

perspectives

Federal Reserve Bank of Dallas

BANKING & COMMUNITY PERSPECTIVES

2001, ISSUE 2

FAITH AND HOUSING

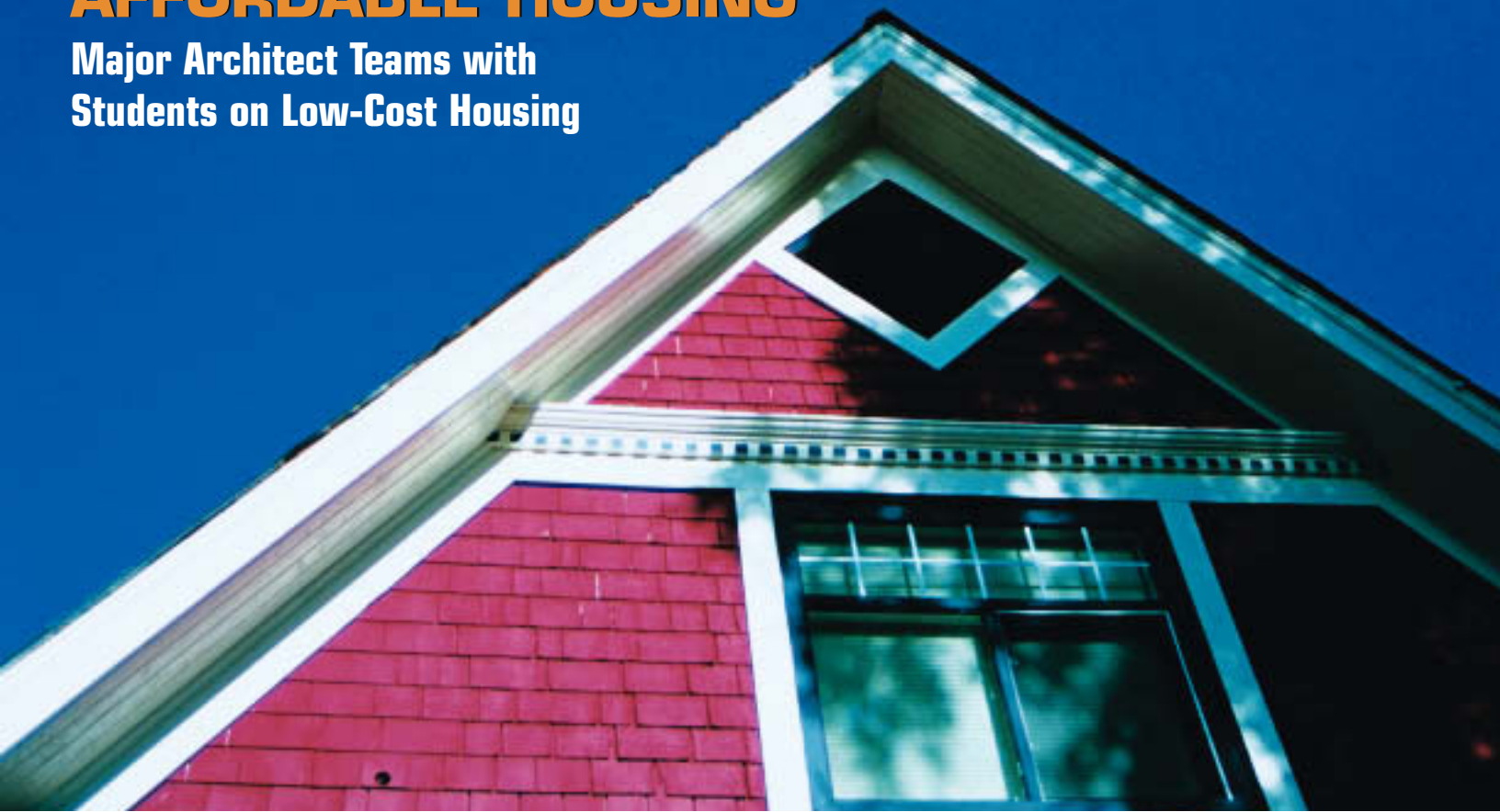
Delivering the Dream of Home Ownership

NOT IN MY BACKYARD

The NIMBY Phenomenon
and Affordable Housing

PLUS REDEFINING AFFORDABLE HOUSING

Major Architect Teams with
Students on Low-Cost Housing



TAKING A LOOK AT HOUSING

More than 68 percent of American households owned their own home in third quarter 2001, the highest percentage ever. According to *The State of the Nation's Housing: 2001*, published by Harvard's Joint Center for Housing Studies, the number of homeowners has grown by 8.1 million since 1994. Innovative partnerships like those profiled in this issue of *Perspectives* have contributed to increases in affordable housing stock and access to home ownership.

However, the Harvard study points out that while progress has been made, housing is becoming less affordable overall. Average real home prices have increased 26 percent since 1975, while median homeowner incomes have risen just 22 percent. Today, nearly one in four owners spends at least 30 percent of his or her income on housing.

Sustaining the current home ownership rate will depend in part on the development of more affordable housing stock. Forging partnerships that bring efficiency to this process is one way to make housing more affordable in our urban, suburban and rural communities.

You can find the Joint Center report online at www.jchs.harvard.edu.

— Nancy Vickrey
Assistant Vice President
and Community Affairs Officer
Federal Reserve Bank of Dallas

FAITH AND HOUSING

Delivering the Dream of Home Ownership

Rev. Kirbyjon Caldwell and his Houston area congregation have faith in the concept of community empowerment and using it to deliver dreams.

Because of this, an offshoot of Windsor Village United Methodist Church is developing one of the country's largest affordable housing subdivisions initiated by a faith-based organization. Pyramid Community Development Corp. and its supporting corporation, Pyramid Residential Community Corp., are 501(c)(3) nonprofit corporations the church created to undertake community development projects.

Once completed, Corinthian Pointe will be home to more than 450 single-family homes and the kind of amenities usually confined to high-end master-planned communities—a park and recreational facilities, an elementary school, health care facilities and retail shops. The majority of the homes will be priced well below the Houston median of \$121,400. Eighty percent will cost between \$70,000 and \$103,000, making them accessible to families at or below 80 percent of Houston-area median income. Twenty percent will sell for \$103,000 to \$140,000.

“Our vision is to create a mixed income community, while providing first-class homes for low- and moderate-income families,” says Caldwell.

Caldwell and his congregation know from experience that community empowerment can be used to improve the quality of life. They also know how to seize an unexpected opportunity. The church had found the perfect spot for a chapel it wanted to build, but the owner would not subdivide the parcel. With lots of prayer and thought, Pyramid CDC decided to purchase the

entire 234 acres and create the Corinthian Pointe community.

Tax Increment Reinvestment Zone

Building Corinthian Pointe has required the participation of not only the church and its CDC but also a local bank, the city of Houston and a major homebuilder.

Acquiring the land and developing the infrastructure for the residential area will cost about \$11 million. Pyramid CDC committed \$750,000 equity to the project, and J.P. Morgan Chase provided a \$4.8 million revolving line of credit.

Acting on a petition circulated by the CDC, the Houston City Council designated the area a Tax Increment Reinvestment Zone (TIRZ), enabling Corinthian Pointe to receive a portion of the annual incremental increase in tax revenue resulting from the development. When the TIRZ was created in 1997, the 234 acres were on the tax rolls at only \$13,580, thanks to an agricultural tax exemption. The projected taxable value of the property after everything is completed is more than \$60 million.

The TIRZ anticipates reimbursing the developer—Pyramid Residential Community Corp.—for up to \$6 million in infrastructure improvements. By helping defray these costs, the TIRZ enabled Pyramid RCC to sell lots for \$10,000 to \$11,500 instead of the \$18,000 they would otherwise have cost.

Homebuilder Steps Up

Ryland Homes, which builds about 1,200 houses a year in the Houston area, is the principal builder in Corinthian Pointe. Ryland had two reasons for becoming involved with the project, says Jim Lemming, president of the builder's Houston Division.



Pastor Kirbyjon Caldwell of Windsor Village United Methodist Church (right) and Jim Lemming of Ryland Homes discuss plans in a model home at Corinthian Pointe development in Houston.

“First, we firmly believe that members of all socioeconomic classes make important contributions to the city. Second, we see a great potential for profit here. Building affordable houses is the right thing for Ryland and the community.”

Ryland will construct 80 percent of the homes, using many of the same floor plans the company builds in market-priced subdivisions. The houses range from about 1,200 to 2,000 square feet and include such features as brick construction, upgraded master baths and ceramic tile entryways. Says Caldwell: “We are the most elegant low-to-moderate-income housing development in America. We are destroying the negative image of affordable housing projects.”

Smaller, minority-owned companies like Amenity Plus Homes are building the remainder of the homes. Ryland is sharing resources with the smaller builders, a practice Pyramid CDC encourages. Amenity President Jaromey Roberts says the relationship has given his company the chance to learn operational and control systems that are helping his business run more efficiently. Another plus, he says, is that the greater access to subcontractors and trades at the site has made it possible to negotiate better prices. “They know there are several

hundred homes to be built, as opposed to just our usual 10 or 12.”

Structuring a Workable Deal

J.P. Morgan Chase worked with Pyramid RCC to bring Ryland Homes into the partnership. Key to Chase’s ability to extend the line of credit was having Ryland enter into a firm contract to buy the lots from Pyramid RCC as they are developed. This ensures that the RCC will have a solid source of money for repayment. The loan balance will be paid off from the TIRZ reimbursement to the RCC. Chase anticipates that once the development is completed, the city will issue bonds supported

by the property tax increases in the TIRZ, reducing the loan repayment time.

Pyramid RCC is responsible for monthly interest payments on the outstanding balance on the line of credit and pays off what it has borrowed as the lots are sold to Ryland. The RCC also committed to increasing the taxable value of the property in the TIRZ. It will pay property taxes on the land it owns rather than take the exemption offered community housing development organizations.

The Pyramid–Ryland partnership was key to J.P. Morgan Chase making the loan, says Richard Celli, the bank’s senior vice president for community development lending. “Pyramid CDC has a bankable contract from Ryland Homes to purchase the lots. The bank was willing to take the risk on the TIRZ as a source of repayment for the balance of the loan because it made the lots affordable. The capacity of the RCC to provide equity and monthly interest payments was necessary.”

Debora Grant, senior loan officer with Ryland Mortgage, estimates the company has originated about half the loans for the Corinthian Pointe homes Ryland has built. Other lenders issuing mortgage commitments include Bank of America, Bank One and J.P. Morgan Chase. Grant is also making sure families at 80 percent of median income are aware of the city’s down payment assistance program.

Continued on page 8

PASTOR WITH A PURPOSE

When Kirbyjon Caldwell became its pastor in 1982, Windsor Village United Methodist Church had only 25 members. Today it has more than 14,000, making it the country’s largest United Methodist Church. Caldwell brings some distinctive credentials to his job. He earned an M.B.A. from the University of Pennsylvania’s Wharton School of Business and worked on Wall Street before

returning to school for his master’s in theology. He serves on J.P. Morgan Chase’s Texas regional and national ministers advisory boards, as well as on several other local and national boards. Among his friends in high places is President George W. Bush. Caldwell introduced Bush at the 2000 Republican National Convention and offered the benediction at his inauguration.

NOT IN MY BACKYARD

The NIMBY Phenomenon and Affordable Housing



Many government and corporate projects receive the support of the majority of citizens because they are viewed as beneficial, necessary or just the right thing to do. Large retail developments offer consumers convenient access to a variety of products. Landfills provide a place to dispose of refuse. And assisted-living group homes enable the developmentally disabled to live in the community.

But when faced with the prospect of one of these developments in their neighborhood—sometimes, anywhere in their community—concerned citizens are likely to protest, “Not in my backyard!”

Though the phrase’s first recorded use was in 1980, “Not in my backyard”—otherwise known as NIMBY—is a phenomenon as old as self-interest and community. In practice, NIMBY is an attempt by residents to delay, diminish or prevent a development from locating in their community.

The projects most likely to face intense and well-organized opposition are prisons, waste facilities, homeless shelters, group homes and the mainstay of community development, affordable housing.

They may not want it in their backyard, but the public generally supports the concept of providing affordable housing for those who need it. Seventy percent of respondents to a 2000 survey by the National Low Income Housing Coalition (NLIHC) said the government should assume at least some responsibility for providing low-income people with affordable housing. In fact, only 10 percent felt government should bear no responsibility.

The Dallas Housing Authority worked with North Dallas residents to design an affordable complex that would fit into their neighborhood.

So if the concept has widespread acceptance, what’s all the fuss about?

Root Causes

Certainly, some opposition is a result of conviction: “I paid for my house. Why shouldn’t everyone else?” However, as the NLIHC survey shows, only a small portion of people completely oppose affordable housing. Also, NIMBYism is traditionally a local phenomenon, whereas public policy on the government’s role in society is generally thrashed out at the state and national levels. So well-organized, vocal opposition to affordable housing at the local level is unlikely to be purely ideological.

Some have made the case that opposition to affordable housing is simply a disregard for others. Ann Lott, CEO of the Dallas Housing Authority, disagrees.

“I don’t see NIMBY groups as simply selfish. The fact is that the poor carry a stigma, and NIMBYism is really about fear,” she says.

The fear is that affordable housing will act as a drag on public resources, diminish neighborhood aesthetics, reduce safety by attracting crime and interfere with normal market activity—all of which can lower property values.

Homeowners are understandably concerned about preserving their neighborhoods. A home is a major financial investment. According to Federal Reserve System

data, in the first quarter of 2001 home equity accounted for 55 percent of the average American’s financial assets. Equally as important, the neighborhood is where people raise their families, send their kids to school and spend their personal time.

When the Dallas Housing Authority announced plans to develop affordable housing in his neighborhood, Dick Prewitt was adamantly opposed.

“I was definitely worried that our neighborhood would carry a stigma and there would be an increase in crime and a decrease in property values,” he says. Convinced his personal safety and home equity were at stake, Prewitt went public with his fears, and soon his neighbors joined him in a battle to block DHA’s plans.

Powerful Opposition

Land-use rulemaking has traditionally been the charge of local governments, the idea being that local residents know what’s best for their communities and it’s at the local level that the effects will be felt. Hence it is at the local level that NIMBY groups generally exert their influence. By lobbying local officials, circulating petitions and rallying behind political candidates running on NIMBY platforms, NIMBY groups can profoundly affect zoning decisions and the outcome of elections and pose a serious threat to affordable housing development.

Lott knows that such opposition comes with the territory. “We expect to face it to some degree anytime we build affordable housing,” she says.

Opposition is exactly what DHA got in Prewitt’s North Dallas neighborhood, one of the city’s most affluent. Envisioning dilapidated, poorly managed housing that would attract an undesirable clientele, Prewitt and about a thousand other area residents spoke against the project at a DHA public forum.

A Matter of Perspective

Is NIMBYism always bad? When low-income homeowners pack a city council meeting to keep a chemical plant from locating near their neighborhood, it’s difficult to accuse them of unenlightened self-interest. It’s equally difficult to label a group guilty of a total disregard for others when they try to block a liquor store’s plans to locate near their church. Nor would most people consider those who oppose a nuclear waste site in their community simply selfish.

NIMBY is a phenomenon as old as self-interest and community.

Not only is NIMBYism often understandable, it can also sometimes benefit a community by raising awareness. It is a key component of the planning framework in most communities. Zoning embodies an element of NIMBYism by designating sections of a community suitable only for specific uses, such as commercial or single-family residential. The idea is to prevent a convergence of incompatible land uses. Zoning prevents people from starting an automotive repair business in their garage or from turning their home into a motel.

Recognizing that the motives for NIMBYism are understandable and that it is often an element in land-use restrictions may not make it any easier for community developers to swallow. But experienced

community development organizations have found that acknowledging both is critical to addressing the issue.

Managing Opposition

The key to managing the NIMBY phenomenon lies at its root cause.

“Communication is the key. Acknowledge and address the fear,” says Lott.

NIMBY groups are primarily concerned that a project will negatively impact them and that someone else will control what happens to their neighborhood. What community developers have found is that including the neighborhood in the planning process and educating them on the project’s impact can greatly reduce opposition.

DHA included the North Dallas neighborhood in the process by forming a task force of area homeowners to choose a design for the project that would fit in with the neighborhood as Dick Prewitt and other residents saw it.

Easing fears about the impact on property values, crime and service levels can be difficult but is crucial to reducing opposition. Establishing the facts about the impact of affordable housing and then communicating them to the stakeholders can help ease fears. The critical component to this strategy is being able to demonstrate a pattern of success by the developer and manager. Affordable housing always faces NIMBYism if it fits the stereotype of government-run “projects.” Its acceptance requires professionally managed, well-maintained developments that fit in with existing neighborhoods.

DHA’s North Dallas complex demonstrates the power a well-run development can have on public opinion. Since the project’s completion, Dick Prewitt has changed his perception.

“Most of the homes here are brick or stucco and have well-manicured landscaping,” he says. “I didn’t envision a development that would conform to our neighborhood standards. But everything

they said would happen did happen. We are all living here harmoniously.” ■

— Toby Cook

For a copy of “Managing Local Opposition to Affordable Housing,” contact the National Association of Local Housing Finance Agencies at www.nalhfa.org or (202) 367-1197.

AFFORDABLE HOUSING’S IMPACT ON PROPERTY VALUES

Opposition to affordable housing often centers around the notion that when it’s constructed, property values in the surrounding area will decline. Well, it makes sense, doesn’t it? Won’t the stigma of affordable housing make it difficult to sell nearby homes? With lower demand, won’t prices have to be reduced to find willing buyers?

An extensive body of research indicates otherwise. Studies conducted in a variety of cities across the country have found that the presence of affordable housing does not disrupt the resale market.

Minneapolis-based Maxfield Research Inc. recently examined affordable housing’s effect on 12 neighborhoods in the Twin Cities. The study looked at price per square foot, sales to listing price and the amount of time it took to sell. The study found that homes near affordable housing developments displayed similar or stronger performance on the resale market than other homes. The researchers concluded there is little or no evidence to support the claim that affordable housing adversely affects property values.

The study can be found on the Family Housing Fund’s web site at www.fhfund.org/whatsnew.htm.

REDEFINING AFFORDABLE HOUSING

Major Architect Teams with Students on Low-Cost Housing



Hester + Hardaway Photographers

When a team of University of Houston architecture students volunteered to participate in the school's chapter of Habitat for Humanity, they were disappointed with the boxlike design of the typical Habitat house. The students believed that with careful planning and design, the homes could be both attractive and economical.

Their advisor, Drexel Turner, asked renowned architectural firm Venturi, Scott Brown and Associates to design two houses that would be low cost and low maintenance, yet aesthetically pleasing and easy for the students to build. Turner, then Menil Collection curator, had known Robert Venturi for many years and felt his shop was what he was looking for: a world-class firm that had also done modest residential projects.

Venturi was delighted to take on the challenge of designing an affordable urban house and pleased with the opportunity to contribute to the community. Among the upscale homes and creative

public buildings that constitute the bulk of the Philadelphia firm's portfolio are the Children's Museum in Houston, the Sainsbury Wing at the National Gallery in London and the Seattle Museum of Art.

Approaching the venture as a demonstration project and tapping the students' skills and a nonprofit's resources, Venturi saw this as a chance to explore affordable housing possibilities for inner-city neighborhoods. The result proves that "low-cost, inner-city housing need not be meanly scaled versions of suburban builders' houses," says *Houston Architectural Guide*, written by architectural historian Stephen Fox.

Although the Venturi group is known for incorporating innovative design elements into its projects, this one was to use traditional schemes.

"We are architects who are not ashamed to design buildings that look like buildings...[and] that do not impose on the public original/radical architectural symbolism...that the public doesn't want," says Venturi. "We architects should remember it is better to be good than original."

Venturi group, with help from the UH students, took special care to ensure that the houses were practical for untrained volunteers to build. This was important because unlike standard Habitat homes, these were designed with a second floor, complicating construction. To facilitate assembly, the design team had Calcasieu Lumber Co. in Austin supply precut framing components. This not only simplified the building process but also reduced

the amount of lumber lost to overcutting and pilferage.

Once the houses were designed, a team was assembled to construct them in the heart of Houston's Fifth Ward. Because the designs were outside the scope of its expertise, Habitat approached Fifth Ward Community Redevelopment Corp. about being the builder and funding the construction. UH students specializing in construction management joined those from the architecture school to provide



Hester + Hardaway Photographers

roughly 50 percent of the needed labor; Fifth Ward CRC supplied the rest.

The finished homes look like anything but affordable housing. Each has approximately 1,450 square feet, with a living room and kitchen/dining area on the first floor and three bedrooms and two baths upstairs. The houses have 8-foot-deep porches and 120-square-foot toolsheds. They also have 9-foot ceilings, groupings of oversized windows, pine floors and zoned air-conditioning.

The use of high-quality materials that Turner describes as "zero maintenance"



Hester + Hardaway Photographers

ensures that the homes will be economical to own. Features such as painted aluminum roofs, Hardie plank siding, and non-rotting Trex plastic and plywood trim ensure they will hold up well over a lifetime, without the problems that plague many low-cost homes. “These houses cost more to build but will last forever,” says Turner, a visiting assistant professor at UH.

The project, completed in spring 2000, was not without its problems. Because the students could generally work only on weekends, the project took far longer to complete than expected. Construction took more than 300 days, rather than the 120 that had been scheduled. Kathy Pay-

ton, executive director of the Fifth Ward CRC, says the delays contributed to some cost overruns, which the CRC covered with a grant from the Fannie Mae Foundation. The houses sold for \$103,000, the maximum allowable amount under HUD guidelines for the city of Houston’s down payment assistance program.

The CRC, however, considers the experiment a great success. With some cost-related modifications, Payton envisions the Venturi homes as a key element in the revitalization of the Fifth Ward, where the typical single-family residence is a 50-year-old shotgun house. “A diverse array of housing is important to attracting families

at different income levels, and this helps rebuild the neighborhood,” she says.

Venturi has donated the architectural plans to Habitat and Fifth Ward CRC for future use. Turner would like to see more of the homes built but has not yet found another group with the human resources to take on the project on the scale he envisions.

“What we hope to do is have 10 to 20 units built at once,” he says. “They are too nice and too practical to not keep it going.” ■

— Jackie Hoyer

For more information, contact Fifth Ward Community Redevelopment Corp. at (713) 674-0175.

A WOMAN'S PLACE IS IN HER OWN HOME



Woman-headed households are a growing segment of the housing market, due largely to rising divorce rates, later marriage and increased life expectancy. By 2010, projections show, women will head almost 28 percent—or 31 million—of U.S. households.

But despite a fourfold growth in woman-headed households since 1950, only half own their own homes. Fannie Mae and the McAuley Institute initiated a program in spring 2001 to promote home ownership for women in a number of major metropolitan areas, including Houston. Nationally, they hope to help 40,000 low-income women achieve home ownership. In Houston, the goal is to engage 1,000 households headed by

women, regardless of income, in the homebuying process by December 2002.

In Houston—where the program is called Women Headed Household Homeownership Initiative—the Fannie Mae Partnership Office and the McAuley Institute have joined local entities that include the city of Houston, United Way of the Texas Gulf Coast and the Houston Area Urban League to encourage public and corporate support for educating women about homebuying and expanding their access to it. Five homebuilders, a home improvement store, three banks, five mortgage companies and more than 30 community-based organizations are also contributing to the effort, which involves educational workshops, credit counsel-

ing, and down payment and closing cost assistance.

The program is designed to tackle the major barriers women face in buying a home. Research shows that women generally have lower incomes than men and frequently have credit issues as a result of divorce or widowhood. Other barriers are a lack of knowledge and intimidation about homebuying. Fannie Mae focus group research found that women often don’t see themselves as homeowners, even when they’re financially capable of handling a mortgage. ■

For more information on the program, call Fannie Mae at (202) 752-7753.

Faith and Housing

Continued from page 3

Corinthian Pointe is scheduled for completion in 2005. As of November 2001, loans had been closed on 108 homes and demand remained high. In September, it took only 15 minutes for buyers to snap up 30 new Ryland homesites. The homes' value and affordability are proving irresistible, and Pyramid RCC couldn't be more pleased.

As Caldwell says, "So far, so great." ■

— Jackie Hoyer

What's a TIRZ?

Tax Increment Reinvestment Zones are special districts created by local governments to stimulate the redevelopment of blighted areas or entice investment that would not otherwise occur. TIRZ authorities use their revenues to finance public improvements in the district, which attracts private investment because costs associated with the development are reduced.

Revenues to the authority come from incremental tax increases resulting from new development. When the zone is established, participating taxing entities are limited to revenues from the existing tax base for the life of the TIRZ. Taxes on increased property values resulting from improvements—the tax increment—go to the TIRZ authority to pay any debt incurred for investments in infrastructure or to make additional improvements. ■



Many faith-based organizations have expressed interest in becoming affordable housing developers. *Perspectives* asked **Lorenzo Littles**, Dallas director of the Enterprise Foundation, for recommendations on how to go about it. Here's what he suggests.

Develop a Strong Community Development Corporation

- ✓ Seek out experts for advice at every stage of the project's development.
- ✓ Talk with the organization's leadership and review the mission to assess if becoming a housing developer is in the organization's best interest.
- ✓ Assess the organization's financial and operational capacity to expand activities.
- ✓ Set up a separate organization as the development arm of the faith-based organization.
- ✓ Develop bylaws, a mission statement, a strategic plan and a strong board of directors to support the new organization's mission.
- ✓ Hire an executive director with development experience.

Plan a Development

- ✓ Listen to the community's needs and wants.
- ✓ Conduct a market study in the neighborhood.

Initiate a Project

- ✓ Identify the project best suited for the community.
- ✓ Build a development team, which might include members of the congregation, community and city representatives, bankers, real estate brokers, development experts and builders, a lawyer, an accountant, an architect, a marketer and other potential funding sources.

Develop a Sound Financial Plan

- ✓ Develop a project budget.
- ✓ Explore all sources of funding, including loans, equity investments, grants, foundations, public money, private donations and member resources.
- ✓ Prepare information that funding sources will need to assess the organization's stability, resources and experience, as well as its ability to complete the development and, if necessary, provide long-term management.

This is only the beginning. The organization will need to locate suitable and available land, provide any needed infrastructure, review and modify architectural and engineering designs, inspect the final work, and lease or sell what's built.

perspectives 2001, Issue 2

www.dallasfed.org

Federal Reserve Bank of Dallas

Community Affairs Office
P.O. Box 655906
Dallas, TX 75265-5906

Gloria Vasquez Brown

Vice President
gloria.v.brown@dal.frb.org

Nancy C. Vickrey

Assistant Vice President and
Community Affairs Officer
nancy.vickrey@dal.frb.org

Toby Cook

Community Affairs Specialist
toby.cook@dal.frb.org

Veronica Garza

Community Affairs Specialist
veronica.garza@dal.frb.org

Jackie Hoyer

Houston Branch
Senior Community Affairs Advisor
jackie.hoyer@dal.frb.org

Diana Mendoza

Community Affairs Specialist
diana.mendoza@dal.frb.org

Publications Director: Kay Champagne
Editor: Monica Reeves
Designer: Tonya Abna
Issue Editor: Jackie Hoyer

December 2001

The views expressed are those of the authors and should not be attributed to the Federal Reserve Bank of Dallas or the Federal Reserve System. Articles may be reprinted if the source is credited and a copy is provided to the Community Affairs Office.

Webzine *e-Perspectives* is on the web at e-perspectives.org. Look for a new issue six times a year.