

LEARNING RIGHT FROM WRONG

A 10 year Retrospective

By Anthony R. Parrish, Jr.
President, Wind & Rain, Inc.

In March of this year 2004, Wind & Rain celebrated its 10th Anniversary. Starting from discussions in 1994 around the dining room table of a friend, Wind & Rain formulated a basic strategy for turning an impoverished African-American neighborhood, the West Grove, into a prosperous, vital, crime-free community without gentrifying it (*i.e.*, displacing the existing residents with newcomers having more financial resources):

1. Build single family detached homes for ownership by first-time homeowners living and working in the community.
2. Make sure the homes are big enough, and designed well enough to appreciate in value over time.
3. Sell the homes for a price and with a financing package so that the monthly payment is “the equivalent of rent.”
4. Do all this without any hand-outs from government coming to Wind & Rain, and still make a profit.

If Wind & Rain could successfully do these four things by even building just a few houses, we sincerely thought the light would then shine into the hearts and minds of both the public and the politicians and we’d be building a hundred “affordable” homes a year or more. After all, as the saying goes, “Build a better mouse trap and the world will beat a path to your door.”

Ten years later, Wind & Rain’s has a record of accomplishments of which it is justly proud:

- First new houses built by a for-profit entity in the neighborhood in 30 years;
- First new office building in 50 years;
- First new retail building in 50 years;
- Creation, along with the University of Miami School of Architecture and the newly formed Coconut Grove Collaborative, of a Neighborhood Conservation District;
- Most important, 13 new homeowners, who each started with a \$3,000 down payment, now have combined equity in their homes in excess of \$2,000,000.

Despite these accomplishments, Wind & Rain has little more momentum to build new affordable homes than when it started. The “better mouse trap,” while lauded by the press and community leaders, has attracted no real political support, which is to say, the subsidized “soft 2nd” mortgage funding upon which the Wind & Rain model depends

to make its houses affordable to low-to-moderate income families, is still very difficult to come by. Even more disappointing, the 13 new Wind & Rain homes, and the noticeable community-wide improvement that they represent, have inadvertently provoked a wave of gentrification that now threatens this small historic Bahamian community with skyrocketing rents and an explosion of “McMansions.”

In looking back over this decade of hard but rewarding work in the community, Wind & Rain has learned some important lessons that it can take with it to other communities as well as share with other affordable housing providers.

THINGS WE DID RIGHT

“Do Well by Doing Good.” From the start, Wind & Rain was going to be a different type of homebuilder. It was going to be a “for profit” entity that in many ways acted a lot like a “not for profit.” William J. Levitt, the creator of Levittown, the inventor of the great homeowning American middle class back in the ‘50’s, was our model: Build a good house that will go up in value, sell it for “the equivalent of rent” by taking advantage of government backed financing (in Levitt’s time it was the “GI Bill”), and make a nice profit, not “per house” necessarily, but by building a lot of them. Habitat for Humanity also shares much of this same philosophy, but plows all of its revenues back into more self-generated “subsidized” mortgages for its next round of new low-income homeowners. Wind & Rain wanted to go the “for profit” route because we didn’t want to have to enlist and be responsible to any board of directors, and because we believed then and still do that the only economic engine powerful enough to build the thousands if not millions of new homes needed right now in this country is private, profit driven enterprise.

Good Design is Worth Everyone’s While. The most cost effective thing any affordable homebuilder can do is to hire a good architect whose heart is into good design. Everything but the house finishes (*e.g.*, the tile work, lighting, floor coverings, windows) costs the same, whether you are building a \$1,000,000 house or one that sells for under \$100,000. The cinder block, the water pipes, the paint, the stucco, the drywall--all are the same price per sq. ft. Wind & Rain’s general contractor, Mario Benitez, taught us early on that to make a house cost less, you generally must build a smaller house, but reducing the size of a house by half may only save you 25% off the price of a house because of the other relatively fixed costs, such as land costs, insurance, surveys and permit fees. Wind & Rain has always been committed to building “enough house to go up in value”—which means no depressing institutional “shoe boxes”—so the trick was to build a cost-effective spacious 3 BR/2BA distinctive house that enhanced the neighborhood and which would serve the families that needed them.

By great good fortune Wind & Rain had just the architect for the task in Marilyn Avery. Marilyn came up with our initial “Caribbean” design, which was basically a square house with a large open porch across the entire front. Why square? Because a house of 1600 sq. ft. that is 40’ X 40’ costs 25% less to build than a 1600 sq. ft. house that is 80’ X 20’. If you don’t see why immediately, you are in good company: many of the University of

Miami's undergraduate architects, who in 1999 became Wind & Rain's "think tank," didn't see why either. The reason is that the square house has 160 linear feet of walls, while the rectangular one has 200 linear feet. The most useful other way to save on construction cost without shrinking the livable area is by eliminating hallways. The U of M students became experts at that.

We had known the Dean of Miami's School of Architecture, Elizabeth Plater-Zyberk, for years and were well aware of her reputation for "New Urbanism" community design. She had mentioned that the University had just been chosen to host a "Henry Luce Chair" that could impact what Wind & Rain was doing in the West Grove but only if we could help persuade the recipient of the Luce Chair, one Samina Quraeshi, to select the West Grove as a "study area." After meeting Professor Quraeshi at a local Cuban restaurant, we determined immediately that this dynamic visionary Pakistani educator was not going anywhere *but* the West Grove.

Samina, together with architect Marilyn Avery and Samina's architect husband Richard Shepard, soon convened a workshop at the University's Center for Urban & Community Design under Professor Shepard's tutelage. The aim was to design a livable affordable house that could fit on a "substandard" 25' X 100' wide lot, of which there are many in Miami's poorer neighborhoods. Already we had one strike against us due to the long and narrow lot which would force us away from the efficient square house design. Strike two was the City setback requirements: the house's "footprint" could be no larger than 15' X 60' so that the house would have to be 2 story.

How does one design three bedrooms, two baths, a living room, dining room, a laundry room, two porches *and* a stairway into a 13' 8" wide (inside measurement) space and still make it roomy and affordable and attractive? The answer is that you eliminate all the hallways you can, and have 30 architecture students, as a team, figure out how to use every square inch of floor space. Then you have those same students help build it from the ground up. You can see the results of their efforts at www.windandrain.com in the Articles section entitled "Facelift in the West Grove."

Community Building. There is simply no way of avoiding the race issue when a group of mostly white people, well intentioned or no, arrive to "do something" in a predominantly African-American neighborhood. The West Grove in 1994 when we built the first Wind & Rain house was certainly in excess of 90% black occupied, even if the percentage of black ownership of the real estate was much less, probably around 50% overall. Not all of the residents were low income either. As one of Miami's oldest neighborhoods, a lot of the houses were large, well kept, and owned by quite well-to-do families. Even so, the per family income averaged out to something like \$12,000 in 1994. And most of the renters were just barely getting by and living under very marginal conditions.

Wind & Rain came into this largely forgotten neighborhood with a straightforward plan. We dealt with the race issue by building homes for ownership rather than rentals, and, with the assistance of the local community development corporation, by actively recruiting and assisting local residents to become the new homeowners.

Wind & Rain discovered to its delight that no matter how “bad” a block was because of drug dealing, illegal dumping, or non-existent code enforcement, it only took two to three new homeowners per street to completely turn that block around. And it only took 15 new scattered site houses in the 45 blocks of West Grove to awaken the whole City of Miami to the renaissance of the community. Unfortunately, the City’s real estate speculators also were awakened to the possibility of acquiring lots and houses at 1950’s prices *unadjusted* for inflation. At this critical juncture, again Professors Shepard and Quraeshi stepped into the breach with timely assistance.

As the McMansion builders began to snap up duplex lots from absentee owners, and the commercial properties began rapidly to change hands as well financed investors made increasing offers to longtime owners, the need for a community wide vision plan became increasingly evident. Building upon the work done by the Duany, Plater-Zyberk for the City of Miami Coconut Grove Planning Study in the mid ‘90s, the Center for Urban & Community Design’s students surveyed the entire West Grove, documenting its existing structures and infrastructure, and analyzing its strengths and weaknesses for being “reinvented” as a drug free, prosperous community while still retaining its residents.

Working at a furious pace over several semesters, the CUCD students generated a Vision Plan for Grand Avenue and an overall Plan for “Village West Island District,” a new name picked by vote of the residents. With the community’s endorsement generated over months of community design charrettes led by Professor Shepard and his students together with the newly formed Coconut Grove Collaborative (an umbrella group comprised of most of the existing organizations and groups in the West Grove), the Grand Avenue Vision Plan was adopted and codified as part of the City’s Municipal Code, just in the nick of time to prevent high rise development on Grand Avenue that would have been allowed under the old Code. The Plan for Village West Island District encompassing the residential portions of the neighborhood is being reviewed by the City for implementation as of this writing.

These Vision Plans were designed not only to thwart shortsighted developers, but also to instill rejuvenated pride in the community so that the local residents would not take the offers to sell being thrust into their faces. Part of the task is educational. Families who for generation after generation have never seen their homes appreciate in value need to be convinced that their homes are indeed valuable as something more than just shelter, and that the real estate speculator offering them ten times what their grandparents had paid was in fact offering much less than the true value. Then they need a primer in real estate financing—that you don’t need to sell to tap into the growing equity in your home. And most important, they need to feel that pride of place that comes with a community that is regaining its health after decades of drugs and crime, of having the neighborhood high school eliminated by desegregation mandates, and being ignored by political leaders, City administrators, and police and code enforcement.

As Professor Quraeshi has observed, this task is made the more difficult when “...what unites a group of people is the trauma of history, not the pride of place it is supposed to

infuse into the neighborhood. How then should we, as community builders, constructively engage with the past?"

There are no easy answers to this question, and the unequal financial resources within and without the community load the equation in favor of "gentrification," which Wind & Rain defines as the displacement of one socio-economic group by another with more financial resources, and not necessarily as blacks being replaced by non-blacks. To date, exactly none of Wind & Rain's homebuyers has sold out, even though some have been offered in excess of \$250,000 for houses purchased from us ten years or less ago for as little as \$77,000. As our very first homebuyer, postal worker Cheryl Ogletree said recently: "Where would I go that I would like as much?" Exactly.

THINGS WE DID WRONG

Missed Educational Opportunity. Looking back at the major successes we had with the University of Miami's School of Architecture, the one thing we know we did wrong was not to require the University of Miami administration to support the studio Design/Build House project financially with hard dollars, even if such support was only to the tune of \$10,000. While we had Dean Plater-Zyberk's support, the project never had any "investment" on the part of the University's administration, particularly of its all important Provost. This meant that when the next studio class assembled, we were not able to replicate and build upon the previous year's success, despite the fact that the 2nd year class was oversubscribed by new students anxious to begin a new "hands on" design/build house with Wind & Rain.

Why this failure? Because the overwhelming success of the first studio project, which many of the students said was the most intense, rewarding and *fun* course they took in the whole architectural curriculum, had created a backlash from other faculty members who did not believe students should be involved in real world projects at such an early point in their architectural careers. Furthermore, since the University administration had not put any money into the first project, it saw no reason to put any funding into the second round, even though the first project had been a success for the students. Wind & Rain *needed* the University to put some dollars into the 2nd project because we had learned that student involvement, due to the learning element, slowed the whole homebuilding process down. In addition, lot prices had begun to climb rapidly in the neighborhood. With a very restricted profit margin to keep the house affordable, the "time is money" adage had proven true in the first studio. The University did not respond.

What an opportunity missed by the University, and by Wind & Rain. Just ask the family living in the student designed and built house on Thomas Avenue. And just ask any of those lucky first studio participants, two of whom after graduation bought houses in "Village West Island District" where they are now working and raising their families.

Missed Economic Opportunity. From the start in 1994 we knew the West Grove was going to get "whiter" sometime. It had to. The community had shrunk from over 10,000

residents in 1950 to approximately 2500 by 1994. Vacant lots abounded where houses once stood. Property values when adjusted for inflation had decreased as much as 80%. In those same 44 years, the rest of Coconut Grove, North, South and Center, had seen its property values in real dollars appreciate 500% and more. The West Grove was a vacuum, and nature abhors those. It was just amazing that the community still existed at all as a primarily low income African-American community, so well located and surrounded on all sides by much wealthier communities.

As we got to know the residents, we realized that this Bahamian heritage community still existed partly because of its deep historical roots, kept alive by the many churches and schools in the community. The other reason for its existence was fear on the part of outsiders—there were crime statistics justifying the wisdom “Don’t stop at the light at Grand and Douglas.” Wind & Rain did more than its part to change that climate of fear. We built houses for homeownership on drug ridden streets and those streets got better almost overnight. We built the first office building in 50 years on Grand Avenue and suddenly everyone else wanted one, too. We supported a new vision for Grand Avenue with wide sidewalks and tree lined medians and then the City and County found funding to implement the vision. What we didn’t do was adequately plan ahead for the onslaught of cash that would be thrown at the unprepared residents for their real estate once things started to improve. We could have, too, by somehow finding a community-friendly investment group to buy the properties owned by the Blumenthal Trust.

The Blumenthal family had owned many properties, including stores, apartment buildings, single family homes, duplexes and quadruplexes, from the 1920’s onward. They had been meticulous in their maintenance. By the year 2000, there were less than 100 historic wooden “shotgun” houses left standing in the West Grove. Of these, maybe 30 were in excellent condition. Of these, probably 90% were “Blumenthals.” The Blumenthals had also been excellent landlords for generations of West Grovites, keeping the rents low, helping families in need, forgiving rent when necessary. Then in 2001, for a variety of reasons, the Blumenthal Family Trust decided to sell all of its 87 properties. David Blumenthal brought the whole “package” to Wind & Rain with an asking price of \$12 Million for the individual properties, but of \$8.5 Million for a bulk sale. The existing rents would support a purchase price of \$7 Million but, as David pointed out, the rents were way below what they could and should have been.

We were not able to raise the \$8.5 Million even by meeting with some very wealthy investors, or by taking the deal to several Foundations. None of the people or organizations we contacted seemed to believe this real estate was valuable and under priced. The long history of stagnation and dysfunction was too well known. Neither was Wind & Rain successful in its efforts to buy all of the Blumenthal residential units with state housing subsidies by pledging to keep the units “affordable” for 10 to 15 years—we just did not have a strong enough financial track record. If we had been able to purchase these units, some of the families renting in the community would have had at least a 10 year respite while they adjusted to the fact that their units were becoming valuable to others willing and able to pay more rent—the “gentrification” that everyone feared.

The Blumenthals proceeded to sell off their properties one by one, taking less than a year to do it, and they got their asking price. The properties were sold to a wide variety of small and medium size investors, gathering momentum with each new “comparable.” It was like gasoline on a fire by the end of the year. Many of the properties changed hands again, then again, and then yet again. With each new landlord, the rents went up. Some of those families with month-to-month leaseholds saw their rents double or even triple in less than a year. The bulk sale that David Blumenthal had offered to Wind & Rain for \$8.5 Million was now worth an estimated \$25 Million less than three years later. Some developers were now planning “high rise” condominiums on assemblages of properties, including many of the former Blumenthal properties. Inevitable development? Or a missed opportunity to slow and control speculation and gentrification? In truth: some of both.

Meanwhile, those families who owned their own homes (including Wind & Rain’s 13 families) were seeing 50 years of deferred appreciation arrive on their doorsteps almost overnight. This was a good thing overall. Why shouldn’t African-Americans see their homes increase in value just like everyone else in Coconut Grove? And with the State’s 3% cap on increases in tax assessments for homestead properties, the increasing real estate taxes would be bearable for most, especially when they realized the value of their homes was going up 50% per year and more.

Missed Political Opportunity. My greatest disappointment is this: After 10 years of hard work, and proving beyond doubt that construction of new houses for homeownership by existing residents is the key to turning around a decaying neighborhood without displacing the families living there, Wind & Rain has never been able to get the local politicians (with a few notable exceptions) to give more than token support to homeownership. I have come to the conclusion that when it comes to disbursing public money, the politicians are more willing to give large amounts to the few (as with large rental apartment buildings), than to give smaller amounts to the many (as happens with homeownership subsidies). It’s easier to do the former, and a lot easier to get campaign contributions.

It is certainly true that you need \$30,000 to \$40,000 in taxpayer subsidy (in the form of a “soft 2nd” mortgage) to bring the monthly payment on a \$100,000 house to the “equivalent of rent” for a low-to-moderate income family. But government, at local, state and federal levels, supports rental subsidy programs that cost the taxpayers far more if you do the math, without even taking into account the intangible benefits (fewer police calls, better school performance, cleaner streets, and on and on) to the community that homeownership brings.

Wind & Rain is certainly not advocating doing away with rental subsidies. We could make a better case philosophically for doing away with government housing subsidies of any kind, including fully deductible mortgage interest on a *second* home (and partial deductibility on a *third vacation home!*) that wealthy Americans enjoy. Government also gives federal tax credits for building or renovating rental apartment complexes. It gives Section 8 rental vouchers, sometimes well over \$1,000 per month, to absentee

landlords, some of whom never maintain their properties. And local government floats tax exempt bond issues for other things, like building sports stadiums. So the question isn't so much about subsidies as it is about priorities.

That being said, all people need shelter, and not all are ready for homeownership. With political will, each community could hold public hearings each year to calculate how many new houses it needs, both rental and homeownership, and what level of income would be required to qualify to buy the homeownership units. Then it could set the criteria—even if it's a lottery—to select the lucky families to own those houses. Private enterprise could competitively build and sell them. Is it too much to ask the mayor of a city as poor as the City of Miami, or the mayor of a county as poor as Miami-Dade County, to say: "Building homes for homeownership for the working poor of this community is my No. 1 priority"-- and mean it?

It is not bleeding soft-heartedness to advocate this. It is simply common sense. With the arguable exception of education, homeownership helps more than any other single thing to build wealth, community pride, and stable families. Whoever you are, think about how different your own life would have been if your family's status had been permanently changed from homeowner to renter or vice versa.

In Hindsight. It may be that a good part of the reason Wind & Rain's "better mousetrap" has failed to attract more political assistance is due to its founder's bull headedness. Instead of focusing on the purity of the Wind & Rain paradigm, flexibility might have won more support. As one very successful Miami developer told me: "People may admire what you do, but they respect you only if it also makes money."

Wind & Rain might have made a lot more money if we had bought 50 vacant lots for \$5,000 to \$15,000 each when we could have back in 1994. Then maybe we could have built a few rental units, or even a few houses for sale, and then just waited for prices to go up. On the other hand, maybe it was Wind & Rain's 13 new homeowners themselves who *caused* the property boom by taking charge of their neighborhood.

In any case, the voluminous publicity Wind & Rain has gotten over the years is undoubtedly partly responsible for a new City of Miami homeownership program. This initiative is making available "soft 2nd" mortgages of \$40,000 each to thirty low-to-moderate income families buying 2BR/2BA condominiums in East Little Havana. Each subsidized mortgage is totally forgiven if the family lives in the unit for 30 years. One commissioner said at the ribbon cutting: "We are very proud to have supported this development because homeownership brings pride to the entire community and homeowners become more active citizens." Wind & Rain could not have said it any better.