

**DEVELOPING REAL ESTATE IN ROXBURY: ARE THE CONSTRAINTS GREATER
THAN THE OPPORTUNITIES FOR BLACK DEVELOPMENT FIRMS?**

by

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ABSTRACT

Limited research has been done on Black real estate development firms and their role in Black communities. The purpose of this thesis is to provide a better understanding of the opportunities and constraints of Black real estate firms developing property in Roxbury, a predominantly Black neighborhood in Boston. This understanding will include describing how the Black development firms interviewed for this thesis are similar or dissimilar to other small Black businesses. In this analysis, I focus specifically on four interrelated issues of concern to many small Black businesses: access to capital; the availability and use of government programs and subsidies; relationships with the community; and the physical and social conditions in the neighborhood business environment.

The opportunities and constraints of Black real estate development firms in Roxbury are evaluated through interviews with four Black real estate developers, as well as other community representatives, businessmen, and local government agencies. To establish a framework for analysis, several relevant literatures with background information on Roxbury are combined for this thesis work. Literature on small Black business enterprise, and literature on small real estate development firms are reviewed.

The findings of the research revealed that there are more similarities than differences between the four Black real estate development firms interviewed and small Black businesses. The four Black development firms interviewed appear to face many of the traditional concerns of most small Black businesses. The author concludes, however, that the opportunities outweigh the constraints for Black real estate firms developing property in the Roxbury neighborhood.

**Thesis Supervisor: Dr. Philip Clay
Title: Associate Professor of Urban Studies and Planning**

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INTRODUCTION

Real estate development is emerging as a profitable line of Black business enterprise. This is especially true in Boston where in recent years there has been an emergence of development activity by Black firms. Historically, Black development firms have been involved primarily in residential development in predominantly Black neighborhoods. However, their involvement in commercial and retail development in and outside of these communities has been gradually expanding over the last few years. The commitment of the city to include the participation of minority firms in development efforts has played an important role in this process. The establishment of a Minority Developers Association, a political entity representing the interests of developers in Boston, has been equally important.

Several additional factors established the foundation for the emergence and progress of Black development firms in Boston. These factors include: the gradual incorporation of community organizations and minorities in development decisions in Boston, the availability of vacant land in minority neighborhoods--an aftermath of urban renewal practices, revitalization efforts in the 1970's creating subsidized housing programs and housing subsidies within minority communities, and, Massachusetts' profitable real estate market economy in the mid 1980's.

Limited research has been done on Black real estate development firms and their role in Black communities. The goal of this thesis is to provide a better understanding of the opportunities and constraints that are unique to these firms in developing

property in Boston's Roxbury neighborhood. This understanding will include describing how Black development firms are similar or dissimilar to other small Black businesses. The thesis will focus specifically on four interrelated issues of concern to Black businesses in general: access to private sources of finance; the availability and utilization of government programs and subsidies; relationships with the community; and the physical and economic conditions in the neighborhood business environment.

Relevance and Importance of Subject

This topic is important for several reasons. First, knowledge of the opportunities and constraints unique to Black development firms adds to our understanding of minority business growth and development. Specifically, looking at this topic will help to demystify commonly held assumptions and stereotypes about the growth and goals of Black real estate development firms.

Second, looking at this topic will add to our understanding of the various roles undertaken by Black developers in minority communities. In this sense, the contributions of private development firms in the Black community can be better understood.

Third, learning about Black development firms contributes to our knowledge about developing in disinvested communities. To this end, it will enable us to discern the importance of why real estate development and the built environment is important in the Roxbury community.

Fourth, because Black development firms are primarily involved in residential development, issues around the need for affordable housing and the role that Black development firms play in the process can be explored.

And, fifth, expanding our base of knowledge about Black development firms creates an opportunity to recommend future policies or programs to increase these firms' participation in future development projects, and to otherwise assist them in responding to the needs of their community.

Research Questions

Black development firms may experience challenges that are atypical to other Black businesses, although there are direct comparisons that can be made. In this analysis, I choose to focus on four specific issues in greater detail. First, in regard to the Black development firms' access to private sources of finance, Black development firms may experience limitations in their access to finance due to both racism and stereotypes about risk associated with crime, violence and the potential marketability of real estate in the area (Gaston and Kennedy 1986, 12). I will evaluate this issue through interviews with Black Development firms, and other community representatives and businessmen. The literature on Black business enterprise suggests that most Black businesses are viewed as high risks by banks and that most black businesses start with their own capital (Black Enterprise 1988, 57). I will evaluate whether this is the case for the Black development firms.

Second, with respect to the availability of government subsidies and programs, Black developers over time may have become dependent on government programs and subsidies. Given that the development firms have historically worked in Black

neighborhoods, government subsidies for housing development represent opportunities for development with less risk, tax credit benefits, and far less political hassle for obtaining approval and necessary permits. As well, programs encouraging minority participation for government projects present additional opportunities for Black development firms who know the market and neighborhood well. I will evaluate the extent of this dependence through the interviews conducted with Black development firms, community and business representatives in the Roxbury neighborhood.

Third, in regard to the relationship between the Black firms and the community, Black Developers may play "non traditional" roles in owning and managing property in Roxbury. The roles that the firms' play in the community may go far beyond serving as role models. The Black community appears to have special expectations of Black development firms involving a long term and ongoing commitment for providing social and financial contributions in the neighborhood. I will evaluate these roles through the interviews conducted for this thesis.

Fourth, in regard to the physical and economic conditions of the neighborhood, violence, crime, drug trafficking, and land abandonment may present special constraints for Black development firms. Such physical and economic constraints may impact the firms ability to obtain bank financing, market, operate and manage property. Particularly, management costs may be higher given the social service needs of prospective housing tenants. I will evaluate these constraints through the interviews for this thesis.

Methodology

It is necessary to combine several relevant literatures with background information on Roxbury for this thesis work. I have reviewed literature on Black business enterprise development and on small real estate development firms to establish a conceptual framework for analyzing the opportunities and constraints unique to Black real estate development firms. Limited research has been done on Black real estate development firms. As such, literature on Black business enterprise was reviewed to provide a sense of the issues most small Black businesses face, and what potentially may be issues for Black real estate development firms. To date, there are no large Black real estate development firms in Boston. Given this, it was appropriate to review literature on small real estate development firms to understand a development firms' frame of reference generally in approaching development activity. I also reviewed academic and trade journals, periodicals, textbooks, and newspapers for information concerning development activity and disinvestment in the Roxbury neighborhood over time. Special attention was given to recent issues concerning the Community Reinvestment Act violations and mortgage lending in the neighborhood which impact development efforts.

I interviewed four Black real estate development firms in Roxbury at length for this thesis. One of the four firms have been in the field for over twenty years. One firm was established in 1984, but the founder of the company has been a developer under different company names since the mid 1960's. The other two firms are relatively new and have been involved in development for less than eight years. The four firms are: Long Bay Management Company, Property Development Services, Cruz Management and Development Company, and Taylor Enterprises respectively. These firms were selected because they are representative of successful and visible Black firms in the

Roxbury community. Successful here implies involvement in a multiple number of projects in Roxbury, an established track record of development experience, and established credibility in the neighborhood for producing quality structures. The firms' sizes and organizational forms vary, but all of the firms develop primarily residential property, reside in the Roxbury community, and are involved with civic and professional organizations in a leadership or official role in the City. All four firms are headed by developers with varying educational backgrounds and experience in the field of real estate development. The diversity of the background of the firms interviewed is expected to provide a broader range of interpretation regarding the opportunities and constraints experienced by Black for-profit real estate development firms working in Roxbury.

I conducted interviews with and reviewed program materials and reports from government agencies including, the Public Facilities Department (PFD), Massachusetts Housing Finance Agency (MHFA), and the Boston Redevelopment Authority (BRA). This information is relevant to this research in that it is important to understand which programs are utilized by Black development firms. I have obtained information on the actual number of projects awarded by PFD to minority firms in Roxbury (non-profit and for-profit combined) over the last few years. Other agencies interviewed did not have records that were accessible on project designation to minority firms. I have also talked to community and business representatives, including members of the Minority Developers Association about the role of Black development firms in Roxbury. See Appendix A for list of persons interviewed for the thesis.

To guide the focus of all interviews, I designed an interview guide which focused on the four areas of concern for businesses as previously stated: access to private sources

of finance for development; the availability and utilization of government programs and subsidies; relationships with community; and the physical and social conditions for development in the neighborhood business environment. It is important to note that any information discussed during interviews that the interviewees did not want disclosed has not been included in this paper.

Chapter Summaries

Chapter 2 provides a framework for understanding the issues unique to all small Black business firms. By looking at the literature on Black business enterprise development and small real estate development firms the chapter provides a framework for understanding, comparing and contrasting Black development firms' experiences with those of other Black businesses. The chapter focuses on four areas: access to private finance, the availability and use of government programs and subsidies, relationships with community, and the physical and social conditions in the business environment.

Chapter 3 outlines a profile of the Roxbury neighborhood including, changes in neighborhood demographics, housing stock characteristics, and development potential within the neighborhood. Issues of community disinvestment, the role of Roxbury community organizations in development decisions, and private and public sector reinvestment in Roxbury are presented in detail. Issues of Community Reinvestment Act violations are highlighted. The central purpose of this chapter is to give a clear depiction of the physical and economic conditions in the neighborhood as they relate to the potential for profitable development activity.

Chapter 4 presents a combining of several interviews with Black real estate development firms, government agencies, business and community representatives

concerning the experiences of Black development firms in Roxbury. The first portion of the chapter briefly documents the history and involvement of Black development firms in Roxbury. The second portion summarizes the concerns of Black development firms in the neighborhood currently. In this regard, the four interrelated concerns of small Black businesses discussed in Chapter 2 guide the discussion of the chapter. Given the sensitivity of many of the issues discussed, names are not associated with specific responses reported.

Chapter 5 relates the findings in Chapter 4 to the literature on Black business enterprises in order to answer the question of whether Black development firms are similar to or different than other small Black businesses. To the extent that comparisons were made between non-minority development firms and Black development firms in the interviews conducted for this thesis, such comparisons are included in the analysis. The author's final thoughts concerning the research and suggestions for future research on this topic are discussed.

CHAPTER 2

LITERATURE REVIEW

The purpose of this chapter is to provide a framework for this thesis. Given that limited research has been done on Black development firms, it is necessary to combine both literatures on Black business enterprise and small real estate development firms to accomplish this. These literatures as they relate to access to private finance, utilization of government programs, relationships with community, and the physical and social conditions in the neighborhood business environment are reviewed. Underlying the discussion in this chapter is the question of whether the experiences of Black development firms are similar to, or different than, that of other Black businesses.

Background

Historically, Black Americans have been under-represented in business ownership (Hornaday 1987, 34; Bates and Bradford 1979, 112). The majority of all Black businesses have been small scale enterprises concentrated in the personal services and retail trade industries (Bates and Bradford 1979, 112). Blacks have had limited involvement in wholesale trade, manufacturing, and the finance industries which offer higher potential for profit. Due to segregation and discrimination over time, Black businesses typically have located within poor Black communities (Auster 1988, 331; James and Clark 1987, 497).

The literature states that several factors have discouraged Black business ownership: lack of entrepreneurial role models, lack of training and experience, marginal profits

in Black communities, and the "opportunity cost" of owning a small business (Hisrich and Brush 1986,1). The opportunity cost is the foregone professional, corporate, and government positions which are perceived as more attractive and viable career alternatives requiring less financial risk (Ando 1988, 79). Historically, small businesses have had high failure rates, especially among Black owners (Green and Pryde 1990, 38; Hisrich and Brush 1986, 2). According to such scholars as Green and Pryde, the lack of a strong historic presence in various lines of business ownership among Blacks may influence prospects for the establishment of new Black-owned businesses over time in that new business ventures often emerge from existing small family firms (Green and Pryde 1990, 30).

Despite the historical under-representation of Black businesses, according to the *1982 Survey of Minority Owned- Business Enterprises*, there was a 46.7% increase between 1977 and 1982 in the number of Black owned businesses (most recent data). The majority of growth occurred in the retail service area. However, there was a small number of Black businesses emerging in the fields of insurance, finance, investment, and real estate (Bates and Bradford 1979, 120). The percentage of all self employed minorities in the finance, insurance, and real estate industries combined increased from 1.4% in 1960 to 4% in 1980, representing a 185.7 percent change (Bates 1987, 541,543). The literature further suggests that Blacks in these three fields are on average younger, better educated, earn higher returns on net investment, and are more successful as measured by total asset accumulation than other Blacks in the more traditional lines of Black business (Bates 1989, 39). It is important to note that the Black business community in the past has been different from the overall population of White owned businesses in terms of industry composition (Fratoe 1988, 38; Bates 1987, 543). According to Scholar Bates, with some erosion of discrimination and segregation

over time, the emerging lines of Black businesses are more closely resembling White-owned small central city businesses in terms of size and sale margins (Hornaday 1987, 35,37; Bates 1978, 170,171).

The literature suggests two causes for the establishment of business firms in these four areas. First, many Blacks now have the educational qualifications to enter these fields given a significant number of Black college graduates, especially in the area of business (Bates 1987, 74). Second, discrimination in obtaining high level business positions within White companies has encouraged more Blacks to start their own businesses (Davidson 1989, 154; Hoffer 1987, 56). And, third, the attractiveness and potential of making large profits in the insurance, finance, investment, and real estate industries, the fastest growing US industries during the 1980's, has equally motivated more Blacks to enter careers in these fields (Bates 1985 , 30).

In sum, Black Americans have not traditionally been involved in many aspects of business enterprise. Traditional lines of Black business, in the retail and service firms, are typically found in minority communities. Entrepreneurs in emerging lines of Black business, the fields of insurance, investment and real estate, have a different educational and experiential background than other Black businessmen in the past (Bates 1989, 39). The remaining pages of this chapter will look at the issues of access to capital, community relationships, government policy and program use, and the neighborhood business environment as a means for understanding potential concerns for small Black businesses in general. The literatures identify that these are areas of concern impacting most small businesses, including real estate development firms.

ACCESS TO CAPITAL

"... Most Black businesses were started with an idea, a prayer, and inadequate capital..." *Edward H. Jones.*

Edward Jones' statement speaks to the overall consensus of the research done on the access to capital for Black businesses. Lack of capital and contact with financial institutions is a serious impediment to the successful operation of Black owned businesses. Studies suggest that lack of access to capital markets has historically been instrumental in limiting the size, range, and life performance of Black businesses (Ando 1988, 81; Fratoe 1988, 33; Bates 1978, 154; Jones 1971, 77).

According to the *1982 Survey of Minority Owned Enterprises*, most minority firms are similar to non-minority businesses in the manner and sources of acquiring capital. Most small firms lack the company history (track record / experience) desired in a loan application process. What distinguishes Black businesses from non-minority firms is that Black firms have lower asset accumulation, smaller amounts of personal savings, and face occurrences of capital market discrimination (Green and Pryde 1990, 34,35). Relative to a non-minority firm, Black firms have more limited financial as well as human capital resources in the initial start-up year of business (James and Clark 1987, 493). An explanation for this is that Blacks, in general, have lower net worth in their previous jobs prior to business ownership and do not receive (or utilize) as much financial assistance from their families (Ando 1988, 79; Green and Pryde 1990, 35,38). Black owned firms are undercapitalized in comparison to White firms, which have a larger net worth percentage to invest in their business start-ups (Chen and Cole 1988,

121).¹

Studies based upon analysis of observed applications of business borrowers, audited balance sheets, and income statements of Black businesses show that a higher amount of retained earnings are generally used to finance the growth of a Black business relative to a non-minority firm (Ando 1988, 80). A consensus in the literature is that low growth rates among Black firms result from a lack of equity and debt capital to achieve leverage. This has been especially true for the emerging fields of Black business, especially in the area of construction, which has a greater need for access to capital markets. This is due to the nature of the business, which requires bonding (Green and Pryde 1990,38,39).

The literature suggests that Black businesses have much lower success rates than non-minorities in obtaining commercial bank loans. These banks are the dominant source of debt type equity for businesses. Loans had higher interest rates, shorter maturity periods, and higher cash flow and collateral requirements for Black firms in comparison to non-minority firms (Chen and Cole 1988, 120; James and Clark 1987, 493; Jones 1971, 63) This has been especially true for Blacks starting businesses in minority communities (Bates 1989, 40).

The literature proposes that loans have been denied to Black firms historically because Black firms are perceived as marginal business establishments and high credit risks. The inability of customers to pay for business services in low-income communities may also influence lending decisions (Hornaday 1987, 35). The expected return on

¹ However, a number of very small Black businesses (sole proprietorships earning less than \$10,000 per year) have started with only the owners' own money over time. Shelly Green and Paul Pryde, Black Entrepreneurship in America (New Brunswick, New Jersey: Transaction Publishers, 1990), 38.

investment in a minority low-income community, in particular, is low. Investments in such communities are often seen as imprudent. The practice of firms being denied or receiving smaller loans due to their location in minority residential areas is called redlining (Bates 1989, 40). Such practices limit the expansion capital required for business growth.

Although return on investment, the lender's existing portfolio, availability of resources and demands of cash flow, are factors contributing to any loan decision, the literature states that racial discrimination (bias) of the lender is an additional reason for a lack of support from commercial banks. Banks are often unfamiliar with Black businesses. Black businesses, historically, have been excluded from and have little experience in establishing business associations within "old-boy networks" (Black Enterprise 1988, 57). As such, Small Business Association (SBA) initiated loans have been an important source of debt capital for Black businesses over time (Ando 1988, 105; Business Week 19 April 1982, 126).

In regards to the real estate business, and small real estate development firms in particular, requirements for access to capital for a firm's expansion and growth are similar to that of other smaller business. The firms' profitability and profit margin, reputation in business, business collateral, credit reports, and credit references are the central criteria in making a lending decision on the part of a commercial banker (Jess S. Lawhorn in Stevenson and Katz 1988, 45). The nature of the business, in terms of obtaining capital on a project by project basis, however, requires different and more frequent interaction with lenders. In this regard, access to debt finance for an individual development project requires additional information including: feasibility analysis of the projects, involving design review that establishes consistency with any

previous zoning plan for the development area; market analysis of the potential area; pro formas for the expected project costs; additional sources of funding (equity); indications of community support, as well as evidence of an experienced team of builders, managers, and brokers; credibility of additional investors or partners; and previous experience in development (Clay 1990, Appendix; V. George in Stevenson and Katz 1988, 74,75). These factors are extremely important in light of the fact that incomplete construction, legal problems, breach of contract liens, and zoning requirements can terminate a project or create an additional need for funds. Literature on real estate development suggests that these factors are critical in the approval of loans from commercial lenders.

A real estate development firm is concerned with debt and equity lending in the following way. Debt financing generally refers to funds for construction and permanent mortgages(McMahan, 227, 228).² Equity financing refers to the difference between what one is able to borrow from a lender and the amount that is actually required to construct a project. Sources of equity finance include: the developers own money and monies from additional investors through the formation of joint ventures, general partnerships, and limited partnerships (Wolf 1984, 53).³ Sources of finance

² While this thesis focuses on the commercial bank as the central source of finance, it is important to indicate the additional sources of debt financing which include: life insurance companies, savings and loan associations, mutual savings banks, pension funds, and real estate investment trusts (REITs).

³ A joint venture is defined as a partnership formed for the purpose of doing one specific project opposed to an ongoing business relationship. Potential joint venture partners can include land owners, financial institutions, and institutional investors. A general partnership is the same as a joint venture with a difference that a general partnership implies the formation of a long-term business relationship. A limited partnership requires the developer to offer investors an opportunity to purchase shares of a project. Robert A. Wolf, How To Become A Developer (Crittendon Books, 1984), 52,53,54.

and terms of repayment are based upon the type of project involved and, in most instances, an established credibility with lenders. As with many small business loans, approval of a loan basically comes down to the judgement of the lender (Stevenson and Katz 1988, 66).

It is important to note that there is substantially more risk involved in the financing of small real estate development firms in comparison with other types of small businesses. Given that the majority of financing in real estate is long-term, several factors increase the risk for both the lender and developer of a project. These risks include: changes in business conditions; inflationary and deflationary forces; local economic condition; and market changes, including interest rates and property value over time (Bloom, Weiner and Fisher 1982, 244; McMahan 1976, 241). The additional competition for available lending capital between developers and other businesses mean that project feasibility and design for potential development projects must be well prepared (V. George in Stevenson and Katz 1982, 65).

In sum, the lack of capital and contact with financial institutions have presented unique problems for Black businesses in terms of the potential size, fields of business, and business viability. Although the sources of finance are the same, Black businesses experience discrimination barriers in obtaining both equity and debt financing. The new emerging lines of Black business, including insurance and real estate, require more financial assistance than the traditional lines of Black business service and retail sales. Entrepreneurs in these fields tend to be more profitable than those in retail and service areas. Access to capital for real estate development firms is generally long term and required on a project by project basis. Loans to real estate development firms are seen as riskier than those for other small businesses due to the

nature of the business, which is cyclical and dependent upon local economic market conditions, and wavering interest rates.

USE OF GOVERNMENT PROGRAMS AND SUBSIDY

The federal government has promoted Black participation in business ownership by attempting to open capital markets to Black firms. Two central themes underlie the initiation of their support of Black business development. First, that Black business development is crucial to the economic development of many minority communities. And, second, that a viable minority business sector is socially desirable-- reducing public assistance burdens, providing needed services in low-income communities as well as promoting self sufficiency through job creation for local residents (Robert Hisrich in Dadzie and Cho 1989, 56, 60).

The participation of federal government in the promotion of Black business formation and development followed the urban riots of the 1960's. Under a banner of "fairness", acknowledging that Blacks over time have had limited opportunity to accumulate capital wealth and partake in business ownership, the federal government authorized financial, technical, and marketing support initiatives for Black business creation and growth (Green and Pryde 1990, 39). Financial assistance has taken the form of direct loan programs, loan guarantees and grant awards. Technical assistance and research assistance has been initiated through the Office of Minority Business Enterprise (OMBE) and the Minority Business Development Administration (MBDA). Marketing support via special set-aside federal procurement contracts, under the direction of the Small Business Administration, has also assisted Black businesses (Green and Pryde 1990, 39,40).

In 1964, an experimental program, the "6 X 6" loan program, was implemented to assist disadvantaged owners of small businesses. The program was given this name because the loan maturities could extend up of six years and the ceiling on the loan amount was \$6,000. With the same philosophy of assisting low-income entrepreneurs, the Economic Opportunity Loan Program (EOL) replaced the "6 X 6" program in 1965 Green 1990, 39).⁴ The EOL program established more beneficial lending terms, with a loan maturity maximum extension of fifteen years and a loan ceiling amount of \$25,000 (Bates and Bradford 1979, 131; Yancy and Yancy 1974, 65).

In July of 1969, Project OWN was established, specifically to support the creation and expansion of minority enterprise. The program was designed to expand private lending opportunities to minority businesses by underwriting bank loans. Long term bank loans were insured against default risk by the Small Business Administration (SBA). In fiscal year 1969, however, EOL's still accounted for 68% of all loans to minorities (Green and Pryde 1990, 39,40; Bates and Bradford 1979, 132). Operation Business Mainstream, created through the Nixon administration and the OMBE, was different than the Project OWN program in two ways. Loan approval procedures were simplified under the new program to promote the use of the program by banks decreasing the required amount of paper work. And, the proportion of equity required of the borrower was lowered. The initiation of this new program represented a policy shift from government direct loans to a more private sector involvement in minority business formation and development (Handy and Swinton 1984, 85). The allocation of funds depended upon bankers rather than the SBA directly.

⁴ The EOL program was designed to solely assist persons in poverty. In 1980 the loan ceiling was \$100,000. The program has since been terminated. Shelly Green and Paul Pryde, Black Entrepreneurship in America (New Brunswick, New Jersey: Transaction Publishers, 1990) 39.

The SBA, in coordination with the OMBE, initiated the Minority Enterprise Small Business Investment Company (MESBIC) program as an additional means of supporting Black business development. MESBICs are privately owned, and privately managed venture capital institutions, licensed to operate nationally by the SBA and chartered in their respective states (O'Conner 1989, 137). This program was designed to provide venture capital by purchasing an equity interest in businesses, providing direct loan assistance, and providing general technical and management assistance.⁵

The Section "8a Program", initiated in 1968, was designed to assist low-income small business firms in obtaining government agency contracting awards. In the 1970's, the program was broadened to assist more middle income businesses, with the goal of building minority business capacity to compete with White-owned businesses (Green and Pryde 1990, 41; James and Clark 1987, 499; Fوسفeld and Bates 1984, 221). Although the program does not require that contracts be awarded exclusively to minorities, the programs encourage the employment of minority businesses by government offices (Green and Pryde 1990, 41). Product and professional service government contracts have been utilized by a number of different types of Black businesses including law firms, Black financial service entities, contractors and subcontractors in recent years (Davidson 1989, 154). The literature suggests that the utilization of the program has been the most successful in cities with Black mayors.

The major criticism of all of these programs mentioned is that they have not effectively provided adequate financing for assisting the creation of larger and more

⁵ Similar to MESBICs, and recently initiated in the State of Michigan, are BIDCOs-- Business Industrial Development Corporations--which finance similar financial deals. Joe Davidson, "An Agenda for the 1990s", *Black Enterprise* 19 no. 12 (June 1989), 154.

competitive Black enterprises (Handy and Swinton 1984, 109). For example, according to a 1981 report by the General Accounting Office, only 166 of 4,598 firms (contractors) participating in the 8a program were actually competitive businesses in the sense that they were not self sufficient and did not compete in the open market after years of assistance (Green and Pryde 1990, 41; Business Week 19 April 1982, 126). The literature also states that the Black businesses utilizing the 8a Program are often perceived as having inferior products and that government agencies are often skeptical regarding their ability to perform (Hisrich and Brush 1986, 2). Minority firms are often relegated to sub-consultant or subcontractor roles (Carr 1988, 35). Furthermore, the program has been abused in that the 50% minority partnership requirement has been falsified in some instances (Business Week 19 April 1982, 126). And, MESBICs are often according to author Green and Pryde, undercapitalized and have frequently experienced cash flow problems (Green and Pryde 1990, 42). To compensate for being under capitalized they approve more loans than equity investments. Between 1985 and 1989, the number of existing MESBICs decreased from 145 to 128 (Davidson 1989, 154). On a more positive note, however, government support is thought to be a major influence inspiring more Blacks to enter the business arena. As stated earlier, the number of Black- owned businesses has increased over the last decade.

In regard to the small real estate development industry specifically, government intervention has played a specialized role. Government assistance in real estate development takes the form of special tax credits, loans, and provisions for guaranteeing mortgages in direct relation to the development of low and moderate

income housing (Fitzpatrick 1988, 80; Vernor 1981, 3; McMahan 1976, 239).⁶ Real estate firms developing mixed income housing projects, both new construction and rehabilitation projects participate in private rental production programs (generally initiated at the State level), and utilize Federal Section 8 monies to subsidize renters (Massachusetts Executive Office of Communities and Development 1987, 1,2). Firms also participate in special homeownership programs where a state Housing Finance Authority has provisions for construction and permanent financing for low and moderate income housing development. To the extent that they are available in a particular area, additional Federal programs to supplement both rental and homeownership financing programs include: HoDAGs (Housing Development Grants), CDAGs (Community Development Action Grants), and CDBGs (Community Development Block Grants) (Massachusetts Executive Office of Communities and Development 1987, 2).

State government "linkage" requirements create costs for some developers, but are sources of project finance for other firms involved in the production of low-to moderate income housing. Linkage programs require a small dollar fee per square foot of land developed over an established government threshold of 100,000 square feet to provide financing for residential development in low-income communities. When linkage contributions are involved, frequently concessions for lowered land costs or granting of variances are given by government agencies.

⁶ The tax reform Act of 1986 allows tax credits for a ten year period. It is a direct deduction on one's total tax obligation for investors of rental housing-- new construction and rehabilitation. Units are rented to persons whose incomes are less than 80% of the respective SMSA median income. John M. Fitzpatrick, "Managing Tax Credit Properties," Journal of Property Management (March/April 1988): 80-82; Massachusetts Executive Office of Communities and Development, A Guide to Producing Affordable Housing (Boston: The Cottonwood Company, August 1987).

In sum, Black business firms have depended upon government policies and programs designed for low-income entrepreneurs as well as those for minority businesses specifically. For small real estate development firms, government intervention is driven by incentives to house the low to moderate income. In this regard, developers can benefit by obtaining tax credits, construction and permanent financing, and consistent flows of rental income through special government mortgage and rent subsidy programs.

BUSINESS AND COMMUNITY RELATIONSHIPS

The literature on Black business enterprise suggests that there are two schools of thought concerning the role that Black businesses should play in a Black community. Both philosophies stem from the idea that business development is important to the stability of a neighborhood economy and that more businesses should be operated and owned by Blacks in their own communities.⁷ The philosophies differ in terms of management and ownership control of such businesses. The first philosophy maintains that the entire community should operate and own businesses to maximize social benefits for all residents and allow community participation in the economic (re)building of Black communities. The second philosophy is that businesses in the Black community should be run by individual Black businessmen. The notion here is that through business ownership Blacks will gain equal status in society by owning and acquiring wealth. Further, a viable Black business sector lessens social and economic disparities (Tabb 1988, 73).

⁷ Historically, White business men in disinvested Black communities have capitalized on business opportunities. Samuel I. Doctors, ed., Whatever Happened to Minority Economic Development? (Hinsdale, Illinois: The Dryden Press, 1974) , 47.

The first school of thought is based on the ideology that businesses should be treated and operated as social property-- belonging to the community (Tabb 1988, 72). They should not be private possessions of an individual or small group of individuals. The goal of Black business should be a communal one, where Black businessmen utilize their skills and talents for the struggles of the Black race rather than maximize profit for themselves (Ofari 1970, 80).

According to Stokley Carmichael and Charles V. Hamilton, although Black businessmen may see their presence in the Black community as a means for keeping money in the community, the "flow of money" spent by Black businessmen and the number of employment opportunities created within the Black community is very limited. Small Black businesses provide only a limited number of jobs in a community. And Black businessmen often leave their immediate communities when they become successful-- reducing potential economic benefits for the community as a whole (Ofari 1970, 80). The philosophy can be summarized as follows. In the words of Robert Allen, "... if the community as a whole is to benefit, then the community as a whole must be organized to manage collectively in its internal economy..." (in Tabb 1988, 83).

The concept of community controlled businesses grew from the 1960's "war on poverty" programs which attempted to involve the "total community" not just individual residents, in the social improvement of a community. Specifically, the incentive of formal community based organization grew from the Economic Opportunity Act of 1964 and the subsequent drafting of the Special Impact Program, Title I-D of the Economic Opportunity Act during 1966 (Tabb 1988, 80). The Office of Economic Opportunity initiated the mandate of the SIP program, an institutional response toward problems existing in poor communities (Tabb 1988, 81). The mandate specified that financial

assistance be allocated to community development corporations and other organizations in their role to improve conditions of poverty in poor neighborhoods (Tabb 1988 ,80,81). After several years as an experimental program, and after much debate, in 1972, Congress passed an amendment (Title VII) to the Office of Economic Opportunity 's 1964 initial legislation for the SIP program (Tabb 1988, 80,81; Haddad 1969, 18). The intent and goals of the program are summarized well by the following quote (Tabb 1988, 81):

"... a well-conceived ... program is , in a very real sense a social movement with far reaching implications for existing patterns of community life... it solicits the involvement of all segments of the community....it calls for a new voices in the processes whereby community decisions are made... it proclaims the need for more equitable means of allocating community resources."

***Michael Brooks* (in Tabb 1988, 81).**

The second philosophy, that businesses in the Black community should be owned by individual businessmen, is based upon the ideology that access to equal opportunity and fairness of competitive capitalism will allow Blacks to revitalize Black communities (America 1980, 117). Black businesses are viewed as vehicles to foster economic growth in underdeveloped Black neighborhoods. Opportunities for individual Blacks to own their own businesses is seen as a viable means for obtaining self sufficiency (Tabb 1988, 81). Historical exclusion of Blacks from the business ownership arena can be undermined by governmental support and promotion of Black business ownership, allowing competition with White businesses (America 1980, 117).

Proponents of this philosophy argue that Black businesses do provide jobs in the community and that individual entrepreneurs give contributions of time and money back to the Black community (Yancy and Yancy 1974, 107). Black businesses historically have made substantial contributions to organizations as the NAACP, Urban

League, and CORE (Doctors 1974, 59). In response to the issue of leaving the Black community once a business is successful, the inability of consumers to pay in poor neighborhoods, higher business operating costs including insurance costs, limited access to capital for business expansion in poor areas, high crime rates, and limited ability to attract non-Blacks into the business community are seen as factors which encourage some Black businesses do move outside of the Black community (Hornaday 1987, 35; Jones 1971, 69). Black businesses are seen as being caught between an effort to provide needed services to fellow Black residents and the need to maintain the profitability of their businesses.

In sum, the role of Black businesses in the Black community has been an ongoing issue of debate among Blacks. Due to the fact that Blacks accept the ideology of individualism simultaneously with an acknowledgement of racial identity and ancestry with other Blacks, reaching complete consensus on the role of Black business ownership in the Black community is unlikely (Tabb 1988, 65). In the remaining pages of this section, we will discuss the conventional role of a small development firms in their relationship with community residents and organizations focusing on the need to gain approval and support for potential development projects.

For the real estate development industry specifically, communication and positive community relationships are critical for the operation of firms. Real estate development firms are local businesses. The product developed by the firm--housing, commercial, or industrial development-- has a direct impact on the physical and social community environment. Suchman, in her book *Managing a Development Company*, clearly summarizes this point by suggesting that, " real estate development differs fundamentally from other business activity in that it involves the production of a

capital intensive product that is fixed in location..."

Development in a neighborhood directly impacts the lives of residents. Community residents are (should be) concerned with issues of inappropriate development, cumulative impacts of certain types of development on the environment, and the potential change in land value of their property as a result of development (Suchman 1987, 13). In many instances, the community may be fearful of potential displacement and/ or may want to exclude certain types of development in their neighborhood, for example, public housing. Similarly, "no growth" advocates may want to maintain the existing neighborhood environment and perceive potential development as jeopardizing the character of their neighborhood.

Many communities have regulated development through growth management measures which place restrictions and requirements on where development may take place, and control how structures are designed and built (Urban Land Institute 1985, 2). Government regulation through zoning requirements, subdivision standards, design guidelines, environmental impact stipulations, mixed income quotas for housing development, minority contracting and sub-contracting hiring quotas are often concerns to a community (Vernor 1981, 11). In this regard, careful choice of contractors and subcontractors from the community, and community participation in a review process for a project, is important to gaining support for development and conveying an image of responsibility and credibility within a community (Urban Land Institute 1985, 2).

In many instances, there is a community approval process for potential development projects. At community meetings, residents and local organizations can make

suggestions and recommendations which impact a project's course and completion schedule. While the community has no official power to cancel a project, in some instances the community has "review" power to make recommendations concerning development in their neighborhood to government officials who in turn grant needed permits for development. In some instances, positive support from a community may actually decrease the time to obtain necessary financing and permits. There are benefits to collaborating with the community as "the costs of conflict" outweigh the benefits of compromise through dispute. Cooperation lowers development costs, reduces risk of delay, promises a more efficient process of development, and reduces potential for litigation (Suchman 1987, 16, 17; Urban Land Institute 1985, 4).

In sum, most developers feel the need to maintain good relationships with the communities in which they work in. Both the developer and the community benefit when the community is actively involved in the development process.

PHYSICAL AND ECONOMIC ASPECTS OF THE BUSINESS ENVIRONMENT

The literature suggests that there is a direct link between a lack of economic growth among potential Black businesses and the problems that exist within disinvested Black communities (Hornaday 1987, 34). Crime, violence, dilapidated and abandoned buildings in a neighborhood, and poverty conditions among neighborhood residents-- characteristic of many Black communities-- undermine routine business activity. The literature suggests the following factors have contributed to a substantial number of business failures in such neighborhoods (America 1980, 116).

The economic conditions in a community influence the supply and demand for products and services. Low demand for services and goods and the ability to pay for such

services limit the profit potential of a business in poor Black communities (Hornaday 1987, 35; James and Clark 1987, 497; Handy and Swinton 1984, 101). Residents in such communities are generally low-income and are unable to afford many types of services and goods on a regular basis.

As mentioned earlier in this chapter, businesses in Black communities experience high amounts of crime and have high operating costs in terms of insurance and loan interest rates (Bates 1989, 40; Auster 1988, 341; America 1980, 117). This creates an environment where there are fewer opportunities for business expansion. This is due to both limited profits to reinvest into a business and the accessibility of finance to increase operating leverage.

The physical conditions in such communities, characterized by dilapidated housing, vacant and abandoned buildings, influence the net worth of a business (Wall Street Journal 17 May 1988). The physical conditions in a disinvested neighborhood also impact the number of businesses interested in operating in an area and influence the perception of safety for persons to both work and patronize existing businesses (Hornaday 1987, 35).

For the real estate industry specifically, the literature suggests that the choices of development activity, development type and, most important location are dependent upon several factors. The ability to manage market risk, that is, to make a reasonable return on an investment and generate positive cash flow, is a central consideration as with most small businesses. Familiarity with specific types of development activity and neighborhood environment is a factor-- in many cases developers begin developing in their own immediate communities. Both national and local market forces including,

inflation, interest rates, and changes in tax laws are factors in these choices (Suchman 1987, 12; McMahan 1976, 95).

For a real estate development firm, managing market risk often can be achieved in three ways. First, a firm might seek well known types of development activity in familiar locations. Second, a firm might choose to limit investment and development activity maintaining the business any rental income from previously completed projects (Suchman 1987, 13). Third, a firm may choose to diversify its development activity, in either familiar or different geographic locations as a means of balancing risk. The rationale for diversification being that if one market ceases to provide a profitable investment opportunity, profits may come through an alternative type of development project. The decision to expand geographically out of a familiar neighborhood, however, is greatly dependent upon a firm's historic skill and development expertise, assessment of the firm's own home market potential, potential market risks in other areas, competition in an development area for a specific type of development, and land and construction cost (Suchman 1987, 11; Wolf 1984, 34).

According to Wik, all real estate is well located-- its just a matter of timing. The value of a location is as variable as the local economy (Wik 1987, 27). Even communities which have been disinvested in present opportunities for development (Smith 1982). In such communities planning initiatives to enhance the areas economic vitality generally include low-income loans, tax deductions, historical building renovation assistance, scheduled infrastructure and capital improvements such as curbs, gutters and side walk construction, and business technical assistance. These incentives can significantly reduce development risk cost (Wik 1987, 27). In disinvested neighborhoods subsidized housing is generally shielded from economic downturns due

to federal rental subsidies provided by the government (Smith 1982, 81,67).

Conventional ideas on limiting market risk suggests, however, that certain neighborhood characteristics are more desirable than others for developing in that they present less risk in investment, require less equity inputs and provide higher financial return (Wik 1987, 28). These characteristics include: close proximity to recreational and cultural amenities, bus and train stops, and low vacancy rates in the area. Conversely, poorly designated land uses, lack of public facilities and services, lack of adequate shopping facilities, gang activity, deteriorating structures, and rent controlled areas. These characteristics are assumed to present greater financial risk associated with higher capital interests costs (Wik 1987, 27; Vernor 1981, 3; McMahan 1976, 115).

In sum, the physical and economic environment of a community can impact business development substantially in terms of failure and limited growth potential. In poor Black communities crime, violence, and abandoned buildings present even more of a challenge for obtaining financing given the perception of "risk" among potential business investors and lenders. For small real estate development firms, several factors contribute to the decision of where to develop, including marketability, competition and land costs. Disinvested communities can be viable locations for development as the infrastructure in the areas are financially supported and development projects in the area are subsidized through government agency programs.

This chapter has reviewed the literature on Black business enterprise and small real estate development firms with respect to four interrelated issues: access to capital, utilization of government programs and subsidies, relations with community, and the

physical and economic conditions in the business environment. In Chapter 4, we will return to these four issues as they relate to Black development firms in Roxbury. The next chapter (Chapter 3) describes the neighborhood context for this thesis. The Roxbury neighborhood is profiled and the issues impacting private sector development activity in Roxbury are explored.

CHAPTER 3

DEVELOPMENT ACTIVITY IN THE ROXBURY NEIGHBORHOOD

The purpose of this chapter is to describe the physical, social and economic conditions in the Roxbury neighborhood as they relate to and impact development activity. The chapter briefly describes the demographics, housing characteristics, and recent development initiatives undertaken in the neighborhood by both the private and public sectors. Issues of community disinvestment and the role of Roxbury community organizations in development decisions are discussed. This chapter provides the context for this thesis. The information presented here will be drawn upon in subsequent chapters which discuss the experience of Black for-profit development businesses in Roxbury.

Neighborhood Description

Demographics

Roxbury has been the center of Boston's Black community since the mid 1940's (Gaston and Kennedy 1986,12).⁸ In recent years, the neighborhood has also become the home for a significant number of Latinos. Similar to other urban minority communities, a

⁸ Prior to this time, Roxbury was a predominantly White Jewish community. A large migration of Southern Blacks into the area during the 1940's and 1950's dramatically changed the racial composition in the neighborhood. Within a ten year period, the racial composition in Roxbury changed from 80% White to 80% Black. In 1985, According to the BRA, Roxbury's Black population totaled 75% of the total population. The Latino percentage was 13% and Whites accounted for 7% of the total neighborhood population. Other races accounted for 4% of the total. Boston Redevelopment Authority, Roxbury Neighborhood Profile 1988 (Boston: Boston Redevelopment Authority 1988), 2.

substantial number of neighborhood residents are poor and unemployed (Gaston and Kennedy 1987, 7). The Roxbury neighborhood has an extremely high unemployment and poverty rate in comparison to other neighborhoods in the city of Boston. The neighborhood is characterized by a large amount of dilapidated housing stock, vacant and abandoned land. High levels of crime, drug trafficking and drug related homicides are currently at crisis levels in the neighborhood (Salerno 1989, 1; Gaston and Kennedy 1987, 7).

Unemployment in Roxbury in 1985, estimated at 14%, was more than double the city's average rate for persons age 16 years and older. The most recent labor force characteristics (1983) for the neighborhood state that of the 12,800 jobs located in Roxbury, the majority, over 39%, were concentrated in the service industry (Boston Redevelopment Authority 1988, 2). An additional 27% were in the government sector, and 11% were in manufacturing (Boston Redevelopment Authority 1988, 3,4,5). In comparison to the City as a whole, Roxbury residents were over represented in government and service fields. This suggests that a number of employed residents are concentrated in lower-skill related positions.

According to a Boston Redevelopment Authority household survey, the median household income in Roxbury was approximately \$13,000 in 1984. Several of Roxbury's census tracts were extremely poor. The statistics from the BRA study show a 31% poverty rate in the neighborhood, compared to a 21% rate city wide.⁹ A significant number of low-income residents were found among families with children; and 29% of all households in Roxbury were single-parent families (Boston Redevelopment

⁹ Boston Redevelopment Authority (BRA) and Public Facilities Department (PFD) Household Survey 1985. A sample of 2000 households.

Authority 1988, 3, 4; Gaston and Kennedy 1987, 11).

Housing Characteristics and Condition

In a few sections of Roxbury, old mansions, victorian homes, and row houses represent appealing architectural attributes of the existing housing stock which is quite old--ranging 75 to 100 years in age (Gaston and Kennedy 1987,11). The majority of the housing stock in the neighborhood, however, is much less appealing. In 1985, more housing was in poor condition than in other areas of the city. A significant portion of the housing stock was deteriorating rapidly (Gaston and Kennedy 1987, 11).

Approximately 41% of Roxbury's total housing stock, in 1985, (over 9,600 units of housing) consisted of publicly assisted units, the highest amount of any Boston neighborhood. Over 75% of the residents in the neighborhood were renters, with 73% of all rental units being subsidized (Gaston and Kennedy 1985b, 45). Roxbury's home ownership rate was only 20% (Boston Redevelopment Authority 1988, 2). Between 1980 and 1988, there were only 500 units of newly constructed housing added to the neighborhood stock, all of which were subsidized (Boston Redevelopment Authority 1986b, 1).

Currently, the amount of subsidized and public rental housing in the neighborhood is at risk as many HUD supported units face foreclosure from "expiring use" (Gaston 1987, 15).¹⁰ This presents a serious problem for the poor in the neighborhood in that housing is not affordable. Similar to what is occurring in other urban minority

¹⁰ It is unclear as to whether subsidies will continue under new ownership. These units were built under the government 221D3 and Section 8 programs. Mauricio Gaston and Marie Kennedy, "The Redevelopment of Roxbury: A Case Study", Community Planning Journal (August 1985): 45.

communities in the country, there is a significant gap between the cost of adequate housing and the ability to afford housing (Clay 1990, Appendix).

In the past few years, the neighborhood has experienced an influx of Black professionals many of whom have acquired neglected and abandoned buildings in Roxbury (Gaston and Kennedy 1985b,44). Drawn by the architectural qualities of the housing structures and view from the hill areas in Roxbury-- the sub-neighborhoods of Highland Park, Sav-Mor, and Washington Park, in particular-- present housing opportunities not readily accessible to Blacks elsewhere in Boston. The initiatives of these professionals has encouraged the interests of private investment and speculation in the neighborhood.

According to the BRA, between 1983 and 1988, over 1,000 dwelling units were restored in the neighborhood. The vacancy rate (including unlivable units) fell from 14% to 7% (Boston Redevelopment Authority 1988, 6). Residential property between 1980 and 1985 showed a slight increase in value, although they were still significantly lower than Boston as a whole. Median monthly gross rents also increased during this period (Boston Redevelopment Authority 1988, 6). These changes are partly attributed to the income level of the young Black professionals.

For low-income residents, limited in their ability to share in such impending "revitalization" of the neighborhood there is a threat of displacement. It is clear that income levels of many existing residents can not keep pace with increasing land values in the neighborhood. In this regard, measures to promote homeownership and affordable rental housing is underway in that area to ensure that existing residents in enjoy the benefits of "revitalization" and partake in the development decisions made in the neighborhood. Both community organizations and non profit developers,

government agencies and private developers, are involved in this campaign to provide affordable housing.

Development Initiatives in the Neighborhood

The demand for affordable housing in Roxbury has encouraged rehabilitation of the housing stock in the neighborhood and new construction initiatives. The city, which owns a majority of vacant land parcels in the neighborhood, has played a central role in the construction of new and rehabilitated rental housing, and the conversion of units to homeownership (Gaston and Kennedy 1985b, 44). Measures to write down the cost of publicly owned land, and the use of existing subsidies which draw on state and federal programs for support, are being used in this regard. Of particular importance has been the Project 747 Program initiated by the Public Facilities Department to change vacant buildable city lots into affordable housing for homeowners.

Non profit organizations, including CDC's, through both private contributions and government assistance grants, are developing housing in the neighborhood and are extensively involved in housing rehabilitation as part of the Infill Housing Program.¹¹ The Infill Housing Program converts BRA owned vacant sites into limited equity cooperatives and condominiums. The use of UDAGs (Urban Development Action Grants), CDBGs (Community Development Block Grants) and city allocated monies, including Linkage Program funds and direct lending by the city from the sale of municipal bonds are common means of financing development. Federal section 8 monies are used to

¹¹ Designated structures are being rehabilitated as a single project by four local CDC's: Nuestra Comunidad Development Corporation; Quincy Geneva/Roxbury Multi Service Center; Roxbury-North Dorchester Neighborhood Revitalization Corporation; and Codman Square Housing Development Corporation Boston Redevelopment Authority, "Roxbury Neighborhood Housing Initiative" (Boston: Boston Redevelopment Authority, 1986b), 14.

subsidize rents.¹² Both non-profit and for-profit developers utilize additional homeownership programs. These programs include the HOP (Massachusetts Housing Partnership Homeownership Opportunity Program), the Massachusetts Housing Finance Authority Home Mortgage Loan Program, and provisions for construction and permanent financing to developers of low and moderate income housing.

For-profit and non-profit developers active in the development of affordable housing also participate in private rental production programs initiated at the state level. These programs include: SHARP (The State Housing Assistance for Rental Production), TELLER (Tax Exempt Local Loans to Encourage Rental Housing), R-DAL (Rental Development Action Loan Program), the Low Income Housing Tax Credit Program, and the Moderate Rehabilitation Programs.¹³ Linkage monies are used to assist developers in lowering costs. The use of Federal Section 8 and 707 monies are used extensively to subsidize renters. (Massachusetts Executive Office of Communities and Development 1987, 1,2). Other special programs to augment both rental and homeownership development costs include: HoDAGs (Housing Development Grants) CDAGs, (Community Development Action Grants),(Massachusetts Executive Office of Communities and Development 1987, 2), and UDAGs (Urban Development Action Grants). See Appendix B for government program summary and description.

¹² The Linkage program was established in 1983. Developers are required to contribute \$6 for every square foot of land developed over 100,000 square feet in downtown areas. The money collected is used for neighborhood housing development. Money is placed in a neighborhood Housing Trust Fund that allocates the monies for development. Sue Reinhart, "Linkage Shrinkage," Boston Business Journal (15 January 1990): 1.

¹³ A tax credit is a reduction in tax liability for developers of low income rental housing for a period of ten years.

Given the location of the neighborhood, less than ten minutes from downtown Boston, there has been much speculation in the neighborhood for retail , commercial and residential development. According to a BRA report, a substantial amount of investment dollars are designated for the Roxbury neighborhood. According to their projections, by the end of 1990, Roxbury will have received over \$400 million dollars of private investment for development.¹⁴ Four commercial, twenty residential, and two mixed use development projects are involved (Boston Redevelopment Authority 1986c, 2). All of the twenty six projects were initiated between 1985 and 1990. (See Appendix C for list of project names, estimated dollars of investment, and developers involved.)

Approximately \$153 million of \$400 million total investment dollars is for housing development. As of late 1988, 500 of the proposed 1,568 new units of housing for the neighborhood were complete. The majority of housing, 790 units, will be located near the Dudley Street area. The remaining 765 units are near the Melena Cass Corridor. Of the total number of units (1,568) , 48% are to be affordable (Boston Redevelopment Authority 1986b, 1). The majority of the projects are to be developed by minority developers, local CDC's and other non-profit groups.¹⁵

Minority ownership (equity share of the total private development investment) is estimated at \$160 million and includes 30% of the commercial development projects and 50% of the housing (Boston Redevelopment Authority 1986a, 2). The majority of the

¹⁴ According to the BRA between 1960 and 1979, Roxbury received less than \$90 million in private investment dollars. Boston Redevelopment Authority, New Horizons for Roxbury (Boston :Boston Redevelopment Authority 1986),2.

¹⁵ Three rehabilitation projects consisting of 606 units of public housing were initiated between 1986 and 1989 in Roxbury: Mission Hill, Orchard Park, and Mission Hill Extension projects. These projects, according to the same BRA source, total \$24 million of investment.

commercial and retail development in the area will be around the Parcel 18 corridor and Melena Cass boulevard (Donato 1990).¹⁶ The Parcel 18 project, a public - private partnership, on the largest development parcel in the Southwest Corridor (5 acres), requires \$203 million of the proposed total investment dollars. The project, a mixed use development will include office, retail and residential space. The project has a 30% equity involvement of minority developers (Gaston and Kennedy 1987, 20). See Chart 3A below for development summary as described.

CHART 3A

1985-1990 Private Investment in Summary Detail

Number of Projects	26
Private investment	\$398.5 million
Housing Production	1,568 units
Parking Garage	1,000 spaces
Commercial Space	780,000 square feet

Source- BRA 1986a.

Public investment during this same period is estimated at \$48 million, including \$17 million from Boston agencies for the development of the Roxbury Heritage State Park, infrastructure and landscaping, school department projects and neighborhood libraries. The remaining \$31 million is for public land contribution (Boston Redevelopment Authority 1986c, 1).

A History of Disinvestment in Roxbury

Several factors have contributed to the disinvestment of the Roxbury neighborhood over time. Following urban renewal and the riots of the 1960's, there was massive suburbanization and population decrease, housing abandonment, and exodus of

¹⁶ Additionally, in the BRA's designated planning area in the Dudley square area, there are a significant number of vacant buildings with potential for commercial office and industrial land uses. Development in this area is being planned by the BRA in cooperation with the Dudley Task Force.

businesses from the area (Fusfeld 1984,5).¹⁷ Boston's population fell by 238,000 between 1950 and 1980 (Boston Redevelopment Authority 1986a, 6). The long term result of this exodus was a reduced tax base and limitations in the number and type of job options in the neighborhood. The most devastating loss to the community was its manufacturing base, which had provided a significant number of jobs and income for lower-income residents.¹⁸

Urban renewal practices in Boston were the largest in the country in terms of the number of housing units effected (King 1981, 65,66; Gaston and Kennedy 1986, 13). It is estimated that the total housing stock in Roxbury declined by one third from 21,660 in 1950 to 13,957 in 1980 (BRA in Gaston 1985b, 45). The federal urban renewal plan allowed public agencies to take land by eminent domain for "public use". Urban renewal plan in Boston was carried out by the Boston Redevelopment Authority, the city's planning and redevelopment agency (King 1981,74). Urban renewal efforts cleared the "blighted" areas of Roxbury. Through this process large numbers of buildings and houses were demolished, creating vast amounts of vacant land that was never developed. Washington Park and Madison Park sub-neighborhoods, in particular, experienced massive amounts of demolition. The Roxbury neighborhood also experienced a considerable amount of land clearance via demolition for two proposed highways (I-95 and Inner Belt Road) in the South West Corridor area to facilitate auto travel for commuters residing in suburbs. An estimated 100 acres of land

¹⁷ Between 1950 and 1980 Roxbury's population decreased by 30%. Mauricio Gaston and Marie Kennedy, "The Redevelopment of Roxbury: A Case Study," Community Planning Journal (August 1985): 45.

¹⁸ low-income refers to persons whose income does not exceed 50% of the median gross income of households in the Boston Standard Metropolitan Statistical Area.

was cleared for the proposed highway project (Gaston and Kennedy 1986, 13).

The problem of disinvestment in the neighborhood was exacerbated by tax assessments which did not reflect declining value trends. This created tax burdens which discouraged home ownership and resulted in the tax-foreclosure of property in the community (Gaston and Kennedy 1987,11). In some instances, rather than pay taxes on deteriorating buildings, owners set buildings on fire to collect insurance monies (Boucher 1990, 39). Redlining, the discriminatory practice on the part of lenders, not to grant mortgages or home improvement loans on buildings in specific geographic locations regardless of the credit worthiness of the potential borrowers, further contributed to limited ownership and housing renovation and maintenance opportunities in the neighborhood. These practices influenced housing deterioration and decreased property values. Redlining practices also served to limit the economic and physical development opportunities in the neighborhood as builders and businesses were unable to obtain loans.

In recent years there has been government legislation to encourage banks that discriminate in lending to change their lending habits and provide loans in neighborhoods such as Roxbury. The Federal Reserve Board is responsible for implementing the provisions of the law, but is not required to review or analyze the bank reported data (Malakoff 1981 , 46). Federal agencies are required to make assessments periodically of the performance of each institution in meeting the community credit needs. And, violations of the law can be the basis for denying future applications for banking privileges such as new branches or mergers (Malakoff 1981, 46). Following are the three legislative Acts concerning redlining.

- The Fair Housing Act of 1968. This act made redlining illegal and prohibit discrimination in mortgage lending and real estate operations.
- The Home Mortgage Disclosure Act of 1975. This act provides for the public disclosure of lending patterns by depository institutions. Lenders must disclose, by census tract, the actual number of dollar amounts of mortgage loans.
- The Community Reinvestment Act of 1977 (CRA). This act requires that every financial institution file a CRA statement with federal regulatory agencies and that the information be maintained in a public file (Malakoff 1981,46).

Discrimination in lending against certain locations, such as inner city minority neighborhoods like Roxbury comes in a variety of forms as does discrimination against women. The major criteria for investment is profit, and the perceived high risk and limited financial reward in poverty areas has historically resulted in minimal lending activity. Additional literature on the subject suggests that lenders have little experience with minority borrowers. Discrimination is one way financial institutions respond to high information costs. Other explanations for discrimination suggest that money is lent on the basis of personal confidence and familiarity with the borrower (Marino and others 1979, 2). The following quote describes disinvestment the result of discrimination in lending.

"...disinvestment is a complex process involving property owners and bankers who decide that the return on a particular building or area is no longer worth investing more money...this leads to a reduction in services, the physical deterioration of buildings, often abandonment and eventual [property] seizure by the city for tax delinquency..." *Philip G. Wik.*

A lack of lending activity in the community severely cripples potential growth, and in areas such as Roxbury, total reinvestment opportunities. The public sector is limited in its ability to support large scale reinvestment efforts due to federal budget and limited resources. In this sense, private investment becomes even more important in providing the essential services and credit which enable the community to be

stabilized or developed as an attractive environment. Redlining is still a serious problem that currently impacts the Roxbury neighborhood. A very recent (1989) study prepared for the Greater Roxbury Neighborhood Authority examined mortgage lending patterns in Roxbury and concluded that:

"...on a census tract level, the number and amounts of home loans issued to White census tracts is disproportionately higher than Black tracts with similar demographic and housing characteristics.... findings, indicate that a large number of Roxbury's residents are being excluded from conventional lending sources...people of color have been denied home mortgage loans because of their race and because they sought to obtain mortgages for property located in predominantly Black neighborhoods..." (LaPrade & Nagel 1989, 17).

Roxbury received \$37.7 million (9%) of the total amount of commercial lending dollars between 1981 and 1987 in Boston. The East Boston, South Boston, and Charleston sub-neighborhoods of Boston received \$134.8 million (32%), \$146.5 million (35%), and \$97.3 (23%) million dollars of investment respectively (LaPrade and Nagel 1989, 17). In response to their finding, the authors state that:

"...the median income of Roxbury only partially explains the found lending pattern. The neighborhoods of Charlestown, East Boston and South Boston had similar social, economic and housing variables, including income as Roxbury..."
(LaPrade and Nagel 1989, 17).

Similar studies by the Boston Redevelopment Authority and the Federal Reserve Bank confirmed findings of disinvestment in the community.¹⁹ And, in response to the studies mentioned, community groups in the Roxbury including the Community Investment Coalition, organized and assembled meetings with Boston Bankers. To date nothing has been finalized regarding definite reinvestment in the neighborhood.

¹⁹ The Federal Reserve Study showed 24% less Home Mortgage Activity in Black neighborhoods than in White neighborhoods with similar incomes. Lawrence Goodrich, "Boston Banker Invests In Minority Communities," The Christian Science Monitor (27 March 1990), 7.

However, in response to the problem of disinvestment, the banks in Boston are preparing a \$237 million reinvestment plan for the neighborhood to assist low- to moderate- income home buyers. The pledges specifically include \$31 million for below-market mortgages. The banks also pledged a total of nine new branches and 32 new cash machines in the neighborhood (Boston Globe 1 February 1990).

Role of the Community in Development Decisions

The Roxbury neighborhood has a rich history in its struggle for empowerment and community control of development activity. The fight for civil rights, school and bus desegregation, urban renewal, and the relocation of the elevated Orange Transit line are among the challenges that have confronted the Roxbury community (Gaston and Kennedy 1987, 12).²⁰ In recent years, the issues of gang violence, teenage pregnancy, and police harassment of Black male youths has added to the number of concerns for the community and its leaders who are also engaged in efforts to "hold on to the land" and combat the displacement of life-long residents.

In addressing these issues the community's voice has been strong. A network of community institutions including Black and Hispanic social, fraternal, and religious organizations and, community-based development corporations, has been the central organizing force in the neighborhood. The strength of these groups stem from the struggles in the 1960's, the development and financial support of community programs,

²⁰ "The Orange Line" was the Massachusetts Bay Transit Authority's (MBTA) transit line that served the Roxbury neighborhood. In 1988 the Orange Line was rerouted from the Washington Street Corridor area to the Southwest Corridor area of the neighborhood. The relocation has impacted existing retail businesses along the Washington Street corridor which had been heavily dependent upon a significant amount of patronage from passengers using the Orange Line. Mauricio Gaston et al., Dudley in 2001: After the EL... Center for Whom? (Boston: Community Service Program, College of Public and Community Services, University of Massachusetts at Boston, prepared for the Roxbury Action Program, January 1985a), 19, 1.

and the federal chartership of community development corporations as vehicles to improve neighborhood housing and social services (Haddad and Pugh, 153, 18).

Organizing for change has often taken the form of rallies, protests and coalition building efforts. In recent years, given the increased amount of public and private speculation in the neighborhood the community has become more sophisticated in confronting proposed development activity and neighborhood disinvestment. These efforts have taken the form of published reports on the redlining discrimination in the neighborhood; the organizing of a Project Advisory Committee, the Roxbury Neighborhood Council, of predominantly multi-cultural community nominated representatives to review potential development activity ; the subsequent moratorium on land disposition and drafting of an Interim Planning Overlay District (IPOD) zoning system for reviewing proposed development activity; and the obtainment of eminent domain status in the Dudley sub-neighborhood area by the Dudley Street Neighborhood Initiative(Gaston and Kennedy 1987, 18). It is important to note that DSNI is the first community- based group to obtain eminent domain status in the country. The obtainment of eminent domain refers to the right to acquire property for public use by condemnation and substantially allows for greater participatory process of neighborhood development design and planning (Friedman, Harris, and Lindeman 1987, 90).²¹

The Roxbury Interim Planning Overlay District impacts development activity the following way. The plan facilitates the comprehensive rezoning and land use

²¹ Effective October 1987, an amendment of the Boston Zoning code was established. See Boston Redevelopment Authority, Roxbury Interim Planning Overlay District (Boston Redevelopment Authority, 1987), 1.

planning of the neighborhood to manage future neighborhood development for the benefit of existing residents.²² The plan creates a means for a consistent public process for public review of potential development. The goals of the plan are to promote residential development that is affordable, to create appropriate jobs for all segments of the Roxbury neighborhood, and to a proper balance between competing land uses and environmental issues including density, parking and traffic impacts (Boston Redevelopment Authority, 1987, 1). In this regard, the community is involved in the development process. The Roxbury Neighborhood Council has twenty one members; eight are city appointed and thirteen community nominated. This review process is important for the empowerment of the community as a whole. According to Mauricio Gaston:

"... a distinction has to be made between investment and development... investment can be defined as simply the influx of capital into an area...development is far more complex and important, for it involves people, their increased capacity for productivity, an increase in the level of control over their own lives,... as well as their access to wealth...". *Mauricio Gaston.*

Robert Terrell, member of the Greater Roxbury Neighborhood Authority, said the following about the IPOD process :

"... whether its a public or private initiative, whether its a major public sector investment or major investment of private capital into the neighborhood, they can't just walk in..." (published interview by Lorello and Scholsser 1987, 30).

The IPOD system requires that any demolition permit, building permit for erection, extension, exterior demolition, change of use of occupancy permit, including a permit for any proposed project that can decrease the number of dwelling units within the

²² The Roxbury neighborhood Council established an organizing sub committee of six members (PZAC) to conduct hearings and technical review on variances requests and make recommendations to the Roxbury Neighborhood Council.

area requires approval by the BRA and community review council. This plan is referred to as the (IMP) Institutional Master Plan (Boston Redevelopment Authority, 1987, 1,7). The IPOD process can add time and cost to the development process. Time must be set aside to meet with community and government representatives. If any design changes are required, additional architectural costs may be needed. The developer is required to propose any needed mitigation for project related impacts. The IPOD area is divided into twelve planning areas including: Highland Park, Hampden-George, Dudley Square, Sav-Mor, Lower Roxbury, Madison Park, Shirley-Eutis, Mt. Pleasant, Quincy Geneva, Washington North Park, Washington Park South, and the Parcel 18 area.

Conclusion

This Chapter has presented a description of the physical, social, and economic conditions in Roxbury according to the most recent data available about the neighborhood and the characteristics of its residents. From this information, we better understand the local Roxbury economy which may impact for-profit development firms working within this neighborhood context.

Roxbury is characterized by a significant low-income and low-skilled labor force. The statistics suggest that residents in the neighborhood have difficulty in affording housing. Development in the area, since the 1960's, has consisted primarily of rental residential development. And, the government in more recent years has attempted to close the affordability gap by initiating home ownership and rental production programs. Both for-profits and non-profits in the community, both separately and in collaboration with the city and state government, have sought to develop residential property in Roxbury. The availability of land cost write downs, tax credits, and

government backed mortgages are been central incentives for-profit developers in this process in recent years.

Roxbury's predominantly Black population has had a long history of struggle. Urban renewal, redlining, and disinvestment over time has plagued the neighborhood. In light of this, the community's voice has been loud-- and heard. The creation of an IPOD zoning system to review potential development activity in the neighborhood, and obtainment of eminent domain status by the Dudley Street Neighborhood Initiative are two examples of how the community is involved in the long term planning for the neighborhood. The voice of the community is extremely important and directly impacts development activity in this area.

According to the Boston Redevelopment Authority, there has been a significant amount of investment in the neighborhood over the past five years. Approximately \$400 million of private investment activity has either been completed or is in the planning stage and scheduled for completion by the latter part of 1990. According to the BRA, minority developers and investors have over a \$160 million equity share in these development efforts.

In the following chapter we will look at the experiences of Black for-profit development firms working in this neighborhood. The chapter will briefly summarize the history of Black developers in the area, and then reports the findings of interviews with four Black real estate firms currently developing property in Roxbury. The chapter focuses on the experiences and concerns of these firms in the neighborhood context as it has been described here in this chapter.

CHAPTER 4

BLACK REAL ESTATE DEVELOPMENT FIRMS IN ROXBURY

The information presented in this chapter is a synthesis of interviews with Black real estate development firms, government agencies, business and community representatives in Roxbury. The first portion of the chapter briefly describes the history and involvement of Black development firms in Roxbury. Book and article citations are used to confirm the chronology of historical events.

The second portion of the chapter discusses the opportunities and constraints of four Black development firms currently developing property in this neighborhood. The four interrelated concerns for small Black businesses: access to capital, use of government programs and subsidies, relationships with the community, and the physical and social conditions in the neighborhood business environment guide the focus of the discussion.

The History of For-Profit Black Development Firms in Roxbury

As early as the 1940's there were a few Black entrepreneurs who bought, rehabilitated, rented, and sold housing to Black families in Roxbury on a sporadic basis (Marshall 1990). Such opportunities expanded with the exodus of Jewish families from the Roxbury neighborhood in the 1950's, allowing a few Blacks to acquire quantities of property within the neighborhood (Robinson 1990). It was not until the 1960's, however, that Blacks became involved in for-profit real estate development as business owners (Parks 1990; Smith 1990). Limited opportunities for property development,

residential development specifically, existed for such entrepreneurs within Roxbury during these years.

Following urban renewal, opportunities for increased participation in development activity emerged in Roxbury amidst the ongoing battle for civil rights in the city of Boston. The incorporation of Blacks into the development industry as developers, contractors, and construction laborers occurred simultaneously, and was the outgrowth of some entrepreneurial and community objection to the Boston Urban Renewal Plan for the neighborhood, and barriers to gain fair employment access within Boston's construction industry (Robinson 1990; Smith 1990; King 1981, 73,74,77). The turn of events was as follows.

Urban renewal in the late 1950's and very early 1960's, aroused militancy in the Black community. The displacement of Roxbury residents empowered many Blacks to protest the demolition of housing within their neighborhood and to become more interested in the physical development of the area. Urban renewal aggravated the shortage of affordable housing. The response of neighborhood interests was a demand for rehabilitation and preservation of the neighborhood's housing stock, and a role in the development of housing in the neighborhood (Marshall 1990; King 1981, 73).

Demolition had been the first phase of urban renewal; it was followed by rehabilitation as the second phase. As a partial answer to housing displacement, government sponsored programs were introduced to promote housing opportunities under the Housing and Community Development Act of 1961. In Boston, the Title 221D3 Program and the Boston Urban Renewal Plan (BURP) were two programs which greatly impacted Blacks in the development and construction industry (Smith 1990). BURP was

a Boston specific program funded under the Title 221D3 program.

The 221D3 was the first program providing subsidies for private rental and new construction housing development (Keyes 1990; Smith 1990). Housing projects in 1960 to 1974 were owned by limited dividend or non-profit sponsors, generally churches, who contracted with private developers, consultants, and builders for the actual planning and construction of projects.²³ There were only a few Blacks involved in this program as engineers and architects. They were Henry Boles and Paul Parks of Associated Architects and Engineers, and Donald Stull of Stull Associates (Smith 1990). There were no for-profit Black developers involved in these projects (Keyes 1990; Robinson 1990; Parks 1990).

BURP, initiated in 1967, was an initiative to rehabilitate approximately 2,000 units of housing in poor Boston neighborhoods. The units were to be used by residents who were displaced by earlier urban renewal practices. BURP, however, aroused opposition among business and community interests in Roxbury due to the plan's lack of involvement of Blacks as sub-contractors, contractors, and project developers in the rehabilitation of housing in the neighborhood (Smith 1990; Keyes 1990). The program was also met with reservations for its lack of commitment to provide Blacks jobs in development and construction trades within the City as a whole (King 1981,73,74).

Government regulations for hiring Roxbury residents for BURP projects within the neighborhood had not been complied with. It is important to note that the forcing of construction contractors, in particular, to hire Black workers took the form of

²³ Examples of two projects in Roxbury were: Marksdale Gardens owned by the St. Marks Congregational Church, and Charlane Homes owned by the Charles Street AME Church.

demonstrations by neighborhood residents and students at local universities (King 1981, 179). Workers, despite regulatory legislation, had experienced ongoing discrimination in obtaining jobs, were frequently laid off, and replaced by Canadian workers on development projects (King 1981, 75, 169). Efforts to gain access to development jobs in Roxbury specifically included appeals to government entities. Formal complaints were raised by community leaders with government agencies including the Massachusetts Advisory Committee to the United States Commission on Civil Rights (King 1981, 172). It was only after a considerable amount of pressure from neighborhood interests over time that residents (Blacks in particular) were able, in a very limited number, to work on urban renewal projects.²⁴ The culmination of these efforts was a concession to include a few Blacks in the BURP programs planned for Roxbury, the Washington Park and Highland Park sub-neighborhoods in particular (King 1981, 76,173).

The first Black for-profit developer to work on a project in Roxbury during the late 1960's, was Tom Satch Sanders of the Boston Celtics. Under the firm of Sanders and Associates, this first project, a BURP project, consisted of 150 multi-family rental housing units on scattered sites in the area (Smith 1990). The firm was a partnership which was initiated by Eli Goldston of Eastern Gas and Fuel who assisted in the provision of bonding and construction finance for the project(Smith 1990; Keyes 1990). This was the only development project that Tom Satch Sanders was involved in. It was in this regard, following the first BURP project, that a small coterie of for-profit Black

²⁴ Black participation in construction and development led to the formal establishment of the United Community Construction Workers organization in 1968 (the UCCW). The organization served as a united front to negotiate with construction companies and assist Blacks in locating jobs and entering unions according to their respective trades. Mel King, Chain Of Change: Struggles for Black Community Development (Boston: South End Press, 1981),99, 169.

developers began to establish businesses and develop individual projects for-profit. Essentially, it was the desire to "control" and influence development opportunities in the Black community and the desire for profit making that led to increased Black for-profit participation in development activity (Smith 1990). According to Jack E. Robinson, one of the first Black for-profit developers in Roxbury:

" BURP opened doors for Black developers... prior to this time Whites had done all the development in the neighborhood".

With regard to the construction industry specifically, Mel King, in his Book *Chain of Change*, states that:

"... the BURP experience had impact far beyond Washington Park and its other specific sites, particularly in the institutionalization of Black developers and Black workers on projects in predominantly Black communities...".

It was between 1968 and 1972 that additional federal programs were initiated to elevate poverty. Several of these programs involved insurance companies and other business interests as investors in urban development efforts. A few of the early Black for-profit developers took advantage of these programs in addition to BURP in the Roxbury neighborhood (Keyes 1990). In addition to Tom Satch Sanders, the early for-profit Black developers in Roxbury's Black community were: Jack E. Robinson, Dennis Blackett, and Larry Smith (Smith 1990; Keyes 1990). There were also a few other for-profit developers involved in very small scale development in the late 1960's including Kenneth Guscott, and Frank Morris (Smith 1990).

Robinson, Blackett, and Smith were all previously involved in some aspect of engineering or construction prior to developing property. Jackie Robinson, after assembling a group of Black contractors and businessmen (State Enterprises Incorporated) was involved as both developer and builder in BURP projects (Smith

1990; Robinson 1990). Robinson also did a limited amount of commercial development in the Grove Hall sub-neighborhood of Roxbury including the Grove Hall Savings Bank under financial assistance of John Hancock insurance company (Robinson 1990; Keyes 1990). Dennis Blackett, initially a non-profit developer, was involved in for-profit housing rehabilitation development during the latter portion of the 1960's. Larry Smith, extensively involved in South End urban renewal housing rehabilitation, also did housing rehabilitation and new construction development in Roxbury. Smiths' first project in Roxbury was the Roxbury Community Health Center, a new construction project in 1968 assisted by the US. Office of Economic Opportunity and New England Life Insurance Company (Smith 1990).

Initiatives by the non-profit sector in housing development also influenced the establishment of Black for-profit development firms. During the late 1960's and early 1970's community based non-profits became involved in housing rehabilitation, thereby increasing minority participation in development decisions (Clay 1990, Appendix; National Congress for Community Economic Development 1988, 3).²⁵ Many Black for-profit developers in Roxbury recognized opportunity for a greater role in development after seeing non-minorities oversee the development process of non-profit project sponsors (Smith 1990). During these years, there were substantial opportunities in subsidized housing development in Roxbury. Housing subsidy programs allowed for-profit developers to make a profit in the low to moderate income housing market during the 1970's. Section 8 subsidies, for both new construction and

²⁵ At the national level non-profit organizations, including CDC's, housing service agencies, religious organizations, as well as for-profit development firms were commonly supported in their initiatives by government both through consumer and project related mortgage subsidies. Philip Clay, Mainstreaming the Community Builders (Cambridge: Massachusetts Institute of Technology, 1990), Appendix A.

moderate rehabilitation of housing, in particular, enabled for-profit developers to reach a market that could not otherwise be reached repeatedly for a profit (Urban Land Institute 1977, 1).²⁶

Fewer revitalization funds came into Roxbury in the 1970's in comparison to the 1960's. For-profit Black development firms worked within this constrained market with no prospects for market rate housing (Homer 1990). Limited investment was made to promote infrastructure improvements in the Roxbury neighborhood. Little interest was given to the area by the private sector outside of residential rental development activity. Revitalization efforts in Roxbury during the latter 1970's, almost solely consisted of subsidized housing (Homer 1990). Affordability factors of residents in the community, and the fact that Roxbury during this period was essentially a "bedroom" community-- spending its money outside of the neighborhood-- meant that opportunities and potential for commercial and retail development were not captured (Robinson 1990).

In recent years (mid to late 1980's), several additional factors have encouraged the emergence of for-profit Black development firms. These factors include: 1) a more receptive city and state government commitment to hiring minorities in government development projects, including government provision for greater access to public land for development via local agency land appropriations; 2) new state low-to-moderate housing subsidies for both consumer and project finance; and 3) the Massachusetts' profitable real estate economy in the mid 1980's. Such factors have

²⁶ The section 8 program permits developers to contract for housing assistance payments on any or all units and be eligible for financing with mortgages insured under the federal government. The program was created in 1974 under the Housing and Community development act.

allowed for the development of some market rate housing in Roxbury's Black community during the last six years.

Interview Summaries

The following pages report the findings of the author's interviews with representatives of four Black real estate development firms in Roxbury about their firms' experiences in development. This includes their description of opportunities and constraints in regard to: access to capital, utilization of government programs and subsidies, relationships in the community, and the physical and economic aspects of the business environment. In many instances, the four developers interviewed chose to respond to questions in terms of the experiences of most Black development firms generally, as opposed to the experiences of their own firms' or their own personal experiences.

Background on Black Development Firms Interviewed

The four firms interviewed were: Long Bay Management and Development Company, Property Development Services, Cruz Development and Construction, and Taylor Enterprises. These firms were selected because they are representative of successful and visible Black firms in the Roxbury community. Successful here implies involvement in several projects in Roxbury, an established track record of development experience, and established credibility in the neighborhood for producing high quality structures. All of the firms develop primarily residential property. All four developers interviewed reside in the Roxbury community, and are involved with various civic and professional organizations in a leadership or official role in the City.

All of the four developers interviewed indicated that they were involved in some aspect of development prior to starting their own development firms. It appears that both the motive for profit and desire to have a role in the development process within the Black community were incentives for starting their own businesses. In many respects, the interviewees described their establishing development firms as a natural progression in their business careers. Kenneth Guscott of Long Bay Management and Development Company had a background in engineering. John Cruz III's Cruz Development and Construction Company grew out of a successful family-operated construction business. Lawrence Smith of Property Development Services has a diverse background in engineering, consulting, brokerage and construction. Richard Taylor, of Taylor Enterprises, has a background in business.

All of the firms indicated that their experience has primarily evolved around housing development-- more rehabilitation than new construction in Roxbury. A consensus among all four firms was the need to become involved in commercial and retail development. Three of the four have had some involvement in commercial/ retail development in Roxbury: Long Bay Management and Development, Property Development Services, and Taylor Properties, Inc.. The fourth firm, Cruz Development and Construction, had not been involved in commercial development in the role of developer but did have experience as a construction contractor. (See Appendix D for a more detailed description of the firms interviewed).

All four of the firms interviewed were founding members of the Minority Developers Association (MDA), a trade group founded in 1985 by Boston based minority real estate professionals. The association tries to influence public policy and keep city and state

officials sensitive to the needs of their members. The organization has several goals which include: fostering of joint partnerships among minority developer members and other investors; developing short term technical programs to enhance minority development capacity and eliminate information barriers concerning development; and working with the government to obtain access to development opportunities throughout the city of Boston.

The remaining pages in this chapter will report the findings of interviews conducted with representatives of four Black real estate development firms currently working in the Roxbury neighborhood. Their responses concerning, access to capital, availability and use of government programs and subsidies, relationships with the Roxbury community, and concerns regarding the physical and economic aspects of the neighborhood business environment are reported. Due to the sensitivity of the issues discussed on the part of several of the developers, the author has elected not to identify names with specific responses.

Access to Capital

All of the developers interviewed indicated that access to capital was a major issue for most Black development firms. The following is a summary of their responses regarding capital at business start-up, debt financing for individual projects, and private investors as sources of capital for development.

The four developers indicated that they combined various sources of equity capital for their business start ups. Three of the four firms relied on family contributions and/or personal savings. The fourth firm indicated that their business relied heavily on both the few savings of the founder in addition to monies contributed by non-minority

partners. This is not uncommon to most non-minority businesses generally. None of the four firms utilized specific government initiated "minority business programs" as sources of equity.

With regard to their sources of finance for individual projects, all the firms indicated that their sources of capital were the same as non-minority development firms. Sources varied with the type and size of project involved. All of the four firms indicated that commercial bank lending was their primary source of construction finance. The use of insurance companies was not readily used even by those three firms currently involved in retail and/ or commercial development. This may be due in part to the fact that insurance companies deal primarily with large commercial project lending. None of the developers when asked specified one bank versus another as being a better source in terms of total loan amounts received or as better sources to deal with. While all four firms stated that they utilized the Boston Bank of Commerce (Boston's only Black owned bank) as a source of finance, only one of the firms stated that the Boston Bank of Commerce was a more heavily utilized source of finance.

Access to debt capital was a concern for all four firms. When asked about relationships with bankers in both the early years of their business operations versus more recent encounters with lenders, two of the four firms indicated that access to capital was more of a concern for them in the early years of their businesses than is currently the case. In the initial years of business operation, one of the developers said that the problem he faced in initially starting his development business stemmed from the fact that the banks did not know him. All of the four firms indicated that track record/ experience in the field, limited asset accumulation were issues that they faced in initially starting out-- as do most small development firms.

Choosing not to discuss their own firms' personal assets, all four developers interviewed, spoke generally about the issues facing most Black developers in Roxbury; they stated that an established track record, and credibility with banks was crucial to gaining financing. Two of the interviewees spoke in more detail about this issue--stating that it has been harder for Black developers to obtain financing than non-minority firms in recent years. One of the interviewees went on to say that Black developers were asked for more information in obtaining loan approvals but would give no specific example.

The opinions of the four developers interviewed were substantiated by other development interests in Boston on this issue, primarily to the extent that the concerns of Black developers' reflected general lending criteria for all small development firms. According to one government representative, "Black developers have problems because of limited assets... and their difficulty in obtaining loans is tied to the poor conditions in the area... real estate is driven by location of property". Others added that credibility of the borrower was important.

All four developers indicated that stereotypes by lenders was either an issue for themselves and for other Black developers that they had knowledge about. One developer interviewed stated that " ... we [development firms] are characterized not collateralized". In other words, there is some hesitation on the part of the lender to grant loans to Blacks. Two of the firms stopped short of saying that the issue was one of racism-- stereotyping was described as an issue of the lenders' perception of Black developers. All four firms spoke of the need to establish stronger relationships with bankers. Below are quotes by two of the developers interviewed.

" Minority developers have not enjoyed access to finance nor access to the expanded market as are our majority [non-minority] counterparts... our capability and talents are questioned..."

"... Black development firms are no different than non-minority firms in the mechanical ways of putting deals together... the difference is that they [non-minority firms] have an easier time... they know who to call for financing... Black firms have limited business networks..."

One of the first Black pioneer developers in Roxbury concurred with what the four developers said on the issue of stereotyping:

" ... access to prime real estate... [and] access to financial resources have been limited... projects done by Black developers are seen as 'black projects' ... and are negatively stereotyped ... prevalent stereotypes keep you [a Black developer] [working] in the Black community...."

One Boston lawyer, a representative of the Boston Bank of Commerce, and a representative of the Boston Redevelopment Authority gave similar responses regarding the treatment of Black development firms in Boston and bias of lenders. One person stated, " Black developers have an extra spot light on them...". Another person said that, "there is a certain cultural ignorance... lenders do not function in minority communities... "

One of the four developers interviewed spoke at length about Black developers' access to finance being tied to redlining issues in the community. Lending in Roxbury has been seen as non-economically feasible by traditional lenders in Boston. This issue was also discussed in the Boston Globe on October 29, 1988. One of the four developers interviewed made the point that the recent decline in the housing market in Boston did not impact Black development businesses in terms of bankruptcy as non-minority developers. He stated that, " the bad loans [have not been] with Black developers".

Two of the firms interviewed also spoke at length about the need to attract investors as sources of finance and issues of syndication. Syndication is the offering shares of projects to investors either for profit or tax write offs. One developer described the concern as a problem of a lack of networks: "... there is a lack of networks... we [Black developers] have no contacts on the golf course and limited opportunity to mix socially [with potential investors]...". Another of the four developers described the changes in the 1986 Tax Reform Act as limiting investor resources for development. He stated that "... prior to the tax reform of 1986, there were lots of limited partnership opportunities ... fewer opportunities are now available... investors are scrutinizing investment options more carefully". In regard to larger scale projects in general, one developer interviewed stated that "... real estate development is a unique capital driven business... investor money is needed to get involved in mega projects...".

All of the four firms indicated that individually their pockets were not deep enough to gain access to downtown development. Establishing partnerships (joint partnerships) among other minority interests was necessary in the Roxbury Parcel 18 project. One developer describes the issue of the lack of access to downtown development opportunities as one of a "lack of informal networks, ... high entry costs, racism... [and] a lack of deep pockets to meet expenses along the way in large scale development". One government representative stated that "Black developers do not have enough clout in Boston... they have not established enough personal relationships in the political arena..." One Black Boston Banker, in this regard, stated that "racism limits access to downtown development ... Black developers need to be more active on boards, run candidates, ... politics [and development] in Boston requires involvement ...".

Availability and Utilization of Government Programs and Subsidies

All four developers interviewed for this thesis indicated that government programs and subsidies have been a contributing factor of their firms' growth. All of the firms indicated that a significant number of the projects that they have been involved in have had some government subsidy attached. Three of the firms indicated they extensively utilized a variety of government programs to lower development costs of their projects in Roxbury. The fourth developer, however, indicated that his use of government programs was limited to the low income tax credit programs primarily. All of the four firms indicated that they felt that in recent years the government has had a sincere commitment to assisting minority developers in both local projects within Roxbury through the PFD, BRA, and MHFA, as well as a commitment to increase the presence of Black developers in downtown development activity-- although to date the latter has not yet happened.

While none of the four developers would consider themselves dependent on subsidies, their responses to the question of how extensively government programs were utilized, suggests to this author, that subsidies provided at least three of the four firms with a critical source of finance. One developer indicated that every program done by his firm has had some form of government program involvement. Three of the developers interviewed spoke more generally about how government programs and subsidies, which lower land and other development costs on projects involving low-to moderate income housing development, are needed by Black developers. Two of the four interviewees specifically pointed out that their firms' use of government program assistance was not a reflection of their own firms' lack of equity resources for establishing deals, but more so an issue of the overall cost involved to develop in the neighborhood and residents' ability to afford quality housing. Two of the four

developers said, that the availability of government programs has allowed more Blacks to enter the development industry as housing developers in recent years. One developer summarized the need for government programs as follows:

" there would be little to no profit made for any developers [in Roxbury] without government assistance...state and local government programs in the last six years have created a market for the development of affordable housing in Roxbury".

The statements by the four developers regarding the need for government assistance for the development of housing in Roxbury are supported by literature concerning development costs in low-income communities. The need for housing subsidy in low income minority communities has been well documented (Clay 1990, Appendix).

All four firms had both negative and positive view points regarding the use of government programs and subsidies as they relate to project profitability. The developers varied in their opinions regarding benefits and constraints of such programs. Two developers complained about the large amount of paper work, low return on investment and limited ability to use such projects as equity generators of future projects. One developer stated the following: " ... Black developers are locked into deals involving low income housing... [developers] can not refinance [such properties] to expand... given the long term moratorium on the sale of such units... ".

A local Boston businessman concurred with these statements and added that the government has substantial control over such development projects by virtue of the approval process including the issuing of funds through regulated and often time consuming funding cycles. A local Boston Banker in an interview for this thesis had similar comments. He pointed out that profits of government assisted projects are limited stating that, "... government project related profits for developers are fixed with

the deal structure...". A member of the Minority Developers Association stated that, "...government projects should allow more profit for developers... given the complicated nature of the process for obtaining funding...".

Two developers were somewhat concerned about the continuation of programs in the future, considering the market fluctuations in Boston's downtown real estate market. Government assistance through Linkage funding was described as very important to the profits of Black development firms in Roxbury's housing market. One developer specifically pointed out that the cost to develop low-to moderate income housing in the neighborhood required one Black developer to seek financial renegotiations for more financial assistance with a local government agency, the Boston Redevelopment Authority due to unexpected costs of excavation for the project. The project referred to is the Fountain Hill project in Roxbury, a project consisting of forty condominiums. Additional financial assistance assisted the Black developer to complete the project. A discussion of how linkage money is being spent in the City including the specific dollar amount of Linkage funds allocated for the Fountain Hill project is discussed in the Boston Business Journal dated January 15, 1990 (Reinhart 1990, 15).

In regard to other positive aspects of government programs, two of the four developers stated that the availability of state and city funds in itself is positive given federal cut backs in subsidy assistance in recent years. Three of the developers spoke about the benefits of the availability and lowering of cost of city-owned property in Roxbury through acquisition funds. One developer who has done historic preservation in Roxbury stated that government assistance was extremely important because of the overall cost involved in property restoration. Two of the four interviewees spoke about the technical assistance given Black developers at local government agencies. The two

developers stated that technical assistance has helped new Black developers gain access to the industry. A representative at the Massachusetts Housing Finance Authority, stated that Black developers benefit and take advantage of project consulting assistance in the early stages of their projects.

According to a representative at the Boston Public Facilities Department, "... a goal of the Public Facilities Department is to provide opportunities for local minority developers to participate in development. According to PFD statistics, in the Calendar year 1988, \$1.3 million of the \$4.46 million in housing rehabilitation contracts (30%) were with minority developers. As of May 3, 1990, \$1.7 million of the \$4.1 million housing rehabilitation contracts, in the fiscal year 1989, (42%) were with minority developers. In 1988, 11 of the 19 large site designations were to minority developers. This constitutes 218 of the 266 projected housing units (82%). \$760,000 out of the \$1.6 million of their agency's LEND loans committed in 1988 (48%), 5 of 14 loans, went to minority developers. And, \$331,000 out of \$703,000 in NDB commercial loan subsidies (57%), 6 out of 14 loans, went to minority developers.²⁷ These statistics are for both for-profits and non-profits combined (Rubin 1990).

All four developers agreed that with regard to commercial development opportunities, there are several advantages to working with the government to gain access to larger scale projects. Access to downtown development will require government assistance due to a lack of extremely deep pockets of Black developers. Two of the developers spoke specifically about the benefits of the Linkage Program as a positive means of

²⁷ LEND stands for Loans to encourage Neighborhood Development. NDB stands for Neighborhood Development Bank. The LEND and NDB loans contracts are funded through the CDBG program.

fostering joint partnerships between non-minority and Black developers. All four developers felt that the Parcel to Parcel linkage program was a significant sign of the city's commitment to create a mechanism to include minority developers in development activity. The program calls for the creation of a partnership between downtown developers with minority developers in Roxbury on the Parcel 18 site.²⁸ An article in Black Enterprise Magazine dated February 1988, discusses the benefits of the parcel to parcel linkage project. According to the article, "the program was initiated out of an admission by the City that development projects had not been parceled out fairly in the past". According to a BRA study cited in the article, " between 1984 and 1986 minority developers had been shut out of Boston's rebirth... none...had played a major role in any of the 16 large scale down town projects worth over \$1.6 billion" (Martin, 1988, 144).

In regard to access to downtown, one Boston attorney stated in a Boston Globe article dated September 15 1987, that " ...downtown has been a tough nut to crack [for minorities]. Copley Place, International Place... have all opened but no Black developers have been involved...". When asked about why Black developers have not been able to develop downtown, a representative at Boston's Public Facilities Department stated that, " the major problem for Black developers is site assembly costs downtown which requires deep pockets...". The same representative went on to say that the Parcel 18 project would open doors for Black developers through the experience gained by developing and being involved in large scale development despite the fact

²⁸ The Parcel to Parcel Linkage Program links development activity in downtown Boston with development activity in selected Boston neighborhood sites. Developers who wish to build on downtown publicly owned sites must also develop in less profitable Boston neighborhoods. The first location of the Program initiated in 1985, was linked the Parcel 18 site in Roxbury which is jointly owned by the state and city with the Kingston-Bedford-Essex site in downtown Boston. Fred Martin, "Cashing in on the Beantown Boom," Black Enterprise, February 1988, 143,144.

that there is currently no major tenant for the Parcel 18 project, a one million square foot office and retail project.

Regarding what the government might do to assist minority developers in the future, one government representative interviewed stated that, " Government might encourage greater utilization of minority services ... and help to foster greater relationships and partnerships... and continue efforts to assist Black developers to acquire capital to help them develop... the idea is to 'plant seeds' outside the community". The most cynical comment regarding the city government and government programs was made by one of the pioneer Black developers in Roxbury, who commented, " government has mitigated the effect of lack of access... it has not made the playing field even so that minority firms can compete on an equal basis...".

A BRA representative in an interview for this thesis discussed the selling of 185 State Street building to minority entrepreneurs as another indication of the City's commitment to Black businesses in Boston. The site, which is not currently being developed, was sold to Black businessmen to develop office space for individual businesses and organizations interested in locating downtown due to the difficulty in the past of Blacks not being able to get office space downtown (Boston Globe, 25 September 1987).

Relationships with the Roxbury Community

In regard to their relationships with the Roxbury community, all four developers indicated that the community had expectations of them in terms of financial related contributions and contributions in terms of spending time at community functions. The four firms differed in their perceptions of whether such expectations were

extraneous burdens or not. All of the developers stated that such expectations were "par for the course" in terms of doing development in the neighborhood.

Three of the four developers stated that the community has expectations for any developer-- non-minority or minority in terms of standard of quality and adherence to minority hiring on all projects in the neighborhood. All four developers stated that the Roxbury community sees Black developers as part of the community and has an expectation of Black development firms to "share profits". All four developers stated that they felt that they did "give back" of themselves to the community in both time and financial contributions to various community related gatherings or causes. One developer commented that:

" [our] business is more than profit oriented... most developers [non minority] give minimumly to our community... they have no social connections. Our company returns profit... with more bedrooms, porches, parking... we don't skimp on quality..."

According to one of the four developers, his contributions to Roxbury's built environment are often underestimated by the community. One of the four developers interview described his work in Roxbury as a "community building process" in which both the physical capacity of the community and social conditions were made better through the production of quality development, and positive and respectful management relations with housing tenants. In agreement with this point, two developers also commented that the financial contributions expected are more difficult to deliver than the community believes. One firm pointed out that, "the small size of the Black business community in Boston means that more is expected of a few firms in the Black community... this is a burden...[on Black firms]". One of the two firms commented that, "...Black developers are not the panacea for all social ills...". One of Roxbury's pioneer developers, stated the following in a phone interview:

"...there is inner conflict within our community...the community negatively stereotypes Black [for -profit] developers. White developers are not questioned when they make a profit ... its an unfair element that the Black community inflicts on Black developers because they are from the community... such burdens work against helping the community as a whole [in terms of building a viable business environment]".

All four developers interviewed stated that they understood why the community had expectations of Black development firms. One developer suggested that, " there is an element of trust in the community... we are part of the community... and the community knows that we are here with them...". One developer said, " the community supports our [minority developers] presence in the community... ". Another developer explained that..." the community expects our company to be sensitive to its cultural needs...and fears of displacement...". One developer commented the he spends a considerable amount of time in the community review process for this reason, while stating that, " the community meetings and public hearing are a lot of trouble".

In terms of how the community assists Black developers, three of the developers indicated that Black developers have the support of the community and that the community's support deters developers from outside the community to come into the neighborhood. A representative from the Public Facilities Department stated that, " city councilors and the Roxbury Neighborhood Council push for minority developer presence on projects... ". One of Roxbury's pioneer developers stated that over time that the community has played the role of advocating for Black participation in development.

All of the developers indicated that their firms made contributions back to the community. The four developers defined their contributions in several different ways.

While all four developers stated that they made time commitments and financial contribution, and supported Black vendors and subcontractors on their projects, three of the four developers spoke specifically about being role models. One of the four developers stated that, "we are educators, mentors, as well as returners of wealth..." Another of the four developers commenting generally on Black development firms stated that a few of the Black development firms in Boston were involved in consulting roles with non profits as a means of contributing to the community. According to a member of the Minority Developers Association joint projects with CDC's is an opportunity for Black developers, for example, the Brooks School project, consisting of fifty six limited-equity co-operatives, between Black developer Otis Gates and the Geneva Housing Corporation was successful as both parties benefited. Comments from members of the Roxbury community interviewed for this thesis about the community's expectations of Black for-profit developers were similar. According to a community representative who is involved in development, "Black developers accept the responsibility to provide jobs in the community". A previous representative of the Dudley Street Neighborhood Initiative stated the following:

"the role of Black developers is a special one because the history of our people [people of color] is different... there are special expectations ... the community is more trustworthy and perceives that the developers are from the community... non minorities don't live in the community. The sense of community extends beyond geographic boundaries... its one of color and culture... the community feels that developers benefit because of them...they expect a sharing of benefits..... Black developers are community developers... that means not only developing buildings.... there is dual responsibility ... the developers represent the community... they often forget that ... the community supports them and trusts them... nonetheless".

All four developers discussed the issue of competition with CDCs and other non profit organizations in the community as one stemming from scarce government financial support and land resources. While none of the four developers talked about their own specific experiences regarding this issue, they did discuss the issue of competition in

terms of Black for-profit developers generally. One developer indicated that non-profit community developers were frequently chosen to build publicly sponsored projects such as low rent housing. Three of the four firms stated that they felt there was a competitive advantage for non-profits in terms of the amount of funding non-profits are eligible for. One developer spoke in terms of such practices as limiting opportunities for a mixed income community. An article in the Boston Globe dated October 31, 1989 speaks to the issue of competition alluded to in the interviews. The article reported that "... the city is engaging in ghetto building according to minority developers by providing too much assistance to non profit developers, encouraging the expansion of pockets of poverty and retarding the goal of an economically mixed community..."

Physical and Social Aspects of the Neighborhood Business Environment

All four developers interviewed for this thesis indicated that the physical and economic aspects of the Roxbury neighborhood impacted their businesses. Following are the responses of the four developers regarding the opportunities and constraints of working in the Roxbury neighborhood.

The four developers interviewed focused more on the constraints in the neighborhood during the interviews. The positive aspects mentioned were: location of the neighborhood to downtown, hill areas, and architectural/historical buildings. One firm indicated that there are opportunities to do historical preservation development in specific areas of the neighborhood.

The four developers interviewed for this thesis stated the following regarding development constraints in the neighborhood. There was consensus among the four

developers that marketability of property in the neighborhood was impacted by crime, drugs, and violence. One developer pointed out that the media's presentation of violence and drug abuse in Roxbury aggravates the problem of marketing property because the area is perceived as unsafe. The point that crime in the neighborhood impacts housing marketing potential in the neighborhood is supported by other developers in Roxbury. In a Boston Globe interview dated September 27, 1988, a minority developer said, " ... the city must do a better job of controlling drug trafficking... if it wants to encourage new housing in Roxbury...". Marking the point that the neighborhood environment impacts the potential to do retail and commercial development, one of Roxbury's first Black developers stated in an interview conducted for this thesis that, "Black developers are forced to make opportunities for themselves in the subsidized housing field in order to make a profit... it is difficult to create other opportunities in the area given the crime involved...".

One of the four developers interviewed discussed his firms' concerns about obtaining rents from tenants as an issue. He stated that tenants could not always pay rent on time. One developer pointed out that his firm has had to deal with court authorities on several occasions. The income gap of area residents make it difficult to afford housing in the neighborhood. Two developers pointed out that what it costs to develop quality housing in the area is not affordable to many residents in the area even with creative government financing packages. One of the four developers stated that less profit is to be made in a constrained market with primary demand for non-market rate housing given a small limited number of population of eligible buyers.

In regard to management costs one Black developer stated that, " Black developers work in [this] high risk area... and have small profit margins due to costs in maintaining the

property. The same developer went on to say that, " White firms, subcontractors , for example, charge more to come into the neighborhood to do development... they see the neighborhood as riskier [in terms of safety]... they see ... higher minority hiring quotas... ". A long time developer from the community supporting this statement adds that, " it is harder to obtain maintenance help for the apartment units in the neighborhood... repairmen are fearful of certain areas in Roxbury...". One government representative also stated in a phone interview that there are higher operating costs for developers in Roxbury. The idea that inner city properties have higher operating costs has also been documented in literature on inner city neighborhoods (Clay 1990, Appendix).

As discussed in a previous section of this Chapter, one of the four developers mentioned that obtaining loans for development was influenced by lending bias due to assumptions regarding the neighborhood 's physical environment. Reluctance of financial institutions to provide mortgage financing for the same reason has also impacted the local housing market in the area. In recent years there have been several articles in the Boston Globe which have touched upon these issues. In an article dated October 28, 1988, developers are thought to have had a hard time raising financing for proposed development due to banks perception that middle class home buyers would not be attracted there. Another report dated September 27, 1987, stated that " minority developers are reporting that potential lenders and buyers are backing away from the new-housing market [market rate] in the neighborhood because of the recent violence there...". In a published interview, the President of the Boston Bank of Commerce, Ron Homer, stated the following about the type of lending that historically has been made to developers in the Black community:

"... the response of banks... is to build low income housing [in the Black community] ... for which they could receive tax credits... this is not an investment for economic purposes but it fit their image of what good investment in the Black community should be..." (Goodrich 1990, 7).

When asked about the benefits of the potential reinvestment plan (Massachusetts Bankers Agreement) scheduled for the neighborhood the developers varied in their responses. Three of the developers stated that they felt the plan which includes funding for low interest mortgages to home buyers, would definitely impact development potential in the area. One of the developers was indifferent. When asked about the potential benefits of the Massachusetts bankers agreement, one of Roxbury's first minority developer stated that, "...only a few [minority developers] will benefit... doors will open for a short period of time in order to show some success... only a few have to benefit to show that a 'goal' is met".

During the interviews, the four developers spoke about solutions to problems in the Roxbury community. Two developers discussed a means for revitalizing the community as an issue of residents owning property in the neighborhood. In a published article, one of the four developers interviewed for this thesis was quoted as saying in the Boston Globe dated March 5, 1985, that "property owners can demand more public services". A representative from a Boston CDC interviewed for this thesis also stated that, " Blacks need to understand the value of property... they need to own [property] not to rent ...".

One of the four developers interviewed stated that the problems of drugs, and disinvestment in the community are "man made" and can be corrected. Three of the four firms stated that the Roxbury community should have a greater mix of residents in terms of income. One developer said, "... we [the Roxbury community] can't have an all

subsidized community and expect it to be viable."

In sum, this chapter discussed the history and evolution of Black for-profit developers in Roxbury. Interviews with four Black developers about their experiences in working in Roxbury were also summarized. The four developers were asked questions in regard to their access to capital, utilization of government programs and subsidies, relationships with the community, and the physical and economic aspects of the neighborhood business environment. The following final chapter of this thesis will make comparisons between the findings of the interviews reported here and the literature on Black business enterprise. In this final chapter, the author will give her final conclusions regarding the research conducted for this thesis and suggest future research questions on this topic.

CHAPTER 5

ANALYSIS AND CONCLUSION

The purpose of this final chapter is to relate the interview findings presented in Chapter 4 to the literature on Black business enterprise. In this regard, an analysis is made as to whether Black development firms are similar to or different from other small Black businesses in terms of their access to capital, use of government programs and subsidies, relationships with the community, and concerns regarding the physical and economic conditions in the neighborhood business environment. Following this analysis is this author's final conclusions about the thesis, and suggestions for further research on this topic.

Summary of Interview Findings

The interview summaries presented in Chapter 4 suggest that the four Black real estate development firms interviewed for this thesis were more similar than dissimilar to small Black businesses in terms of the opportunities and constraints faced in their respective companies. Given the small sample size of four development firms, however, the findings of this research may not be generalizable to the experiences of Black developers outside the Boston area. The issues raised can serve, however, as a starting point from which to identify potential issues of concern for Black developers in other cities. For cities with similar social and economic neighborhood characteristics as the Roxbury neighborhood, this research may be particularly insightful. The following is an issue by issue summary of the similarities and differences found in this research.

Access to Capital

With regard to access to start-up capital, the four firms interviewed were similar to other small Black businesses in their use of personal savings as a source of capital for start-up equity. Two of the four development firms were different, however, from most small Black businesses in that they used family resources to start their companies. The literature on Black business enterprise suggests that most small Black businesses underutilize family sources of capital at business start up. None of the four development firms utilized specific "minority programs" as sources of equity, as do many small Black businesses.

In terms of their sources of capital, the four development firms were similar to other small Black businesses in that commercial bank loans were their primary source of debt capital. The four developers interviewed indicated that they did not utilize insurance companies as sources of finance. The limited use of insurance companies as a capital source is common of all small Black businesses. It is important to note, however, that the four Black developers' non use of insurance companies may be due to the fact that insurance companies generally prefer to finance large scale commercial projects. The four Black developers interviewed only had limited involvement in small scale commercial and retail development.

The four developers interviewed did not use specific government initiated "minority" programs for business growth as do many small Black companies. The four development firms did, however, heavily use government programs oriented toward the development of low-to-moderate income housing production. Although the point was not brought out in great detail during the interview write up, it appears that Black developers in Roxbury may also benefit from government affirmative action policies

which promote the participation of minorities in the physical development of the city. Another finding of the research was that the Boston Bank of Commerce, Boston's only Black owned bank, was described as a more "heavily utilized source" by only one of the four developers interviewed. This developer indicated that his firms' extensive use of the Boston Bank of Commerce as a lending source was out of a sense of support for another Black business. One can only speculate as to why the other three developers do not extensively patronize the Black owned bank more than other lending sources. Perhaps the size and total assets of the Boston Bank of Commerce in comparison to other non-minority banks in the city is a factor-- Black developers might be inclined to believe that there are fewer resources available for project finance from the Boston Bank of Commerce. Perhaps there is a desire on the part of the Black developers to be "more like non-minority developers" by not dealing extensively with the Black owned bank. The latter statement is based upon the author's perception of how the four developers interviewed repeatedly stressed how their firms were more similar than dissimilar to other small non-minority real estate firms.

According to the four Black developers interviewed, access to commercial bank loans is a concern for most Black developers in Roxbury. Other government and business interests in the city who were interviewed concurred with the responses of the four developers. Black developers, in general, lack access to capital due to both stereotypes on the part of the lender regarding Black businesses capacity, and a lack of informal networks with lenders. Several interviewees spoke about lenders' stereotyping as being caused by the perceived risk associated with crime, violence and the potential marketability of real estate in the area. Only one developer however, indicated that additional information was asked for of Black development firms in lending reviews. All four Black developers interviewed specifically stated that Black developers lack

personal contact and social mixing opportunities with lenders and project investors alike.

The experiences described by the four developers are similar to those of other small Black businesses. Literature on small Black business enterprise suggests that lack of access to commercial bank capital is a central concern for most small Black businesses, and that stereotypes about Black businesses' capacity to perform are common occurrences. This is an important finding of the research in that the nature of real estate development requires more frequent contact with lenders. The author believes that this may have greater consequences as more Black developers begin to move beyond housing development, especially subsidized housing development in future years-- when even more contact with such lenders and investors may be important for their businesses.

It is this author's opinion that the issue of racism on behalf of the lenders was down played during the interviews conducted for the thesis. Not to undermine the importance of racism, it is important to note that the access to capital and lending bias are sensitive issues for the four Black developers interviewed. The four developers-- four of the most successful Black developers in Boston-- rely on commercial bank lending. The developers may have an interest in not stating specific details regarding lending bias. The issue of lending bias for minority developers in Boston, however, has been documented in several articles, reports, and local Boston newspapers in recent months. There is no secret that fewer dollars have been "flowing" into Roxbury's Black community; numerous redlining studies completed recently confirm this.

In regard to access to capital, the author would like to raise two additional points. First, the four Black developers interviewed did not discuss the possible use of pension funds, or other forms of venture capital as sources of financing for their projects. It is the author's opinion that such alternative sources of capital may prove beneficial to Black developers on future projects in light of potential discrimination on the part of commercial bank lenders in Boston.

And, second, none of the four developers discussed any problems concerning managerial inadequacies on the part of their firms as limiting factors in gaining access to capital for either their own firms or for other Black development firms in Roxbury. Whether a firm utilizes resources efficiently, maintains effective business management skills, prepares an effective business plan, balances financial statements, and aggressively seeks out sources of finance for development projects are important factors in obtaining capital. This is an important issue that has bearing on any firm's effectiveness in interfacing with lenders and investors.

Use of Government Programs and Subsidies

The four Black developers interviewed stated that the use of government subsidies and programs were very important to their business growth. In recent years local and state government in Boston has created programs which provide financial assistance primarily for neighborhood low-to-moderate income housing development. The literature on small real estate development firms states that the government's role in the development of poor neighborhoods historically has been a specialized one of subsidizing housing production costs and providing rental subsidies. Given that the four Black development firms interviewed have primarily worked in the Roxbury neighborhood, a low-income community, they are familiar with assembling finance

packages with monies from several government sources to lower development costs, create opportunities for tax credits, and write down land cost for housing development. Government has played a significant role in assisting small Black businesses generally (as discussed in Chapter 2). Government assistance to Black firms in Roxbury stems from an explicit goal (at least in recent years) to promote minority business participation.

A commonality between Black real estate development firms and most small Black businesses in disinvested communities, is that they both have to confront the issues unique to a low income population, such as higher maintenance costs of their businesses, crime, drugs, and delinquent rent. The four Black developers interviewed, however, are distinctly different from small Black businesses in terms of their use of specific government "minority" loan programs for business growth. The literature on small Black businesses states that SBA loans are a major source of financial assistance for Black businesses generally. This was not the case for the four Black developers interviewed.

While government assistance is important to the four developers both in terms of project finance assistance and for tenant rent subsidies, the developers interviewed had criticisms of government programs. They stated concerns that parallel those of most small Black businesses. As pointed out by one Black developer, the amount of paper work required to obtain project finance is time consuming. And, there are specific guidelines which have to be met prior to funding appropriation. Such factors also limit a developer's control over a project.

Having been involved primarily in housing development, the four Black development firms have high hopes regarding the Parcel 18 project, which is seen as a means of moving toward incorporating Black developers into large scale development activity in Boston. Given that an anchor tenant has not been found for the project, however, a question arises as to how the project's potential failure or success might impact Black developers. Although this was not explicitly discussed in the interviews, it is an important issue to consider. Impacts for Black developers may include: further delay in Black developers gaining access to large scale commercial development opportunities; delay in gaining access to downtown development activity; and delay in creating new opportunities for expanding their firms' number of projects.

The author has the following three points to add regarding the use and availability of government programs and subsidies. First, although none of the four developers would consider themselves dependent on government subsidies, it appears that government programs are a critical source of finance. Black development firms in Roxbury would be greatly impacted by the loss or limiting of such programs. Black development firms look outside their businesses to government support for their projects in Roxbury.

Second, it is interesting to note that the Black developers were not hesitant to discuss their lack of access to downtown development opportunities as an issue of racism, while they were somewhat hesitant to state specifically that there was not an issue of racism for projects in Roxbury. This may be due, in the author's opinion, to the fact that Black developers appear to be waging two battles. On one hand, Black developers want to be seen as "the same" as non-minority firms in terms of their capacity and abilities. On the other hand, the Black developers realize that they are in fact different from non-

minority firms. Black developers want to "tear down" the stereotypes of being seen as unable to work outside of the Black community.

And, third, while it was not stated in Chapter four, it was brought to the author's attention by a person who requested anonymity, that there is some degree of favoritism for certain Black developer(s) over others by a government agency in terms of project designation. While this can not be substantiated in this research, it is an interesting point. If the allegation is true, then favoritism is serving to limit the growth and profits of some Black developers who are "not favored". If the allegation is false, it denotes some personal level of conflict among development interests concerned with development activity in the Roxbury area.

Relationships with Community

The four Black developers interviewed for this thesis stated that the community had expectations of them involving an ongoing commitment for providing social and financial contributions. According to one of the developers, the role that his firm plays in the community is more than serving as a role model; the role of his firm is that of a community builder and mentor. All four developers interviewed attributed the communities expectations of them to the fact that they are part of the Roxbury community, and expressed that the community supports their working in the neighborhood because they are minorities.

In relating the experience of the four developers interviewed to the literature on Black businesses, it appears that Black developers support the notion, espoused in the literature, that their firms' owning and acquiring wealth can help to build a viable Black community. The four Black developers, it appears to the author, see themselves

in the role of fostering economic growth and promoting self sufficiency and some job opportunities. A few of the Black developers interviewed for this thesis had specific ideas about "community building". Their philosophy, generally speaking, was that Roxbury should be more of a mixed income community. Their philosophy is different from that of a CDC or non-profit developer. Non-profit developers often see their central goal as community empowerment through development, and (often) the betterment of the community through cooperative ownership of housing and other property. Although, there are similarities between the non-profits and for-profit developers in that they both often want "control" over development in the neighborhood. The four Black developers interviewed described a sense of competition with non-profits for scarce government resources in the neighborhood earmarked for low-to moderate income housing development. In the author's opinion, the real conflict between the two groups is centered around who should do development in the community, and how much affordable rate housing should be developed versus market rate housing.

Both non-profits and for-profits suggest that they have the community's best interest at heart and that they are sensitive to the needs of the community that they work in. Two of the four Black developers interviewed discussed their sensitivity to the Roxbury community in terms of providing a better quality of life through provision of amenities, such as larger room size, porches, as well as their firms' returning of profit to the community via financial contributions. Given that the income level of a substantial number of residents in the neighborhood is under \$13,000 per year, however, many community residents may question whether Black for-profits are in fact sensitive to the needs of the community in their saying that a more integrated middle income neighborhood composition creates a more viable community. Who

might this create a better environment for?

All four Black developers interviewed indicated that they personally live in Roxbury and have little intention of leaving the neighborhood-- which has been their home for many years. Their residing in the neighborhood reinforces that they are part of the community. Another interesting point to make is that three of the four firms interviewed have their offices located in the Roxbury neighborhood. Most small Black businesses, the literature suggests, often leave the neighborhoods they work in due to the high cost of maintaining their businesses and the desire to expand their company's market outside of the Black community. It is interesting to note that the one Black developer whose office is outside the neighborhood is also the one with the most diverse portfolio in terms of types of development activity, and development activity outside the Roxbury neighborhood. The other three developers have less involvement as developers outside the Roxbury area.

The author would like to add the following points regarding the four Black developers' relationship with the community. There was little discussion in Chapter 4 about the element of trust and communication between Black developers and the community. This is an important point to raise in that establishing networks in the community to support development initiatives requires that any tensions between parties be resolved. An example of a lack of communication between Black developers and the community, occurred between the Douglas Plaza Associates (DPA) and the Concord Baptist Church members on the Parcel 16 housing project in Roxbury. The Concord Church members entered into a partnership with DPA. The Church was given land designation from the BRA for the site. The church members were disappointed; they expected more subsidized housing to be developed for moderate income families. The Black for-profit

developers, as reported in the South End News, dated December 6 1989, stated that state subsidies for the project, however, only allowed subsidy for low income families. Thus, the church members were not able to afford the higher end rents of the condominium units built. The developers' response was that the DPA had to work within the guidelines of the government program limitations. What can be said about the lack of communication in this example? Such lack of up-front understanding between parties impact the perception of credibility and trust of the community for dealing with Black developers in the future. This is an important point to make in that relationships with community are important for true Black "community builders".

Physical and Economic Aspects of the Business Environment

According to the four developers interviewed, crime and violence have undermined Black for-profit development activity in the Roxbury neighborhood. Crime, violence, and drugs present constraints which impact the marketing and managing of property in the neighborhood. Two of the developers interviewed discussed the issues of obtaining rents from tenants and increased maintenance costs as additional challenges they face in the neighborhood. These concerns parallel those of most small Black businesses working in disinvested neighborhoods according to the literature reviewed. The literature states that crime, violence and poverty conditions undermine business operations and increase operating costs in disinvested Black communities.

One of the four developers interviewed, as previously stated, discussed the issue of obtaining loans for development as being tied directly to the economic and social conditions in neighborhood. The literature on small Black business suggests that this is also a common concern for most small Black businesses working in Black communities due to the perception of risk among lenders and perception of safety in the

neighborhood. The literature on small real estate development firms suggests that the decision to develop in an area is a function of a developers expected return on investment. Return on investment is met for Black development firms in Roxbury through government subsidies which lower cost for the production of low-to moderate income housing. The literature supports the idea that opportunity for development exist in such communities with subsidies and government reinvestment efforts.

The author has three issues to raise regarding the physical and economic aspects of the neighborhood. First the impacts of disinvestment and redlining (as discussed in Chapter 3) were not elaborated on by the developers during the interviews conducted for this thesis. This is a point that the author is now raising because of its importance and impact on all potential development activity in the neighborhood. The issue of having limited value appreciation on housing and other property in the neighborhood is the direct result of redlining practices. This raises the questions of: "where is the teeth in the Massachusetts Bankers Agreement"?; how does the lack of a specific and long range commitment from banks affect opportunities and constraints for for-profit development?; and, how have (will) Black developers deal with the risk? It appears that what many Black developers have done to in the past is to look toward government related projects and take on consulting roles with non-profits. In very recent years, they have participated in joint projects with non-profits. One might assume that this would continue to be their response if there are no "teeth" in the Massachusetts Bankers Agreement. Government assistance would continue to play a critical role in creating a market for housing development in the area.

The second point the author wants to raise concerns the use and support of more minority sub-contractors on Black developer projects, given the high unemployment

rate in the neighborhood on the part of all Black developers in Roxbury. Hiring more Black neighborhood residents would be a means of building credibility in the neighborhood and lowering development costs. According to at least one of the four developers interviewed, there were higher costs to have Whites work on projects in the neighborhood, and provide raw materials for projects. There was also more difficulty in having them meet minority affirmative action hiring criteria. A critical question to raise is whether costs can be reduced if more services are provided by community businesses. It is an interesting notion to the author that Black developers may in fact have to pay more to employ labor outside their own neighborhood.

And, third, the issue of expiring use on property in the neighborhood is important to raise. Can Black for-profit developers maximize opportunities to rehabilitate foreclosed on property and not lose such opportunities to outside developers? The Guscotts of Long Bay management were able to maximize an opportunity to develop 217 units of HUD foreclosed on housing in the Roxbury neighborhood with financial assistance. The Guscotts sought as their partner Elliott Bank in Boston to close the financial gaps. As reported in the Massachusetts Banker in March of 1989, "the Guscotts needed more capital than they could command along with construction financing" to take on the 217 units which comprised the HUD Granite Properties. Similar types of projects in the area present significant opportunities for Black developers. This point, interestingly, brings us full circle to the initial issue discussed in the chapter-- that of access to capital and its importance to Black developers in Roxbury.

Author's Conclusions Regarding Research

Each of the four areas looked at in this research could be a thesis in and of itself given

the complexity of the issues. The author would like to note that research on this topic was difficult in that one or two of the four developers interviewed elected at various times not to answer specific questions, and did not give specific examples pertaining to their individual firms. Instead several of the developers explained the opportunities and constraints of doing development in Roxbury in terms of issues that most Black developers face in the neighborhood.

The author's conclusion regarding this research is that the four Black developers interviewed were more similar than dissimilar to small Black businesses. In light of the level of expertise and experience in the field of development of the four developers interviewed, one might have expected that the four black developers interviewed would have overcome many of the traditional barriers familiar to small Black businesses. My research findings point to a lack of traditional business networks, and stereotyping regarding Black firms' capacity to work in the development field, as the central constraints facing Black development firms in Roxbury.

Based on information reported in the interviews, it appears that Black firms in Roxbury lack the political influence and networks to get involved in the large scale development that is so critical in the real estate field; although some Black developers may have some significant relationships formed with government representatives. The author concludes that outside factors, including government programs and lender discrimination, have had a substantial impact on the operation of the four development businesses.

Are the Constraints Greater than the Opportunities for Black Development Firms in Roxbury? In the author's opinion the answer is no. To quote Paul Parks,

a Black developer in Roxbury:

"...opportunities and constraints are hard to define in terms of time... it depends more on a firm's ability to manipulate the business environment to get and make a good deal."

The Roxbury neighborhood environment has changed over time as it impacts for-profit Black development firms. Many Black developers have a stronger political voice than they have had in previous years. Many Black developers in Roxbury are working among themselves, and within the Minority Developers Association (MDA), to share and disseminate information impacting their businesses. The MDA is beginning to establish more professional relationships with non-profit organizations in the neighborhood. There are greater opportunities in terms of government related programs than in previous years. And several developers in recent years have been able to diversify their portfolios in terms of moving outside of Roxbury as well as participating in retail and commercial development both inside and outside of the Black community. The author would like to point out, however, that opportunities might be even greater for emerging Black firms if they had full membership in the MDA. By virtue of the MDA's entrance requirement of five years experience for full membership (Hunter 1989, 40), the organization-- whose goal is to "increase minority developer capacity" may not necessarily be reaching new minority firms in the field, although the organization does conduct some open meetings. New minorities in the development field could greatly benefit from sharing experiences and information regarding development in the neighborhood as full members in the organization.

The issues of stereotyping, and a lack of political networks, are constraints for Black firms in Roxbury. As is the case for most small Black businesses, Black developers in Roxbury will have to continue in their efforts to gain more exposure on these issues,

and create opportunities to interface with lenders and investors in order to move beyond the traditional barriers that most Black businesses face. With more quality development, one would hope that the capabilities of Black developers would be questioned less.

Questions for Future Research

There are six potential research questions that the author would like to raise. First, an interesting study would be to directly compare the experiences of pioneer and new Black development firms in terms to access to capital, use of government subsidies, and relationships with the community. This information would add to our knowledge of how opportunities and constraints may have changed over time in the field of real estate development for Black developers.

Second, another question about pioneer Black developers in Boston might concern how their objectives/ goals in doing development were similar to or different from that of emerging Black developers in terms of their firm' sense of community responsibility . This is an interesting question in that the two groups have emerged under different circumstances. Do pioneer developers feel a different sense of commitment to the Black community?

Third, an interesting study would be to look at the experience of Black developers in other cities, and cities with Black mayors, in particular. One might assume that in a predominantly Black-owned city, or a city with a Black mayor, that the experience of Black developers might be different, given established networks and ties to the Black political structure. Cities with Black mayors may have stronger incentives to promote the use of Black developers on government development projects.

Fourth, the role that Black-owned banks might play in development efforts both in Boston and other cities is an interesting research question. A small body of literature exists on Black Banks and their role in Black community economic development. Research in this area would substantially add to our knowledge of Black owned businesses.

Fifth, a study on the role of Black women in the field of real estate development would add to our knowledge about the incorporation of women into the development industry.

And, sixth, a study on whether there is in fact a "ripple effect" in terms of providing jobs for Blacks and other minorities in real estate development would add to our knowledge of the contributions of Black for-profit development firms. Do Black firms really employ Blacks and other minorities on their projects? How might the politics of a particular city or neighborhood influence the use of minority sub contractors, contractors, or vendors?

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APPENDIX A

The following is a list of persons interviewed for this thesis who agreed to have their names identified.

Alicea, Jose. Former DSNI employee.

Bispham, Frank. Develop, Mattapan Enterprises.

Cruz, John B. Cruz Construction and Development Company.

Donato, Andrea. Boston Redevelopment Authority.

Gates, Otis. Member of the Minority Developers Association.

Gilmore, Marvin. CDC of Boston.

Guscott, Kenneth. Long Bay Management and Development Company.

Homer, Ronald. President, Boston Bank of Commerce.

Jacobs, Mike. Massachusetts Housing Finance Authority.

King, Melvin. Boston Activist.

Marshall, John. Boston Activist.

Nagel, Andrea. DSNI employee.

Parks, Paul. Paul Parks and Associates in Boston.

Robinson, Jack E. Pioneer Black real estate developer in Boston.

Rubin, Jerry. Boston Public Facilities Department.

Smith, Lawrence. Vice President of the Minority Developers Association.

Taylor, Richard. Taylor Enterprises.

Torres, Antonio. Boston Redevelopment Authority.

Wiley, Flether. Boston Attorney, Budd, Wiley and Richlin, P.C..

APPENDIX B

RENTAL HOUSING PROGRAMS

NAME OF PROGRAM -----	ACRONYM -----	GOALS/PURPOSE -----	ELIGIBILITY -----	ADMINISTERED BY -----
State Housing Assistance Program	SHARP	<ol style="list-style-type: none"> 1. To expand supply of mixed income rental housing 2. 25% of units must be set aside for affordable housing 3. units marketed to section 707 voucher holders 	non profit or private limited dividend developers	MHFA
Tax-Exempt Local Loans to Encourage Rental Housing	TELLER	<ol style="list-style-type: none"> 1. To expand supply of mixed income rental housing 2. 20 - 40% of units must be set aside for affordable housing 	non profit or private limited dividend developers	Local Housing AUTHORITY
Rental Development Action Loan	R-DAL	<ol style="list-style-type: none"> 1. To expand supply of mixed income rental housing and limited equity cooperatives 2. availability of subsidies to be determined by EOCOD 3. 25% of units must be set aside for affordable housing 	non profit or private limited dividend developers	EOCD
Low Income Housing Tax Credit Program		<ol style="list-style-type: none"> 1. Production and preservation of low income housing 2. 20% of units must be set aside for affordable housing 	non profit or private limited dividend developers	
Chapter 707		<ol style="list-style-type: none"> 1. Provides up to 10 years of increased rental subsidy for each rehabbed unit 		
Moderate Rehab Programs Section 8 (federal program)		<ol style="list-style-type: none"> 1. Renovation of Existing Rental Units 	properties must be located in communities with income 80% or below area median	

Massachusetts Executive Office of Communities and Development, A Guide to Producing Affordable Housing (Boston: The Cottonwood Company, August 1987) ;

Massachusetts Housing Partnership, A Guide to State Housing Resources (Boston: Massachusetts Executive Office of Communities and Development, October 1988).

HOMEOWNERSHIP PROGRAMS

Homeownership
Opportunity Program

HOP

1. Leverages low interest rate mortgage financing with state and local subsidies to expand supply of mixed income housing
2. 30% of units must be affordable, 5% must be purchased by local housing authority for rental to low-income families, 25% of units are offered to first time home buyers with incomes no more than 80% of area median

non profit or private limited dividend developers, CDCs, or community

MHFA, EOOD

MHFA Home Mortgage
Loan Program

1. Provides below market rate mortgages

lower income and minority households, Vietnam veterans, households w/ physically handicapped persons

MHFA

Massachusetts Housing Partnership, A Guide to State Housing Resources (Boston: Massachusetts Executive Office of Communities and Development, October 1988).

Massachusetts Executive Office of Communities and Development, A Guide to Producing Affordable Housing (Boston: The Cottonwood Company, August 1987).

OTHER PROGRAMS
(Federal)

Urban Development Action Grant	UDAGs	<ol style="list-style-type: none"> 1. Assist economically distressed cities and stimulate economic recovery 2. Promotes industrial, commercial, residential and mixed use projects 	<p>criterion selection include: comparative degree of economic distress, number of jobs created by project, firmness of other public and private commitments, extent of economic impact, extent of minority business participation</p>
Housing Development Grant	HoDAGS	<ol style="list-style-type: none"> 1. Allows municipalities to make loans, grants, interest reduction payments, or other forms of assistance to support the expansion of the supply of rental housing 2. 20% of units must remain affordable for at least 20 years 	<p>communities for projects with 20 to 200 units</p>
Community Development Block Grant	CDBG	<ol style="list-style-type: none"> 1. Housing rehab and construction, job development, commercial revitalization, business development, construction of public facilities 	<p>"entitlement" cities</p>
Community Development Action Grant	CDAGs	<ol style="list-style-type: none"> 1. Create new employment opportunities and revitalizing distressed areas 	<p>local communities</p>
Housing Abandonment Program		<ol style="list-style-type: none"> 1. Prevent or remedy substantial housing abandonment by stimulating early stages of redevelopment process including financial packaging, emergency repairs, and predevelopment work, but not permanent rehab 	

Massachusetts Executive Office of Communities and Development, A Guide to Producing Affordable Housing (Boston: The Cottonwood Company, August 1987).

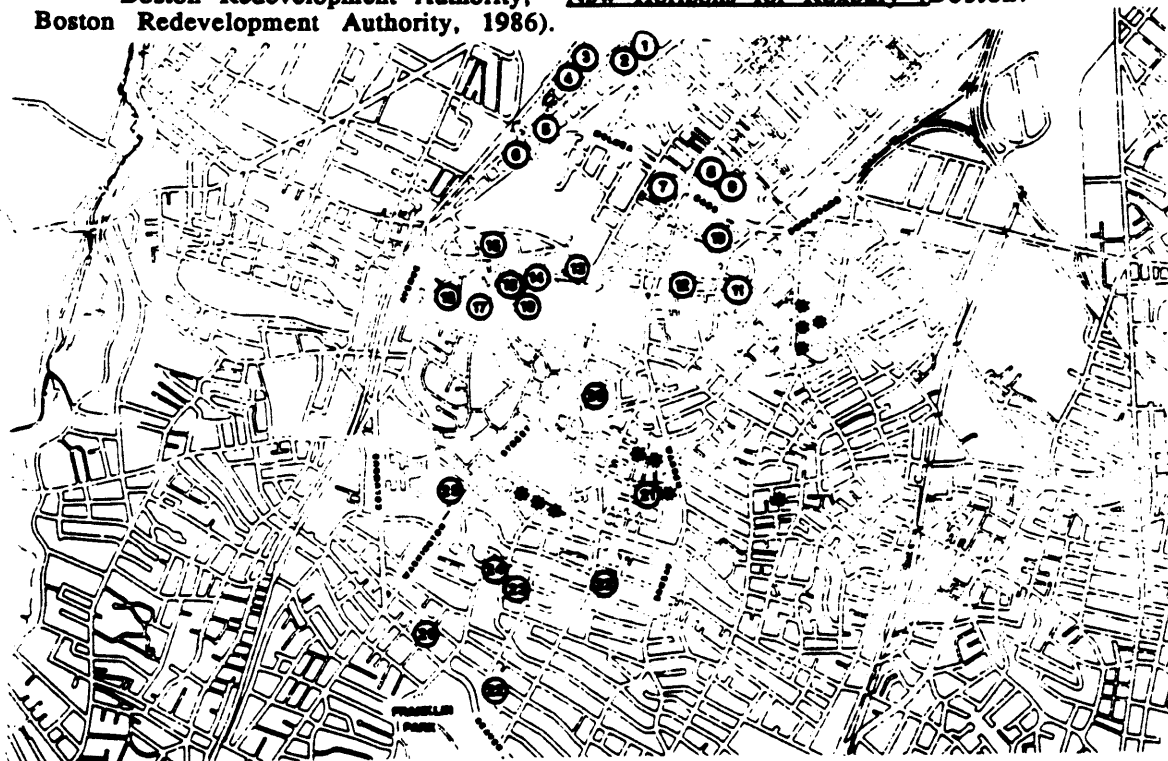
APPENDIX C

1985-1990	Investment	Housing	Square feet
Douglass Plaza I	\$ 25 million	146 units	---
Douglass Plaza II	\$ 35 million	250 units	23,000
Northeastern Univ. parking garage	\$ 9 million	(1000 spaces)	---
Northeastern Univ. athletic facility	\$ 18 million	---	---
Parcel 18/ Ruggles Plaza	\$203 million	150 units	600,000
Parcel 22/ Housing	\$ 20 million	200 units	---
Supermarket	\$ 3 million	---	35,000
45 Thorndike	\$103 million	3 units	---
47 Thorndike	\$100 million	3 units	---
Morgan Memorial	\$ 7 million	---	122,000
Winslow Court I	\$ 2 million	24 units	---
Winslow Court II	\$ 5 million	60 units	---
80 Dudley Street	\$ 13 million	70 units	---
Cox Building	\$2.2 million	31 units	---
Norfolk House	\$ 3 million	27 units	---
C.A.B.	\$2.5 million	22 units	---
14-20 Linwood	\$700 million.	12 units	---
68-70 Bartlett Street	\$2.6 million	22 units	---
Fountain Hill Square	\$ 8 million	116 units	---
Parcel A-5	\$2.5 million	22 units	---
Cass House	\$ 8 million	11 units	---
Garrison-Trotter	\$ 2 million	17 units	---
Parcel J-5-B	\$800 thousand	10 units	---
Council of Elders	\$ 8 million	147 units	---
Columbus Avenue	\$ 4 million	41 units	---
Infill Housing	\$ 7 million	84 units	---
4 Commercial	\$ 37 million	1,000 spaces	157,000
20 Residential	\$123.5 million	1,168 units	---
2 Mixed	\$238 million	400 units	623,000
Total	\$398.5 million	1,568 units 1,000 spaces	780,000

Boston Redevelopment Authority, New Horizons for Roxbury(Boston:
Boston Redevelopment Authority, 1986)

PROGRESS MAP : ROXBURY REINVESTMENT 1984-1990

Boston Redevelopment Authority, New Horizons for Roxbury (Boston: Boston Redevelopment Authority, 1986).



1. **Douglas Plaza**: \$25 million project; 146 units of housing; construction start Spring 1987; Concord Baptist Church/Taylor Properties, Developer.
 2. **Douglas Plaza II**: \$36 million project; 250 units of housing, 23,000 square feet of commercial space; 184 jobs created; construction start Spring 1987; Concord Baptist Church/Douglas Plaza Associates, Developer.
 3. **Parking Garage**: \$8 million project; 1,000 parking spaces; construction started Spring 1986; Northeastern University, Developer.
 4. **Athletic Facility**: \$18 million project; 188 jobs created; Developer: Northeastern University, Developer/City of Boston.
 5. **Parcel 18/Riverside Plaza**: \$203 million project; 120 units of housing, 60,000 square feet of commercial/retail space; 4,000 jobs created; 30% minority equity.
 6. **Parcel 22 Affordable Housing**: \$20 million project; 200 units of housing; construction start - Spring 1988; City of Boston/Public Facilities Department.
 7. **Supermarket**: \$3 million project; 35,000 square feet; 417 jobs created; Roxbury's first full service supermarket; substantial minority ownership; PFD, BRA.
 8. **46 Thurgood**: \$163,000 project; 3 units of housing; construction start - Spring 1987; Architects of Boston, Developer.
 9. **47 Thurgood**: \$168,000 project; 3 units of housing; construction start - Spring 1987; Jean Case-MBE, Developer.
 10. **Morgan Memorial**: \$7 million project; 122,000 square feet of commercial/retail space; 310 jobs created; Morgan Memorial, Developer; City of Boston/EDIC.
 11. **Windsor Court**: \$2 million project; 24 units of housing; construction start Fall 1986; Opportunities Industrialization Corporation OIC-MBE, Developer.
 12. **Windsor Court**: \$5 million project; 80 units of housing; construction start - Summer 1987; Opportunities Industrialization Corporation - MBE, Developer.
 13. **80 Dudley Street**: \$13 million project; 70 units of housing; construction start - Spring 1987; Ross Associates, Marvin Gilmore, Dwayne Jackson, Joint Venture Development Team.
 14. **Gas Building**: \$2.2 million project; 31 units of housing; John B. Cruz, Developer.
 15. **Heritage State Park**: \$4 million project; Commonwealth of Massachusetts and BRA; Open - Spring 1988.
 16. **Marple House**: \$3 million project; 27 units of housing; under construction; Ross Perry Associates/RAP, Joint Venture.
 17. **CAB**: \$2.5 million project; 22 units of housing; construction start - Spring 1988; CAB-MBE/CDC, Developer.
 18. **14-20 Linwood**: \$700,000 project; 12 units of housing; construction start - Spring 1987; Dwayne Jackson Associates-MBE, Developer.
 19. **66-70 Bartlett Street**: \$2.5 million project; 22 units of housing; construction start - Spring 1987; Ross Perry Associates/RAP, Joint Venture, Developer.
 20. **Fountain Hill Towers**: \$8 million project; 116 units of housing; construction start - Spring 1987; Taylor Properties, Developer.
 21. **Parcel A-3**: \$2.5 million project; 22 units of housing; construction start - Spring 1988; Richard Cruz-MBE, Developer.
 22. **CAB House**: \$8 million project; 111 units of housing; under construction; John B. Cruz-MBE, Developer.
 23. **Garrison-Tractor House-1**: \$2 million project; 17 units of housing; under construction; Contin Development Corporation-MBE, Developer.
 24. **Parcel AB**: \$800,000 project; 10 units of housing; construction start - Spring 1988; John B. Cruz-MBE, Developer.
 25. **Council of Elders**: \$8 million project; 147 units of housing; Council of Elders, Developer.
 26. **Columbus Avenue**: \$4 million project; 41 units of housing; under construction; Urban Edge CDC, Developer.
- Infill Housing**: \$7 million project; 84 units of housing; construction start - Spring 1987; Infill Collaborative-CDC, Developer.

APPENDIX D

Brief Description of Black Development Firms Interviewed.

Long Bay Management Company, a family owned business, has been in operation since 1968. The Guscott brothers, Kenneth, Cecil , and George have rehabilitated over 1,000 units of multi-family housing, and developed over more than 70,000 square feet of commercial space in Greater Roxbury. The Guscotts are a partner in the Colombia Plaza Associates' Parcel 18 project, a joint venture with Metropolitan Structures Incorporated in the Roxbury neighborhood .

Property Development Services has been in business since 1985 with Lawrence Smith as the major stock holder. Lawrence Smith has been involved in for-profit development since the early 1960's in Boston under different company names.

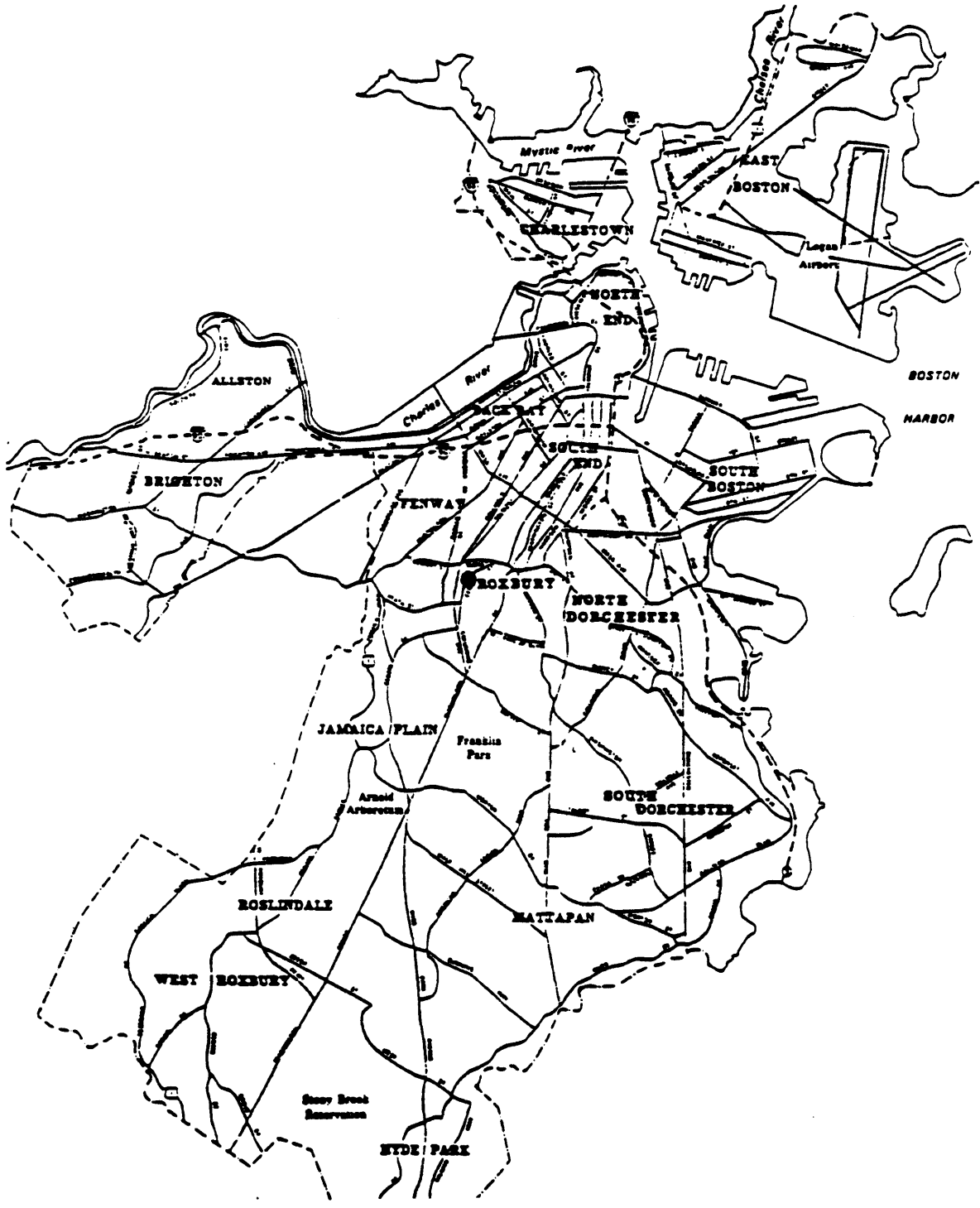
Property Development Services does extensive real estate consulting services and development. Smith has developed hundreds of housing units, and in recent years, has become involved in commercial development in Roxbury. According to Mr. Smith, he has been involved as developer and/ or consultant on over \$100 million worth of projects (Smith 1990). Mr. Smith is the Vice President of the Minority Developers Association.

Cruz Management and Development Company was started in 1982. To date, the company has developed over a 1,000 units of housing units in the Greater Roxbury area. John Cruz III, General Partner, is currently involved in a retail development project of approximately 20,000 square feet in Miami, Florida. The company has done no commercial development in the state of Massachusetts. Mr. Cruz is a partner in the

Columbia Plaza Associates' Parcel 18 project in Roxbury. Mr. Cruz is the President of the Contractors Association of Boston.

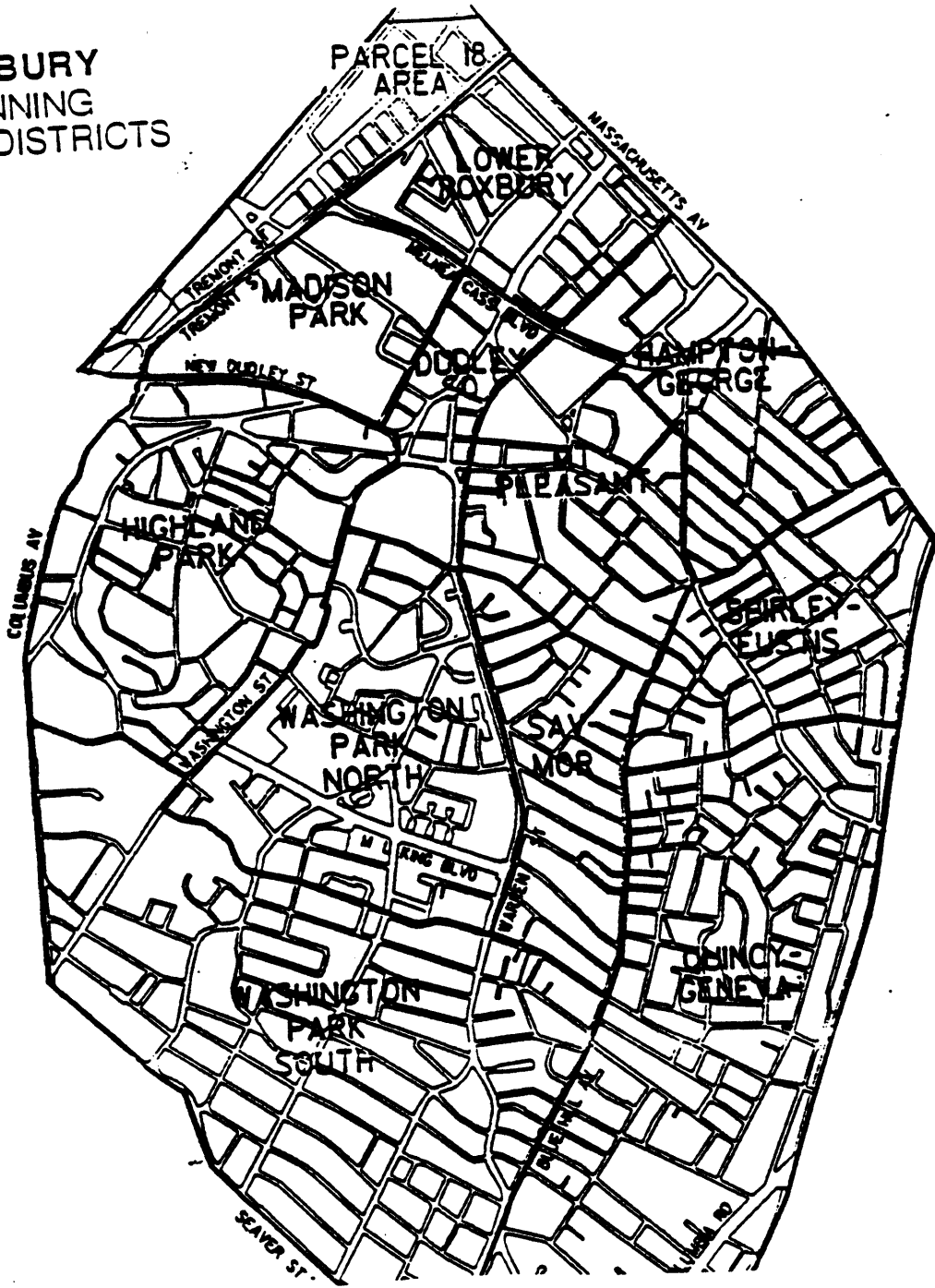
The youngest company of the four interviewed, Taylor Enterprises, was established in 1984. Richard Taylor, has developed several hundred residential units both condominiums and rental units. He has been involved in commercial (approximately 27,000 square feet), retail (approximately 17,500 square feet) development. Richard Taylor is a partner in a light industrial project in South Boston. Taylor has developed property in Roxbury and South Boston neighborhoods of Boston, as well as in the cities of Cambridge, and New Bedford. Mr. Taylor is the President of the Minority Developers Association.

APPENDIX E



Boston Public Facilities Department. Project 747 Cedar Street/ Highland Park Request for Proposals (Boston: Public Facilities Department, January 1990).

**ROXBURY
PLANNING
SUBDISTRICTS**



Boston Redevelopment Authority, Roxbury Interim Planning Overlay District (Boston: Boston Redevelopment Authority, 1987).

