagee to accept the loan. During the sixties, Russell relied extensively upon recently enacted federally subsidized programs to finance his housing construction. In fact, he has been as successful as any developer in the country in obtaining federally guaranteed mortgage money.

Track Record: In the critical area of performance and the ability of getting projects completed, a few trends are noticeable. All of the developers began on a modest scale. Michaux and Russell started building and managing duplexes. Blackett first rehabilitated old homes and later switched to new construction on scattered sites. Smith began packaging turnkey rehabilitation projects for the local housing authority, and Winters build only ten homes in his first few years of operations.

Once gaining a toehold in the market and familiarity with financial sources, most developers have either diversified away from a dependency upon federal housing subsidies for low and moderate income markets, or they have expanded the scope and size of early developments. Both Blackett and Smith are branching into new construction in suburban or highly desirable urban locations. In recent years, Winters has built more apartment units than homes to even-out the cyclical nature of home building. Michaux has guided his company from the simple tract building
of duplexes and homes to the broader scaled planned unit developments. Russell, having stock-piled mortgage commitments under Section 221(d)(3) moved to other federal programs which are in vogue such as 221(d)(4) or Title Seven under the New Communities legislation.

To continue the momentum once a series of projects have been completed, added capital becomes mandatory for future investments. As overhead and staff increases, new projects must be started so that earnings will continue to increase. With the exception of Blackett, no other developer studied in the case histories has successfully attracted a substantial investment of private funds from institutional sources. Blackett closely allied himself with John Hancock, a major insurance company, who in turn, reciprocated with a $400,000 equity investment in his company. This amount excludes other commitments and arrangements negotiated between the two parties during their association. Russell, the biggest developer in the group, has diversified significantly to the point where he needs only to reinvest in new projects to keep his affiliated businesses active. Winters and Michaux have utilized local investors for years. Smith's financial backing for the future is not known.

Marketing: On the supply side of marketing, few major problems have been encountered in recent years. With the help of government guarantees and mortgage subsidies, Black entrepreneurs have been able to make housing developments a profitable venture within the Black community. They have been able to attract investors because depression losses insured by the government within the inner city are as equally redeemable
as depreciation losses incurred in the suburbs. On the demand side, decent housing is still sorely needed for the low, moderate, and upper income markets within the Black community. Consequently, any new housing that comes onto the market is easily absorbed. Problems come later with tenant management and building maintenance.

Open Market: Russell, Blackett and Smith definitely have demonstrated their entrepreneurial abilities to compete in the open market. Russell has built luxury apartments in upper income white neighborhoods of Atlanta. Blackett and Smith are presently involved in projects with tentative commitments to build outside of the geographical limits of the Black community. Winters during his early years had the opportunity to build homes for white families, but declined to expand further than his present market. Michaux has never attempted to build for other racial groups up to now; however, he has passed his knowledge and contacts on to his sons who are presently becoming established to market sophisticated complexes to the public at large.

Summary: A few conclusions can be stated about the five developers studied in this chapter.

1. The awkward transition into new development was often accomplished by straddling several jobs at once. Each developer at some critical juncture, had to overlap the security and income of another job to his venturing out into real estate. The developer remained perched in-between several professional roles until he received a firm commitment to finance his project. This occupational shift caught:
Smith as a contractor, consultant, and developer.

Blackett as a planner, administrative director, fund raiser, and developer.

Michaux as a managing agent, broker, and then an owner of property units.

Winters as a skycap, contractor, and realty agent.

Russell as a plasterer, contractor, and local proprietor.

The juggling act of spreading personal resources among several jobs is frequently necessary until the entrepreneur can survive solely upon the income derived from the properties he develops. Without sufficient equity capital before entering the field, all the developers studied had to negotiate this occupational shift.

2. Once having completed several development projects that gives credence to their existence, most developers have tried to enlarge upon whatever factors or projects allowed them to penetrate that market initially. For Blackett it was the Boston Infill Housing; for Russell federally insured apartment construction; for Smith it was being a financial consultant to development related projects for non-profit or community groups; for Michaux it was property management; and for Winters it was subdivisions for Black homeowners.

3. When a financial lending source was contacted, and a working relationship established, these sources were used time and time again. In the case of Blackett, he relied upon John Hancock and the Massachusetts Housing Finance Agency. Russell built a pipeline to the Department of Housing and Urban Development (HUD). Smith has utilized private mortgage
bankers; Michaux and Winters have capitalized on the presence of Black
controlled lending institutions as mortgagees for FHA insured home loans
or as permanent lenders for conventional loans.
In the early sixties, Lawrence Smith was a subcontractor doing mostly site work, excavation and the like with the anticipation of eventually moving into general contracting. He soon realized that he was in a vulnerable position as a subcontractor downstream from the developer who ultimately had the final word on any financial aspect of the project. Seeking more control over the production of his work, he therefore decided to get out of the contracting business, and move up to development himself.

His conversion in 1965 occurred before real estate development (particularly residential) became a fashionable endeavor encouraged by federally subsidized programs. With readily available mortgage commitments many amateurish non-profit community groups got into housing. The result of governmental sponsorship of housing for low and moderate income families, Mr. Smith feels, has affected both sides of the street, precipitating opportunities for both blacks and whites to move into residential development. In fact, many neophyte community groups are still around as a consequence of the easy access to federally guaranteed mortgage money during the late sixties.

Mr. Smith never envisioned being restricted solely to the minority communities when he first entered the market as
a developer. He later found however that it takes time to acquire the necessary capital and proper financial contacts to initiate conventionally financed projects. Realizing that it would take awhile to build up a track record of housing projects, Mr. Smith's mode of approach in the early years of "getting to know his way around" was to go the non-profit route, obtaining 100% mortgages from HUD, and then settling for a consultant's fee. This approach allowed him the luxury of living through a housing development package from "front to back," and to observe the consequences of his input without assuming personal liability as a conventional developer. He was thus able to accumulate invaluable experience while avoiding the exposure of any major and personal losses.

As a housing consultant, Mr. Smith has worked with the following non-profit groups:

Immanuel Apartments, Roxbury, in conjunction with Immanuel Pentecostal Church.

Pychon Apartments, Springfield, Mass. (under construction)

Roxbury Comprehensive Community Health Center, placed interim financing with L.M. Primack, mortgage bankers and the permanent loan with New England Mutual Life Insurance Co. (the clinic is under construction).

In the planning stages:

Eliot Part Apartments, with Eliot Congregational Church.

Concord Towers, with Concord Baptist Church.

Mr. Smith has also consulted with Community Development Cor-
porations under the auspices of OEO on community sponsored residential and commercial developments:

Hough Area Development Corporation, Cleveland, Ohio.


Mr. Smith's apprenticeship program attuned him to the complexities of building inner city housing. Any attempts of improving the quality of life for low-income families in the core city meant controlling the management of the housing project, providing security for the tenants, and of maintaining a low density. He was especially critical of putting too many large families with young kids into a single housing development. Instead, Mr. Smith advocates packaging a balanced socio-economic mix of tenants for most multi-family housing projects, and for each section of the city as well.

Today, UCD specializes in FHA mortgages, diversifying its projects with either limited dividend or conventional financing. Having accumulated several years of on-the-job experiences and a track record of completed housing projects, Mr. Smith feels that he now has access to financial backers, and the confidence of lenders whereby he can now aggressively negotiate new real estate ventures.

In retrospect, Mr. Smith is of the opinion that the subsidy and non-profit programs now affected by the federal moratorium will never resemble the free handouts given during
the sixties; more and more real estate development will be conventionally financed.

UCD has just completed the restoration (gutting the insides of the building to the bare walls and floors) of 25 rowhouses in Boston. The $3.3 million project includes 136 apartments to be purchased by the Boston Housing Authority under its turnkey rehabilitation program, who will then manage and rent out the units to low income persons. UCD has worked closely for over two years with the People's Elected Renewal Committee, the Emergency Tenants Council, and the South End Tenants Council to acquire and develop the 25 buildings comprising one side of an entire city block. Construction financing was provided by L. M. Primack of Boston and CBT Realty Corp. of Hartford, Conn. Because of the active participation of local community groups, the valuable location of the property (in one of the most central streets in the South End of Boston), and the scope of the project (an entire city block), Mr. Smith feels that quality and success of the turnkey apartments is almost guaranteed.
UNITED COMMUNITY DEVELOPMENT, INC.
84 STATE STREET
BOSTON, MASSACHUSETTS  02109

LAWRENCE R. SMITH, PRESIDENT

Chronology

<table>
<thead>
<tr>
<th>Early 1960's</th>
<th>Sub-contractor</th>
</tr>
</thead>
<tbody>
<tr>
<td>1965 -- 1969</td>
<td>Switched over to development end of the business; consulted on non-profit, federally guaranteed (100% mortgage) housing projects.</td>
</tr>
<tr>
<td>1969 --</td>
<td>UCD formed; strictly limited dividend and conventionally financed projects.</td>
</tr>
</tbody>
</table>
H. M. Michaux first entered the real estate business in the fall of 1921 when he accepted employment in the Black-owned and operated real estate agency of McDougall, Merrick & Wilson. He had just completed his educational training at North Carolina Normal Training School in Durham, N.C., and at the time had no previous intention of ever selling real estate, although he had worked odd jobs to pay his way through school. Deciding to accept steady employment in Durham also meant that he would not return to his family (and thirteen brothers and sisters) in the western hills of North Carolina.

The Black community of Durham was unusual for a city of that size. Economically, Blacks owned a successful insurance company, a commercial bank, and a savings and loan association. The businessmen and directors of these prosperous financial institutions believed deeply in "doing something for themselves and for their people," recalls Michaux. They were men who "had something above the average," and who openly encouraged young people to stay in Durham and "make a place for themselves."

Taking up the challenge, Michaux worked for over a year as a real estate agent, and then opened his own office, Michaux and Company, so that he could buy and sell property for
himself. But by 1925, he decided to merge his efforts again with McDougall, Merrick & Wilson, this time reorganizing both firms under a new company, Union Insurance & Realty Company. Union specialized in property management, collecting rents, and maintenance. Michaux also continued in his capacity as an agent selling fire insurance for the local Black-owned Bankers Fire Insurance Company.

Surviving the Depression, Union did not move into new construction until the late thirties. Michaux then organized a construction company (supervised by a graduate of Tuskegee Institute), and began building homes on undeveloped tracts of land within the city limits. In a three year period, Union built and sold over thirty homes to Black residents in the city. The houses were insured by FHA, and financed through the local savings and loan association. Numerous rental units, such as duplexes and fourplexes, were also constructed during this period.

After the second World War, Union continued its services in property management and fire insurance. The company had built up a comfortable volume of rental income producing property. No new construction was pursued.

In 1956, Michaux was able to purchase, through contacts and connections he had accumulated while in the business, a 267 unit apartment complex in Raleigh, North Carolina (the State Capitol 23 miles southeast of Durham). It was a federally
financed project constructed six years earlier for $1.27 million. The original owner was subject to a windfall, and was anxious to sell the project. Michaux felt he was offered the project because of his experience in property management, and because the apartments were occupied exclusively by Blacks. He closed out the deal with a $52,000 purchase money mortgage.

During the mid-sixties, Michaux was joined by his two sons, H. M. Jr. and Eric, both of whom are lawyers -- one a state representative in the N. C. General Assembly. Their active participation in the operation of the Company has been instrumental in guiding Union back into the field of new development. Raising additional capital among several individual investors, the sons have purchased (with a land mortgage and a cash downpayment) over one hundred acres of prime real estate in the southern tip of Durham. The parcel of land is a short five minute drive from the Research Triangle, a 4,500 acre industrial park sponsored by the State of North Carolina, which bisects the tri-city area of Durham, Raleigh, and Chapel Hill. Plans are being prepared to construct a Planned Unit Development (PUD) of 300 apartments, approximately 50 homesites (for sale) and a commercial convenience center. The multi-family complex will feature both townhouses and garden apartments consisting of two to four bedroom with one and a half to two and a half baths.
The rental range is skewed toward middle and upper income families, with the townhouses available for optional conversion to condominium ownership. The proposed PUD is geared toward the growing white collar market employed in the Research Triangle Park, and the expanding middle income population that is moving southward away from the downtown area. Mortgage commitments have been obtained from FHA and a major insurance company.

Forced to relocate by the Urban Renewal Authority, as were numerous other Black businesses from the main commercial and institutional district of the Black community, Union has built a two story 14,000 sq. ft. office building on a corner site in its new suburban location in the southern end of the city. Adjacent to this property is proposed a regional shopping center of approximately 600,000 square feet of gross rentable space. A lease commitment with a full-time department store as the anchor tenant is currently being sought.

Reflecting upon his career, Michaux seems untouched by his recent successes. Now an elderly man, he does not project the forceful determination and "rugged individualism" that carried him through the lean years. He politely stated that he was fortunate to have made it through the depression years, to have continually kept Union's doors open serving the community and never failing to pay his employees. In the early years, with no business training or preparation, he had
to learn through trial and error, utilizing the meager re-
sources that were at hand. Union has been "practically a
one-man operation," declares Michaux, an "uphill journey"
for 48 years.

Over the years, he has been urging and preaching the
ownership of property among "his people." He supported on a
national level the founding of the National Association of
Real Estate Brokers in 1947, and is presently a board mem-
ber of that association. Locally, Michaux has stimulated and
trained Blacks about the intricacies of real estate and the
demands of property management. He also feels strongly
that the Black homeownership market is finally growing. The
income of Black adults is raising, based upon better job
opportunities; in turn, they are demanding more affluent
neighborhoods in which to live.
Chronology

1921  Michaux enters real estate firm of McDougall, Merrick and Wilson.

1925  Union Insurance and Realty Co. is formed

1938-40 Union builds and sells some thirty homes to Black families

1956  Union purchases large apartment complex in Raleigh, N.C.

1960's Michaux is joined by his two sons

1971  Union erects new office building
John Winters attributes his success and established reputation as a developer of subdivisions and apartments to two overriding attitudes that were fostered early in life. The first has been his unyielding desire to create and build. He feels strongly that this gift was inherited from his mother and blessed with divine guidance. Winters explained in the following manner: his grandfather, Oscar Winters a free born Black man, bought a tract of land in 1852 just outside of the town of Raleigh. Oscar's daughter-in-law, the mother of John Winters, later saw the value of retaining ownership of part of the land so that money might be derived from the rental income produced by the property and structures on it. From her, Winters states, he first recognized his latent talents for designing and building homes.

The second principle which has shaped Winters' life is his philosophy about managing money. His goal, set early in his career, was to amass capital by economizing his style of living, setting aside on a regular basis extra income from the numerous jobs he has always held; then investing his savings into worthwhile activities such as homebuilding and plowing the profits back into the business.

Although he is hesitant to pinpoint any particular set
of circumstances which help to explain why he has been able to push further and achieve more than some of his contemporaries, Winters feels that such an explanation is totally inadequate when attempting to communicate how and why certain opportunities or breaks came his way. He only speaks repeatedly about the above two forces that have, in a small way, undergirded his life.

During his early years, Winters generally hustled at two to three jobs, working eighteen of the twenty-four hours in the day. He has experienced such menial jobs as shining shoes, cleaning washrooms in the County Fair, scrubbing floors as a janitor, feeding chickens, delivering milk and carrying bags as an airport porter. With a growing family to support Winters was unable to locate a single job with a salary large enough to live on, and accumulate a "nest egg" as well.

But the urge to build something began pulling away at his attention so much so that Winters decided to begin constructing his own house in the late forties. Buying lumber and materials from a large building supply company in Raleigh owned by Cliff Benson, whom Winters got to know while as a skycap at the airport, he eventually completed his home in 1950.

The idea gradually occurred to him about the tremendous opportunity to build homes for Black people because no one was directly serving them during those years. The white con-
tractors at the time had plenty of business and would not be bothered with the black market "cross town." They merely assumed, which was true, that mortgage financing would be a serious problem and as a result few Black families were able to build homes in the early fifties. Winters began thinking about the possibilities of setting himself up as a general contractor in the home-building field -- where he would buy the land, prepare the architectural plans, hire subcontractors, build the home, landscape the grounds, and then sell the finished product.

Winters approached Benson again, this time asking the supplier to provide him with the materials for another house on credit, based exclusively upon his demonstrated ability to finish and pay for the materials for his own house. Benson agreed to advance the building supplies and take back a first mortgage on the house to be built, but only upon Winters' proof of ownership to the land free and clear. Later, Benson was instrumental in assisting Winters in putting together a work crew.

Since he was building the house on speculation -- without a definite buyer in mind, Winters had to locate both a potential homeowner and a mortgage commitment. Fortunately, a couple just moving into Raleigh became interested in the house. After numerous refusals, a mortgage was finally secured through the Black-owned Mechanics
Farmers Bank. To obtain the permanent loan, Winters directly approached the bank's president whom he met previously while as a skycap at the airport. The financial commitment allowed Winters the break he needed. Benson was repaid, and Winters emerged from the transaction with a profit for his enterprising efforts. The money was promptly invested in another vacant parcel of land, on which he began work on his second house. Repeating the success of his first sale, Winters placed the mortgage again with Mechanics and Farmers Bank. The surplus proceeds were turned over into still a third house which was built and sold by the end of 1957. The following year, seven more homes were put onto the market in the same fashion.

Despite his big plunge into homebuilding, Winters continued his job as skycap at the airport. Up until 1959, he would begin his day with his construction crew at 7 A.M. to supervise the work. After a full day there, he would go to the airport, arriving about 4:30 P.M. and work another seven hours until midnight. By maintaining both jobs, Winters did not have to rely solely on his homebuilding to survive. Averaging $50-60 a day in tips alone, he did not need to utilize immediately the earnings from his homebuilding; he simply reinvested his profits into more homes, more real estate.

Winters started his first subdivision in 1959 on twelve acres of vacant land about a mile from downtown Raleigh.
Since this was the largest development he had yet to undertake, Winters encountered difficulty obtaining financing for the cost of the raw land and its development. He eventually received a ten-percent down first mortgage on the land plus a second mortgage to install the streets and utilities. Benson was more than happy to advance him the materials since John W. Winters & Co. had now become a large purchaser of building materials. The finished development -- forty-one homes on one-third acre lots in a $20,000 - $30,000 price range -- quickly sold out.

Winters later organized a real estate agency when he was asked to become the broker for a 350-home subdivision just built on the suburban fringe of Raleigh. The development was assembled by a white group who wanted Winters to handle the sales. He received a commission on each house sold plus any fire, casualty and liability insurance the occupant might wish to buy.

Since that time, John W. Winters & Co. has built more apartment complexes, and fewer single family detached homes. The steady rental income from the apartments Winters owns help to even out the home building slumps. By 1970, the Company had put in place over 400 residential dwelling units. Presently, Winters has also begun speculating in undeveloped real estate, forming land trusts and selling out later to builders when the property had appreciated in value.
Perhaps surprisingly Winters has never constructed new housing under the federally subsidized programs used by many minority developers during the sixties. The concept of subsidies -- "handouts" -- is not congruent with his social ethic. He would prefer to help those personally who are committed to improving themselves, such as negotiating special arrangements for homeowners who are short on their downpayment. In actual cases, Winters has agreed to delay his profit on the sale of the house so that the homeowner can close out with an adequate mortgage. For example, on a $22,000 home, a bank normally extends a $18,000 mortgage. If the buyer can only make a downpayment of $2,000, the balance of $2,000 will be loaned on the credit of Winters, put into a savings account, and released to him with accumulated interest when the amount was paid down by the mortgager. In that manner, numerous homeowners unable to make the entire downpayment were then able to purchase their homes without the burden of a high interest-bearing second mortgage.

Today, Winters has reassembled the exact property owned by his grandfather, downtown, and has built on it his own office building. Abutting the main corner is an additional two-story (12,000 sq. ft.) office building.

When speaking about the investment potentials of real estate, Winters continues to emphasize the business attitudes which have guided him through his successes. He talks
about the keys to an independent financial position, the necessity of carefully managing of money, and the importance of setting aside capital strictly for future investments. Winters asserts that real estate developers make use of their experience and knowledge just as any other corporation would value its ability to make money for its stockholders. But, in order to attract the confidence of investors, the developer must first establish an excellent bank credit reference. This is done by accumulating a record of repaying financial obligations, so that in future loans, he can enlarge the line of credit issued by the bank. Additionally, Winters feels that a developer should strive to redistribute his income back into his operation to increase his financial control and equity participation in future developments.

Winters is a strong advocate of doing business with the entire general public, with or without Black patronage. Customers are essentially interested in quality, and when they are spending "first class money" it does not soothe their consciences when Black-built or Black-owned does not measure up to the best available on the market. Therefore, Winters admonishes against building a business dependent just upon the Black community or any other minority group. Instead, he recommends establishing a service or product that meets the needs of the largest possible sector of people.
JOHN W. WINTERS & COMPANY
507 EAST MARTIN STREET
RALEIGH, N.C. 27601
JOHN W. WINTERS, SR., PRESIDENT

Chronology

1950   Winters builds his own home.
1957   Three additional houses are built
1958   Seven more homes are built
1959   Winters begins his first subdivision
1963   Becomes brokering agent for 350 home subdivision
1970   Winters & Co. has built over 400 residential units
HERMAN J. RUSSELL
504 FAIR STREET S.W.
ATLANTA, GEORGIA 30313

One of the foremost plastering contractors and housing developers in Atlanta, Georgia, today is Herman Russell. The forty-three year old businessman oversees a $40 million complex which employs approximately 500 persons, and which operates in sixteen cities throughout four southeastern states. Widely regarded as the most successful business figure in Atlanta's preeminent Black community, Russell is either an "owner or partner in fifteen different firms." He has both a plastering and drywall company, a construction company that specializes in building apartments, a rental and management agency, and a land investment firm. Russell is the proprietor of a grocerette and a liquor store, is a partner in two nursing homes, and publishes a weekly newspaper, the Atlanta Inquirer which he helped start in the early sixties. He is a principal in the new town of Shenandoah planned outside of metropolitan Atlanta, which recently was awarded a HUD conditional guarantee of $40 million. In other enterprises, Russell is vice chairman and largest stockholder in the Citizens Trust Bank of Atlanta (assets $38 million); he is one of the participating owners of the Omni Group which holds the franchises for the Atlanta Hawks (professional basketball), the Atlanta Flames (professional hockey), and a new soccer team.

Russell grew up in the Atlanta ghetto of Summerhill and attended the city's public schools. Before going on to college, Russell accumulated work experience in his father's small plastering company (becoming a journeyman plasterer) and in the construction of duplex houses. While
still in high school, Russell saved enough money to purchase his first plot of land for $250 near his home. He later paid his way through Tuskegee Institute in Alabama, working his trade in conjunction with his studies, and graduated in 1953 with a diploma in building construction. Returning to Atlanta, Russell began working out of his father's basement as a plastering subcontractor, doing three or four small jobs daily. He bought a "rag-tag" pickup truck for $150 to get himself and his helper about town. Four years later, Russell was employing 25 men, building new homes, bidding on apartment plastering contracts, and purchasing more property. He later inherited his father's business when the elder Russell retired in 1957.

Inspired by his father's legacy, Russell began expanding his volume of work into a multi-million dollar operation by landing larger commercial and federal subcontracts. During the mid-sixties, H.J. Russell Plastering Company did the plastering, fire- and dry-wall work on such major structures as the Atlanta Stadium (which was a former urban renewal site in Summerhill), and the 34-story Equitable Building in downtown Atlanta. In 1961, he began work on his first of 24 federally guaranteed housing projects by building a $3 million 210 unit complex for Wheat Street Baptist Church (the largest Black Church in Atlanta).

Along the way, Russell began acquiring small lots and building duplexes to rent out (many of which he still owns today). His construction company, separate from the plastering firm began building apartment complexes all over Atlanta in the early sixties. Utilizing federal mortgage money and Atlanta's booming housing market, Russell's company built
luxury apartments in the white areas on the Northside, and low and moderate income units in the Black neighborhoods on the Westside. H.J. Russell Construction Co. has built more than 1200 units, and those which Russell is at least a 50% owner are handled by his own rental and management company. At present, Russell now conducts most of his real estate transactions through his own realty company.

The most ambitious and successful housing project undertaken by Russell to date, is the 424-unit, $7 million federal 221(d)(4), luxury townhouse development. Known as the Pace Setter Apartments, the complex is located in the predominantly Black, middle class Collier Heights suburb of northwest Atlanta. Pace Setter features such amenities as two Olympic-sized pools, a plush club house, child care, and the choice of six spacious floor plans. The two story townhouses themselves rival any luxury rental complex in metro Atlanta, and at lower prices. Rents charged begin at $162 for a one-bedroom flat, and go up to $225 for three-bedrooms. "Russell says some 200 families already live there, of which about 10% are white."

Russell's track record in housing has been nothing short of being sensational. Although he has built several conventionally financed developments, the bulk of his rental housing has been 221(d)(3) federal projects. It is reported that Russell and his partners have been awarded some $35 million in federal mortgage money. Russell's claims to being a political independent have nevertheless enabled him to maintain a pipeline to federal contracts and housing programs during both the Johnson and Nixon administrations. The current eighteen-month
moratorium on certain federally subsidized housing programs is not expected to have a major impact on his operations because of the number of projects that were processed and approved just before the freeze went into effect.

In February of this year, the Department of Housing and Urban Development (HUD) announced the approval of its fifteenth (and second largest amount ever) new town guarantee. The $40 million commitment is slated to help finance the land development of Shenandoah, a complete new town projected eventually to house 70,000 persons. The 7,200 acre site is located along Interstate 85, about 35 miles south of Atlanta in Coweta County, Georgia. When completed over a twenty year period, Shenandoah will represent a capital investment in excess of one billion dollars. The developer of Shenandoah is Long Acre Development, Inc. of Atlanta, of which the partners are Scott Hudgens, Herman Russell, and Unionamerica, Inc., a Los Angeles based bank holding company which recently purchased Scott Hudgens Realty and Mortgage Co., Inc. of Atlanta.

For Russell, Shenandoah presents the rare opportunity to create an urban environment that is "more than just a new town." Shenandoah has the potential of becoming a society where social, racial and economic integration is a reality; a society where all kinds of people can live and work together. "It will be a new town like nothing else in the Southeast," states Russell. Family groups from all income levels will be dispersed throughout the clustering of eleven neighborhood activity centers, each complete with schools, parks and playgrounds, com-
munity facilities and neighborhood shopping. Russell's optimism and excitement underscores the true motivation of the new town – to provide a full range of educational, occupational, cultural and recreational opportunities for people of all incomes.²²

"There is no doubt in my mind that Shenandoah will be an opportunity for the rural citizen to pull himself up by the bootstraps with a job, an education, and a house." Russell believes that it is the unequal access to jobs, education and shelter that is the crux of today's social ills. Consequently, Russell appreciates the fact that he is now in the unique position to contribute, through his success, to the solutions of problems dividing people in the society.²³

"I'd like to think that kids look up to me and say, 'Now there's a guy who came out of a hard core area. He's not as smart as I am. If he can make it, so can I.' People like myself have an obligation to help others pull themselves up, too. Just because a person is born with some bad breaks is no reason to give up on life. Everybody has a product to give, if he is given a chance to cultivate what he has."²⁴
HERMAN J. RUSSELL
504 FAIR STREET S.W.
ATLANTA, GEORGIA 30313

Chronology

1953  Russell graduates from Tuskegee Institute, major in building construction.  Returns to Atlanta, becomes a plastering contractor.

1957  Father retires; Russell takes charge of his plastering business

1961  Builds first federally insured housing project -- 210 unit.

1966  Builds commercial center (556 Fair Street) retail and professional office space.

1972  Completes Pace Setter Apartments, 424 unit complex

1973  Partner in the new community of Shenandoah; received HUD guarantee of $40 million.
Following joint experiences as an urban designer and planner for the Boston Redevelopment Authority (BRA) and as a director of the Urban Planning Aid, an advocacy planning organization, Denis Blackett decided to chart a new path in his career by accepting the position of joint director of the Roxbury Development Corporation (RDC) and the New England Community Development Corporation (NECDC). With no previous business or managerial experience, Blackett found himself at the helm of two faltering corporations. RDC was a profit-making endeavor oriented towards housing in the declining communities of Roxbury, Mass. (in Boston). Unfortunately, despite RDC's lofty ideals, it had failed miserably in attempting to make ghetto housing a profitable venture. NECDC, a non-profit corporation, was the social services extension of RDC, and had hopes of counseling tenant family problems in the neighborhoods where RDC would eventually put its housing. With the advent of Blackett as the first full-time director, a new approach to producing decent housing in the ghetto was sought.

A new corporation, Housing Innovations, Inc. (HII) was conceived in 1966 to avoid the failures of RDC. HII would replace RDC by specializing in a program of physical rehabilitation and home ownership for low-income families. NECDC would remain in its present form, and concurrently offer educational and social back-up programs for potential homeowners. By 1967, however, the idea of dual corporations working in
tandem was further refined. A new non-profit corporation, the Foundation for Housing Innovations (FHI), was established solely for fund-raising purposes. All tax deductible donations or foundation grants received in support of HII's housing programs would then be deposited into FHI. Therefore, the other half of the duo, HII, could concentrate strictly on operational and administrative affairs.

The rationale for a dual corporate concept is notable in retrospect for several reasons. Initially, the combined profit/non-profit structure related directly to the original objectives of homeownership for poor families. HII had surveyed a black area of Roxbury-North Dorchester (in Boston) for the purposes of launching a concentrated rehabilitation program. After gathering demographic and census statistics on this neighborhood, Blackett put together a package for an experimental pilot project aimed at creating a resident-owned 3-block neighborhood. Specifically, HII would acquire absentee-owned properties for immediate rehabilitation and eventual sale to potential minority homeowners within the concentrated three block area. A 100% financing mechanism was evolved so that low and moderate income families could purchase their homes with no down payment on the mortgage. In turn, the families could then own and live in their three story home, rent-out the two remaining apartment units (for additional income), and maintain the building themselves. The underlying assumption was that if poor families in the ghetto could enjoy the benefits of homeownership, community pride would be increased, and property values would stabilize.

The 100% financing plan called for FHI to supply the difference be-
tween the conventional mortgage (generally 75-80% of the sales price), and the amount of the down payment the homeowner could not afford. This "equity balance" on the downpayment would be treated as a second loan, and placed by FHI with the conventional mortgagee. The homeowner would then have a mortgage constant that amortized the principal on both loans plus the annual interest accrued. When the mortgage was reduced by the amount of FHI's loan (plus interest), the money would be released to FHI, who then repeats the process and reinvests the amount into other rehabilitated structures ready for ownership. By demonstrating both the viability of the 100% financing mechanism (in the pilot project) and the soundness of investing in rehabilitated ghetto housing, FHI hoped to attract private capital with the promise of a reasonable return on the investment (5% on a ten year note).

Blackett needed to raise $395,000 for the pilot project, in order to capitalize the equity block deposits, and to run the program. His goal was to randomly solicit donations which would then be funnelled into the non-profit FHI. Then, FHI would fund HII with an initial capitalization of $30,000 plus a contractual consultant's agreement calling for FHI to retain HII's services for $4,800 per month. In return, HII would repay any of its surplus profit back to FHI.

Based upon the original objectives of FHI/HII, a non-profit framework was conceived by the directors of the corporations for several reasons:

1. Blackett felt FHI had to go the non-profit route because no one would be serious about investing in a profit-making company doing re-
habilitation work in the ghetto. Blackett was also of the opinion that financial support of Black economic development was nonexistent in 1967, although a small portion of the white community was concerned about ameliorating the present condition of the ghetto in some charitable fashion. Moreover, in the early sixties (especially before the assassination of Martin Luther King) aspiring Black entrepreneurs were unable to receive conventional financial backing.

2. In part, the two-pronged corporate idea was a carry-over from the earliest relationship between RDC and NECDC, where business enterprise and social welfare were unsuccessfully combined in a joint program of minority community improvement. Two important lessons were learned from these earlier experiences. First, RDC and NECDC had been previously directed by white suburban and professional intellectuals who were motivated by their own notions of social justice for the ghetto. Many members pictured themselves as absentee landlords morally committed to upgrading the lives of ghetto residents. But, to translate some of these noble sentiments into reality, a business oriented or pragmatically run company detached from the human services component needed to be responsible for implementing feasible programs. Second, the people involved in this action oriented component should be composed of individuals working full time, and who have definite long term ties to the community where the housing is being produced.

3. FHI and HII were separated for still another strategic reason. It was anticipated that FHI, the financial arm, would be dominated by prestigious board members, known in white business and philanthropic
circles. This was considered essential to any successful fund-raising effort, and precisely for that reason, FHI's board of directors included white ministers, business school professors, and social-minded businessmen. Furthermore, the arrangement was structured so that the board controlled only FHI's operations, while HII under Blackett's management would then be free to conduct its real estate consultant's services without the interference from FHI's board of directors.

Nonetheless, whatever the motivating rationale at the time, the FHI/HII combination and its novel homeownership program were unique, and proved to be the hallmark of the fund-raising campaign. An aggressive effort was launched with the various members of FHI's board establishing contacts, and Blackett following through with the presentation and salesmanship. The intensive campaign lasting well into the Fall and Winter of '67-'68, unfolded as a crucial transition for Blackett. His former training and experiences as an architect-planner had not adequately exposed him to the rigors of becoming a professional corporate fund-raiser. However, the nature of the job enabled Blackett to learn firsthand the financial aspects of his operations, and most importantly, enabled him to make his entry into the real estate development business.

The final outcome of the FHI/HII drive was that $479,020 was raised in donations, grants, and investments. This amount included a private donation of $50,000, a Ford Foundation two year grant of $132,000 specified for salaries and administrative overhead incurred during the homeownership rehabilitation project, and a John Hancock Mu-
tual Life Insurance Co. loan of $175,000 (at 5% due in 10 years) earmarked exclusively for potential homeowners as either a down-payment loan or second mortgage.

By the summer of 1968, with the fund-raising campaign concluded FHI/HII began purchasing properties within its defined 3 block area. However, with the actual implementation of the pilot project underway, relations between certain members of FHI and HII became strained. The internal disputes that arose were primarily the growing pains experienced by two fledgling corporations struggling to work cooperatively. During the course of the first year several alternatives affecting the general directions of the companies were discussed. Blackett was strongly motivated toward steering HII into the field of real estate development. This is significant because neither Blackett nor his staff at that time were fully prepared or competent to handle the complexities of housing development. On the other hand, FHI governed by its white board of directors was pre-occupied solely with the completion of the pilot program, and the expenditure of funds raised for that purpose.

The controversy among the directors smoldered for months, and eventually erupted over two points of contention -- the financial controls regulating both HII & FHI, and HII's recent commitments to new construction (the Boston Infill Housing program).

From its inception, FHI had set the precedent of having its Board of Directors also serve as an executive committee supervising that company's operations. But by late Fall of '68, the Board had gradually
become ineffective in keeping abreast with the day-to-day developments of FHI. Nor could they maintain a watchful eye peering over the shoulders of Blackett and his activities with HII. The growing impotence of the board was further exacerbated by the realization that HII was behind schedule on its pilot project, and quickly losing money in the process. In an effort to regain their foothold on corporate policy, several board members began demanding monthly financial accounts on the functioning of HII. Without a full-time accountant or bookkeeper, Blackett was unable to produce the financial records FHI's board had begun to require.

The bitter fruits of this experience imprinted deeply upon Blackett that absolute necessity of his being constantly knowledgeable about the company's fiscal position. A developer, he soon learned, must be able to "reduce reality into dollars and cents." Today, as a direct corollary to that episode, Blackett has now over-compensated, as he phrases it, by delegating five (one accountant and two financial analysts and bookkeepers) of his current staff of nineteen employees solely to HII's financial structure. Moreover, Blackett himself (as president of HII) is more conscious of the priorities he sets on his time, and of the critical need to invest his energies into the vital details of finance and politics, rather than the architectural planning of the development per se.

The other point of contention centered around the future direction of FHI/HII in light of the purposes set forth in the three block pilot project. In Blackett's mind, the overriding and most immediate objective
to be realized was the attraction of private capital into a home ownership program for poor Black families. The main thrust of the FHI scheme was to reduce to a minimum the downpayment lump sum needed by families to obtain a mortgage. In actuality, the original 100% financing mechanism was restructured to include public (government) funds. The big reason for the change lay in the fact that the Federal Housing Authority (FHA) instituted, in 1969, a new policy of insuring mortgages within the inner city. Both the FHA, on the federal level and the Boston Housing Authority (BHA), on the local level, participated in the revised FHI financing arrangement. As Blackett later testified, working in the system (the white financial community) meant using the existing agencies and institutions (FHA and BHA), and not setting up new ones (as was the plan in the pilot project of matching FHI's equity funds with conventional financing). The arrangement that eventually worked out was as follows:

1. The acquisition and rehabilitation of the houses were financed by interim construction loan funds from Unity Bank & Trust (a minority managed commercial bank) under a guarantee from John Hancock. The Insurance Company's $300,000 takeout mortgage commitment allowed FHI/HII to purchase the properties and complete the rehabilitation without FHA's preliminary appraisal.

2. Upon completion of the rehabilitation, the building was inspected by FHA officials who took into account the fifteen year leasing agreement with the BHA, determined
a final appraisal value, and insured the mortgage for a twenty-five year term.

3. The property was then sold to the home owner through the Boston Banks Urban Renewal Group. A coalition of twenty-three Boston area banks formed in 1967 to pool assets for high risk mortgage for Black families buying homes outside of Roxbury. The group invested more than $27 million in federally guaranteed mortgage loans for Black families based upon the FHA insurance guarantee.

4. FHA insurance program (Section 221(d)(2)) allowed a minimum downpayment of $200 per unit or 3% of purchase price. If homeowners were unable to make any downpayment, equity funds were available through the John Hancock loan ($175,000).

Once the financing was perfected, unforeseen problems arose in trying to sell the homes to Black families. Any attempts at minimal rehabilitation for eventual home ownership proved infeasible. HII was not able to acquire and rehabilitate the units by FHA guidelines plus offer a competitive price with the extras most prospective low income home owners wanted. In reality, HII was involved in only partial rehabilitation installing new electrical and mechanical equipment, but with no new kitchen or bathroom fixtures. Furthermore, it was a tricky marketing concept to sell homes in a declining residential neighborhood at a price far in excess of its true market value, particularly when many Black families
were not enthusiastic about owning a home in Grove Hall (the three block area). In fact, FHI/HII was unexpectedly caught against the expanding migration of Black families moving out from the South End and the Roxbury sections of Boston into the suburban living of Mattapan and Jamaica Plain.

Fortunately, a fifteen year leasing agreement with the BHA, especially for those tenants qualifying for public housing assistance, made the pilot project profitable to rent. Thus, FHI/HII's home ownership concept was never really tested. By December of 1970, HII had acquired and rehabilitated fifty units without one home being sold to the tenants. The important lesson learned was expressed in a Ford Foundation Report which stated that, in general, homeowners would rather move out of an area, buy a home which appears in good condition located in a better neighborhood rather than remain and invest in a completely rehabilitated house in a decaying environment. Moreover, any decent rehab in a depressed market simply inflated the actual value of the structure. For potential homeowners, it was a poor investment.

Perhaps the most important long range objective of consequence to Blackett was the growth of a self-sustaining real estate firm. For this reason, he was not inflexible about the success or failure of the pilot project. Blackett was primarily motivated to get something accomplished, produced and built -- be it rehabilitation or new construction. Although he was not know-
ledgeable about real estate development when he was first asked to become the president of HII, Blackett was most earnest and serious about promoting FHI/HII as a successful enterprise, and therefore stayed closest to the operations, learning the mechanics of the business in a hurry.

In the early years of HII, Blackett was determined to build a credible firm, with proven developmental capabilities. His task at this juncture of FHI/HII's history was literally to get his foot into the door, persistently leveraging whenever possible his unique credentials and talents. As an MIT graduate and Fulbright Scholar, Blackett was an extremely intelligent, well educated, highly ambitious young man. His ability to project and sell helped to establish a workable rapport with the white financial community. Moreover, it was purely a pragmatic decision on his part to expand HII as a real estate development company by coupling his limited capital with enormous expenditures of time and effort in obtaining new contracts to produce additional housing units. Therefore in order to maintain HII's momentum, Blackett realized the expediency of keeping the company involved in viable and profitable development projects.

Several of the board of directors of FHI, however, were not in accord with Blackett's far reaching objectives for HII. They preferred that FHI/HII remain with its original goals set forth in the experimental three block pilot project,
and not divert the companies resources. Beyond the fact that they were volunteering their time to see the fruition of that home ownership program, many directors had narrow expectations about the future of HII after the pilot project. Consequently, they were alarmed and angered when Blackett began to pursue contracts to build more housing at a time when he was not moving along as planned in the three block rehabilitation program. They were also worried about his apparent lack of concern for informing FHI's subscribers of his intentions to expand beyond what the funds were initially donated for.

When Blackett secured an agreement with the BRA to build 100 units of housing on vacant lots scattered throughout certain sections of Boston, FHI's board of directors split into factions over their reaction to the event. Several members were in favor of Blackett's initiative to find other projects besides the pilot project to survive on. They felt responsibility only as policy makers, outlining broad directions in which HII might grow. A few directors were visibly upset over Blackett's contract for Infill housing. They wanted authority and control, as technical advisors, over the expenditures of funds. As a group, they were inflexible about discussing long range plans until the pilot project research had been sufficiently investigated. A third group within the Board, was ambivalent to either side, and felt confused over
who should legitimately shape the operational affairs of FHI/HII and to what type of role the Board of Directors should play in determining corporate goals. A few members of the third group resigned, and were followed later by those board members who were in opposition to expanding the development activities of FHI/HII.

The BRA Infill Housing program was a combined federal and city undertaking geared toward producing new homes (up to six bedrooms) for large low-income families by building on unsightly non tax producing vacant properties in Boston. Every developer designated to build on any site had to work in conjunction with and obtain approval from the local Model Cities Neighborhood Board, and area residents of that community. Construction of the first Infill prototype was originally scheduled to begin in late '68. However, bureaucratic delays and labor problems on the job held-up final closing until May 1970. Construction financing was handled by MHFA at 7 1/2% interest.

While HII/FHI had their Infill units under construction, Washington changed the focus of the program. HUD refused to accept the higher New England prototype costs which exceeded the mortgage limits per unit. Thus, plagued by rising costs and the difficulty of building the housing on scattered sites, HII had to resort to a turnkey program whereby it sold the finished units to the BHA who then rented out the large family
housing to those low income residents who qualified for public housing assistance.

The shift from rehabilitation to new construction had touched off heated opposition from certain FHI board members; but Blackett prevailed, justifying the switchover for the following reasons:

1. Infill housing was not inconsistent with FHI/HII's commitment to create ways for low-income families to own their own homes.

2. Infill housing would provide Black subcontractors with a rare opportunity to be general contractors in new housing.

3. The short term effect of producing Infill would be for FHI/HII to stay alive financially.

By early 1971, three Infill prototypes had been build. Subsequent approval came from HUD in April, and the first groups of houses were sold to the BHA in November. As of 1973, all one hundred units of Infill have been built. Ninety-four were sold under the turnkey program, and six were retained (and are now managed) by HII.

Financially, Infill was a marginally profitable venture. But HII's involvement in Infill proved beneficial in other respects, namely:

1. The activity generated in producing new housing was sufficient to sustain and carry a larger full-time staff for several years.
2. HII emerged as the only developer in Boston to produce Infill housing units. This achievement of scattered site, large family housing, increased tremendously the credibility of HII's track record, and enabled the firm to grow in the way and manner necessary for the survival of a new real estate development company.

3. Infill became a model of performance that enabled Blackett to attract additional corporate financing to package new projects.

4. A 10% (of the $2.56 million construction contract) letter of credit provided by the New England Merchants National Bank as the construction guarantee, enabled HII to form its subsidiary, HII Construction Co., Inc. The company was originally intended to include construction supervision only; however, HII could not persuade any other contractor to undertake their entire Infill contract. Consequently, the subsidiary was formed to become the general contractor. (By the close of 1972, the company had active construction contracts totaling $6.4 million.)

During the latter half of 1969, FHI/HII found itself rapidly approaching a deficit financial position, particularly so with the Ford Foundation grant expiring in February of the following year. The company was essentially suffering from an insufficient volume of development activity to support its growing staff and rising overhead. Therefore,
during the Fall of '69, Blackett began negotiating for a substantial private placement of funds into his corporation through the sale of HII stock or debentures. He made a formal request to John Hancock for $400,000 - $500,000 of additional funding over the next two years.

In January of '70, Hancock agreed to a fully subordinated loan of $300,000 to HII at 8 1/2% with warrants attached to convert an additional $100,000 to equity at a later date. Within the same agreement, Hancock also bought 10% of HII's stock (note: state laws restrict mutual insurance companies to investments of only 10% in any one corporation) for another $100,000. Blackett controls the remaining 90% of HII's stock.

The $400,000 investment by Hancock was the turning point in HII's history. The improved financial status of HII enabled Blackett to solve HII's immediate cash problems, and bring to an end HII's financial dependence upon FHI. Later in the year, Blackett proposed that HII assume all of FHI's properties and commitments. The merger was approved in December of 1970. FHI's assets were liquidated, and its remaining liabilities taken over by HII. The non-profit entity of FHI was phased out of existence.

The importance of Hancock's money to the survival of HII cannot be overstated. The insurance company's initial loan of $175,000 was part of the approximately $55 million
Hancock had pledged to invest (mostly in mortgages) in response to the insurance industry's billion dollar commitment to inner cities across the country. FHI's pilot project and Blackett's impressive salesmanship offered Hancock the unique opportunity of following through on a portion of their pledge. Later in March of '69, the Mortgage Dept. at Hancock guaranteed a $300,000 standby commitment for FHI rehabilitation work only, so that HII could negotiate construction loans, land options, and mortgage financing. This standby commitment was increased to half a million dollars in March of '71. Although Hancock never donated any sums of money to HII, the $400,000 investment, at a point in time when HII had a negative net worth, was most unusual. Just recently (at the end of 1972) the insurance company reaffirmed its confidence in HII by converting additional long term debt into equity during a major reorganization of the company.

Another financial institution important during HII's early history has been the Massachusetts Housing Finance Agency (MHFA). HII has placed mortgages totaling $15 million with the state housing agency in its Infill housing (including the first loan commitment made by MHFA) and in its Federal 236 rehabilitation projects. HII has worked with MHFA for several reasons:

1. MHFA offers both interim financing and below market interest rates on its permanent mortgages.
2. As a state authority, it does not require FHA for permanent financing.

3. Restricted to new housing in Massachusetts, MHFA processes its own Federal (236) subsidies in much quicker time than HUD.

In the past three years ('70-'72), HII has successfully utilized the 1969 "167K" revision to the federal tax laws, which encourages the rapid depreciation of rehabilitated housing within the inner city for low and moderate income families. HII organized Intervale Associates in 1970 as one of the first limited partnerships in the country to be formed under the new tax incentives. Financing for the fourteen rehab units was placed through MHFA. The following year, HII organized Norfield Associates, another limited partnership to take advantage of the 167K revision. Additional subsidies came through the Section 236 and the Rent Supplement programs via MHFA, who again provided the construction and mortgage financing. The construction contract, in excess of $600,000 for the rehabilitation of the forty five units, was handled by HII Construction, Co. In 1972, HII formed a third limited partnership to rehabilitate 149 housing units scattered about the Boston Model Cities area. Through its affiliate organizations, HII served as developer, general partner, and general contractor for Lawrenceville Associates. A $2.58 million mortgage was granted from MHFA, and the syn-
dication of the limited partnership interests was sold by Paine, Weber, Jackson & Curtis (a Wall Street brokerage and investment banking firm). Completion of the units is scheduled for the Fall of this year. Management of all the rehabilitated units has been shifted out of HII, and now comes under the Tenant Services, Inc. of the parent company HII Corporation. (See reorganization diagram, p. 111)

Five years after the fact, Blackett today concedes that it was accidental how he personally became involved in and the head of his own real estate development company. Had he started ten years ago, he would not have suffered through the "dumb approach" he was forced to improvise. The classic route, cites Blackett, is to do your apprenticeship with a top-flight development corporation, and then branch out armed with valuable know-how, contacts, and a strong sense of direction. Blackett also emphasizes the necessity of attracting ample capital first, to ensure a neophyte developer the lag time needed to plan and initiate new development projects. FHI/HII's model, explains Blackett, is all backwards. The firm went from rehabilitation to new construction, from non-profit status to generating profits and attracting investors. Normally, most development corporations start out at the point where HII arrived at in 1971 (with the final dissolution of FHI).

Blackett sums up the early years of FHI/HII as follows:
"... efforts to develop a 100% financing without using FHA, based upon substantial block deposits of 20% of the mortgage amount is not really viable over the long run. The most important and productive service we (HII) can provide for low income tenants and potential homeowners would be to devise ways to inject them into the normal business procedures of the greater American community.

It is also my feelings that the non-profit vehicle while ideal for trying out both new programs and untested management personnel, is probably not the best vehicle for actively producing substantial units of housing."
HOUSING INNOVATIONS, INC. (HII)
50 FRANKLIN STREET
BOSTON, MASSACHUSETTS 02110
DENIS A. BLACKETT, PRESIDENT

Chronology

June 1966
HII formed as an operating entity. Blackett became director; surveyed 35-block area of Roxbury-North Dorchester and identified 3-block pilot project area.

April 1967
FHI formed as a financial adjunct to HII.

Summer 1967
Begin 3 block pilot project program.

September 1967
Blackett spearheads fund-raising for pilot project.

February 1968
Ford Foundation awards FHI $132,500.

March 1968
John Hancock makes note purchase agreement for $175,000 at 5% due April 1978 to be used exclusively for FHI's pilot project.

Summer 1968
FHI begins acquisition of buildings in pilot project.

Fall 1968
FHI designated developer for 100 units of Infill Housing.

March 1969
John Hancock makes available $300,000 standby commitment.

January 1970
John Hancock approves $400,000 investment in HII, $300,000 in long term debentures and $100,000 in equity.

March 1970
HII completes first Infill prototype.

November 1970
Formation of HII Construction Co., Inc. a subsidiary of HII.

December 1970
FHI transfers its assets and liabilities to HII.

March 1971
Hancock increased standby commitment to $500,000.
<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>October 1972</td>
<td>HII Realty Corp., a subsidiary to hold all properties and mortgages of HII.</td>
</tr>
<tr>
<td>December 1972</td>
<td>John Hancock converts its $300,000 long term debentures into stock. Formation of HII Corporation, a holding company, principal subsidiary Housing Innovations, Inc. (HII).</td>
</tr>
<tr>
<td>December 1972</td>
<td>Tenant Services, Inc. a subsidiary of HII Corporation; manages the housing units of HII.</td>
</tr>
</tbody>
</table>
REORGANIZATION

JANUARY 1973

SUBSIDIARY
GENERAL PARTNER
FORMER ORGANIZATION
PROFESSIONAL DEVELOPERS

FOOTNOTES

UNITED COMMUNITY DEVELOPMENT, INC.

Information for this came from several interviews with:

Mr. Lawrence R. Smith, President, UCD, 12 February, 6 March, 9 May 1973.
Also from the following periodicals:


UNION INSURANCE AND REALTY CO.

The primary source of facts for this case was gathered from interviews held with:


JOHN W. WINTERS & COMPANY

This case was compiled from an interview with

John W. Winters, 18 March 1973

and from:


H. J. RUSSELL

Background for this case history came from interviews with H. J. Russell, and his legal assistant Al Thompson, 26 March 1973.

2. Ibid., p. 87. The article claims that Russell has a net worth of nearly $10 million.


6. Ibid.


9. Poinsett, "Plaster," p. 90. Russell was joined by his brother, Roger, who is now Vice President of the construction company. Another brother runs his own plastering firm in Atlanta.

10. Ibid.


14. 221(d)(4) is a market rate mortgage insurance program for rental housing. Advantages of the program are its high loan to value ratio -- 90% of the estimated replacement cost and its extended amortization period. The mortgage for Pace Setter Apartments is J. I. Kislak Mortgage Corp. of Florida (a mortgage banking firm).

15. Brochure for Pace Setter Apartments.


17. 221(d)(3) is a below market interest rate mortgage insurance program of rental housing for low and moderate income families.


19. Ibid., p. 60.

CASE STUDY: NON-PROFESSIONAL DEVELOPERS
ANALYSIS

This section includes two groups of individuals who have been motivated to branch out into real estate development; but who remain affiliated with their professional specialities as the principle source of livelihood and reputation.

Of all the cases studied in this thesis, Westside Professional Associates Limited (WPAL) is the only one about commercial high-rise development; and surprisingly enough, is being handled by a group of men completely inexperienced with any previous type of land development. This occurred because of the pressing need for first class office space among the members of the partnership. As both professionals and as entrepreneurs, they have been motivated to satisfy an unmet socio-economic need.

The financial package of WPAL was handled by legal professionals who are apart of the partnership. They have been successful in augmenting their experience with friendly consultation from lawyers involved in development in other parts of the country. Nevertheless, the building is enduring its share of adversity. WPAL raised among its partners only a portion (less than 20%) of the equity requirement needed to bridge the gap between interim and permanent financing. Fortunately, WPAL had firm loan commitments from some of the most reputable lenders in the region. But the most serious obstacle encountered has been with the leasing of the building. Current occupancy is below 40% and a major triple A (credit rated) tenant is desperately needed. Without a solid, long-term lease from a principal first class tenant, the cash flow of earnings, the
final placement of the mortgage, and the prestige of the office address will all be severely affected.

H. A. DeCosta Company has gradually moved into land development because of two factors: (1) its experiences in building housing projects for other sponsors, and (2) its proven record of performance in the contracting business. Utilizing little "front money" except that needed for working capital and land options, the company is able to receive institutional financing based primarily upon its reputation to finish the job. In the future, DeCosta Company would like to intermix more development work with its successful contracting operation by expanding upon its market niche of specialized restoration work and multi-family residential construction.

Summary: Non professionals in development are distinguishable from the full time developers. Non professionals are less dependent upon equity capital to sustain their operations during the long non-income producing periods of development. If they have a reputable and solvent business in another field, if they control the land to be developed, and if they can maximize their contacts with additional expertise, non professionals have only the major responsibility of obtaining permanent financing for their project. Additionally, they are at liberty to approach development more as an individual investor, who seeks to shield income from other sources via tax savings from real estate ownership. Professional developers must look to the early returns of the project's cash flow to interest limited partners or to recapture its original investment.
WESTSIDE PROFESSIONAL ASSOCIATES, LIMITED (WPAL)
EAST INDEPENDENCE PLAZA
CHARLOTTE, N. C.

On the southeast fringe of downtown Charlotte, N. C., there stands on a six acre tract a new and prestigious mid-rise structure, slated for occupancy May 1973. "Reflecting the new spirit of Charlotte," East Independence Plaza is an unusual office building in several respects. First, the location of East Independence is at an extremely accessible point, given the layout of Charlotte's Central Business District, and the location of the new municipal and county governmental complex. Within two blocks of the Plaza, is an in-town shopping mall of 45 stores, a downtown motor inn, and a new motel-convention center. The site location also boasts of plenty of free parking, and easy access to all the existing and planned perimeter expressways bordering the circumference of downtown Charlotte.

Secondly, East Independence is owned by a limited partnership group, Westside Professional Associated, Limited (WPAL) which is composed of twenty-two business professionals, seventeen of whom are local Black businessmen of the Charlotte community. It is this group of men who have spearheaded the construction of the seven story building situated in the neighborhood that was formerly one of Charlotte's worst ghettos. The octagonal shaped, tinted glass and yellow brick structure features amenities competitive with any other first class office space in the city. Occupying the first two floors will be the second all-Black private multi-specialty medical clinic in the state of North Carolina. Full Service banking is also offered in the lobby with a branch office
of the Mechanics & Farmers Bank (a Black owned and operated financial institution). But most significantly, the building represents the firm conviction of those Black businessmen to join in and commit themselves to the "future, the new spirit, of Charlotte."

The idea to build East Independence took shape three years ago in the summer of 1970 when ten local doctors approached the law firm of Chambers, Stein Ferguson & Lanning (CSF&L) about constructing a small medical facility. The doctors had no specific guidelines in mind other than their decision to pool their medical services together, and share space in a single building with a group practice arrangement. Most of the doctors, dissatisfied with their present office facilities, were actively interested in a new medical office. Although they had no land, each doctor could invest $10,000 a piece into the venture.

CSF&L steered the medical group toward a one acre parcel of land about to be auctioned off by the Redevelopment Commission of the City of Charlotte (RCC). Plans were developed for a 30,000 square foot professional building. By February of 1971, however CSF&L's office was burned they too found themselves in the market for new office space. Consequently, the law firm and the doctors decided to join forces, formed WPAL and bid on a larger urban renewal parcel of six acres. Fortunately the market demand for the parcel was negligible, and WPAL was the only group to submit a bid on that property site. Their bid of 1 cent per square foot above the minimum RCC base price was adequate, and they were awarded the rights to purchase and develop the property.

Despite the fact that WPAL had submitted a proposed plan of de-
velopment, the group was not definite as to how they planned to stage the construction. A feasibility study was conducted, and subsequently revealed that their original scheme of three small (30,000 sq. ft.) office buildings staggered over three phases of construction was not fully utilizing the land, based upon the value of the property. After further planning, it was agreed to build a single seven story building which maximized the use of the land within the constraints of RCC parking requirements but without adding a multi-level parking garage. Long range plans call for a second building, similar to the first, on the far side of the rectangular site. An enlarged parking facility would also be included. The present building has a gross area of 104,000 sq. ft. and a net leaseable space of 87,000 sq. ft.

WPAL raised $145,000 as equity from among themselves. All the original ten doctors remained as partners, now joined by an optometrist, two pharmacists, and the nine principles of CSF&L. In addition to being owners, the doctors, optometrist, pharmacists, and lawyers who were partners in WPAL will also occupy in excess of 30% of the leaseable space. Because none of the doctors were knowledgeable about the intricacies of real estate development (particularly speculative office space) the partnership looked to the law firm for direction. This responsibility fell principally on the shoulders of two men, Julius Chambers, the senior law partner, and Melvin Watt, CSF&L's corporate attorney.

Widely considered one of the most prominent civil rights attorneys practicing in the country, Chambers is a hard driving, 36 year old cor-
porate businessman who first came to Charlotte in 1964 to start his law practice. He had previously obtained a master's degree in history from the University of Michigan, a law degree from the University of North Carolina, and had completed a masters in law at Columbia University while serving a year of internship with the NAACP Legal Defense Fund in New York. Upon returning to his home state, Chambers immediately began looking for office space. Not wishing to be based exclusively in the heart of the Black community, Chambers sought office space downtown. Soliciting for available space, he was flatly refused and openly laughed at. Finally, he had to settle for a one room office, a "cold water flat," above a finance company in a second class rent district off from the central core of downtown. Later, Chambers took on two partners, establishing one of the few biracial law firms in the South (the first in Charlotte), and was immediately back into the market for uptown office space.

In 1965, Chambers, in association with the NAACP Legal Defense Fund, filed a complaint in the U.S. District Court for the desegregation of public schools in compliance with a previous U.S. Supreme Court rulings. The now historic school desegregation lawsuit of Swann vs. Charlotte-Mecklenburg Board of Education culminated after six years of countless hearings, motions, and appeals, with the Supreme Court's unanimous decision to affirm the lower court's ruling to desegregate.

During the protracted court battle, and the broader civil rights movement engulfing the South (in the sixties), Chambers had his home bombed and his office (a reconverted house) burned down. But his law
practice continued to grow, and Chambers resumed again his search for first class downtown office space. After being turned down repeatedly, Chambers finally threatened to sue in order to rent available space in a downtown hotel. Approval was given only after the Board of Directors of the hotel in New York met to discuss the matter. Weary of the problems of locating office space, Chambers decided to join the doctors and expand the scale of the proposed building.

When financing was arranged in the summer of 1971, lenders were bullish on the office retail market in Charlotte. WPAL received several firm commitments from some of the major financial institutions in the state. WPAL was able to mortgage out the total replacement cost (minus land) of the building for $2.7 million. Construction financing was supplied by North Carolina National Bank (the second largest in the state with headquarters in Charlotte), and the permanent mortgage was placed with Metropolitan Life Insurance Company (of New York). A land sale leaseback commitment is also available which would allow WPAL, in effect, to finance the purchase of the land. This commitment can be exercised at the option of WPAL in the event no alternative method is available to purchase the land. The leaseback arrangement is with Tri-South Mortgage Investors, an equity real estate investment trust (of which North Carolina National Bank is a major sponsor). Construction of the building is being supervised by a local general contractor.

Financially, East Independence Plaza is structured to break even at 85% occupancy. Presently, the building is pre-leased at 40% of capacity. In an effort to secure more tenants, especially a reputable
blue chip corporate tenant, a major marketing campaign has been
launched. To direct the effort, a public relations firm was hired, plus a full-time leasing agent. To date the white business community
and government agencies have remained on the sidelines applauding the
attractiveness of the building, but declining to lease any space.

In discussing the matter with the leasing agent, two factors were
singled out as the major handicaps precluding the successful rental
of East Independence Plaza. The office building market, in the span
of two years, has been swamped with an abundance of new space. The
availability of office space has switched from a rather tight market in
1971 to a soft one in 1973. Since August 1971 nine additional major
office buildings (including East Independence) have been announced,
totaling 1,661,700 sq. ft. Topping off the list is a 36 and 40 story
high-rise complex anchored by the two largest banks in the state. There-
fore the supply of prime downtown office space has mushroomed. Many
of these major developments began pre-leasing their buildings two to
three years before actual construction. Unfortunately, East Indepen-
dence has been caught in the market deluge.

The other big obstacle to securing tenants revolves around the
issue of race. Chambers states that the Charlotte community cannot
ignore the issue of Black ownership, and simply utilize the prime
space on the merits of its desirable qualities. He concludes that whites
are still reluctant to live, attend schools, or work in areas inhabited
by Blacks. But he nevertheless remains hopeful of filling the building
with Black and white tenants.
Through a network of personal contacts and leads, Chambers and his law partners were able to put together the financial package of East Independence. Friendly advice and know-how was volunteered on several occasions by such business associates. For example, WPAL decided to form a limited partnership to pass all losses through to the partners involved. An exculpatory clause was incorporated which limits the lender to the assets of the property as collateral for the loan. In turn, the Internal Revenue Service looks upon the structure as equal liability spread among both the general and limited partners. As Mel Watt commented, CSF&L did not have the expertise to structure the package alone, but the entire process has been an invaluable educational experience increasing the legal resources of the law firm.

Chambers reaffirms the thought in a different manner. His investment in East Independence is proof of his investment in the future of Charlotte. Moreover, his commitment is basically an extension from his paramount priority of contributing to the community through his law practice. He continues by pointing out that the successful law suits of his law office have had, and will continue to have, more impact on a local and state-wide level than the fruition of one seven story building lodged downtown between several other 30 story office towers. But he does not dismiss the fact that East Independence is a start for Blacks in Charlotte to begin controlling something that directly affects their lives. Many Blacks, he feels, would like to see much more Black owned development, but someone has to go ahead and be the mover, the organizing catalyst. Otherwise the new spirit of Charlotte, to which Chambers and his
partners refer to, will again omit the active participation of its Black community.
WESTSIDE PROFESSIONAL ASSOCIATES, LIMITED (WPAL)
EAST INDEPENDENCE PLAZA
CHARLOTTE, N.C.

Chronology

1964  Julius Chambers arrives in Charlotte to start a law practice

1965  Chambers files school desegregation lawsuit of Swann vs. Charlotte-Mecklenburg Board of Education. Chamber's home is bombed.

1970  Group of doctors approached Chambers about building a small medical facility

1971  CSF&L's office is burned down. WPAL awarded six acre tract of urban renewal land

1972  Construction begins on East Independence Plaza

1973  Seven story office building is 40% occupied.
H. A. Decosta Company is a general contracting firm that has been operating in the State of South Carolina for 54 years. Looking at the entire construction industry across the nation, DeCosta Company would be classified as a small business with a construction volume approaching four million dollars for 1973. But among minority contracting firms, H. A. DeCosta Company is certainly one of the oldest, and is among the larger Black operated construction firms in the Southeast. Since 1968, the company has built over 600 apartments under the federal 221(d)(3) program. Construction work undertaken by the firm in the past ten years has been varied, including extensive restoration work (which is the hallmark of the firm's reputation) commercial renovation, and the construction of new churches, educational facilities, and residential structures. Additionally, the company has obtained federal contracts with such governmental agencies as the Veteran Administration, the U.S. Navy (the Charleston Naval Yard) and, of course, H.U.D. Its restoration work over the years has involved individual home owners, the Historic Charleston Foundation, and the College of Charleston.

H. A. DeCosta Company was started in 1919 by Herbert DeCosta, Sr. who had just completed military service in World War I. He specialized in renovation and restoration work, and quickly established himself as a master craftsman. That part of Charleston with its unique architecture and flavor was a ready market for skillful contractors desiring
to restore the citizen's historic buildings and homes. DeCosta, Sr. enjoyed a thriving business, and was joined by his son, a trained architectural engineer in 1947. The company was incorporated in January 1948, with DeCosta, Sr. remaining at the helm until his death in 1960, at which time, H.A. DeCosta, Jr. became president. This represented the third generation of DeCostas to own and operate a construction firm in Charleston. The grandfather had started a firm before the turn of the twentieth century, but died at the early age of 45 while his son H. A. DeCosta, Sr. was still in high school. There was a time lapse between the grandfather's death and the father's entry into the business, the only break in the link of three generations of continuous Black ownership in one company.

As a board member of the National Association of Minority Contractors, DeCosta, Jr. has become widely exposed to the specific problems of Black owned construction firms in this country. He stated his reasons for surviving as follows:

1. a trained staff -- the caliber of his organizational backup enables the company to diversify its business and bid intelligently on any type of job.

2. stability of the company -- H. A. DeCosta has been in business since 1919, and has a proven capability to complete a project once it is awarded the contract. In addition, such a proven record ensures the company adequate lines of credit.

3. South Carolina is a non-union state -- the company has been fortunate in avoiding the headaches of union disputes, strikes and
high labor costs. Minority contractors in the North attempting either to start up a business or compete for larger projects often become crippled with union problems, and never recover.

4. federal projects -- recent governmental contracts awarded to minority construction companies, has presented the opportunity for these businesses to expand and undertake bigger projects heretofore unavailable.

5. Black institutional clients -- a resurgence of Black pride has encouraged community organizations to seek out and solicit the talents of fellow professional groups. DeCosta Company as been selected by many non-profit housing groups (particularly Black churches) to build hundreds of federally financed units.

DeCosta, Jr. prefers however conventional projects to federally sponsored ones. The lengthy delays and administrative red tape has in the past often prevented the company from closing out a federal job for as long as six months. The operational costs of having to wait that long to get paid brought severe hardships on a small company like his. But, he nevertheless feels federal help is indispensable. Private capital cannot afford to build for poor people and come out profitably. Therefore, a governmental rent subsidy or interest subsidy to promote low cost housing is a necessity in this day and time.

H. A. DeCosta's activities in real estate began with DeCosta, Sr. who would buy two-story houses (prevalent throughout Charleston), remodel the structure, and then rent the units out to two families. This operation continued with some new construction occurring (mostly four-
plexes) in the early sixties on property where the units were too di-
lapidated to be renovated. With the advent of federally subsidized
housing, the company began building apartments for both limited divi-
dend or non-profit sponsors. Later, DeCosta began joint-venturing with
conventional developers, and erecting units of its own in between pro-
jects to keep its construction crews busy. DeCosta, Jr. would capit-
alize the fees for his in-house capabilities -- architectural planning
and construction management, as an equity but capital investment to
the company, and then obtain an interim loan for 100% of the con-
struction costs (pledged against the line of credit and the track re-
cord of the company). Meanwhile, a permanent lender is located, and
the apartment project is mortgaged out, often for an amount which
covers all development costs. Because the company is normally seeking
a conventional mortgage commitment within the $500,000 range, local
financial institutions feel comfortable in assuring the full amount of
the permanent loan on their investment portfolio. Thus, from on-the-
job experiences of building either federally subsidized or convention-
ally financed housing, DeCosta Company has been able to control the
price of its units to within a predictable range and for a wide variety
of sites.

The Vice President of the firm forsees a more venturesome role for
the company as the initiator of a development team. In the future, con-
struction will remain the forte of H. A. DeCosta Company, but plans have
already been formulated for bigger development work. The company has
recently purchased fifteen acres of land in Columbia, South Carolina,
(the capital and fastest growing metropolitan area in the state) with plans proposed to build 52 apartment units and 80 townhouses. At present, the architect is preparing preliminary schemes, but no financial commitments have been firmed up as yet. Two of the fifteen acres have been set aside for a convenience commercial shopping center.
Chronology

1919  Herbert A. DeCosta organizes H.A. DeCosta, General Contractor.

1947  H.A. DeCosta, Jr. comes into the business.

1948  Incorporated as H.A. DeCosta Company.

1960  Upon the death of H.A. DeCosta, his son H.A. DeCosta Jr. became President Treasurer.

1968-72  Company builds over 600 apartments with 140 units under construction.
NON-PROFESSIONAL DEVELOPERS

Westside Professional Associates, Limited

The major sources of information for this case were compiled from three interviews:


H. A. DeCosta Company

Private interviews were held with:


FOOTNOTES

1. This caption, "Reflecting the new spirit of Charlotte," highlights East Independence Plaza's advertising campaign, and also appears on the cover of their leasing brochures.

2. Charlotte Observer, 20 January 1972. The first all-Black multi-specialty medical clinic is located in Greensboro, N.C., and was put together by a group of local lawyers and doctors of the Black community. The new clinic is also (as in WPAL) located on urban renewal land off from downtown.


4. Ibid.

5. Resume of H. A. DeCosta Company, p. 3.

6. Ibid., pp. 4-7.
CASE STUDY: COMMUNITY BASED DEVELOPERS
The following collection of cases examines the development projects of three community based corporations. Attention is given to the broad social objectives incorporated into these groups, and to its practical implementation into physical structures. The three groups studied are Low Cost Housing Corporation (LCHC), Roxbury Action Program (RAP), and United Durham, Inc. (UDI). They are placed under the label of community based developers because of their common characteristics. Each organization came into existence to render services for a specific group of community residents. RAP is based within the Highland Park neighborhood of Roxbury, Mass. LCHC identifies with the South End Community of Boston, and UDI encompasses the poor and low-income residents of Durham, N.C. In all three organizational structures, local residents working in conjunction with technical advisors plan and regulate the growth and direction of the organization. At UDI, low income residents occupy two-thirds of the seats on the Board of Directors, and own voting stock in the corporation. LCHC tenants double as policy directors and as paid employees working full time for the corporation. RAP requires that all of its permanent staff live in Highland Park. Local residents of the neighborhood serve as policy consultants to the planning committees of each project.

The recent accomplishments of RAP, LCHC, and UDI in the field of development has grown from their attempts to evolve innovative outreach programs of community benefit into financially sound, business ventures. LCHC rehabilitates condemned apartment buildings below
standard costs for occupancy by low income South End residents. RAP has successfully packaged the rehab of several abandoned buildings in the Highland Park area. UDI started, despite its gross inexperience, with the manufacture of modular homes in a serious attempt to produce inexpensive shelter within the price range of low income families. Community based corporations, therefore, differ significantly from the previous case studies of professional developers by their umbilical ties to the geographically defined communities which they serve. These groups are essentially recent attempts to cross-bred housing development, political control, and social outreach into one manageable package.

It is also possible to conclude that governmental assistance, at some level, has contributed substantially to the survival of each community group. UDI was funded with almost $2 million in equity capital from the Office of Economic Opportunity (OEO). The $43,000 raised locally would not have been sufficient to launch the various enterprises started by UDI. RAP would not have packaged its first rehab project without the conveniences of federal tax incentives, or mortgage subsidies. LCHC received its three year training grant from HUD to pay for the expenses in upgrading unskilled minority construction workers. The policy of the city of Boston to sale foreclosed properties housing five story masonry shells for $1.00 per house, is in effect, a subsidy to LCHC.
LOW COST HOUSING CORPORATION (LCHC)
15 WORCESTER STREET
BOSTON, MASSACHUSETTS 02118
RUDY WAKER, EXECUTIVE DIRECTOR
BILL DUKES, SUPERINTENDENT

Working together six days a week in the South End neighborhood of Boston is an industrious group of Black people who are providing housing for themselves and the local minority residents of the area. This group, which calls itself Low Cost Housing Corporation, (LCHC) is a family of low-income, poor Black folk that is seeking to spread a sense of pride and achievement among its members. Their aim is to produce living units which they can either own or rent through their own sweat and effort, and through the pooling together of their individual talents and resources. Over the past five years, they have assembled a track record of rehabilitated units in the South End as well as a practical formula for producing housing for other poor people.

Their approach begins with the legal structure of a non-profit corporation which utilizes funding from a variety of sources. LCHC will accept donations from individuals, charities, or businesses, grants from the government, low interest loans, and income generated from its own operations (i.e., rents, and mortgage loans). The money is then applied to sustain LCHC's "Grass Roots" program of self-help and initiative. At the core is a permanent, professional, full-time construction crew which does everything -- carpentry,
plastering, plumbing, electrical work, painting, masonry work plus the maintenance of the units rehabilitated by LCHC. The crew also conducts an on-the-job training program for tenants who desire employment. Backing up the crew is a shop facility and building materials supply company. To augment the work performed by LCHC's permanent construction and administrative staff, volunteer helpers from surrounding churches and schools, plus members from suburban civic groups pitch-in and donate their labor and services.

The outcome of the approach is that housing is brought on the market at the lowest possible rent, enabling most low-income residents to pay their own way without governmental subsidies. Average rents for a two bedroom apartment are $95. per month and $105. per month for a three bedroom unit. These rents apply to the nineteen buildings housing sixty-six apartments completed under the Grass Roots program. Ten additional buildings are presently undergoing rehabilitation.

LCHC produces its housing in the following method. They purchase condemned, five-story masonry rowhouses in the South End at minimum cost (generally $1.00 per house) from the Boston Redevelopment Authority or from the City of Boston. These buildings are either abandoned, fire gutted, physically deteriorated, or destined for demolition. LCHC converts the buildings to apartments, installs a new heating system and new electrical wiring, re-furbishes and repaints the walls, and installs bathroom fixtures and kitchen appliances. The permanent construction crew and its trainees rebuild
and rehabilitate a one story three bedroom apartment in ten days for a basic rehab cost of $9,000. Volunteer help and the hiring of tenants and local residents to assist the regular staff, reduces costs, and helps to recirculate LCHC's rent and construction dollars.

In 1967, when LCHC was originally formed, the group began rehabilitating 73 units under the government's 221(d)(3) program. The project was later converted to Section 236 to take advantage of the lower interest rates (1% versus 3% under 221(d)(3)). A year overrun on the original contract delayed final completion until 1971. Despite the federal subsidy, LCHC could only rehabilitate the apartments at a cost of $17,300 per unit. With the decision to rehab houses under the Grass Roots program, costs per unit have been reduced by one third. LCHC has declined to use any federal housing programs for the future. The only other funds received from HUD have been a $278,000 three year grant covering salaries and on-the-job training of unskilled laborers in the construction trades. At present, there are 130 tenants, 17 permanent crew members, and 30 salaried personnel. This labor output has been tremendously expanded by over 75,000 volunteer man hours contributed since 1968.

The two latest financial ventures incorporated into LCHC are the Paul Cuffee Federal Credit Union and LCH Mortgage Corporation. The Credit Union was revived in 1970 by members
of LCHC's staff to encourage regular savings among poor families and to establish an important source of financial credit for both the residents of the South End and the LCHC tenants. LCH Mortgage Corporation is a wholly-owned subsidiary of LCHC, capitalized in 1971 in the amount of $250,000. from assets pledged by the parent corporation. The principal objective of the mortgage corporation is to aid low-income families in becoming homeowners by extending long term loans for home improvement or for construction financing, with LCHC performing the work. Thus far, six mortgages have been placed by the corporation.

Without a doubt, the motivation behind LCHC is the dynamic duo of Rudy Waker and Bill Dukes. They are the persons most responsible for conceiving and implementing the Grass Roots program. Having worked together for over seventeen years in the construction business, the two men form an inspiring team with each complimenting the personality of the other. Bill Dukes is "Mr. Inside," the superintendent, crew foreman, and the man responsible for the completion of each rehabilitated unit. Rudy Waker, is "Mr. Outside," the executive director, philosopher, and keeper of the faith. It is he who best espouses the overall philosophy of the Grass Roots approach.

Bursting with ideas, Rudy compares Low Cost Housing to a family, involving people -- poor folks. To improve their
neighborhood, you have to put them to work, building up their confidence by letting them know that they can always get a job, learn a valuable skill, and make a tangible contribution. Poor folks have pride and they have a right to be somebody. Rudy's favorite aphorism is to "clean-up, fix-up, and move-up." He constantly encourages the youth to help pick up trash, a big problem in the inner city, and asks them to police their own neighborhoods. On Saturdays, everybody participates in some manner by supporting a clean-up crew composed of volunteer tenants. As Rudy states, "cleanliness has nothing to do with poverty."

Rudy is also a devotee of the non-profit concept. Poor families cannot afford to take out a profit nor artificially inflate the fruits of their labor (which explains in part LC\HC's policy for carrying their buildings and properties at their book rate -- just acquisition and rehabilitation costs, and not at the current market value.)

Evaluating their accomplishments, Waker and Dukes are convinced that poor people (particularly Black folk) must now begin laboring together to build their own shelter. It is their obligation and responsibility to work cooperatively to learn the intricacies of housing as a total process, and to view themselves as the vehicle by which that process, and its product, becomes tailored to their personal needs and expectations.
LOW COST HOUSING CORPORATION (LCHC)
15 WORCESTER STREET
BOSTON, MASSACHUSETTS 02118
RUDY WAKER, EXECUTIVE DIRECTOR
BILL DUKES, SUPERINTENDENT

Chronology

1967  LCHC is founded. Obtain a federal 221(d)(3) mortgage subsidy to rehab 73 units

1968  Rudy Waker becomes Executive Director; begins instituting Grass Roots program.

1970  Paul Cuffee Federal Credit Union revived
LCHC contracts HUD training grant to instruct unskilled laborers in the construction trades.

1971  LCH Mortgage Corporation is created as a wholly owned subsidiary of LCHC.
The Roxbury Action Program, Inc. (RAP) is a Black directed community-based organization located in the Highland Park, Roxbury section of Boston, Mass. RAP is presently structured as a non profit, tax-exempt corporation that is committed to the comprehensive planning and control of the Highland Park neighborhood. The area itself is a one-square mile community of about 8,000 residents (predominantly low and moderate income Black families) situated in a highly accessible location with a topography that provides a view overlooking downtown Boston.\(^1\)

Initially RAP was a spin-off from the American Friends Service Committee (AFSC), a Quaker organization that had a branch office located in Roxbury during the middle sixties. George Morrison, the Executive Director of RAP, who was also with AFSC, stated that their resources then were focused on management-tenant relations, and of the attempts to improve attitudes between landlords and tenants.

In July of 1969, RAP's staff moved directly into Highland Park, equipped with a master plan and strategy for making the area a "manageable model neighborhood." The objective was to implement a long-range program centered around the basic need for shelter by applying leverage for control of the land and housing supply within the neighborhood. RAP
chose to enter into housing development as one facet of its total package of community development for several reasons. First, the organization's staff immediately saw the need to upgrade Highland Park's grossly inadequate housing stock, and to augment the number of "decent, safe, and sanitary" housing units in the area. Second, RAP wanted to be the vehicle by which low and moderate income Black residents could cooperatively own the neighborhood facilities if and when they so desired. Third, the directors of RAP hoped to attract various financial institutions of Boston into "ventures of economic soundness" within Highland Park. 2

RAP's present staff (all of whom must live in Highland Park) consists of eleven professionals ranging from a housing manager to a pharmacist to a planning aide. The 1972-73 budget was set for $200,000, and includes six part-time professional workers. 3 High on RAP's list of priorities is the control of land uses in Highland Park. Since their arrival in the neighborhood, RAP has been involved in a gradual program of property acquisition. At present, the community group controls 44 residential and 2 commercial structures. Current plans have been set for increased property ownership. RAP-UP I, their first rehab project (described in more detail below) has been successfully completed. RAP-UP II will combine residential and commercial rehabilitation along John
Eliot Square in Highland Park. RAP-UP III and IV though formulated are still in the planning stages.4

In 1970, RAP proceeded to acquire either through gifts and purchases eleven buildings on six scattered sites in the neighborhood, with the intention of rehabilitating the 33 apartments. RAP's inexperience and lack of technical knowledge about development was decisively offset by the 100% ownership of the buildings and property, and by its legitimate and recognizable community base.5 Originally, RAP planned to enter into a joint venture for its first attempt in housing development (RAP-UP I), but instead, became the sole general partner in a limited dividend limited partnership arrangement. Free technical assistance was volunteered from various Greater Boston professional organizations. A prestigious downtown Boston law firm donated its legal services by drawing up the partnership agreements and syndication of RAP's equity portion (attracting high tax bracket investors into a limited partnership role for the purpose of purchasing ownership shares in a development project in exchange for rights to the available "tax credits" of the project, i.e., depreciation, interest payments, etc.). RAP also received the volunteer services of a housing-financial consultant who worked closely with the staff of RAP to help them learn to put together its financial package. Architectural and planning work was
contributed by members of the Urban Field Service, an affiliate of Harvard University's Graduate School of Design.

Financing was obtained from the Massachusetts Housing Finance Agency, a state bonding authority which provides construction loans and below market interest rate mortgages exclusively for housing projects in Massachusetts. An agreement was made with the Boston Housing Authority to lease 13 of the 33 units for those tenants who qualified for public housing assistance (a direct rental supplement). Upon final closing, RAP was able to convert its development to a 90% mortgage under Section 236. The federal subsidy lowered interest rates to one percent and effectively reduced average rents by approximately $40. per month.6

RAP also realized a net profit of $25,000 through the syndication of its equity investment. Had the group been a proven developer with experience and capital, RAP could have "oversold the equity," for a larger amount, and thereby allowed its limited partner investors a higher return.

RAP also chose not to "write-up the land costs" (the difference between acquisition costs and the market value appraised for reimbursement by the mortgage proceeds) in order to keep rents as low as possible.7 Finally, RAP entered into a joint venture with a local minority builder (who was based in Highland Park) as general contractor, and split the 10% profit margin of the fixed cost construction
contract, which netted RAP an additional $13,000. (4% profit on $325,000. construction cost). 8

The success of RAP-UP I produced many tangible results for the community-based group. First, the project increased the financial assets of RAP and generated sorely needed income. Secondly, the six months involving in completing the financial arrangements for RAP-UP I was invaluable management training for the staff. Thirdly, the development kicked off a community-based development cycle that has enabled RAP to roll over its seed capital for the packaging of several new housing and commercial developments there in Highland Park.
ROXBURY ACTION PROGRAM (RAP)
10 LINWOOD STREET
ROXBURY, MASSACHUSETTS 02119
GEORGE J. MORRISON, EXECUTIVE DIRECTOR

Chronology

1967  Roxbury branch of American Friends Service Committee (AFSC) on 350-352 Blue Hill Avenue.

1969  RAP's staff moves out of AFSC to 63 Lambert Avenue in the Highland Park neighborhood.

1970  RAP purchases their present office at 10 Linwood Street, Highland Park.

1972  Rehabilitation of RAP-UP I completed and fully occupied.
United Durham, Inc. (UDI) is a for-profit corporation charted on 25 September 1968 by the State of North Carolina as a local community industrial development corporation. Its main purpose is to create successful businesses which will offer products or services which provide the basic needs such as food, shelter, clothing, medical care, etc. for low income people in Durham, and Durham County. Thus far, UDI has been one large scale economic and social experiment to put poor people and their communities before corporate profits.

UDI's purpose is to demonstrate that low income people, especially Black people can engage in more competitive businesses than service stations, barber shops, shoeshine parlors, and the like. The target is to employ persons from the low income communities of Durham in sound business ventures that develop new skills, create more jobs, and generate added capital to flow back into the poor communities. As the cycle repeats itself with further job opportunities, new proficiencies and more ownership, the overall well-being and economic power of the community is enhanced.

Early History

The idea for UDI grew out of the operation of some neigh-
borhood buying clubs in 1968, when the United Organizations for Community Improvement (UOCI) was providing members of its twenty-one poor peoples' neighborhood councils with limited amounts of canned goods, fresh produce, and other food at reduced prices. The resulting savings on food helped the neighborhood people in the buying club tremendously, and many of them began talking about the idea of a supermarket for poor people.

The talk began leading to action early in January 1968 when groups of low income Durham residents representing Operation Breakthrough, UOCI, and Project Outreach began meeting with the Foundation for Community Development (FCD). FCD is a non-profit foundation which was formed in 1967 to provide support for community based development activities in North Carolina. Its founder and first director was a native of Durham's Black Community. The foundation was interested in using its business and financial skills to create business ventures to be owned and operated by poor people in Durham. Consequently, the success of the buying clubs in the low income communities, the growing interests of UOCI to expand services to poor neighborhoods, and the economic development strategy of FCD jelled around the idea of a supermarket serving Durham's low income communities.

FCD incorporated the idea into a proposal submitted to the Special Impact Office of the Office of Economic Oppor-
tunity (OEO). The proposal was approved, and in April 1969, a grant of $900,000 was awarded to FCD to start "a new community development corporation, to be sponsored by FCD under the name of United Durham, In., and whose first venture was to be a community supermarket."¹⁰

By the time of the first shareholder's meeting in February 1969, the supermarket idea had expanded into that of a corporation which would also spin-off other economic ventures. Therefore, the shareholders established the following requirements for any new business begun by the corporation:¹¹

1. UDI would be controlled by low income persons.
2. New ventures would be economically sound.
3. New ventures would hire local poor people primarily.
4. Each new venture would produce something poor people needed.
5. Portions of profits from any UDI venture would go back into the low income neighborhood for uplift projects.

Structure of UDI

From the beginning, UDI was conceived and organized as an institution controlled directly by representatives of Durham's poor Black communities. The by-laws call for a board of twenty-four directors, of which two-thirds (16) are elected by holders of Class A stock. The remaining eight directors are chosen by Class B holders.¹²

"Class A stock is for sale exclusively to poor residents of the defined target areas;" the 16 low income directorships must be elected, as stipulated by the by-laws, from the UOCl neighborhood councils.¹³
Class B shares, which are the first recipients of any dividends declared by the board of directors, are sold to anyone or any group. To ensure that the achievements and payoffs of UDI are distributed among poor residents, Durham Opportunities Foundation, Inc. (DOFI), a non-profit "charitable trust," was specifically set up "as an entity through which any funds obtained by UDI, whether from OEO, local corporations, or private foundations, could be channeled through for the ultimate benefit of the community. The OEO grants which constitute the largest source of funds to date are thus treated as purchases of Class B stock, which are turned over to DOFI."14

To ensure the democratic operation of company matters every shareholder, whether Class A or B, is limited to a "one-man one-vote restriction."15 In other words, no shareholder has more than one vote when resolving UDI business matters.

Total stock capitalization includes $1.8 million in OEO grants and $43,000 raised locally. UDI currently employs forty-five persons.

UDI Ventures

UDI Supermarket, a wholly owned venture of UDI, opened for operations June 1971, as an independent supermarket occupying 6,336 sq. ft. of space, and offering approximately
4,600 items in retail food and food related business. The store operates on a seven day a week basis, and employs seven full-time and four part-time persons. The supermarket displays most national brand names plus those of its own local wholesale supplier. Moreover, the market features competitive prices to the general public and a 2% discount at the cash register to holders of Class A (low income, common, and voting) stock in UDI.  

"In general, construction, plumbing, and electrical work on the supermarket was handled by minority owned contracting firms. The business was financed through the sale of approximately $40,000 of stock, and a $40,000 venture capital grant from OEO Title 1-D Special Impact Funds. A $65,000 interim construction loan was advanced from Mechanics & Farmers Bank based upon a $76,000 permanent mortgage from North Carolina Mutual Life Insurance Company. A SBA guaranteed equipment and working capital loan was also placed through Mechanics and Farmers Bank. Total start-up costs (including land, building and parking, equipment costs and inventory) was $220,900."  

After a year and a half of operations, UDI supermarket is still grossing weekly sales below the necessary break-even point.

**Modular Home Plant (Tech Homes Division)**

The Tech Homes Division of UDI was begun in November
1970. Three objectives were set down as guidelines for the modular home plant operations: 1) profit; 2) production of quality low cost houses for purchase by families of limited income; 3) job development. A 8,800 sq. ft. warehouse was leased as a temporary plant; actual production commenced in December. All employees were selected from Durham's target areas.

Tech Home's modular house was conceived as being made-up of several sectionals of standardized parts (12' x 40') which are factory built on an assembly line. The sectionals are then transported to a pre-prepared site where they are then fastened together.

The first modular house was completed in February of 1971, erected the following month, and exhibited as a Demonstration Home. The unit was later enlarged and converted into the staff office for UDI.

The modular home consisted of wood frame construction with exposed and sloping ceiling beams and deck roof. The exterior was covered with painted rough sawn plywood siding. Other finishes and materials included asphalt, self seal roof shingles, vertical sliding aluminum windows (with screens), wood doors, one fourth (1/4) inch plywood paneling and one half (1/2) inch gypsum board. Square footage varied from 960 to 1,284 sq. ft. depending upon three or four bedrooms, and one or one and a half bathrooms. Standard items inclu-
ded a one-piece molded fiberglass tub-shower, electric baseboard heating, wall to wall nylon carpeting, prefinished kitchen cabinets, a twelve cubic foot refrigerator, thirty-inch electric range, and a forty-two gallon hot water heater. Assembly time, when in full production, for one house from start to finish was scheduled for five days (one work week). By the end of 1971, twelve homes had been constructed, but only ten have been erected and sold in Durham and surrounding areas. FHA appraisal for the unit varied depending upon location, from $17,000 - $18,000. A break even rate of production had been set at one house per week using only one shift; however, factory output was unable to meet such a schedule.

A consultant from Boise Cascade Corp. was called in to help with the lagging production output. His estimate was that the plant's maximum capacity output on a one shift basis was two houses per week. He further recommended revisions in color, materials, site preparation and the delegation of full-time responsibilities for marketing and sales.

Tech Homes' problems of production control and the scheduling and finishing of units more efficiently nevertheless continued. A special study was conducted, and its findings reported in the spring of 1972. The study highlighted the slow work pace and under-utilization of manpower; moreover, it was suggested that design features and workmanship had
to be improved. The following inefficiencies were revealed:

The first model utilized many non-standard components and sizes, overlooking some of the more basic cost saving materials on the market today. For example, stud sizes for the wall frames were not standard, nor were many window openings. Specifications also neglected such labor saving items as pre-hung door frames and prestained exterior siding. The sloping cathedral ceiling of each sectional was simply expensive to build.

Finally UDI's policy of on-the-job training and employment of target area residents was proving to be a costly endeavor which the corporation had to absorb. UDI's special efforts, the amount and length of time involved, plus the added expense of providing such extra instruction, had resulted in lost labor hours, wasted materials, and high production costs for each unit built in the factory.

By the end of the summer, with the Tech Division losing approximately $2,000 per house, UDI decided to go with a new model design. Production costs on the first design had soared above its appraised market value. In addition, low-income consumer acceptance of brick exterior as a symbol of quality construction did not favor the plywood siding. In November 1972, the plant was closed down to switch-over to the new model. The number of employees in the plant was cut to a low of ten (from an original high of thirty including the plant manager).

Sales during 1972 included six units bought by Duke University, five units for the Low Income Housing Development
Corp. in North Carolina, and four shipped to Spellman College in Atlanta, Georgia, to be used as a day care facility.

The second model designated Design 1000 came off the assembly line in February of 1973. The new model differed substantially from the first. The two adjoining sectionals are now completely enclosed in a rectangular layout (before they were offset). Design 1000 is built to receive brick veneer, masonite siding, or regular brick and siding. The standard interior finish materials are paneling with sprayed textured ceilings. The floor plan offers three bedrooms only, but has the option of an additional half-bath. Standard items are as before in the first model except for the vinyl covered (washable) plywood now used in the bathroom. Optimal assembly time when in full production is slated for about four days. 21

Six units of the new model have already been built, and four have been erected and sold. UDI has assembled on one side of a city street in a new development seven of its modular homes, including one model unit of the new Design 1000. Additionally, an agreement has been worked out with a local developer who is building in the Black community to place four of the new units in his latest development. The running total for both models manufactured by Tech Homes thus far (March, 1973) is forty homes built, and thirty-two sold.

Future plans in the works are a twenty-six acre (the
land has been purchased) industrial park to house UDI's permanent modular factory, warehouse and food processing activities. A ten acre, 36 unit residential section is also planned within the park.

UDI has just recently optioned four and a half acres in the rapidly growing southern section of Durham with the intentions of building a convenience shopping center anchored around their second UDI Supermarket. The corporation is presently in the preliminary stages of architectural schematics and financial packaging of the deal.

In the past two years, since the selection of its first full time president, UDI has learned that maintaining community involvement and communication calls for a continuing effort. Its slogan of "people before profits" is proving to be an objective difficult to approximate when it is simultaneously engrossed in building a viable economic institution as well as fostering sustained and vigilant input from low-income residents and stockholders of Durham. But the dual commitment, nevertheless, of coupling social responsibility, community awareness and organizational procedures with a hard-nosed business-mindedness appears to be embedded in the aspirations of the owners and managers of UDI. Fortunately though, the corporation was begun with a solid foundation, and hopefully, it will be able to grow upon the ongoing and indigen-
OUS UOCI, the sophistication of FCD, and the support and cooperation of Durham's business, professional, and low-income community.
Chronology

1967  Foundation for Community Development (FCD) established.

1968  United Organizations for Community Improvement (UOCI) organizes neighborhood buying clubs. UDI is incorporated as a local community industrial development corporation.

1969  FCD submits proposal to OEO for funding of a new Community Development Corporation to sponsor a supermarket. First shareholders meeting of UDI. Office of Economic Opportunity (OEO) approves grant for eventual funding of $1.8 million to UDI.

1970  Tech Homes Division, plans started for a modular housing factory.

1971  UDI Supermarket opened for operations. First modular house completed as a demonstration model.

1972  Tech Homes switches to a second model -- Design 1000.

1973  New model is assembled on the site.
COMMUNITY BASED DEVELOPERS

REFERENCES

LCHC

Resources for the case were:

Interviews with Rudy Waker and Bill Dukes, 8 February, 17 February, and 8 March 1973.
LCHC brochures

The Annual Report 1971, Low Cost Housing Corporation

"Non Profit Group Rehabilitates South End Houses, Set Low Rents," Boston Herald Traveler 1 August 1971.


RAP

An interview was conducted with Executive Director, George J. Morrison, 22 February 1973.

UDI

Primary sources of information included in the text were compiled from:


Company brochures.

Company files on the Board of Directors meetings, and the Tech Homes Division Committee meetings. 1969-72.

FOOTNOTES


3. Ibid., pp. 1-2.

4. Ibid., p. 9.

5. Morey and Epstein, *Housing Development*, p. 7. Read prerequisites for Community Groups to become Developers p. 7-10. Summarizing they are (1) a legitimate and well-defined community base, (2) technical expertise concerning housing development, (3) access to sources of financing.


7. Ibid., p. 29.

8. Ibid., p. 27.


13. Ibid.

14. Ibid.

15. Ibid.


17. Ibid.

18. Ibid.


BIBLIOGRAPHY


Published Reports


Unpublished Theses


Magazines and Newspapers


"Non Profit Group Rehabilitates South End Houses, Set Low Rents." Boston Herald Traveler 1 August 1971.


"The Quiet Giant." Atlanta October 1972.