



Single-family infill housing being built on Lyons Avenue by the Fifth Ward Housing Corporation, a community development corporation.

During the 1980s, while most of the nation was undergoing a construction boom of unprecedented proportion, Houston was experiencing declining real estate values, bankruptcies, and economic stagnation. Nowhere was the impact of this depression felt more severely than in the city's low- and moderate-income neighborhoods. It was here that loss of jobs resulted in homelessness, overcrowding, and deterioration of already marginal housing stock. Meanwhile, loss of revenue by neighborhood services and retail businesses led to further decline in the local economies of these areas.

Houston's apparent revival of prosperity tends to be limited to the city's more affluent districts; there is little evidence of a recovery in African-American, Hispanic, and other low-income neighborhoods. However, despite the continued reluctance of local developers to risk projects in such areas as Fifth Ward, Denver Harbor, or Acres Homes, there is now cause for optimism. The prospects for new development in these neighborhoods are greater than at any other time in the recent past. One reason is the arrival of a new phenomenon in Houston: the community development corporation (CDC).

CDCs are community-based, nonprofit, tax-exempt corporations that may engage in a variety of activities but whose focus is primarily the development of real estate within their stated target neighborhoods. The typical CDC has a board of 10 to 20 directors representing the community's various residential, commercial, civic, and institutional interests. In many respects CDCs function like private developers. However, unlike private developers, CDCs are not driven exclusively by the profit motive. Instead they sacrifice profit in favor of other objectives defined by their constituent neighborhoods.

Since the mid-1960s, CDCs have been active in efforts to redevelop inner-city neighborhoods in many Northeastern and Midwestern cities. Founded in response to the failure of the urban renewal approach of the 1950s and 1960s, CDCs build development capacity within neighborhoods requiring revitalization. In fact, this is achieved by building partnerships with other nonprofit and public agencies, financial institutions, and even private developers.

Over the past two years, at least ten CDCs have been formed in various Houston neighborhoods. Although that is a relatively small number (Chicago has more than 100), there is significant support behind the fledgling groups. The Local Initiatives Support Corporation (LISC), working in conjunction with its local affiliate, the Houston Committee for Private Sector Initiatives (PSI), has committed funds and staff to the organization and training of several new CDC boards during the past year through the Houston Development Team. Modeled after a successful LISC program in the Monongahela Valley suburbs of Pittsburgh, the PSI development team has selected several neighborhoods within which to recruit boards of directors, to whom legal, design, and organizational assistance have been provided.

The Rise of the Community Development Corporations

John Rogers

In addition to the Houston Development Team, support has also been made available to some CDCs by the United Way. Through New Foundations, a pilot program now under way in Houston and four other U.S. cities, the United Way has committed multi-year operating funds, as well as technical assistance, to three local CDCs. These critical funds have enabled CDCs in Fifth Ward and the East End to hire full-time staff members and achieve a higher degree of organizational stability than would otherwise be possible. A third group, the Amoco Foundation, set up shop in Houston several months ago following successful efforts to assist CDCs in other cities. Amoco provides grants to fund feasibility studies, land acquisition, and other programs.

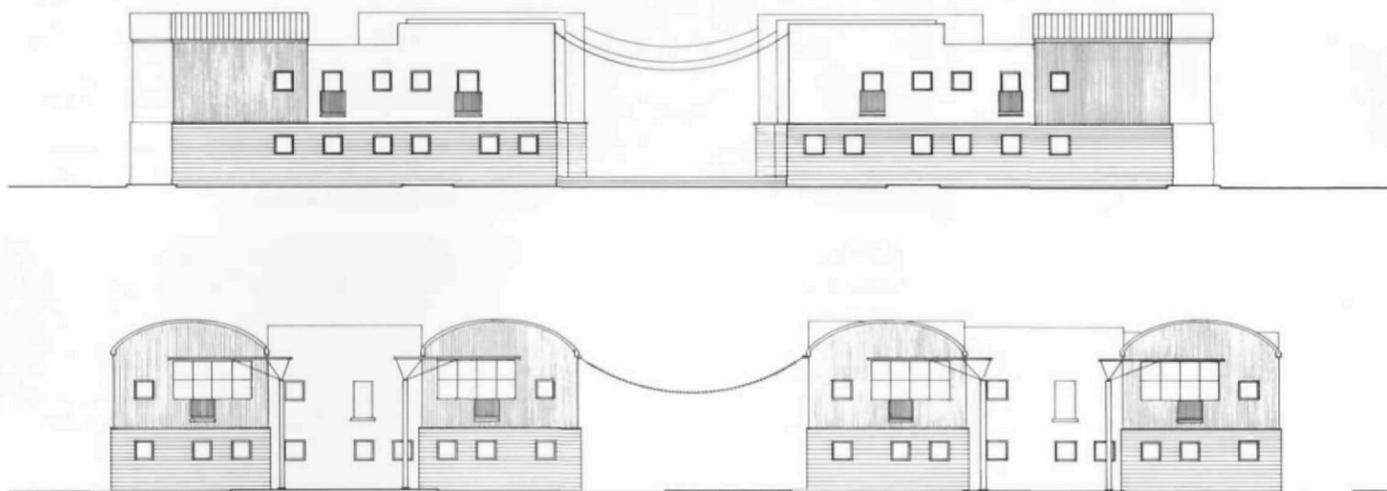
The majority of Houston's CDCs are focusing their efforts on the production of affordable housing. For instance, on 12 February the Fifth Ward Housing Corporation commenced construction of single-family houses along Lyons Avenue. Nearby, the Fifth Ward Redevelopment Corporation's program of building new, single-family houses (designed by EDI) on infill lots has received a financial commitment

in excess of \$300,000 for "soft" second mortgages from the city of Houston. Meanwhile, in the East End, the Association for the Advancement of Mexican-Americans CDC will soon begin construction of the first phase of what will ultimately be a 65-unit apartment complex designed by Cisneros & Partners. Nearby, on a site across I-45 from the University of Houston, the Greater Eastwood CDC is working out the financing of a 17-unit townhouse project designed by Ray Bailey Architects. Similarly, groups in the Heights, Acres Homes, and elsewhere are studying the feasibility of new housing in their own neighborhoods.

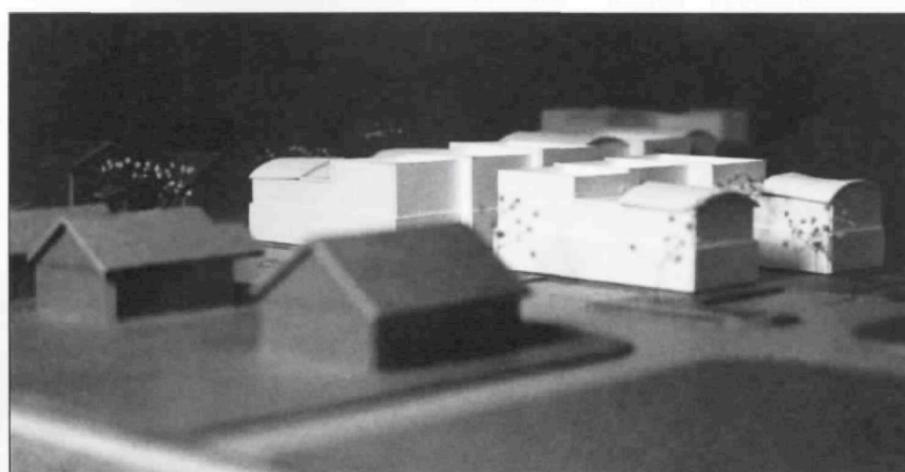
CDCs are engaged in other work in addition to housing. The Acres Homes CDC has received a commitment from the city to install new streetlighting in strategic portions of that neighborhood. In Second Ward, a CDC is planning a new day-care center as its first major project. And in what must surely be a necessary step in attracting scarce investment dollars, CDCs in the East End and Fifth Ward are preparing neighborhood redevelopment plans with the assistance of Ray Bailey Architects and EDI.

The typical CDC project relies upon a variety of funding sources. It is the belief of LISC staff members and others committed to the CDC approach that matching funding from foundations with market-rate bank financing and public sector funds gives the city and the financial institution a stake in the outcome of the project. In theory, vested interest in the project's success translates into increased capital improvements by the city and to further commitments by the bank, if for no other reason than to protect the initial investment.

Houston's banking community has expressed great interest in loaning money to CDCs, due in no small measure to the Community Reinvestment Act (CRA). Enacted by Congress in the late 1970s, the CRA requires banks to reinvest a portion of their assets in moderate-income communities. The CRA had little impact on Texas's local lending practices until revisions to the law were enacted last year requiring public disclosure of compliance. Although other mechanisms exist through which banks may reinvest in communities, a number of local banks, including United Savings, First (continued on page 12)



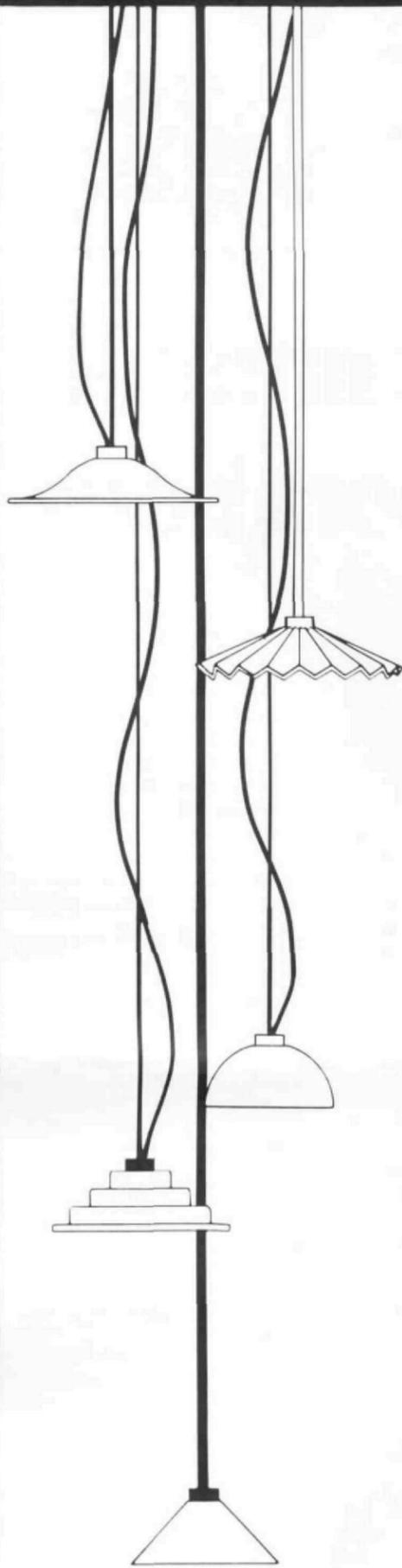
Affordable housing planned by the Association for the Advancement of Mexican-Americans CDC: Magnolia Residential Housing Project 1 (first phase), 73rd & Sherman, Cisneros & Partners, architects, Dino Ponce, delineator.



Above: Magnolia Residential Housing, first-floor plan of residential unit.

Left: Magnolia Residential Housing, Cisneros & Partners, architects.

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Gibraltar, Texas Commerce Bank, and Bank One, Texas, have been aggressively pursuing CDC deals.

However, the economics of most CDC projects dictate additional financial participation by the public sector. Last summer, at the urging of a consortium of CDCs, the Houston City Council approved spending up to \$1,000,000 in Community Development Block Grant (CDBG) funds to provide "forgivable" second mortgages to selected CDC housing projects in order to make them more affordable to low-income families. The logic behind such a spending program is that it leverages each dollar of CDBG funds into an additional two to four dollars of private investment. Thus, by combining public- and private-sector funding in the same project, the city can stretch its CDBG monies further. By contrast, the notorious city-sponsored Palm Center and Mercado del Sol projects were funded exclusively through CDBG funds, investments that were lost when these projects failed financially.

Although the city's participation in the CDC process is essential, there are as yet many unanswered questions with regard to the soft-second mortgage program. Unlike a private bank's loan committee, the request for proposal (RFP) procedure now being used by the city's Department of Housing and Community Development forces CDCs to adjust their project timetables radically to conform to the release dates and lengthy review process of the RFPs. Furthermore, the competitive nature

of the review process may be vulnerable to politically motivated manipulation through the selection of reviewers. As a consequence of the RFP process, several CDC projects currently in the works have experienced costly delays that might have been avoided through streamlined funding procedures.

To date, neither the political cohesiveness nor the effectiveness of the CDCs has been tested in Houston. Yet the future success of any individual CDC will likely depend on their collective ability to influence the disposition of the city's chronically underutilized and mismanaged CDBG funds, as well as the RFP process itself. [Editor's note: On April 8, Paula Phillips, head of the city's Department of Housing and Community Development, which administers CDBG funds, resigned under pressure.]

Currently, members of several area CDCs are active in Advocates for Housing, a group formed last year by a coalition of organizations concerned with affordable-housing issues. If Advocates for Housing is to play a decisive role in promoting the work of the CDCs, it will mean tangling with the CDBG issue, a perennial embarrassment to the Whitmire administration.

Recent national developments forecast increasing prominence for CDCs. In an effort to reform funding programs of the U.S. Department of Housing and Urban Development, which were the objects of blatant corruption during the Reagan administration, the Affordable Housing Act of 1990 mandates that specific percentages of budgeted funds be reserved for use

by CDCs alone. Consequently, Houston's ability to attract HUD funds will be dependent to some degree on the vitality of its CDCs. It would therefore appear to be in the city administration's best interest to support the CDC movement.

In the Bronx, CDCs rehabilitate approximately 1,500 housing units annually. Houston has a long way to go if it is to match that kind of performance. It is unlikely that CDCs alone can solve the dual problems of revitalizing inner-city neighborhoods and producing enough units of affordable housing to go around. However, they have the potential to build something that no other source of urban renewal can replicate, the capacity within a neighborhood to articulate needs, and, more importantly, the political and economic wherewithal to address those needs.

The example of the Monongahela Valley CDCs is instructive in this regard. Though it took two tempestuous years to get their first projects underway, within two more years the numerous CDCs in the small suburban Rust Belt towns that stretch along the river valley from Pittsburgh were flourishing. They have formed a coalition, have established strong banking relationships, and have developed or are currently developing housing, commercial structures, a business incubator, a recycling plant, and even a steel museum (with the cooperation and financial support of the National Parks Service), among other projects. Their work demonstrates that CDCs can achieve results. Perhaps CDCs will work in Houston, too. ■

Habitat for Humanity Houses Houstonians



Courtesy UH Habitat



Courtesy UH Habitat

Above and left: UH students and a future homeowner work on a Fifth Ward project for Houston Habitat.

Habitat for Humanity was founded in 1976 by Millard and Linda Fuller as a non-profit, nondenominational Christian organization. Its mission is "to eliminate poverty housing and homelessness from the face of the earth by building basic adequate housing." While this may be a lofty goal, the organization is making definite progress. More than 500 active projects in the U.S., Canada, and 26 developing countries are building houses, at a rate of four a day. Thousands of low-income families are benefiting from these efforts.

The basic concept of Habitat is to use donated funds and materials together with volunteer labor to construct quality homes. Habitat is not a mere "hand-out" program. It emphasizes involvement of the future homeowners, who purchase their homes with a down payment of 500 hours of "sweat equity" and a small amount of cash and pay back a no-interest mortgage, with payments carefully matched to their ability to pay. The payments in turn finance new Habitat housing starts. By requiring these commitments, Habitat not only furnishes shelter but also restores dignity, motivation, and a sense of responsibility. Continued

contact with the residents ensures that the organization's efforts are not simply a Band-Aid solution but effect permanent changes in people's lives.

Houston Habitat for Humanity, the local affiliate, was founded three years ago and has provided 15 Habitat houses housing a total of 70 people. As the membership grows and the organization strengthens, the number of houses completed annually increases: 9 houses were provided in 1990, and 24 are projected for this year. During 1991, the Houston chapter hopes to increase the involvement of the architectural

community. An architectural committee has been set up to recruit and involve more professionals and to develop new housing prototypes and building techniques.

UH Habitat, a student chapter, was formed in fall 1989 at the University of Houston's College of Architecture. Sharing the goals of the parent organization, it also provides members with an opportunity to gain hands-on construction experience. Students routinely are sent to work on Houston Habitat projects and are raising funds to sponsor a UH Habitat house. Their sense of social responsibility has increased along with their understanding of how a wood frame building is put together — qualities that will serve them well in their professional architectural careers.

Deborah Arbes

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Courtesy UH Habitat

Two of 16 Habitat houses on Raleigh Street in Fifth Ward.