

Self-Help: Community Development in North Carolina's Downtowns

Malcolm White

Self-Help Credit Union, headquartered in Durham, North Carolina, provides an innovative set of new tools for planners interested in downtown revitalization, community development, and asset building among low-income individuals. This article details the role played by Self-Help in a number of community development activities in Durham, Asheville, Memphis and other cities throughout the southeast. In these cities, Self-Help has provided the critical first investment in projects deemed too risky by the private sector—often with high success rates. Also discussed in this article is a brief overview of the financing tools and strategies used by Self-Help to leverage private and public funds for their innovative work.

In hip downtown Asheville, North Carolina, an eclectic mix of students, families, musicians, craftspeople and retirees create a vibrant street scene. On Wall Street, a half-block of two-story brownstones, people window-shop in trendy galleries, eat at popular restaurants, or pick up a copy of Mountain Xpress, the city's alternative newspaper. Few notice the eight-story Art Deco building in the center of the block, but without it, Wall Street and the surrounding area might look very different.

The building is home to the Asheville branch of the Self-Help Credit Union, which purchased and renovated the Public Service Gas Company building in 1990 after it had lain dormant for years. A community development credit union (CDCU), Self-Help used a combination of financing and redevelopment to bring the old building, and the street it sits on, to new life. Its example demonstrates how nonprofits and local partnerships can contribute to community revitalization.

Self-Help is one of the nation's largest CDCUs, having provided more than \$4.5 billion in financing to some

50,000 homeowners, nonprofits, and small business owners since 1980. Its mission is to create ownership and economic opportunity for low-income families left out of the economic mainstream and includes creating healthy communities. Its imprint can be found all over North Carolina.

Self-Help makes loans to women, minorities, rural residents, and nonprofits from its seven branches in North Carolina. Most of its borrowers cannot obtain credit from a traditional lender, yet Self-Help's loan-loss rate is comparable to that of banks lending to far less-risky borrowers. Using partnerships, a myriad of funding sources, and leveraged capital, Self-Help and its borrowers transform neighborhoods and downtowns all

Malcolm White is director of communications for Self-Help, having joined the organization in 2001. He is responsible for all printed materials (lending brochures, annual reports, newsletter, Impact Statements, etc.), the oversight of the Self-Help Web site, media relations, and advertising in national trade magazines to support Self-Help's deposit-raising efforts. He has worked in communications and marketing for 30 years for General Electric Co., Cellular One, Dial Page, and with the Providence Journal Broadcasting's cable-TV and broadcast TV stations.



Asheville was Self-Help's first venture into commercial real estate, and, like most of its ventures, was not without risk. The Public Service Building is home to Self-Help's Asheville office and 15 other nonprofit tenants. *Photo courtesy of Self-Help.*

over the state. For planners, its experience in combining community development and lending offers several successful models.

Asheville was Self-Help's first venture into commercial real estate, and, like most of its ventures, was not without risk. "You could yell down Wall Street and there was no one to hear you," remembers Joyce Harrison, the Asheville branch director. Self-Help used private funds to complete the renovation, and then recruited nonprofit agencies to become tenants. "Most of these agencies needed to be downtown, and being in close proximity to each other was a real convenience to their clients," Harrison says.

Once the building was completed, Self-Help lent funds to small businesses willing to take a chance on Wall Street—dry cleaners, restaurants, etc.—that could provide services to their new tenants. A few established footholds; while some failed, others took their place. As Asheville grew, Wall Street started looking more attractive to private investors. "It needed someone to take a chance, and we needed borrowers with the tenacity and patience to contribute to the community," Harrison says. "Both Wall Street and Self-Help have been rewarded, and the city and its tourists have, too."

From that beginning, Self-Help's real estate work expanded. It sought and bought abandoned buildings in North Carolina's downtowns, renovated them, and hoped the increase in downtown workers would spur private investment. It used a wide array of funding streams to acquire the properties and pay for the renovations.

Below are some successful examples:

- In Greensboro, Self-Help conducted a fundraising campaign to acquire and renovate a vacant bank building. To secure desired tenants, only nonprofits were promised space; today, the Self-Help Center on Elm Street is one of the largest nonprofit incubators in the Southeast.
- In Greenville, private investors purchased historic tax credits to finance the restoration of the old Proctor Hotel into a stunning headquarters for East Carolina University's Continuing Education Program and office space for nonprofits including Self-Help and Legal Aid.
- In Fayetteville, historic tax credits were combined with a low-interest loan from the Federal Home Loan Bank of Atlanta's Economic Development and Growth Enhancement (EDGE) program to lower Self-Help's costs in restoring the ten-story First Citizen's Bank Building downtown. Current tenants include: the Latino Community Credit Union, Self-Help Credit Union, and many small businesses such as RLM Communications, Atkinson Builders and Mary Peppers Insurance Agency.
- In Charlotte, Self-Help rescued the historic Great Aunt Stella Center, which had been used as a community gathering place, sanctuary, and performance hall. Only a few blocks from glitzy uptown Charlotte, the building now houses a charter school and several small nonprofits.

- In Durham, Self-Help transformed a newspaper printing plant into a small business and nonprofit incubator. It owns five buildings within a stone's throw of each other. The headquarters of Self-Help, the Latino Community Credit Union (started, owned, and managed by Latinos) and Generations Credit Union (a resource for the state's many small black credit unions) line a half-block stretch of Main Street.

The organization now owns 15 renovated commercial buildings totaling some 600,000 square feet of rentable space in center cities all over North Carolina. Occupancy rates hover around 90 percent in downtowns that had previously been largely abandoned.

"We found a clear need for downtown office space," said Ben Grinnell, a graduate of the Department of City and Regional Planning at the University of North Carolina, Chapel Hill who manages leasing for Self-Help. "We lease space to the small law firm that needs to be near the courthouse, or the social service agency whose clients rely on bus transportation. We charge market rents, but we try to keep tenant costs down by providing shared conference rooms and such, so individual tenants don't have to rent space that they use only sporadically."



In Charlotte, Self-Help rescued the historic Great Aunt Stella Center. *Photo courtesy of Self-Help.*



Martin Eakes is the founder and executive director of Self-Help. He is scheduled to speak at the DCRP anniversary on Saturday, September 22. For more information on Mr. Eakes' background and accomplishments, please see his profile in the *Durham News and Observer* at

<http://www.newsobserver.com/102/story/379454.html>

In addition to commercial real estate, Self-Help has stepped up its presence on the residential end, looking for ways to provide affordable housing in urban areas. Its first project was Walltown, a century-old neighborhood of small duplex homes not far from the Duke University campus in Durham. Almost all of the homes in the area were rented by absentee landlords; as a result, urban blight, petty crime, and drug dealing plagued the area. As a nonprofit with the core belief of homeownership, Self-Help saw a great deal of potential in Walltown.

Working in partnership with Duke University's Neighborhood Initiatives program, the City of Durham, the N.C. Housing Finance Agency, and other partners, Self-Help began to acquire and redevelop homes. The duplexes were gutted and turned into single-family homes with modernized utilities, updated interiors, and new landscaping.

Self-Help both managed the redevelopment (or, in some cases, the razing and rebuilding of new homes) and was the principal lender to the homebuyer. Homes sold for as little as \$88,000 when the project began in 1997. To make mortgages affordable for city employees and working-class families living in the neighborhood, the partners created a layered mortgage program.

Tools of the Redevelopment Trade

Nonprofits like Self-Help often finance their work with a broad array of incentive and tax credit programs to lower their costs of funds. In many cases, these programs help make feasible the restoration of historic properties that private developers may ignore. Planners might want to consider these resources when developing their city's community and economic development plans.

North Carolina State Historic Preservation Office (SHPO) is a valuable resource for any developer looking to restore historic property. Since 1976, over 1,300 completed "certified rehabilitation" projects have been reviewed by the SHPO, representing over 500 million dollars of investment in historic properties. <http://www.hpo.dcr.state.nc.us/>

The North Carolina Downtown Development Association (NCDDA) is a nonprofit membership organization made up of towns, downtown development organizations, chambers of commerce, and private professionals whose primary purpose is to create a state-wide network of people and organizations involved in downtown revitalization. NCDDA strives to function as a center for information, a resource for

technical training and educational forums, a clearinghouse of ideas, and an advocate for public policy that supports downtown revitalization.

<http://www.ncdda.org/>

The Federal Home Loan Bank of Atlanta's Economic Development and Growth Enhancement (EDGE) Program provides subsidized-rate advances to Bank members to fund community economic development projects that meet the program's eligibility requirements. It is available only to financial institutions that are members of FHL Bank of Atlanta.

http://www.fhlbatl.com/fhlb_content.cfm?lev1=5cis&lev2=bcedp&lev3=3edge

The US Treasury Department's New Markets Tax Credit (NMTC) Program permits taxpayers to receive a credit against Federal income taxes for making qualified equity investments in designated Community Development Entities (CDEs). Substantially all of the qualified equity investment must in turn be used by the CDE to provide investments in low-income communities.

<http://cdfifund.gov/programs/programs.asp?programID=5>

Some second, third, and fourth mortgages charged little or no interest; others were forgivable if the homeowner stayed in the property. Families could qualify for loan programs with household incomes as low as \$25,000.

More than 43 families became homeowners in Walltown since the initiative began with a commensurate decrease in crime and drug trafficking. Self-Help has launched new residential real estate partnerships in other low-income neighborhoods in Durham and in an aging neighborhood in Fuquay-Varina.

In recent years, the organization's real estate work has expanded outside of the state's borders, with specialized lending to projects in distressed areas. Public charter schools, whose allotments covered operating costs but could not benefit from local bond initiatives to build permanent facilities, were a natural target. Self-Help again brings both lending capital and construction management expertise to bear on these projects, helping schools in North Carolina as well as Memphis, Boston, and Houston to renovate buildings of various uses into classrooms.



As a nonprofit with the core belief of homeownership, Self-Help saw a great deal of potential in Walltown neighborhood in Durham. *Photo courtesy of Self-Help.*

A new source of loan capital came from the US Treasury Department's New Market Tax Credit (NMTC) program, which began in 2003 (see Tools of the Re-development Trade on the previous page). Designed to increase the flow of capital to low-income areas, the program allows intermediaries like Self-Help to use investors who want the tax credits as financiers for these projects. Self-Help's first such loan gave a jump-start to Durham's urban revitalization.

The American Tobacco complex, just south of downtown, is a series of seven once abandoned and dilapidated buildings directly across the street from the Durham Bulls Athletic Park, which draws half a million baseball fans to Durham every year. The project was a natural fit for the NMTC program, since that section of downtown had been designated as a qualifying area by the program.

Self-Help made a \$10 million construction loan to get the project started, and then a \$40 million loan—its largest ever—for permanent financing. Three years later, American Tobacco is a lively complex of offices, restaurants and shops, with more than 1,800 new downtown employees working there. The sheer scale of the project started a landslide of residential revitalization

projects in the city's center, and now downtown Durham is becoming a mecca for urban dwellers.

What does Self-Help see that others don't in these decaying urban areas? "It's not really about investment opportunity, at least in the sense a private developer would see it," said Tucker Bartlett, another DCRP graduate who manages Self-Help's commercial real estate activities. "It's about making healthy communities—places where people can work, and shop, and live. We're not big enough to do this all by ourselves—we need private developers and investors to follow us after we've established the beachhead. But we believe downtowns are for people, and we know that once we get the people downtown, the amenities that create thriving cities will follow."

For more information on Self-Help's Commercial and Residential Real Estate activities, go to www.self-help.org/realestate/index.asp.