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hereby submit this as part of the requirements for the degree of:  
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**A GUIDE FOR HISTORICALLY BLACK COLLEGES AND UNIVERSITIES WHEN  
DEVELOPING LOW-MODERATE INCOME HOUSING**

A thesis submitted to the  
Division of Research and Advanced Studies  
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## **ABSTRACT**

Minority homeownership has recently become a major topic of discussion in the United States. Due to a lack of available affordable housing, as well as a decreasing amount of quality low- and moderate-income housing, many citizens are finding it increasingly difficult to attain adequate living arrangements. Organizations across the country have begun taking an active role in the alleviation of these problems. Historically Black Colleges and Universities (HBCUs) are one of the types of organizations addressing these issues. The objective of this thesis is to develop a framework that HBCUs will use during the initial stages of developing affordable housing. This guide will not only provide HBCUs with a strategy for housing developments but will also provide information on funding sources and the importance of homeownership in their communities.

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## 1. INTRODUCTION

"When people own their own homes, they not only build, they own futures, they transform entire communities in ways that have enormous social and economic benefits to all Americans."

*Housing Secretary Mel Martinez*

Homeownership in the United States has an explicit implication on status and is one of the most desirable assets that an individual could own. While the desire to own a home is not an uncommon one, many individuals have a much more difficult time making this aspiration a reality. According to a report by the Center for Housing Policy, "A large number of Americans continue to suffer from inadequate housing despite the economic boom of the late 1990s." The report listed that 14 million American families, mostly minorities, had critical housing needs in 2001 (Ferguson, 2002). Although the homeownership gap (the disproportionate number of white Americans who own homes versus minorities who own homes) is slowly decreasing, the disparity is still evident.

What are some of the reasons that the homeownership gap exists? Wealth, education, and availability of affordable housing are some of the reasons cited (Mozilo, 2003). In 1970, the overall U.S. homeownership rate was 62.9 percent while African Americans and Hispanic rates were listed at 41.6 and 43.7 respectively and although the homeownership rate in 2002 was 68 percent, African American and Hispanics rates have seen very little increase (Mozilo, 2003).

The current administration has also become aware of the need for homeownership. President George W. Bush initiated a new homeownership agenda targeted at increasing minority homeownership rates. The policy's goal is to have 5.5 million African Americans and Hispanics owning homes by 2010. The policy provides for downpayment assistance, increasing the affordable housing supply, simplifying the process of buying a home, increasing support for homeownership programs, and providing better financing opportunities ([www.whitehouse.gov](http://www.whitehouse.gov)).

Because of the current housing crisis, many organizations and institutions are and have been taking an active role in increasing housing opportunities throughout the country. One of the many institutions addressing community development is Historically Black Colleges and Universities (HBCUs), who have begun forming partnerships with local organizations and pooling funds in an attempt to better the housing conditions in their surrounding communities.

There are currently 105 HBCUs in the United States, with the oldest dating back to 1837. While most HBCUs are located in the southeastern part of the Country, they can be found as far north as New York and as far west as California (Figure 1). Approximately 16 percent of African Americans attending institutions of higher education attend HBCUs and although these universities were established primarily for African Americans, they do not exclude other nationalities.

Figure 1. Cities with Historically Black Colleges

**LEGEND**  
■ Cities with Historically Black Colleges

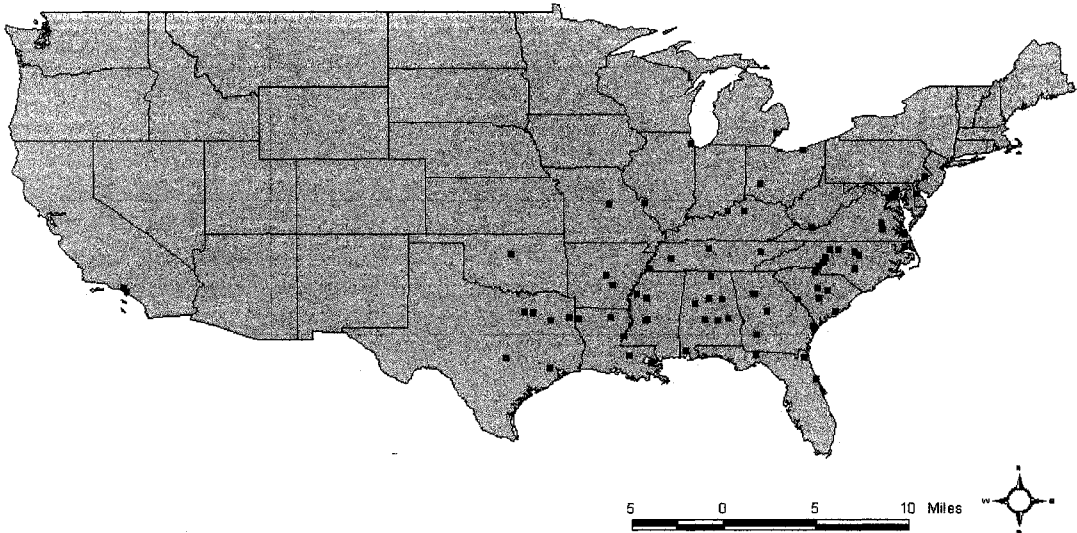
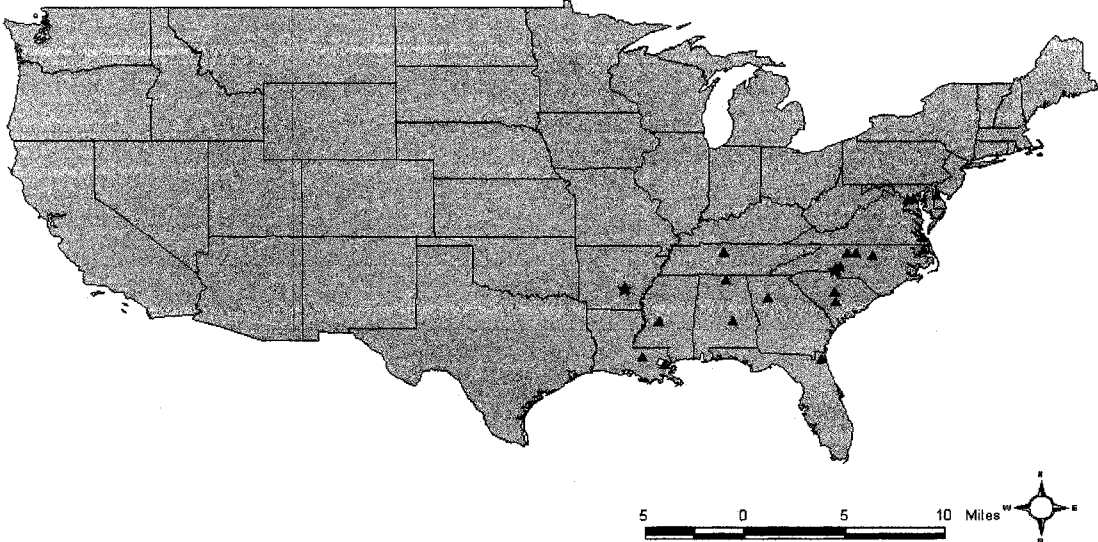


Figure 2. Historically Black Colleges and Universities with Housing Programs

**LEGEND**  
★ Schools Selected for Case Studies  
▲ Cities with Housing Programs



Historically Black Colleges and Universities (HBCU) can have an extremely positive influence on housing issues in their surrounding communities, provided they have the necessary partnerships, funding, skill, and dedication. Much like churches in the African American community bear a large responsibility for social issues in their surrounding neighborhoods, so do Historically Black Colleges. Many of these institutions are located in low-income areas and have already established a level of respect in the community due to other work and services they perform. From after school tutoring programs and adult literacy training to providing food for needy families, HBCUs take an aggressive approach in remedying the problems in their communities.

This thesis will consist of a literature review, methodology, two case studies, recommendations, and a conclusion. The literature review, chapter two, provides the foundation for the importance of this project. Not only does it describe the roles of colleges and universities in the community development process, but also promotes the importance of homeownership. The methodology, chapter three, describes the case study selection process. This allows the reader to understand how and why each university was chosen. The recommendations that are listed in chapter 6 are to be used by HBCUs interested in development. This information provides them with the preliminary tools for a successful project. Again, it is important for HBCUs to understand how beneficial they can be in their community through upgrading the housing stock and facilitating an increase in homeownership.

## 2. LITERATURE REVIEW

When American universities were initially established, they were considered physically and socially isolated from their surrounding community. As universities began to grow, they eventually became communities of their own, oftentimes building physical structures around their campuses, further isolating them from the surrounding neighborhoods. While this phenomenon went on for years, the blight and decline of these surrounding neighborhoods during the past 50 years has led many universities to realize that change is necessary. The struggle to recruit and retain students and faculty has caused an evolution in the way universities view themselves. Ernest Boyer put it best, “Universities are learning that they cannot afford to become islands of affluence, self-importance, and horticultural beauty in seas of squalor, violence, and despair.” (Carr, 2002) Now realizing that it would behoove them to take a more proactive approach in community development, considering their surrounding neighborhood has a direct affect on their image, universities are addressing some of the serious issues that plague these communities. Schools such as Yale University and Morehouse University are making significant strides in the community development process, by forming strong partnerships throughout their respective communities as well as taking a more direct approach in addressing community-wide problems.

There are currently agencies that have been established specifically to assist universities with community development activities. The United States Department of Housing and Urban Development’s Community Outreach Partnership Center, US Department of Education’s Title XI Program, and the Joint Community Development Program are just a few of these

agencies (Carr, 2000). While these agencies work at varying capacities and for different groups, their primary focus is to assist universities who are working on projects that focus on urban issues.

Universities, usually the largest non-governmental agencies within a city, not only serve as a large employment base, but also harbor a vast amount of knowledge and resources (Carr, 2000). After they began to realize they could no longer ignore the physical and social problems in their neighborhoods, universities were extremely aggressive in developing models and initiatives for community development programs. One example of this is a national model for university and community partnerships developed at Pratt University in Brooklyn, New York. This model brings together a diverse group of faculty and staff whose primary goal is to spur investment in Pratt's surrounding community (Carr, 2002).

Community development initiatives also allow students and faculty to apply practical knowledge in a much more intensive learning environment. Because of the research and innovative models and programs studied, universities are at an advantage where community development is concerned.

Many of these universities, embarking on community development programs and partnerships, have been successful for several reasons. Two of the most significant reasons are the process of developing comprehensive strategies and allowing residents in the community to have a voice and to assist in the decision making process. Some universities with strong programs and community partnerships include: Clark University and Main South CDC in Worcester, Massachusetts; Georgia Tech and The Community Design Center of

Atlanta, Georgia; and the University of Pennsylvania and West Philadelphia Partnership (Rosan, 2001). While there are a number of other organizations participating in community development, these three partnerships are often highlighted throughout the current literature (Carr, Rohe, Rossi).

Two HBCUs, Howard University and Xavier University have received a large amount of press for their role in community development. Xavier University in New Orleans, Louisiana, became involved in the first Limited Equity Housing Cooperative in the state through the Xavier Triangle Neighborhood Corporation. The goal of the organization is to beautify its surrounding community, spur homeownership, upgrade housing, improve infrastructure, and to help residents acquire jobs (Williams, 1996). Partners for the project include two private lending institutions, the U.S. Department of Housing and Urban Development, the neighborhood HOME Fund, and the city's Neighborhood Housing Improvement Fund.

Howard University, located in Washington D.C., began its community development efforts by forming a partnership with Fannie Mae in 1997. Howard owned approximately 40 properties in one of its surrounding derelict neighborhoods known as Le Droit Park (Hardcastle, 1999). The properties were originally acquired for university expansion purposes. When the university realized the strain that these neglected properties were putting on the aesthetics of the community as well as community relations, they began to take action. After rehabbing the buildings, they were sold at very affordable prices. This allowed people

from around the city, as well as Howard University instructors and staff members, to purchase the homes.

Finally, it is important to understand that while these universities do have a vested interest in their community for civic purposes, they are also interested in reaping some benefits from the designated projects. Many schools have begun housing related projects specifically for their students and faculty. Although these projects benefit the community as a whole, the university is catering to a particular clientele and possibly attempting to make a profit.

Why is the push for homeownership currently such a big issue? People are now realizing the significant affect that homeownership has on many social issues in a community. “Where homeownership flourishes, it is no surprise to find increased neighborhood stability, more civic minded residents, better school systems and reduced crime rates.” (Greenspan, 2002)

Because these individuals have made a financial investment in their home, thus an investment in their community, often times they are more aware and cognizant of the things that take place. They become community stakeholders who more readily participate in community activities (Martinez, 2002). Many government incentives toward increased homeownership are successful for these very reasons. Government agencies have realized that when you help an individual buy a home, you help the community in which they will reside.

Statistics show that homeowners are 25 percent more civic minded than renters; know the name of their local school board head 9 percent more often than renters; know the name of their U.S. Representative 10 percent more often than renters; vote in local elections 15 percent more often than renters; and enhance their neighborhood with gardens 12 percent

more often than renters (Colton, 1998). This is largely related to the fact that owning a home is usually the single biggest purchase that an individual will undertake. Because of this, homeowners often take extra lengths to insure that their investment will appreciate.

Although studies show that the overall homeownership rate has risen to an all time high of 68 percent in the third quarter of 2002, the rate of homeownership for minorities is not experiencing the same growth (Martinez, 2002). Over the past ten years, homeownership for African Americans has risen from 43 percent to 47.5 percent and Hispanics from 40 percent to 48 percent (Garver, 2002). While these numbers do show an increase, there is still a homeownership gap in the United States.

Again, the programs that have been implemented to reconcile this gap are ever increasing. President George W. Bush made minority homeownership one of his major interests, and other organizations have followed the Administration's lead. The Mortgage Bankers Association stated that they will support the American Dream Downpayment Act, which would provide \$200 million during the next five years to prospective homeowners for those initial costs associated with homeownership (Nixon, 2003). Because homeownership is being addressed from a number of different angles, hopefully these initiatives will provide individuals with a much-needed asset, in addition to restoring communities into the healthy and viable communities that once existed.

### **3. METHODOLOGY**

The current Bush Administration has developed a program that awards funding to Historically Black Colleges and Universities interested in conducting community development projects. The organization that administers the grant program is the HUD Office of University Partnerships (OUP). The awards are distributed on a competitive basis for HBCUs interested in services such as: acquiring real estate; demolition; homeownership assistance to low and moderate-income persons; special economic development activities; and rehabilitation of residential, commercial or industrial buildings to correct code violations ([www.oup.org](http://www.oup.org)).

While this grant allows recipients to carry out a wide variety of functions, for the purpose of this thesis, affordable housing will be the point of interest. The time period to be considered will be 1998 to 2002, and an analysis of case studies will be the methodology employed. Receipt of an OUP grant will be used as the basic criterion within the process of establishing the schools that will be chosen for the case studies. This choice will be broken into three steps.

#### **Step One**

Step one will be the identification of HBCUs that have received an OUP grant for a housing related project specifically targeted at homeownership. The OUP has awarded 121 grants in all categories between the years 1998 and 2002. The OUP has donated over 45 million dollars to HBCUs for community development; of those 121 grants, 45 were directly

associated with housing (Figure 2). In Appendix A, a list has been compiled of all the schools that received grants for housing, the amount they have been awarded, and housing project by category. Five categories have been established in order to unify the different housing programs.

- Category One - Rehabilitation related programs (rehabbing existing buildings)
- Category Two – Programs related to homeownership assistance in monetary form (i.e. downpayment assistance, assistance with closing costs, etc)
- Category Three – Development related projects that range from demolition to new construction.
- Category Four – Housing readiness seminars and programs that prepare citizens for homeownership
- Category Five – Projects where money was used specifically for acquiring property or land

Again, step one establishes which Historically Black Colleges and Universities have received Federal funding through the Office of University Partnerships for housing programs.

## **Step Two**

After the initial OUP selection criterion is implemented, the universities that are participating in housing programs will move on to the next phase. This step involves a preliminary survey/interview process. This process will establish which universities are most organized, who has information readily available, and who is most willing to cooperate. There will be eight questions asked in this preliminary interview. See Appendix B for a sample survey form.

- What type of housing program was implemented?
- How many years has this program been in existence?
- What is the total award received (both from HUD and other sources)?
- Has the success of the program been monitored and evaluated?
- Does the university have partnerships with other agencies for the housing program?
- Are they currently working on any housing related projects?

- Who are all of the parties involved?
- Would they be willing to provide additional information for this thesis (i.e. providing the extensive information necessary)?

After all of the universities are contacted, the surveys will be evaluated. Every university will receive three initial calls; however, if no one is contacted after three attempts, the school will automatically be removed from the list. The interviews will be given a rating on a scale of one to ten (ten being the highest possible score). The two schools with the highest scores will move on to the next stage. The rating system is designed to determine the schools that have the most experience, have been the most productive, and are willing to cooperate on this thesis project.

### **Step Three**

The final selection stage is the detailed data collection phase. Once the final schools have been identified, the extensive interview process will begin. Site visits may be conducted, an analysis of the grant applications, funding sources, partnerships, number of individuals currently utilizing the program, and budget requirements will be reviewed. Some of the questions that will be asked during this phase are as follows:

#### *Funding*

- What are the budget requirements for the housing program?
- How are the budget requirements met? What are the funding sources and how much is contributed?
- How were the budget requirements established and by whom?
- Who secured funding for the project and how?
- How are university funds allocated to the project? Who makes the decision?

#### *Partnerships*

- What role is the university playing in the development (just a name, at forefront, etc)?

- Who are the parties involved and what is the role of each?
- How were the partnerships established? Who approached whom? What have been some of the challenges in maintaining these partnerships?

#### *Miscellaneous Questions*

- Does the university own the land or property used?
- What is the university's primary purpose for this type of development (increase affordable housing for university staff, etc)?
- How many people have utilized the program?
- What marketing strategies have been used to inform residents of the university's services?
- Does the program have a component that involves university students?
- What have been major obstacles of the project and how were they overcome?

When all of the information has been compiled, recommendations will then be made which will list best practices that should be followed for homeownership oriented projects. The schools will be assessed based on their productivity and success rate, thus allowing other universities to learn from the chosen schools.

#### **Application of Methodology**

Although 31 schools were contacted, nine responded. Of those nine schools that responded, four actually returned a completed survey form (Appendix B). The other five who responded, either were not aware of the program being described or were not able to assist due to time constraints with other projects. The two schools selected, Johnson C. Smith University and the University of Arkansas Pine Bluff, were chosen based on their experience and program productivity. After obtaining the two school's initial surveys, they were then contacted for additional information. The next two chapters discuss the case study findings. Demographic information on Charlotte, North Carolina and Pine Bluff, Arkansas can be found in the appendix.

#### **4. University of Arkansas Pine Bluff Case Study**

University of Arkansas Pine Bluff (UAPB) began rehabbing housing in 1994 after receiving pressure from the surrounding community about the university's lack of involvement with neighborhood issues (Figure 3). The university designated the Office of Economic Research and Development Center to be responsible for these endeavors. After applying for funding through the Office of University Partnerships, the university began to work with local contractors rehabbing housing. Although this initially appeared to be a good idea, because of their lack of experience in development, the university did not realize how costly rehab work was, in addition to the fact that many of the homes were extremely old and did not meet building code standards.

The Economic Research and Development Center began to change directions after realizing that they did not have the necessary skills or staff capacity in house. UAPB utilized a grant from The Rockefeller Foundation in order to seed the development of a Community Development Corporation, which is now called, SEARK (Southeast Arkansas). The Southeast Arkansas Community Development Corporation (SEACDC) is the parent company of SEARK and receives funding when it is related to the goals and objectives of the university. Although SEARK was established by UAPB it operates independent of the university and is run by a board that consists of some UAPB faculty and staff in addition to other individuals not affiliated with the university. It is important that the developments that take place reflect what is best for the community as a whole, not simply the university.

SEARK's primary responsibilities are to address the need for low-moderate income housing in the University Park Community (the area that surrounds the campus) in addition to providing job training/job creation for the same constituency. After SEARK was established, the Economic Research and Development Center then hired the necessary staff that would maintain the day-to-day activities of the office and take the responsibility of reanalyzing how housing issues should best be approached in University Park. Once the necessary staffing was in place, they began to take the new direction of demolition and construction.

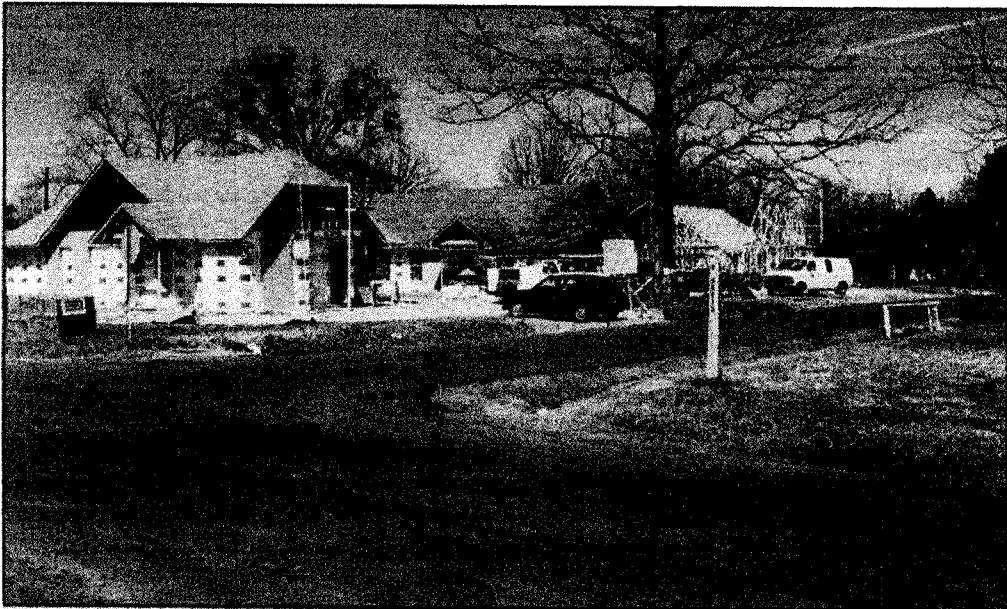
Although SEARK was operating successfully, in 1997 a planning firm from Atlanta, Georgia, was hired by the City to come in and not only produce a plan for the entire City but one for the university as well. Although this firm was located outside of Pine Bluff, they held numerous public hearings, which allowed the community to provide input while also providing them with a more realistic view of Pine Bluff's political climate. This plan supplied SEARK with some much-needed direction and a more structured program.

The current program has been in existence for the past eight years and has strong partnerships with The City of Pine Bluff, U.S. Department of Housing and Urban Development, U.S. Department of Health and Human Services, Federal Home Loan Bank, and Simmons First National Bank. Through the hard work of SEARK, along with its partners, 30 infill for sale homes have been built, ranging in price from about \$50,000-\$60,000 (Figure 4).

Figure 3. Existing housing stock around the University of Arkansas Pine Bluff



Figure 4. New housing construction



While the program has been deemed a success, not only locally but regionally as well, there have been some major obstacles facing UAPB during this process. One of the obstacles initially was community opposition. Although residents in the surrounding neighborhood wanted the university to be involved in repairing the housing stock, once the university began to take action they became apprehensive. Some of their concerns centered on the development's affect on property values, the historical presence of the community being respected, and the city's use of eminent domain to take properties. The university, along with SEARK, had to work extremely hard to build a rapport with residents, and has consequently allowed them to be involved and kept them informed throughout the process.

The other major obstacle has been ensuring that all parties maintain accountability. During the author's phone interview with Mr. Golatt (The Director of Economic Research and Development Center), he stated that all partners are a reflection of each other. If one fails they all fail. He also stressed the significant amount of money that is required to make these projects a success. When dealing with federal dollars as well as local funding, every dollar must be accounted for. As UAPB receives funding for the project, it is then allocated to SEARK, pending its use. The Economic Research and Development Center assesses what the money will be used for and how it relates to the university's mission. Although SEARK and UAPB have about an equal partnership, because SEARK is a subsidiary of SEADC, there are also other non-UAPB projects that they work on.

The last obstacle that UABP has faced deals with territorial issues. Some other CDCs in Pine Bluff who focus on housing, felt as though the university should also provide them with

funding. They sometimes felt as though SEARK's goals overlapped with their objectives. Again, although the program is deemed as a success, UAPB is now focusing their attention on small business and commercial development.

## **5. Johnson C. Smith University Case Study**

Approximately seven years ago, four neighborhoods surrounding Johnson C. Smith University (JCSU), in Charlotte, North Carolina, decided they wanted to better their community. These neighborhood groups sought out the university's help in this process because of its size, presence, and finances. The university agreed that change was needed and along with these four neighborhood groups, obtained a grant from SEEDCO, an organization that provides technical assistance and management support to non-profit organizations participating in community development. SEEDCO provided JCSU startup capital, which allowed them to create the Northwest Corridor Community Development Corporation (NCCDC). NCCDC operates completely independent of the JCSU, however its office is located on the university's campus.

Although NCCDC operates independently, their 16 member board consists of the president of JCSU, the chief financial operator (who serves as the treasurer), and one JCSU faculty. The board also has representatives from all 12 of the neighborhoods with which NCCDC is affiliated. Because the board's responsibilities are to weigh in on projects proposed by the Executive Director, the university board members evaluate the project's impacts on the university, while neighborhood representatives evaluate the project's affects on their respective communities.

NCCDC currently has three major funding sources. The first source is the Charlotte Neighborhood Fund. This is a local grant awarded annually by the City to five Charlotte CDCs. The only stipulation for continuing to receive funding is in meeting an annual

benchmark. \$60,000 per year is allocated to NCCDC from this grant. The second funding source is a state-appropriated grant called the North Carolina Development Initiative. Two million dollars is allocated to the state budget annually, which is awarded to 22 high performance CDCs in the state of North Carolina. NCCDC receives \$80,000 annually from this pool. The last major funding source is from the Department of Housing and Urban Development's HBCU program. This grant is distributed through the Office of University Partnerships. NCCDC receives \$500,000, which is distributed over a two-year period. The HUD funding is used solely for NCCDC's operating expenses; such as salary, marketing, etc. Other funding is provided from local banks in the form of loans, which are almost always used for project financing.

NCCDC's primary partnerships include: JCSU, Bank of America, Branch Bank and Trust, the Fannie Mae Foundation, City of Charlotte, North Carolina Community Development Initiative, The Enterprise Foundation, Charlotte Chamber of Commerce, Wachovia Bank, and the Freddie Mac Foundation. Because of the partnerships that have been established by NCCDC along with its board, over 200 housing units have been constructed (approximately one fourth are for-sale homes), a 60 unit senior citizen apartment complex was completed (Figure 9), partial ownership of a 5,000 sq. ft. shopping center was attained (Figure 8), and a new initiative called Historic West End (HWE) is being pursued. The HWE is located very close to JCSU and would potentially attract retailers that would appeal to the students in addition to revitalizing the area that borders one of the university's entrances.

The current project that NCCDC is working on is Vantage Pointe, a 26-unit townhome development (Figure 11). These luxurious units are in two story buildings, with three bedroom, and two and one half baths. Although the homes have been appraised at \$110,000 to \$112,000, NCCDC is selling them for \$106,000. They have also managed to leverage a city and state subsidy, each worth a maximum of \$20,000 per unit. Individuals qualify for this subsidy based on their income level. Most individuals get at least \$20,000, which brings the cost of their home to \$86,000; however one individual received the total subsidy amount of \$40,000.

There are three major obstacles that this CDC faces in the development process. The first obstacle is finding funding sources for operational costs. Because of this, NCCDC only has four people on its staff; an executive director, administrative assistant, economic development coordinator, and community liaison. Although CDCs do not have as much difficulty finding loans, grants are much different. Even when grants are awarded, most have specific guidelines as to how this funding can be used. The problem of getting operational costs lead to the second obstacle, which is having capable staff. Because non-profits cannot pay as much as the private sector, it can be much more difficult to attract highly-skilled individuals. Although staffing is limited, NCCDC utilizes its on-campus location to involve students in the development process. Every summer two interns work with the office and gain practical experience such as grant writing and loan applications. Work-study students also work throughout the year. This not only allows students training in the field of real estate development, but also provides NCCDC with some much-needed support.

Figure 5. Homes constructed by NCCDC



Figure 6. Single family home constructed by NCCDC



Figure 7. Two story single-family home



Figure 8. Newly developed shopping center

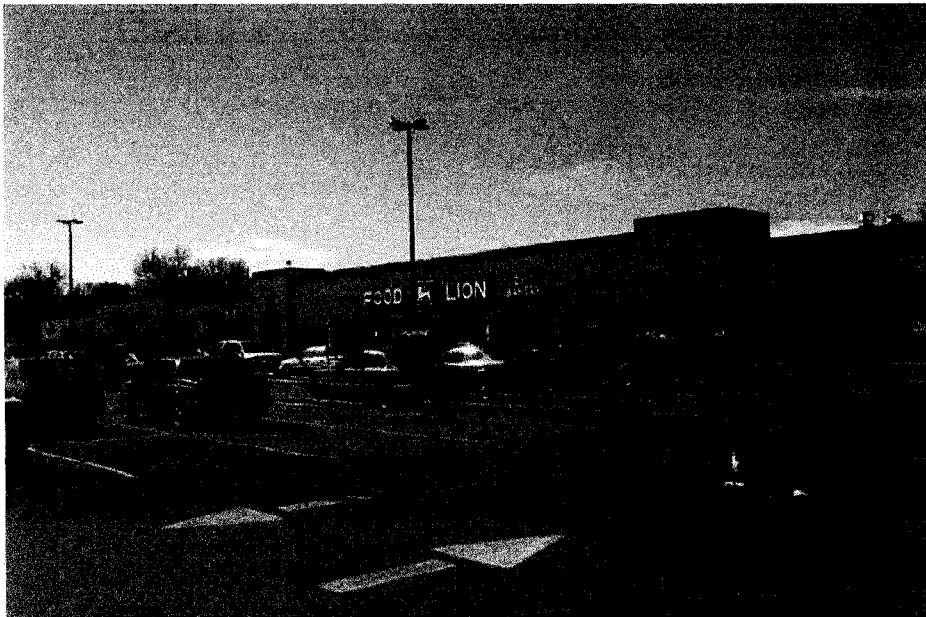


Figure 9. Fixed-income senior housing complex



Figure 10. The Lasalle at Lincoln Heights senior housing complex



Figure 11. Townhomes

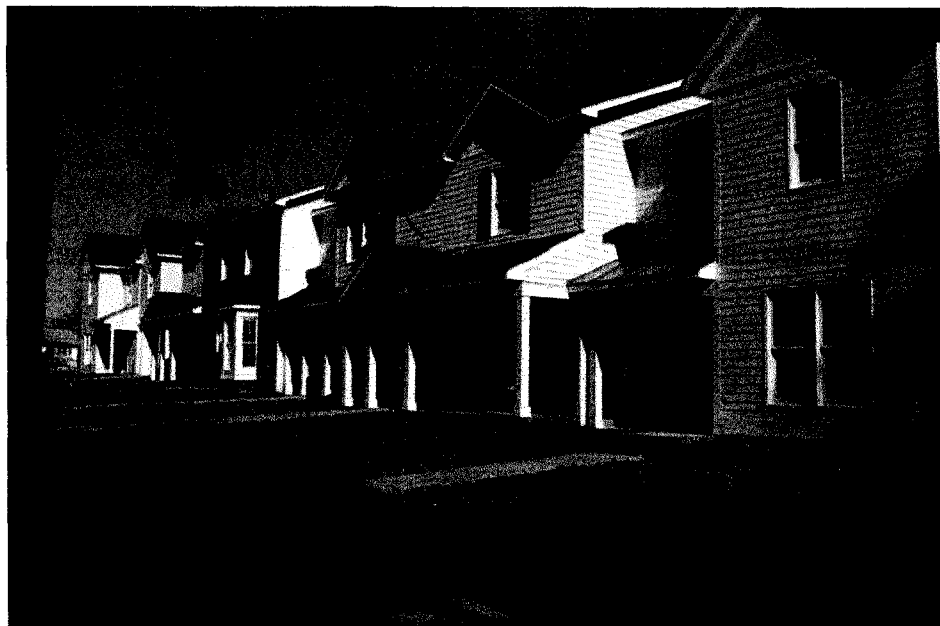


Figure 12. Townhomes created by NCCDC



Another major obstacle that this CDC faces, which is common for most low-moderate income developers, is the attempt to change perceptions of certain communities. Because most of these projects take place in old, declining neighborhoods, it is often hard to attract residents. This is a situation that is not to be taken lightly. NCCDC has tried to remedy this problem by not only marketing the project to all individuals in the city of Charlotte, but also specifically targeting residents that already live in these communities who are interested in making the transition from renters to homeowners. Strategic and aggressive marketing are also ways to combat this obstacle. Because NCCDC has board members from 12 different communities, this also helps in informing individuals throughout the city about new developments.

While community resistance is usually an obstacle that many developers face, NCCDC has found ways to avoid this problem. The on-staff community liaison attends all of the twelve neighborhood association meetings and produces a quarterly NCCDC newsletter that is distributed to over 4,700 households (approximately 15,000 people). Because residents are involved in the process and are educated about the necessity of quality housing, often times they are comfortable with the new developments. NCCDC has also been able to establish a good relationship with neighborhood residents because of their reputation for quality work. HUD Secretary Mel Martinez has visited NCCDC to look at their very successful program.

Steven Washington, NCCDC's Executive Director, has also performed a number of presentations to different organizations, informing them about the revitalization that has been taking place in their twelve neighborhoods and ways in which they have been successful.

Mr. Washington has worked in the banking sector, with the City of Charlotte, and with the Enterprise Foundation prior to coming to NCCDC, which has given him an inside knowledge of what these different funders are looking for, further demonstrating the importance of having qualified and skilled individuals on staff.

Although no two cities or universities are alike, many of the initial steps taken in development are universal. Based on the wealth of information that was attained from conducting the case studies, recommendations were made accordingly. Again, university and city specific needs should not be ignored; however the next chapter will provide HBCUs with the groundwork for developing housing.

## 6. RECOMMENDATIONS

This chapter will provide information on university and program objectives, the Office of University Partnerships, case study findings, feasibility, funding, local climate, market conditions, and possible obstacles. Many of these recommendations are based on detailed analysis of successful HBCU homeownership programs. Each step is briefly described, providing descriptions on why this process is important, referencing specific funding sources, as well as providing an eight step model of general questions that should be answered prior to pursuing a project.

One of the most useful resources an HBCU should consult when interested in community development is HUD's Office of University Partnership. Ms. Opehlia Wilson, an OUP staff member, works specifically with HBCUs to assist them in the community development process. This office has valuable information ranging from grant writing tips and funding sources to literature on universities' roles in community development. The relationships that the university and CDC establish with other organizations are crucial. This again provides them access to information on valuable resources.

Although most universities can play a very useful role in developing low-moderate income housing, they usually partner or establish a Community Development Corporation (CDC) to carry out the actual development functions. Because many university faculty lack the experience and extensive time needed, these methods allow qualified candidates to ensure that these projects are established and performed effectively and efficiently. The University of Arkansas Pine Bluff utilized funding from the Rockefeller Foundation to establish their

CDC while Johnson C. Smith University received start up funding from SEEDCO for their CDC (Appendix D). Once the funding has been received, it is vital to organize a development team with experience and dedication. While the university usually provides the CDC with startup capital, the CDC can either function independently of the university, or may consist of a joint partnership between the both. It is important for the university to determine the extent of the role they would like to have in the development process. If a joint partnership is the most desirable relationship, no single university staff member can assume this responsibility. An office or department will need to be assigned the duty of working with the CDC. It is also important to establish what this university wants to gain from the CDC. If housing that benefits the community aesthetically and provides low-moderate income residents homeownership opportunities is the goal of the university, a joint partnership is not necessarily needed to meet these goals. A CDC can carry out these functions independently; however it is important that some university staff sit on the CDC's board to ensure that the university's expectations are met.

The next important step is the development of a board. This board should consist of individuals with a large amount of community respect, passion, and dedication. The Executive Director usually reports directly to the board on the status of projects, potential projects, and accountability on either a quarter, bi-annual, or annual schedule. It is also important that the board has individuals who have both the university's interest and the community's interest at heart. The establishment of qualified staffing and a strong, reliable board are vital in development. The board is not only expected to help with guidance and accountability, but to also assist in seeking new funding sources.

It is imperative that developers are aware of the large funding pools both at the national, state, and local levels (Appendix D). Through constant research and well-built partnerships, seeking funding could be much easier. Because most funders are supplying CDCs with large amounts of money, strict accountability is expected. Most grants require annual, bi-annual, or quarterly reports, which outline how the money is being used. When dealing with lenders, the developer's interaction may be even higher. Usually a project schedule is established that identifies at which specific milestone money can be drawn from the loan. Developers must constantly be aware of the project's progress, completion schedule, delays, etc. This is also a component of accountability. The further behind a project falls, the more risk is associated with it. This sometimes causes the community, funders, lenders, and even the board to question a developer's competency.

There are eight general questions a developer must always ask before pursuing a project (Saft, 1990). This list is not only the eight questions that should be asked, but also a description/example further explaining why these questions are important.

1. Can the property be purchased at a low enough price to allow the developer to develop it efficiently?

*If the cost of land or the property to be rehabbed is extremely expensive, developing this property may be cost ineffective, meaning one's loss is higher than the gain. When this occurs it is important to consider a new site.*

2. Does the developer have access to sufficient capital to acquire the property or can financing be obtained?

*If funding cannot be obtained, then the scope of the project is unrealistic.*

3. Does the developer have sufficient capital or income to pay the cost of carrying the property through the development process?

*Development projects can be very long and costly. If the developer cannot afford the risk of paying for a project or even equipment, construction, etc, another source must be established. Usually local banks will offer developers loans provided they meet the necessary qualifications.*

4. Will the municipal authorities or environmental or community groups permit an economic development of the property, or will the developer have to make concessions to these groups that will make development of the property uneconomical?

*The political climate in cities is a very important component that developers must be aware of. Oftentimes the City will have already established certain goals and objectives. Because of the amount of local resources that could possibly be contributed to the project, buy-in by local city officials is extremely beneficial. If the project is not in line with the city's plans or is not a politically safe move, there may be some problems. Zoning changes, site excavations, and public hearings may also be necessary.*

5. What is the intended end use for the property, and will a market for this use exist when construction has been completed?

*This is also a critical component. What may appear to be a good idea is not always so. When loaning an organization money, lenders will want to be sure that the project is a success, thus guaranteeing them repayment. Unless the developer's experience, reputation, and qualifications are highly respectable and success rates are clearly visible, a market analysis may be required. This again provides the lender with comfort that this project is feasible.*

6. Can financing to develop the property be obtained at a cost which the developer can bear?

*This again relates to question number three.*

7. Can the property be developed while the need for the property continues to exist?

*If the development process takes too long, the market may shift or change. For example, in Cincinnati, Ohio one particular development initially began out as multi-family housing. The complex was going to consist of two bedroom apartments. Because of funding issues, the project was delayed for approximately one year and a half. The developer then decided to change the units to \$160,000 condominiums because there was no longer a strong market for rental units in this particular community. The project should be continuously monitored throughout the process to avoid making the mistake addressed in this question.*

8. Are there sufficient resources available for the needs of the future users of the property?

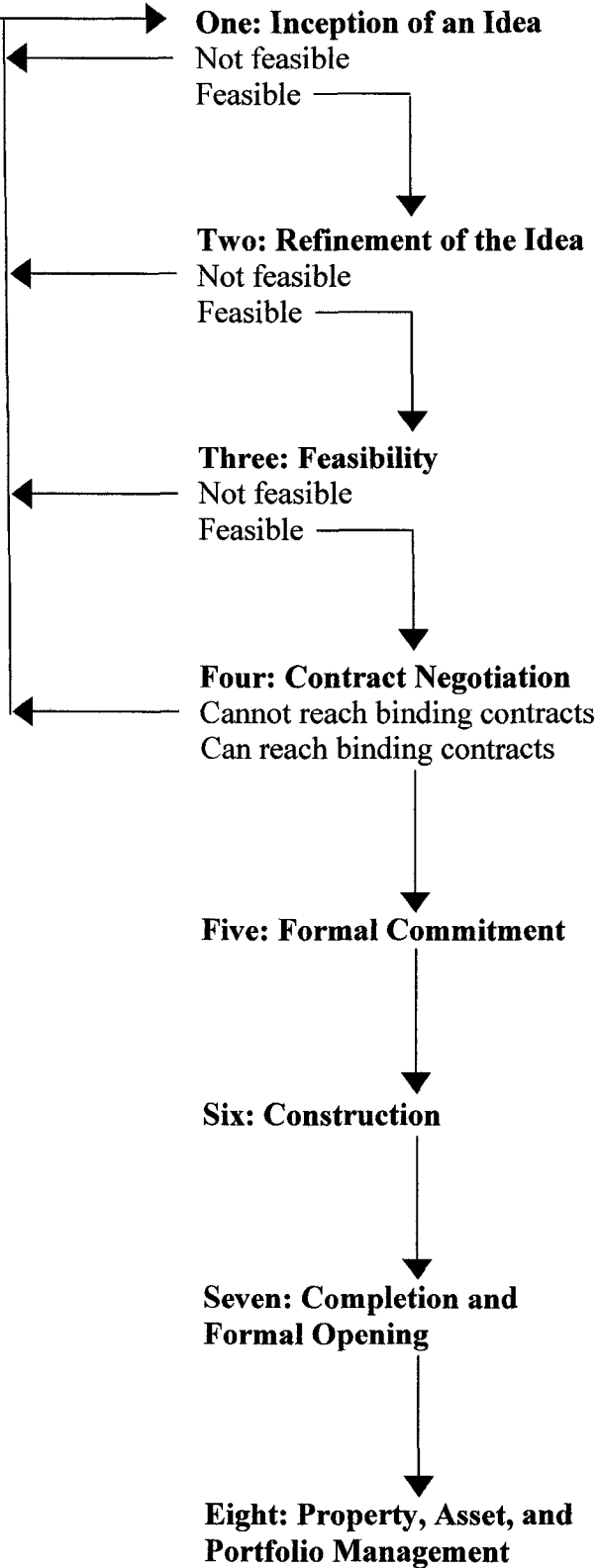
*A project is not finished upon completion of a unit. There are other things that must be considered. Marketing should be started before a unit is complete, and should continue until the last unit is sold (not constructed). This is one example of services that will be necessary even after the last unit is constructed and it is important to include these in the project budget.*

These questions inform the HBCU whether housing around their campus is feasible. Once this feasibility is established there are a number of actions that must take place.

Figure 13 also provides a model of the development process from conception through sale or property management. While the initial questions described the steps that should be taken in order to determine if a project is feasible, this model shows the eight steps involved in bringing a project to fruition.

There are a number of obstacles that developers face when developing affordable housing. One of the most common is community resistance. The single best way to avoid this is to have the community involved from day one. By listening to their ideas, what they would like to see, and their fears and concerns about a project, the developer can internalize some of these ideas while also developing a strategy that will lead to community buy-in. The community is also more cooperative when they feel as though the developer has a vested interest in the overall community, not just their individual project. Many residents fear that developers will invade their neighborhood, build low-income housing, then leave, which may further contribute to the neighborhood decline and/or lowers neighborhood property values. North Carolina Community Development Corporation has a good solution to this problem.

Figure 13. Eight-Stage Model of Real Estate Development (Berens, 1996)



Having their community liaison staff person attend all neighborhood association meetings provides residents with a level of comfort, largely due to the developer's presence in the community. Lastly, it is also important that prior developments speak for themselves. A private developer in Atlanta, Georgia, flew a neighborhood association president to another state to assess one of their previous developments, how it was currently being maintained, and the overall aesthetic impact it had on the entire neighborhood. When individuals, whether it be the community activist or a funder, see good results, they are often times more comfortable.

## 7. CONCLUSION

Because universities are geographically rooted in their communities and have a wealth of knowledge and resources, this type of institution can play an integral role in the community development process. The two schools highlighted in this thesis demonstrate the impact that universities can have on their surrounding community. However this is no easy feat. Turning around a market, by attracting residents to buy homes in old, sometimes dilapidated and crime-ridden neighborhood is an enormous challenge. Through strong partnerships, ample funding, dedication, skill, and a general knowledge of the development process, universities can facilitate a remarkable amount of change. This not only benefits the larger community, but it also adds value to the university. This guide provides universities with general information, guidance, and a strategy for initial direction towards developing low-moderate income housing.

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[www.texashousing.org](http://www.texashousing.org)

[www.oup.org](http://www.oup.org)

[www.usatoday.com](http://www.usatoday.com)

<http://www.whitehouse.gov/news/releases/2002>

APPENDIX A. List of grantees

<b>1998 GRANTEES</b>				
<b>SCHOOL</b>	<b>LOCATION</b>	<b>GRANT AMOUNT</b>	<b>TYPE OF PROJECT</b>	<b>CATEGORY</b>
Elizabeth City State University	Elizabeth City, NC	\$365,897	Rehab of ten substandard homes and homeownership assistance	1,2
Howard University	Washington, DC	\$365,898	Housing Rehab and Repair	1
Jackson State University	Jackson, MS	\$365,897	Acquisition and rehab of vacant properties	1,5
Philander Smith College	Little Rock, AK	\$275,129	Home repair and Home purchase assistance	1,2
University of Arkansas Pine Bluff	Pine Bluff, AK	\$365,898	Single Family Home Rehab Program	1
Xavier University	New Orleans, LA	\$365,898	Housing Workshops for Development of 20,000 Vacant homes and a revolving loan fund to facilitate development	4

*www.oup.org*

<b>1999 GRANTEES</b>				
<b>SCHOOL</b>	<b>LOCATION</b>	<b>GRANT AMOUNT</b>	<b>TYPE OF PROJECT</b>	<b>CATEGORY</b>
Elizabeth City State University	Elizabeth City, NC	\$466,665	Housing rehab and Homeownership Assistance	1,2
Johnson C. Smith University	Charlotte, NC	\$466,690	Upgrade Housing Stock/New affordable housing Homeownership counseling	1,4
Norfolk State University	Norfolk, VA	\$466,665	Provision of decent and affordable housing	3
North Carolina Central University	Durham, NC	\$466,665	Homeownership and Housing Rehab Program	1
Oakwood College	Huntsville, AL	\$466,665	Rehab 15-20 substandard/blighted homes	1
St. Paul's College	Lawrenceville, VA	\$466,665	Land acquisition program/build affordable housing for low-moderate income families	3,5
University of Arkansas Pine Bluff	Pine Bluff, AK	\$466,665	Addressing substandard housing conditions/implementing a new single family home construction program through Southeast AK CDC	3
Winston-Salem State University	Winston-Salem, NC	\$466,665	Increase Homeownership	Not Specified

*www.oup.org*

<b>2000 GRANTEES</b>				
<b>SCHOOL</b>	<b>LOCATION</b>	<b>GRANT AMOUNT</b>	<b>TYPE OF PROJECT</b>	<b>CATEGORY</b>
Alabama A&M University	Huntsville, AL	\$350,000	Acquisition and rehab of eight vacant and single family homes	1,5
Alabama State University	Montgomery, AL	\$220,000	Rehab of several homes	1
Bowie State	Bowie, Maryland	\$183,858	Rehab of several vacant single family HUD homes for first time home buyer opportunities	1
Clafin University	Orangeburg, SC	\$325,000	Enhance housing development activities	3
Dillard University	New Orleans, LA	\$123,000	Increase Homeownership Opportunities	Not Specified
Elizabeth City State University	Elizabeth City, NC	\$475,000	Outreach, financial, and tech assistance for housing rehab programs	4
Jackson State University	Jackson, MS	\$200,000	Rehab six vacant properties surrounding community/increase homeownership	1
Meharry Medical College	Nashville, TN	\$250,000	Acquisition of two housing triplexes to provide more affordable housing	5
Norfolk State University	Norfolk, VA	\$265,000	Provide down payment assistance and closing assistance	2
Shorter College		\$100,000	Rehab single family housing	1
Tougaloo College	Tougaloo, MS	\$350,000	Renovate Five Homes	1
University of Arkansas Pine Bluff	Pine Bluff, AK	\$310,000	Housing Rehab	1

*www.oup.org*

<b>2001 GRANTEES</b>				
<b>SCHOOL</b>	<b>LOCATION</b>	<b>GRANT AMOUNT</b>	<b>TYPE OF PROJECT</b>	<b>CATEGORY</b>
Alabama State University	Montgomery, AL	\$499,917	Rehab of 64 homes (affordable housing)	1
Barber-Scotia College	Concord, NC	\$402,937	Acquisition and rehab of existing housing and homeownership assistance/housing counseling	1,4,5
Benedict College	Columbia, SC	\$500,000	Rehab two duplexes	1
Edward Waters College	Jacksonville, FL	\$494,975	Acquisition and Redevelopment of properties for affordable housing	3,5
Jackson State University	Jackson, MS	\$500,000	Increase homeownership Acquisition and rehab of 6 vacant properties	3,5
Johnson C. Smith University	Charlotte, NC	\$495,998	New construction/rehab program and homeownership counseling	1,3,4
Oakwood College	Huntsville, AL	\$409,960	Rehab of 20 substandard/blighted owner-occupied homes	1
Stillman College	Tuscaloosa, AL	\$500,000	Renovation of 10 homes	1
Vorhees College	Denmark, SC	\$500,000	Rehab of an apartment complex	1

*www.oup.org*

<b>2002 GRANTEES</b>				
<b>SCHOOL</b>	<b>LOCATION</b>	<b>GRANT AMOUNT</b>	<b>TYPE OF PROJECT</b>	<b>CATEGORY</b>
Benedict College	Columbia, SC	\$500,000	Loft apartments and construction of mixed use buildings	3
Delaware State University	Dover, Delaware	\$338,766	Rehab of two owner occupied homes and one renter-occupied home, pre and post homeownership counseling	1,4
Fisk University	Nashville, TN	\$550,000	Renovation of two historical homes	1
Morehouse College	Atlanta, GA	\$526,414	Rehab of 14 homes for elderly, construction of 6 affordable houses on vacant lots, increase homeownership opportunity	1
Norfolk State University	Norfolk, VA	\$500,000	Construction of single family homes/increase housing affordability	3
North Carolina A&T	Greensboro, NC	\$548,000	Acquisition and Rehab of property, energy efficient homes	1,5
Rust College	Holly Springs, MS	\$550,000	Rehab housing in Martin Street Neighborhood	1
South Carolina State University	Orangeburg, SC	\$549,945	Construction of mixed-use community	3
Southern University A&M	Baton Rouge, LA	\$550,000	Construction of two homes for low-mod income families, program that stresses importance of homeownership	3
Stillman College	Tuscaloosa, AL	\$524,790	Remove severely dilapidated housing and substandard housing	3

*www.oup.org*

**Appendix B. Survey Form (Step Two)**

SCHOOL:

\_\_\_\_\_

CONTACT PERSON: \_\_\_\_\_ PHONE: \_\_\_\_\_

TYPE OF PROGRAM (down payment assistance, construction, etc):

\_\_\_\_\_

WHAT IS THE OBJECTIVE OF YOUR PROGRAM:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

YEARS PROGRAM HAS BEEN IN EXISTENCE: 1 2 3 4 5 6 7 8 9 10+

TOTAL AMOUNT OF FUNDING: \_\_\_\_\_

IS THERE AN EVALUATION METHOD OR MONITORING SYSTEM IN PLACE: yes or no

PARTNERSHIPS:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

HAS THE PROGRAM BEEN DEEMED A SUCCESS:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

WHAT IS THE SCALE OF THE PROJECT:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

ARE YOU CURRENTLY INVOLVED IN HOUSING RELATED PROJECTS: yes or no

ADDITIONAL INFORMATION:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
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\_\_\_\_\_  
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\_\_\_\_\_

Appendix C. 2000 Demographic data for Charlotte, North Carolina

<b>POPULATION</b>	
Total Population	540,828
<b>RACE</b>	
White	58%
Black	33%
Other	9%
<b>HOUSING STATUS</b>	
Occupied	93.00%
Vacant	7%
<b>HOUSING TENURE</b>	
Owner Occupied	57.50%
Renter Occupied	42.50%
<b>HOUSING PRICE (dollars):</b>	
Less than 99,999	29%
149,000-100,000	30%
199,000-150,000	15%
499,000-200,000	21%
500,000 - up	4%
<b>MEDIAN RENT</b>	<b>\$600</b>

*www.census.gov*

Appendix D. 2000 Demographic data for Pine Bluff, Arkansas

<b>POPULATION</b>	
Total Population	55,085
<b>RACE</b>	
White	32%
Black	66%
Other	2%
<b>HOUSING STATUS</b>	
Occupied	88.80%
Vacant	11%
<b>HOUSING TENURE</b>	
Owner Occupied	58.80%
Renter Occupied	41.20%
<b>HOUSING PRICE (dollars):</b>	
Less than 99,999	72%
149,000-100,000	16%
199,000-150,000	6%
499,000-200,000	5%
500,000 - up	1%
<b>MEDIAN RENT</b>	<b>\$400</b>

*www.census.gov*

APPENDIX E. Contact List

UNIVERSITY	CONTACT	PHONE
Alabama A&M University	Dr. Constance Wilson	(256) 851-5425
Alabama State University	Dr. William Brock	(334) 229-4431
Barer-Scotia College	Dr. A Erwin	(704) 789-2948
Benedict College	Mr. David Swinton	(803) 253-5204
Bowie State	Ms. Jean Humphrey	(301) 860-4321
Claflin University	Ms. Liz Zimmerman Keitt	(803) 535-5093
Delaware State University	Dr. John N. Austin	(302) 857-6700
Dillard University	Dr. Edwina Frank	(504) 816-4717
Edward Waters College	Ellis Brown	(904) 336-2700
Elizabeth City State University	Mr. Morris Autry	(252) 335-3702
Fisk University	Ms. Debbie Frank	(615) 327-0520
Howard University	Mr. Rodney Green	(202) 806-4433
Jackson State University	Dr. Gail Grass-Fulgham	(601) 968-2028
Johnson C. Smith University	Mr. Steven Washington	(704) 378-1269
Meharry Medical College	Mr. Timothy Ayers	(615) 327-0520
Morehouse College	Mr. Andre Bertrand	(404) 215-2700
Norfolk State University	Mr. Thomas Dawes	(757) 823-2396
North Carolina A and T	Dr. Robert Pyle	(336) 256-0343
North Carolina Central University	Dr. Rebecca Winders	(919) 530-5199
Oakwood College	Mrs. Marcia Burnette	(256) 726-7139
Philander Smith College		
Rust College	Dr. Ishmell Edwards	
Shorter College	Mr. Howard Love	(501) 952-3575
South Carolina State University	Charles Artis	(803) 536-8188
Southern University	Dr. Alma Thornton	(225) 771-4249
St. Paul's College		
Tougaloo College	Ms. Beverly Hogan	(601) 957-7115
University of Arkansas Pine Bluff	Mr. Henry Golatt	(870) 543-8030
Vorhees College	Ms. Elona Carolyn Davis	(803) 703-1033
Winston-Salem State University		
Xavier University	Myra Lewis	(504) 304-3323

APPENDIX F. Funding Sources (*www.oup.org*)

This list contains organizations that fund university housing related projects. The information was obtained from the Office of University Partnership's website.

The Allstate Foundation  
Contact: Executive Director  
Phone: (847) 402-5202  
Website: [www.allstate.com/foundation](http://www.allstate.com/foundation)

The American Express Foundation  
Contact: Terry Savage  
Phone: (201) 209-5903  
Website: [www.americanexpress.com/corp/philanthropy](http://www.americanexpress.com/corp/philanthropy)

The Andrew M. Mellon Foundation  
Contact: Michele Warman  
Phone: (212) 838-8400  
Website: [www.mellon.org](http://www.mellon.org)

The Annie E. Casey Foundation  
Contact: Douglas Nelson  
Phone: (410) 547-6600  
Website: [www.aecf.org](http://www.aecf.org)

The AT&T Foundation  
Contact: Timothy MClimon  
Phone: (212) 387-4801  
Website: [www.att.com/foundation](http://www.att.com/foundation)

Avon Products Foundation, Inc  
Contact: Mary Quinn  
Phone: (212) 282-7000 ext. 5518  
Website: [www.avoncompany.com/women/avonfoundation](http://www.avoncompany.com/women/avonfoundation)

The Bristol-Meyers Squibb Foundation, Inc.  
Contact: Foundation Coordinator  
Phone: (212) 546-4000  
Website: [www.bms.com/aboutbms/founda/data](http://www.bms.com/aboutbms/founda/data)

Carnegie Corporation of New York  
Contact: Edward Sermier  
Phone: (212) 371-3200  
Website: [www.carnegie.org](http://www.carnegie.org)

The Charles A. Frueauff Foundation, Inc  
Contact: Sue Frueauff  
Phone: (501) 219-1410  
Website: [www.frueaufffoundation.com](http://www.frueaufffoundation.com)

The Charles Stewart Mott Foundation  
Contact: Office of Proposal Entry  
Phone: (810) 238-5651  
Website: [www.mott.org](http://www.mott.org)

The David and Lucille Packard Foundation  
Contact: Program Officer  
Phone: (650) 948-7658  
Website: [www.packfound.org](http://www.packfound.org)

The Ford Motor Company Foundation  
Contact: Gary Nielsen  
Phone: (888) 313-0102  
Website: [www.ford.com](http://www.ford.com)

The General Motors Foundation, Inc  
Contact: Lorna Utley  
Phone: (313) 665-0824  
Website: [www.gm.com/company/gmability/philanthropy](http://www.gm.com/company/gmability/philanthropy)

The John S. and James L. Knight Foundation  
Contact: Grant Request  
Phone: (305) 908-2600  
Website: [www.knightfdn.org](http://www.knightfdn.org)

The Metropolitan Life Foundation  
Contact: Sibyl Jackson  
Phone: (212) 685-1435  
Website: [www.metlife.com](http://www.metlife.com)

The Pew Charitable Trust  
Contact: Rebecca Rimel  
Phone: (212) 575-9050  
Website: [www.pewtrusts.com](http://www.pewtrusts.com)

The Prudential Foundation  
Contact: Lata Reddy  
Phone: (973) 802-7354  
Website: [www.prudential.com/index](http://www.prudential.com/index)

The Rockefeller Foundation  
Contact: Program Director  
Phone: (212) 869-8500  
Website: [www.rockfound.org](http://www.rockfound.org)

The W.K. Kellogg Foundation  
Contact: Deborah A. Rey  
Phone: (616) 968-1611  
Website: [www.wkkf.org](http://www.wkkf.org)

## APPENDIX G. Glossary (Berens, 1996)

- **AMORTIZATION:** The periodic writing off of an asset over a specified term. Also the periodic repayment of debt over a specified time.
- **APPRAISAL:** An opinion or estimate of value substantiated by various analyses.
- **ASSET MANAGER:** A person who balances risk and reward in managing investment portfolios, including but not limited to, real property and improvements.
- **BONDING:** A guarantee of completion or performance, typically issued by an insurance company that will back up the bonded party in any lawsuit.
- **BROKER:** A person who, for a commission, acts as the agent of another in the process of buying, selling, leasing, or managing property rights.
- **CAPITALIZATION:** The process of estimating value by discounting stabilized net operating income at an appropriate rate.
- **CERCLA (Comprehensive Environmental Response, Compensation, and Liability Act of 1980):** Legislation adopted to provide partial funding for the clean up of environmentally contaminated sites by requiring the party responsible for the contamination to undertake cleanup efforts or provide compensation for cleanup costs; also known as the Superfund Law.
- **CDBG (Community Development Block Grant):** Federal grants received by cities based on a formula that considers population, extent of poverty, and housing overpopulation and that may be used for a variety of community development activities.
- **CRA (Community Reinvestment Act):** Legislation enacted in 1978 that directs federal agencies with supervisory authority over depository lenders to consider a lender's record in serving local credit needs when making decisions about the expansion plans of depository institutions.
- **CONTIGENT INTEREST:** A form of equity participation by lenders enabling them to receive an additional return if the income property securing the loan exceeds its projected profit or cash flow goals.
- **COVENANT:** A restriction on real property that is binding, regardless of changes in ownership, because it is attached to the title.
- **DEBT COVERAGE RATIO:** The ratio of the annual net operating income of a property to the annual debt service of the mortgage on the property.

- **DEED RESTRICTIONS:** Private form of land use regulation using covenants or conditions placed on the title to a property, i.e., minimum lot size.
- **DRAW:** The lender's release of construction loan funds in accordance with set procedures for providing portions of the total amount as each state of construction is satisfactorily completed.
- **DUE DILIGENCE:** A forthright effort to investigate all reasonable considerations in a timely manner, as in the case of earlier waste disposal on a parcel of land.
- **EMINENT DOMAIN:** The power of a public authority to condemn and take property for public use on payment of just compensation.
- **EQUITY:** That portion of an ownership interest in real property or other securities that is owned outright, that is, above amounts financed.
- **EXCLUSIONARY ZONING:** Zoning practices such as large lot requirements and minimum housing sizes that serve to exclude from a community, intentionally or not, racial minorities and low-income persons.
- **FEASIBILITY STUDY:** A combination of a market study and an economic study that provides the investor with knowledge of both the environment where the project exists and the expected returns from investment in it.
- **FULL RECOURSE LOAN:** A loan offering no protection to the borrower against personal liability for the debt, thus putting the borrower's personal assets at risk in addition to any collateral securing the loan.
- **GENERAL CONTRACTOR:** Person or firm that supervises a construction project under contract to the owner; also known as the "prime contractor."
- **GUARANTEED INVESTMENT CONTRACT (GIC):** A written guarantee to an investor of a certain yield for a defined period of time.
- **HARD COSTS:** In new construction, includes payments for land, labor, materials, improvements, and the contractor's fee.
- **HVAC SYSTEM:** A building system supplying heating, ventilation, and air conditioning.
- **IMPACT FEE:** Charge levied on developers by local governments to pay for the cost of providing public facilities necessitated by a given development.
- **INFRASTRUCTURE:** Services and facilities provided by a municipality, including roads, highways, water, sewerage, emergency services, parks and recreation, and so on. Can also be privately provided.

- **JOINT VENTURE:** An association of two or more firms or individuals to carry on a single business enterprise for profit.
- **LEVERAGE:** The use of borrowed funds to finance a project.
- **LIMITED PARTNERSHIP:** A partnership that restricts the personal liability of the partners to the amount of their investment.
- **NET OPERATING INCOME (NOI):** Cash flow from rental income on a property after operating expenses are deducted from gross income.
- **NONRECOURSE LOAN:** A loan, which in the event of default by the borrower limits the lender to foreclosure of the mortgage and acquisition of the real estate, i.e., the lender waives any personal liability by the borrower.
- **OPTION:** The right given by the owner of property to another to purchase or lease the property at a specific price within a set time.
- **ORIGINATION FEE:** A charge made by the lender at the inception of the loan to cover administration costs.
- **PASSIVE INVESTOR:** An investor who seeks no active role in construction or operation of a building but merely seeks to invest funds to earn a return.
- **PERMANENT LOAN:** A financial institution undertaking a long-term loan on real estate subject to specified conditions.
- **PRO FORMA:** A financial statement that projects gross income, operating expenses, and net operating income for a future period based on a set of specific assumptions.
- **PURCHASING POWER:** The financial means (including credit) that people possess to purchase durable and nondurable goods.
- **REAL ESTATE INVESTMENT TRUST (REIT):** An ownership entity that provides limited liability, no tax on the entity, and liquidity. Ownership is evidenced by shares of beneficial interest, similar to share of common stock.
- **RETAINAGE:** A portion of the amount due under a construction contract that the owner withholds until the job is completed in accordance with plans and specifications; usually a percentage of the total contract price.
- **SOFT COSTS:** Outlays for interest, origination fees, appraisals, and other third-party charges associated with real estate development.

- **TAKING:** The acquisition or seizure of land without just compensation or the application of police power constraints so restrictive as to prevent any viable use of the land.
- **TAX INCREMENT FINANCING:** A type of special district financing in which tax revenues raised only from new development, as assessed by the net increase over the existing property tax base, are earmarked to fund capital improvements.
- **UNDERWRITER:** Persons employed by mortgage lenders and charged with making recommendations on loan approvals or disapprovals based on their knowledge of the applicant's creditworthiness and the quality or value of any collateral to secure the loan.
- **ZONING:** Classification and regulation of land by local governments according to use categories (zones); often includes density designations as well.