

ULI Land Use Policy Forum Report

Community Development Corporations Working with For-Profit Developers

**Prepared by
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**The ULI/Charles H. Shaw Forum on Urban Community Issues
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**Urban Land
Institute**

About ULI

ULI—the Urban Land Institute is a nonprofit education and research institute that is supported by its members. Its mission is to provide responsible leadership in the use of land to enhance the total environment. ULI sponsors education programs and forums to encourage an open, international exchange of ideas and sharing of experiences; initiates research that anticipates emerging land use trends and issues and documents best practices; proposes creative solutions based on that research; provides advisory services; and publishes a wide variety of materials to disseminate information on land use and development. Established in 1936, ULI has more than 17,000 members in 60 countries representing the entire spectrum of the land use and development disciplines.

Richard M. Rosan
President

ULI Land Use Policy Forum Reports. ULI is in the forefront of national discussion and debate on the leading land use policy issues of the day. To encourage and enrich that dialogue, the Institute holds land use policy forums at which leading experts gather to discuss topics of interest to the land use and real estate community. The findings of these forums serve to guide and enhance ULI's program of work. The Institute produces summaries of these forums in its Land Use Policy Forum Reports series, which are available on the ULI Web site at policypapers.uli.org. By holding these forums and publishing summaries of the discussion, the Institute hopes to increase the body of knowledge that contributes to the quality of land use policy and real estate development practice throughout the country.

Acknowledgments

ULI gratefully acknowledges Charles H. Shaw, former ULI chairman, CEO of the Shaw Company, and developer of Homan Square, a mixed-income neighborhood on Chicago's west side, who has endowed the annual ULI/Charles H. Shaw Forum on Urban Community Issues. The forum series seeks to bring issues related to the viability of urban neighborhoods to the forefront of ULI programs.

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About the ULI/Charles H. Shaw Forum on Urban Community Issues

The ULI/Charles H. Shaw Forum on Urban Community Issues is an annual forum concentrating on issues in urban neighborhoods. Charles H. Shaw, former ULI chairman, CEO of the Shaw Company, and developer of Homan Square, a mixed-income neighborhood on Chicago's west side, has endowed the forum series, which seeks to bring issues relating to the viability of urban neighborhoods to the forefront of ULI programs.

ULI cosponsored this year's forum with the National Congress for Community Economic Development (NCCED). NCCED is the trade association and advocate for the community-based development industry. Founded in 1970, NCCED represents over 3,600 community development corporations (CDCs) across America. CDCs produce affordable housing and create jobs through business and commercial development activities. NCCED services the community development industry through public policy research and education, special projects, newsletters, publications, training programs, conferences, and specialized technical assistance.

CDCs are community-based and -governed nonprofit organizations engaged in a variety of social and economic development activities designed to revitalize the local community. Over the past two decades, they gradually have become more involved in real estate development ventures—such as developing low- and moderate-income housing and neighborhood retail—sometimes partnering with for-profit real estate developers.

To these partnerships, CDCs bring connections to and knowledge of the community, their local economic development mission and expertise, and access to public funding sources, while for-profit developers offer expertise in conventional real estate financing and familiarity with the development process and market demands. Some programs, like the U.S. Department of Housing and Urban Development's (HUD's) HOPE VI, encourage public agency or nonprofit development organizations to work jointly with for-profit real estate developers. In many places, the nature of these partnerships is still evolving as parties learn how to work together.

Introduction

In October 2002, ULI convened in Chicago the second annual ULI/Charles H. Shaw Forum on Urban Community Issues, titled "Community Development Corporations Working with For-Profit Developers." A group of 32 real estate development professionals from the private and nonprofit sectors gathered at the day-and-a-half-long forum to explore the potential for partnerships between CDCs and for-profit developers. They discussed the following topics:

- The kinds of real estate projects on which CDCs and for-profit developers have collaborated;
- What a CDC brings to this type of partnership;
- What a for-profit developer brings to this type of partnership;
- Some potential pitfalls in partnerships between CDCs and for-profit developers;
- Good models of CDC/for-profit developer partnerships;
- Lessons learned; and
- How ULI and NCCED can foster partnerships between CDCs and for-profit developers.

Forum Summary

Tour of Lake Park Pointe Shopping Center

The forum began on Thursday afternoon with a tour of the Lake Park Pointe Shopping Center, a supermarket-anchored shopping center completed in 1999, located in the North Kenwood/Hyde Park neighborhood at the northwest corner of 47th Street and South Lake Park Boulevard in Chicago.

Presenters for the project included Bill Jones, president of Bill Jones and Associates and former executive director of the Fund for Community Redevelopment and Revitalization, a local not-for-profit community development corporation; Glenn Azuma, principal with Trkla, Pettigrew, Allen and Payne, Inc., a for-profit planning and development firm; and Alderman Toni Preckwinkle, representing the 4th Ward of Chicago.

The Lake Park Pointe Shopping Center was built as a joint venture between the Fund for Community Redevelopment and Revitalization and Trkla, Pettigrew, Allen

and Payne, Inc. The development team sought to bring good-quality retail services to a community that was being redeveloped as a mixed-income community while providing jobs to local residents and opportunities for minority businesses in the center.

The city of Chicago and a HUD empowerment zone contributed about \$2 million to the project, while the Local Initiatives Support Corp. (LISC), a national non-profit organization; and the Retail Initiative, a LISC affiliate, granted the developers about \$1.5 million in loans.

The shopping center is at the center of the Hyde Park/Kenwood community, less than a ten-minute drive to Chicago's Loop. In addition to its historic and newly revitalized residential areas, Hyde Park is home to prominent institutions such as the University of Chicago, the University of Chicago Hospital complex, and the Museum of Science and Industry. Employment in the Hyde Park/Kenwood/Jackson Park area is estimated at over 30,000 jobs. The University of Chicago is itself the 17th largest employer in the Chicago metropolitan area, with more than 12,000 employees. According to 1997 estimates, the center serves 39,680 people within one mile, 111,079 people within two miles, and 202,918 people within three miles. Population counts and household incomes continue to rise in the area between Hyde Park and the Chicago Loop as middle- and upper-income households move there.

As noted, the center is strategically located at the intersection of 47th Street and Lake Park Boulevard, one of the two full-access interchanges servicing the Hyde Park market area from the 90,000-vehicle-per-day Lake Shore Drive. Azuma described the effort as "looking to make 47th Street a seam, rather than a boundary, between the North Kenwood and Hyde Park neighborhoods."

Construction started in 1997 at 47th Street and Lake Park Avenue with the backing of LISC. The developer awarded 67 percent of the construction contracts to minority contractors and 62 percent of the construction payrolls to minority workers. Forty-nine percent of the workers were residents of Chicago, with the majority of those living in or near the target community. Five of the 12 tenants in the center are minority entrepreneurs. One tenant was a startup and the remaining minority tenants were expanding their businesses by adding locations.

Jones commented on some of the various challenges that arose while the project was under development, including considerations about national versus local tenant selection, discussions about the economic interests that

the development should serve, and how to fit the development into the odd, "broken trapezoid" shape of the 3.4-acre parcel. He described security measures taken to gain the community's acceptance of the development. Security options that were discussed included lighting, security bars, and/or 24-hour security. Believing that security bars would create negative perceptions about safety in the shopping center, the project partners opted instead for bright lighting and a round-the-clock patrol.

Completed in 1999, at a total development cost of \$9.8 million, the 12-tenant, 103,000-square-foot shopping center has direct north/south access from Chicago's Lake Shore Drive and is within walking distance of the University of Chicago campus. The center's 58,269-square-foot super-market anchor is the Hyde Park Co-op, a community-owned, three-store grocery chain with more than \$40 million in annual revenue. In addition to the Co-op Supermarket, the tenants include Walgreens, Citibank, and Foot Locker, supplemented by a mix of other national and local tenants that include Verizon and Coldwell Banker Real Estate.

Alderman Preckwinkle noted that when the development started in her ward in 1992, there was a dearth of commercial development in the neighborhood, and many felt that an ambitious project like the Lake Park Pointe Shopping Center seemed premature. "It was only when the CDC came in with the for-profit partner that the project was possible," she said.

OVERVIEW OF THE LAKE PARK POINTE SHOPPING CENTER

Land Area: 188,702 square feet (4.3 acres)

Building Area: 103,021 square feet (including mezzanines)

80,666 square feet (ground floor)

Tenants:

- Hyde Park Co-op Supermarket
- Walgreens
- Citibank
- Coldwell Banker (corporate)
- Sounds Clear Optical
- Verizon Wireless (corporate)
- South Shore Decor
- Chicago Medical Imaging
- Ivory Dry Cleaner
- Foot Locker
- Coop's Records and Tapes
- First American Title Insurance

A summary of the lease terms of the Co-op Supermarket and the national tenants, which constitute part of the \$1,275,331 yearly net rental, follows:

LEASE TERMS, LAKE PARK POINTE SHOPPING CENTER		
Tenant	Base Term	Square Footage
Walgreens	20 years	12,647— ground floor 16,283—mezzanine
Certified Grocers Midwest, Inc., subleased to Hyde Park Cooperative Society, Inc.	25 years	41,986 leasable— ground floor 16,283—mezzanine
Citibank	10 years	2,926
Coldwell Banker (corporate)	5 years	3,339
Foot Locker	10 years	5,711
First American Title Insurance	9 years	3,493
Verizon Wireless (corporate)	6 years	904

All leases within the center are fully triple net, excluding Walgreens’s customary structural and exterior maintenance obligations. The center is a significant economic success that will continue to prosper with the increasing affluence and population of its primary market area. In addition, it has been recognized as a model of urban retail development, winning the seventh annual Chicago Neighborhood Development Award for Outstanding For-Profit Neighborhood Project.

Opening Remarks

The forum continued on Friday morning with opening remarks by Hipolito (Paul) Roldan, executive director of the Chicago-based Hispanic Housing Development Corporation. Roldan set the stage for the day’s discussion in his presentation, “Community Development Corporations and For-Profit Developers: Finding Common Ground.”

Roldan explained that community development corporations (CDCs) have grown in number, size, experience, and capacity over the past generation, presenting a real

opportunity for private sector collaboration to rebuild communities throughout America. He offered his own organization as an example: the Hispanic Housing Development Corporation (HHDC), which has operated throughout Chicago over the last 25 years, has built 1,800 apartments and homes for families and the elderly and about 80,000 square feet of commercial space, and currently has about 110 million square feet under development. The HHDC also manages 3,400 apartments for approximately 8,500 persons and includes a for-profit construction company, the Tropic Construction Corporation. HHDC employs about 160 people—many of whom live in communities that the organization serves. The HHDC has an asset base of \$16.9 million and annual gross revenues of more than \$21 million.

Offering an overview of the community development field, Roldan explained that it began 30 years ago “as a grass-roots movement to improve life, most often in low-income communities.” It developed with an unusual—and challenging—three-pronged mission:

- To change the economy of a community for the better, increasing the income and wealth of the residents and stimulating investments locally.
- To improve the physical nature of the neighborhood, from housing to shopping areas, transportation, public spaces, and the environment.
- To strengthen the social bonds among the people in the neighborhood.

Community development corporations typically are neighborhood-based grass-roots groups that are incorporated as nonprofit, tax-exempt organizations and engage in development activities that include creating affordable housing, stimulating economic development, and generating new money that is invested and retained in the neighborhood. Many CDCs also provide community services, such as child care programs.

Over the years, community development corporations around the country have developed more than 575,000 units of affordable housing and 75 million square feet of commercial and industrial space. They have generated over \$2 billion in loans to 60,000 businesses, and helped to create 250,000 private sector jobs. This record, he observed, “demonstrates that locally based community development corporations can be competitive according to the production-oriented standards that command respect in business and government circles: return on

investment, prudent asset management, customer responsiveness, and the like.”

With good planning and communication, CDCs and for-profit developers each can benefit from joint development ventures while building a relationship through an exchange of skills and/or resources. In such partnerships, the for-profit partner often provides technical development experience, while the nonprofit partner offers access to additional, low-interest funds.

For joint projects between CDCs and for-profit developers to succeed, Roldan recommended the following:

- Effective communication, beginning with a clear, mutual understanding of what each party brings to the deal and what each expects to gain from it.
- Mutual agreement on social issues, such as whom the project will target and how it will fit in with the surrounding area.
- Mutual agreement on how much income the project is expected to generate and how it will be shared.
- Satisfaction on the part of each partner regarding its share in the project’s risks and rewards.
- An exchange of skills and services, as well as capital.
- Agreement about how to divide the project management duties, including who will oversee construction and day-to-day operations once the project is up and running.

However, Roldan warned against collaborations in which the partners have not carefully thought out their roles and responsibilities, or have not fully communicated what they expect of each other, as the foundation for a frustrating joint venture.

In any case, first-time for-profit and nonprofit partners, often must make adjustments—such as using a decision-making process that is more complex and consensus-based than for-profit developers are accustomed to, or using nonprofit staff that may be unfamiliar with the legal and technical issues of development. A development project under such a joint partnership will take longer—sometimes much longer—to develop than the for-profit’s standard commercial ventures.

A nonprofit organization also will need to evaluate carefully its role in any joint venture to determine whether the project’s potential benefits are worth sacrificing some degree of autonomy. A more serious risk for nonprofits, Roldan noted, is the possible loss of tax-exempt status. He observed, “The IRS monitors joint ventures to weed out

bogus nonprofits—nonprofits created solely to help a for-profit obtain tax credits and subsidies. In order not to run afoul of the IRS, the nonprofit must own an interest in the project and must not be controlled by the for-profit.” He explained that experienced CDCs usually establish a for-profit corporate affiliate to participate and assume responsibilities in each of its partnerships. A separate, for-profit entity, whether in a limited liability corporation or a limited partnership, serves to protect the assets of the CDC from liability and its tax-exempt status.

In conclusion, Roldan commented, “Inner-city emerging markets offer a huge potential opportunity for all the development industry.” While CDCs have varying degrees of development capacity and capital, experienced for-profit developers with sufficient patience and sincerity of purpose can establish long-term, multiple-project relationships with a CDC and dramatically accelerate the implementation of neighborhood redevelopment plans.

Case Study: Grantosa City Center/Kohl’s Food Market, Milwaukee

Forum participants heard a presentation by Howard Snyder, executive director of the Northwest Side CDC (NWSCDC) in Milwaukee, about a joint project that his CDC undertook with a Mequon, Wisconsin-based private developer, the General Capital Group, to open a Kohl’s Food Store in the neighborhood. The NWSCDC seeks to enhance the quality of life for neighborhood residents and to improve the environment for area businesses through community economic development activities on Milwaukee’s northwest side. General Capital develops commercial, industrial, and residential properties throughout Wisconsin and the Midwest, holding them under long-term lease.

The site for the supermarket, the Grantosa City Center, rose from the ashes of what was once a bustling retail hub on Milwaukee’s northwest side. The 6.23-acre site sits at West Hampton and West Appleton Avenues, two high-traffic-count streets. Originally developed by the Kohl family as a shared location for its food and department store chains, the property had traded hands many times to out-of-town ownership, ultimately losing both tenants in 1999. While the eastern third of the site had never been developed, the 70,000-square-foot empty shell of the building sitting on the western edge of a vast, overgrown parking lot had become a blighted part of the community.

Surveying the site in 1999, General Capital saw a big chunk of land in a very dense neighborhood underserved by name brand retailers. The same year, intrigued by the site's potential, a new real estate director at Kohl's Food Stores initiated a deal to reopen a supermarket on the lot. General Capital's development plan enlarged the original supermarket from 35,000 to 62,000 square feet, and added one outlot at the never-used east edge of the site (now a McDonald's). The store received a new front facade on the original brick. Because the city wanted an urban edge to the design, a masonry pier and wrought-iron fence were added along the two main streets.

General Capital undertook a design/build delivery method for the \$11 million project, having found design/build to be very effective delivery method for architectural and construction services, especially in past deals with Kohl's. As owner of the building, General Capital then leased it to Kohl's. From the first site inspection to the store's opening in April 2000 took approximately 12 months, and from lease execution to opening took about eight months.

Although in many cities, tax increment financing (TIF) could have been used in a deal of this nature, the city of Milwaukee was reluctant to provide it, especially with a national credit retailer involved. While the city fully supported the deal, it wanted to see the project financed without public funds. Municipal approvals went quickly, due in part to Milwaukee's "Development Center," designed to streamline the approval process. Snyder noted, "They actually call developers 'customers!'"

NWSCD's participation primarily was as an equity investor, helping to secure the necessary construction financing. The CDC also recruited and placed neighborhood residents as new Kohl's employees to make up over 80 percent of the market's workers.

Although General Capital had the resources, it did not want to commit all the equity necessary for the long term. According to Snyder, "Twenty-year, triple-net deals are not hard to finance, but can present challenges in a central city environment." Instead, a two-pronged strategy to reduce General Capital's equity component was conceived: 1) sell, rather than lease, the outlot pad, and 2) obtain a quickly amortizing mezzanine debt component through the NWSCDC. The essential economics of the deal were:

OVERVIEW OF GRANTOSA CITY CENTER/KOHL'S FOOD STORE

In millions of dollars (rounded)

Land	\$4.100
Site	0.500
Building	2.800
Soft Costs	1.200
Total	\$8.600
Less Outlot Sale	0.400
Net Investment	\$8.200
Rent (triple net)	\$0.875
Return on Cost	10.7%

Both General Capital and the NWSCDC were pleased with the results of the venture, which was a recipient of a Mayor's Design Award in 2000—presented annually to recognize exceptional urban design in the city of Milwaukee. For the CDC, the completed project generated over 200 new jobs in the neighborhood, and a major supermarket helped to stabilize the northwest side. For General Capital, the equity investment was quickly reduced to an appropriate level in the profitable project, and the development served to further its relationship with Kohl's. For all, the visibility of the deal was a welcome feature.

Case Study: Reynoldstown Rising, LLC, Atlanta

Giving a presentation to forum participants on a joint residential project in Atlanta's Reynoldstown neighborhood were Young T. Hughley, Jr., president and CEO of the Reynoldstown Revitalization Corporation (RRC), and Laura Keenan, Georgia Development Manager with the Bank of America Community Development Banking (BACDB).

The RRC was established in 1989 by the Reynoldstown Civic Improvement League, the community's 48-year-old civic organization. It is a 501(c)(3) nonprofit organization dedicated to revitalizing the Reynoldstown community, focusing on providing affordable housing, rehabilitating existing housing, providing community outreach and education programs, establishing new businesses, and exploring microenterprise entrepreneurial ventures.

Working in collaboration with nonprofits, government agencies, and the private sector, BACDB seeks to lend,

invest in, and revitalize neighborhoods that might otherwise fall further into decline. A for-profit development company, BACDB has 11 offices around the country to implement Bank of America's ten-year, \$350 billion commitment launched in 1999 to create affordable housing opportunities; lend capital to small businesses; make consumer loans; and provide loans, investments, and grants to support community development efforts.

In autumn 1998, the RRC and Bank of America Community Development Banking (then known as the NationsBank Community Development Corporation) began negotiating a joint venture to buy and develop vacant residential lots. While the BACDB had established joint ventures like these in the past with nonprofit developers, this was the first such partnership formally organized by the RRC. The negotiation and review process was not completed until March 15, 1999, when both parties signed the formal operating agreement establishing Reynoldstown Rising, LLC.

Operationally, the BACDB assigned one person as project manager to work with the RRC, and committed a substantial line of credit for land acquisition and all attendant fees associated with acquisition, as well as a construction line of credit once the land was ready to be developed. The RRC committed staff time to manage the construction process and work through construction-related issues such as variances, work with the Fulton County/Atlanta Land Bank Authority to clear back taxes, work with the city council to clear demolition liens, and deal with site-specific issues involving utilities.

According to Hughley, this acquisition and title-clearing period was especially time-consuming because of title complications. Once owners or heirs (if the owner of record was deceased) were found, the RRC needed to negotiate a sale and clear the title for the construction loan. "It turned out to be the most trying part, not only in terms of establishing protocol and pricing, but also from the standpoint of time and patience. The majority of the lots we targeted for acquisition had extremely cloudy titles at best," he explained.

Part of the delay before construction centered around one basic provision the RRC had established with BACDC that everyone agreed on—purchase as many lots as possible before starting construction, because once construction began, prices would skyrocket. Hughley admitted, "We did not plan on the acquisition and title clearing process taking close to two years before we could begin construction."

Once construction began, the partners phased the development of a projected 25 homes to allow them to be absorbed by the local homebuyer market, as well as the general market. Approximately one out of every four homes would be sold at market-rate prices, with a profit for the LLC partners.

The homes built for first-time homebuyers included a line item for developer overhead, but other than this fee, the homes were sold at cost. As part of the venture, the RRC left all profit in these homes as a silent second lien that they forgive, on a pro-rata basis, over ten years—unless the owner sells the home before the ten years expire, at which point the RRC recoups a portion of the profit.

To date, Reynoldstown Rising has built 19 homes, the majority of which have served first-time homebuyers and participants in the Individual Development Account (IDA) Program. The IDA Program, funded by the United Way of Metropolitan Atlanta and administered by selected Atlanta CDCs, helps families become homeowners. Particularly targeted are families with a poor credit history, excessive debt, lack of savings for a downpayment, and lack of financial knowledge and understanding about homeownership.

The joint venture has met its goals—the redevelopment of a large number of the vacant lots in the empowerment zone area of Reynoldstown and sales of the homes to first-time homebuyers participating in the RRC's IDA Program.

The joint project between the RRC and the BACDB involved some anticipated tension—over roles and responsibilities, control of the process by the BACDB, selection of the architectural plans and models to fit starter-home budgets, as well as establishing minimum sales prices to accommodate multiple agendas.

Unfortunately, Hughley noted, "The time frame for acquisition and development has taken far too long." While the time frame for acquisition and title clearing could not be controlled, he felt that development should have moved faster. "This has been a source of frustration for both the RRC and the BACDB," he added.

Hughley observed that while the project had served successfully a significant number of first-time homebuyers, "it has been difficult to serve that market without hurting prices for market-rate houses." At the same time, stable, working-class households need even lower prices than what the project has achieved. "It is becoming more difficult to walk that fine line between serving the affordable housing needs of our buyers while not limiting the

market value of the homes we have previously sold, especially market-rate homes,” Hughley said.

As part of the learning curve, Hughley noted that the RRC has learned a great deal from this project about market dynamics, their internal processes, and a more aggressive acquisition and production model. Overall, Hughley said, it has become a much more sophisticated organization after four years of partnering with the BACDB in the Reynoldstown Rising project.

Case Study: Crawford Square, Pittsburgh

Jack P. Hambene, senior vice president with McCormack Baron & Associates, Inc. (MBA), discussed MBA’s development of a rental and for-sale housing project in the lower urban “Hill District” of Pittsburgh, Pennsylvania. Hambene explained that the resulting development, Crawford Square, has been widely noted as an excellent example of urban redevelopment and is a source of pride for the city of Pittsburgh, and especially the local community.

The St. Louis, Missouri–based MBA is a national real estate developer specializing in mixed-income communities with an emphasis on historic properties and central city neighborhoods. MBA is noted for its “community-building” approach to neighborhood development. The firm has developed 83 projects in 22 cities with a total development cost in excess of \$1 billion.

For this project, MBA served as the developer and redevelopment coordinator for the city of Pittsburgh’s Urban Redevelopment Authority (URA), the Hill District CDC, and community organizations. The role of MBA in the project was to:

- Create a comprehensive redevelopment plan for the physical site/land use of 18.5 acres;
- Coordinate aesthetic and architectural design direction;
- Compile the financing package;
- Invest in the project;
- Serve as project manager during construction; and
- Provide proactive property management.

MBA’s client, the URA, was confronted with the task of creating a mixed-income, mixed-ownership (i.e., for sale and rental) residential development within the neighborhood experiencing the highest concentration of low-income housing in the city. In the late 1980s, the URA began searching for a developer with significant experi-

ence and success in developing inner-city areas around the country. Through a competitive process, the URA selected McCormack Baron.

Crawford Square occupies an 18.5-acre multiblock straddling the Hill District neighborhood’s primary thoroughfare. MBA and URA saw potential in a site that is a five-minute walk from the downtown area. The goal, Hambene explained, was to give families with ties to the neighborhood a chance to own or rent new, safe, and attractive housing. In addition, due to the site’s proximity to the downtown area, they hoped to attract individuals from other parts of the city, resulting in greater economic diversity.

Urban Design Associates (UDA), a Pittsburgh-based firm, was selected urban designer of the master plan. One design goal was to add diversity in the types of new housing to accommodate differing family structures, young professionals, elderly, and renters in general. At the same time, all housing types—rental and for sale, detached and attached, and one-, two-, and three-bedroom units—were designed to look like traditional housing, thus eliminating the elements often associated with “housing projects” or “affordable housing.” Many of the building facades are made of brick, with porches. Features such as bay windows and dormers contribute to the neighborhood feel of the development, and all buildings are set back from the street and have front yards. Gated parking space is enclosed in the interior of each block, preserving street and sidewalk space for pedestrians and children.

Both rental and for-sale units are equipped with amenities that typically are not available in older urban environments or affordable housing, such as central air conditioning, alarm systems, wall-to-wall carpeting, cable TV access, ceramic tile baths, and brightly lit parking spaces. In addition, all units have access to community facilities, including a pool, a fitness center, and a community center.

During the predevelopment phase, MBA encountered significant community resistance to the project. Some members of the community were concerned that the project would exclude minorities and low-income residents, while others were concerned that the development might provide housing exclusively for low-income residents.

MBA held biweekly meetings—in concert with representatives from the URA, the Hill District CDC, the Hill Project Area Committee (a group composed of Hill District residents), and the area’s city councilman—to address these

concerns. After touring MBA developments in other cities to speak to residents of those developments, the Hill Committee endorsed the development of Crawford Square. According to Hambene, “They began to believe Crawford Square would increase access to affordable housing for Hill residents instead of displacing them.”

Construction of Phase I rental units was completed in April 1993 and fully leased within eight months. Phase I for-sale homes were completed in 1993 and were quickly sold. While MBA realized a profit on the development of for-sale homes in the first phase, it elected to focus all its attention on rental units in the second and third phases, and to support its community partner, the Hill District CDC, in leading the development of the for-sale units with the URA. The Phase II rental component was fully constructed in 1995 and fully leased within 13 months. The Phase III rental component was completed in the fall of 1999, with all units leased by the end of the year.

OVERVIEW OF CRAWFORD SQUARE

Total Units: 426

Total Development Cost: \$34,139,000

Construction Completion:

Phase I: 1993

Phase II: 1995

Phase III: 1999

Ownership Structure:

17% For-Sale Units

83% Rental Units

Income Mix:

55% Market-Rate Units

45% Affordable Units

Unit Types:

50 Single-Family Detached Homes

28 Single-Family Attached Townhouses

130 Townhouse Apartments

218 Garden Apartments

The development has bolstered private homeownership, stimulated area property values, and improved the overall image of the neighborhood. More important, it has provided housing opportunities to residents born and raised in the Hill District. In addition, Crawford Square has diversified the community by bringing residents with mid- to upper-level incomes to the area.

Crawford Square not only has improved the quality of life for its residents, but also has stimulated the revital-

ization of the Hill District. It has led to commercial spin-off development, business startups that have created employment opportunities, and additional investment for two new housing developments.

Conclusions

Forum participants discussed the strengths that both CDCs and for-profit partners bring to joint development projects, stressing that each partner can bring knowledge, expertise, and resources that meet the needs of the other partner. CDCs can provide expert knowledge of the community and an understanding of the local market, and can boost local credibility for a project. A for-profit developer can provide development expertise, resources, and credibility with lending sources.

At the same time, forum participants agreed that it is important for CDCs and for-profit developers to acknowledge the potential pitfalls in such partnerships and avoid them by recognizing what each expects from the partnership and needs to get out of the project. Mutual respect for and trust in the skills and abilities of each partner are key to the partnership.

Participants recommended the following checklist of components in organizing a strong, collaborative partnership between a CDC and a for-profit developer, and suggested that these considerations could form a useful foundation for a limited liability corporation or cooperative agreement.

■ *Partner selection.* As there are few national developers who work on the smaller scale of urban infill projects, most for-profit partners would likely be based in the same city as the CDC. The advantage is that the developer will have local ties. Forum participants suggested that an ideal example of a mutually beneficial partnership that would capitalize on complementary strengths would be between a CDC with development experience with a local, for-profit developer who is nonetheless new to the neighborhood.

■ *Division of partner responsibilities.* Establishing meaningful participation and accountability for both sides is essential. The partners must determine the balance of power among the parties and allocate responsibilities. For example, partners should agree at the outset whether they will act as general partners or as a limited partnership. Also, they should identify a project manager to make decisions, assign responsibilities for tasks such

as design and management, and establish a resolution process for disagreements. Both partners should take the opportunity to review and assess the risks of each phase.

■ *Benefits.* It is critically important that both partners understand what benefits they can expect from the partnership. They should discuss issues such as how they will divide the profits, what social and economic benefits the CDC expects, and whether the for-profit partner is seeking to build an image with the community or visibility with the city's political leadership. For-profit and nonprofit partners should also ensure that there is capacity building—as well as profit—in every deal. These benefits can provide the foundation for a strong, long-term partnership that benefits the community as well as the partners.

■ *Project types.* Participants favored larger-scale joint projects over smaller ones, arguing that it is as difficult to develop 50 units as it is to develop 500. A broader vision can make it easier to do the deal, and a larger project can open up access to more resources.

■ *Project and organizational financing.* Funding for CDC efforts, and financing options for joint nonprofit/for-profit development projects in general, was a recurring theme for forum participants. Partnership projects, they noted, often require multiple sources of financing. Yet, to increase the speed of production, it is important to seek ways to reduce the number of funding sources.

Participants also pointed out that as the federal government has pulled back from funding community development, CDCs are more likely to depend on community-oriented banks and foundations for revenue sources. Several participants observed that as these funders grow in influence, they bring their own criteria and priorities to the table, and in effect, drive an evolutionary process among CDCs. Whereas at one time, CDCs had no incentive to consolidate, today, they are often compelled to seek greater efficiency in their efforts, resulting in the creation of regional development corporations or other mergers. Clearly, participants agreed, issues such as organizational sustainability, succession, and future leadership are important considerations as CDCs seek to become more efficient—and they are areas in which for-profit developers could share their experiences and expertise.

■ *How ULI and NCCED can foster successful partnerships.* Finally, participants considered how ULI and NCCED could support and encourage successful nonprofit/for-profit development partnerships. They suggested

that they could facilitate dialogue between CDCs and for-profit developers by providing a forum, producing a publication, or offering other opportunities for exchange and networking. They urged ULI and NCCED to find ways to educate each other's members, perhaps by bringing together sophisticated CDCs to exchange know-how with experienced for-profit developers. The organizations could spread word of successful programs such as the ULI Los Angeles District Council's Urban Marketplace, which provides an opportunity to encourage new partnerships, educate people about the inner-city real estate market, and shine the spotlight on urban neighborhoods that can benefit from development partnerships. Last, participants encouraged organizational cross-memberships, mutual Web site links, joint panels at annual meetings and other national events, activities through ULI District Councils, and the nurturing of purposeful stewardship in each organization's senior leadership.

Policy Forum Agenda

THURSDAY, OCTOBER 3, 2002

- 4:00 p.m. **Tour of the Lake Park Pointe Shopping Mall—North Kenwood—Oakland Area, Chicago**
Presenters: Bill Jones, *Bill Jones and Associates*
Glenn Azuma, *Trkla, Pettigrew, Allen and Payne, Inc.*
Alderman Toni Preckwinkle, *4th Ward, Chicago*

FRIDAY, OCTOBER 4, 2002

- 8:00 a.m. **Welcome and Introductions**
Forum Chair: Leigh M. Ferguson, *President, LMF Holdings*
- 8:30 a.m. **Opening Presentation**
CDC's and For-Profit Developers: Finding Common Ground
Hipolito (Paul) Roldan, *President, Hispanic Housing Development Corporation*
- 9:45 a.m. **Case Study I: Grantosa City Center/Kohl's Food Store, Milwaukee**
Presenter: Howard Snyder, *Executive Director, Northwest Side CDC*
- 10:45 a.m. **Case Study II: Single-Family Homes in the Reynoldstown Neighborhood, Atlanta**
Presenters: Young T. Hughley, Jr., *President and CEO, Reynoldstown Revitalization Corporation*
Laura Keenan, *Georgia Development Manager, Bank of America Community Development Banking, Atlanta*
- 11:45 a.m. **Break**
- 12:00 p.m. Lunch
- 1:00 p.m. **Case Study III: Crawford Square (Residential), Pittsburgh**
Presenter: Jack Hambene, *Senior Vice President, McCormack Baron & Associates, Inc.*
- 2:00 p.m. **Discussion**
■ What do CDCs and for-profit developers bring to this type of partnership?
■ What are some of the potential pitfalls in partnerships between CDCs and for-profit developers?
■ What good models are there for CDC/for-profit developer partnerships?
■ What lessons have been learned?
■ How can ULI and NCCED foster partnerships between CDCs and for-profit developers?
- 3:00 p.m. **Summary:** Marta Goldsmith, *Vice President, Land Use Policy, ULI*
- 3:30 p.m. **Adjourn**

Policy Forum Participants

Chair

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