



FEATURE STORIES

Chattanooga Choo Choo

Building a Sustainable, Mixed-Income Neighborhood

BY BOB MCNUTT



This 1904 building was renovated into one-bedroom rental apartments.

PHOTOS COURTESY OF CHATTANOOGA NEIGHBORHOOD ENTERPRISE

Most long-time Chattanooga residents remember the city's Southside as a decaying manufacturing district composed of overgrown car lots filled with tires and broken bottles, boarded-up buildings, and a smattering of low-end, substandard housing.

Only a half-dozen blocks from the heart of the city, the Southside was a classic example of the downward spiral of urban disinvestment. Downtown car dealerships closed, the population moved out to the suburbs, and property values declined.

Then Chattanooga Neighborhood Enterprise, a NeighborWorks® organization, moved to break the pattern. It set out to design and build a mixed-use, mixed-income neighborhood that would attract a wide range of incomes, housing types, and private development. Today, the Cowart Place neighborhood on the Southside is one of the city's hottest real estate markets. Here's how CNE did it.

New Mission

Founded in 1986 as a nonprofit housing provider, Chattanooga Neighborhood Enterprise focused in the early years primarily on constructing affordable housing. In the mid-1990s, CNE was the top NeighborWorks® producer of affordable housing for several years running. CNE was a national model of how public/private partnerships could form to put affordable housing into distressed urban neighborhoods.

However, many at CNE began to realize that affordable housing needed to be balanced with market-rate housing in order to leverage the additional investment necessary for a neighborhood to rebuild. In 2000, CNE's board broadened its mission, strategic plan, and business plan "to build healthy, socioeconomically diverse neighborhoods," not just affordable housing. CNE had learned that too much affordable housing concentrated in a single neighborhood could actually retard revitalization.

Good Urban Design

The first test of the new, expanded mission came with the Cowart Place development. With funding from the Lyndhurst Foundation and the city of Chattanooga, CNE assembled nearly six blocks of substandard housing and vacant lots.

Guided by a redevelopment plan from Dover, Kohl and Associates, city planners laid out a design for a renovated neighborhood that included a site for a new downtown elementary school, a revived commercial district, and pedestrian-friendly streets. The new housing was denser, the redesigned streets were narrower, and the sidewalks were wider. The vacant land was replatted on narrow lots for townhouses and bungalows. The parking was in the

Each bungalow features a distinctive exterior.



rear, off the alleys, and the zoning was modified to include garage apartments and minimal setbacks.

Mixed-Income Housing

Two blocks from the historic Chattanooga Choo Choo railroad station, Cowart Place literally offers something for everyone. From the earliest plans, CNE designed affordable housing units into the fabric of Cowart Place. The first phase included two apartment buildings for low- and moderate-income tenants, separated a block apart and seamlessly integrated with the market-rate units. One of the projects was a rehab of a 100-year-old apartment building with brick fireplaces, heart-pine floors, and refurbished balconies.

CNE also built a variety of housing types and price points to lure a wide range of market-rate incomes. The first phase included two- and three-bedroom townhouses, three- and four-bedroom detached houses, and small lofts. Initial sales prices ranged from \$103,000 to \$219,000, a price swing of over 200 percent on the same block.

Building a Strong Market

From the beginning, CNE set as one of its goals the attraction of private investment. It was crucial that the early units be built to a high standard – hardwood floors, high ceilings, traditional architecture – and be marketed aggressively to professionals who worked downtown.

The first handful of pioneer homebuyers were given a \$25,000 second mortgage with three years of deferred payments. To build comps for appraisals, CNE incrementally increased the price after each sale. At the end of the first year, the price per square foot had risen 25 percent,

rewarding the first buyers and attracting the interest of market-rate homebuilders.

As the private sector showed increased interest in finishing the development, CNE sold options on the remaining vacant land, while retaining design review on all exterior aspects of the new units. As of this writing, private developers have either built or have on the drawing board more than \$7 million of new development.

Sustainable Revitalization

CNE has currently invested nearly \$6 million in Cowart Place projects, and that investment is expected to attract nearly \$12 million in additional private investment, once the neighborhood is completely built out. The finished project will total approximately 160 units, with 25 percent restricted to affordable rental and home ownership.

CNE will have built one of the strongest real estate markets in the city, and left the neighborhood with more and better affordable units than when it began. ■

Bob McNutt (bobm@cneinc.org) is senior vice president of development for Chattanooga Neighborhood Enterprise

Where 'Everyone's Heart Is into Serving' Training and Opportunity Help Change a Life

BY R.A. LENIO

At age 35, a single mom with two teenage daughters, Lorna Barker knew she was in the right place when she attended HomeBuyer Education classes at **Neighborhood Housing Services of Phoenix**.

A State Farm Insurance Company co-worker suggested NHS Phoenix after hearing that Barker wanted to rent a house. Barker discovered that NHS Phoenix was not in the rental-house business but in the affordable-homebuying business. She didn't think she qualified because of her credit history, and, as a parent, "needed to get on track."

Barker enrolled in HomeBuyer Education classes, and "the rest is history," she says and laughs. Six months later she became a first-time homeowner.

In Barker's final HomeBuyer Education class, Bill Slater, HomeOwnership Center manager for NHS Phoenix, introduced a city of Tempe representative who happened to be sitting in. And that got Barker's attention. Her dream was to purchase a home in Tempe. She approached the representative, who explained the Tempe community assistance mortgage program (CAMP) that provides down-payment grants for first-time homebuyers. Her heart pounding, Barker knew that home ownership was now attainable. She had two new partners eager to assist. She still had work ahead but knew what steps to take.

Barker took her next step toward home ownership when Slater recommended she enroll in Financial Fitness classes at NHS Phoenix. She attended with her two daughters, "to help them avoid the same mistakes I had made," she says. Barker's youngest daughter, who now is a mother herself, is working on saving for her own home by being more conscious of budgeting and tracking expenses.

After moving into her Tempe home, Barker still didn't rest. She needed to eliminate her debt, and NHS Phoenix's counselor was her next partner. Together they devised a plan to reduce her debt, one account at a time. To date, she has paid off three accounts.

Barker feels that the "keys" are "taking responsibility for your own actions and putting a stop to procrastination."

She learned that responsibility extends to sustaining home ownership as well.

"To get things fixed in my home," Barker says, "I have to do it. There is no landlord to call. Just knowing I am a homeowner has helped me to be a more stable person." Her goals are to save money, do some investing, see her own business develop, and leave an inheritance to her family.

In time, she was able to take advantage of lower mortgage rates and, because of her improved credit rating and "knowledge," effectively refinanced on her own. "I know," she says smiling, "that if I work hard and pay bills on time, other doors will open for me." But her history does not end here.

Barker took partnering to heart. "At NHS Phoenix," she

says, "everyone's heart is into serving, so it occurred to me that perhaps co-workers and church members could benefit from how my life had changed." At last count, she is responsible for steering 25 of them on the road to home ownership.

At work, Barker co-presented a proposal to "get the community more

involved." Through her efforts, three Financial Fitness classes were State Farm-sponsored at the Guadalupe Boys and Girls Club. She recruits agents to be volunteer facilitators, coordinates donations of money and supplies, distributes flyers, and networks with everyone she meets.

With Slater's guidance, Barker began instructor training through Neighborhood Reinvestment Training Institutes, and may one day be seen at the front of the classroom.

"I just don't want to die with all that potential still left in me," Barker says. "And maybe I can even help to change a life or two." ■



Lorna Barker with Bill Slater of NHS Phoenix

PHOTO BY MAUREEN ROONEY

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WORKING TOGETHER TO CHANGE THE FACE OF HOME OWNERSHIP

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Despite increases in the number of minority families that have become homeowners over the last decade, vast differences in rates of home ownership between minority and white households remain. Minority home ownership still lags behind the national average by as much as 28 percent. In response to these statistics and their implications, increasing minority home ownership has become a national priority.

Since its inception in 1978, Neighborhood Reinvestment and the NeighborWorks® network have focused on creating tools and strategies that meet the housing needs of chronically underserved American families. Last fall, the White House held a special conference on minority home ownership, and invited partners, including Neighborhood Reinvestment, to come together to consider strategies that would have a significant impact on narrowing the gap. In complementary efforts, the Congressional Black Caucus, the Congressional Hispanic Caucus, and the U.S. Conference of Mayors resolved to devote special attention to this issue.

The private sector and regulatory agencies have also made substantial investments in developing tools and strategies that target minority markets; further progress will require innovation and collaboration. This symposium is a hands-on forum for the application of tangible methods, an exchange of available resources, and cooperative interaction.

Neighborhood Reinvestment's Campaign for Home Ownership and the NeighborWorks® network in partnership with the National Insurance Task Force, offer this special symposium, along with both long-standing and new partners, to join efforts in an action-oriented dialogue. For 25 years, the NeighborWorks® system has been proud to play an important role in bringing residents, community-based organizations, financial institutions, regulators, funders, insurers, policymakers, and others together to serve America's underserved families and communities. This event will provide yet another platform for synergistic problem solving grounded in community action.

Visit www.nw.org/training for the latest information on the agenda and speakers for this symposium.