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Building respectable homes

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Twenty feet from the edge of Bragg Boulevard, in a residential section of Haymount between Eutaw Shopping Center and a strip of restaurants and car lots, the change is under way. What used to be a hilly, wooded tract is now flattening out as massive earth moving machines massage the land.

Fayetteville developer Murray Duggins says that if all goes well between now and next August, a 48-unit apartment complex, Haymount Manor, will open on the site. People older than 55 can rent one- and two-bedroom units for \$294 to \$375, far below the market average.

Their rent will be based on their income, which is calculated at 50 to 60 percent of the average Cumberland County median income of \$40,700.

But the change on Bragg Boulevard represents more than bulldozers and site preparation. Look at what's happened so far: A week and a half ago, Duggins and a number of state and local dignitaries opened Blanton Green Apartments, a similar complex, off Blanton Road, not far from the apartment complexes and subdivisions that dot the neighborhoods off Pamalee Drive.

And a few weeks from now, work will begin on Crosswinds II, a 50-unit complex on Legion Road that will adjoin an earlier Duggins project, Crosswinds. Before that, Duggins completed Long-view in north Fayetteville and Golf View in Hope Mills.

All of the projects target low-income renters.

Duggins' work has made a difference, from a number of perspectives. He's proud of what he has accomplished and he's made a comfortable enough living at it to turn down more lucrative development deals in other places.

"My mission is for that child or for that family to get into one of my developments and for it not to be branded as a project, not that they are not all that they should be," Duggins said. "I want them to be able to go in and have pride that they live there."

Market niche

There is a need for more apartments in Fayetteville, as evidenced by the 500 units constructed during the past year by Concord-based The David Drye Co. But within that demand, there's a need for something different.

During the past four years, Duggins has carved out a niche in building affordable apartments for

working-class people -- sometimes the young just starting out, sometimes those in retirement. It's called "affordable housing," as opposed to "public housing," which are apartment complexes for those with little or no income. Because it is privately managed, Duggins can, and does, refuse to rent to those with poor credit ratings or a criminal record.

The differences between an affordable housing apartment building and a regular apartment complex are subtle. Duggins' Blanton Green complex, for example, doesn't have a pool, but it does have a Neighborhood Resource Center, where the city of Fayetteville offers job skills and other classes.

The complex also has playgrounds and sodded lawns with in-ground sprinklers. There's a guardhouse at the entrance. The buildings themselves are a combination of hardi-plank and brick-veneer, with contrasting balconies, just like apartment complexes elsewhere in town. Rents run from \$325 to \$370 per month, depending on income and family size and number of bedrooms. By comparison, the National Low Income Housing Coalition estimates that the fair market rent in Cumberland County for a one-bedroom apartment is \$434 and a two-bedroom, \$487.

Petra Waddell, who moved in recently to a two-bedroom unit, is happy with her new place. "It's very spacious, and it has all the amenities that I need," Waddell said. "And the neighborhood is pretty quiet for me and my 8-year-old."

Comparison shopper

Sharon Jackson, who is 29, is a certified nursing assistant. She said she shopped around, found a few units that ran upwards of \$400 and one for nearly \$600. Jackson is paying \$325 for her place at Blanton Green.

"Each and every day, I look up into the sky and say, 'Thank you, Lord,'" Jackson said. Ben Brown, who is an assistant city manager and development officer, said that a housing feasibility study last winter showed there is a need for 4,700 two-and three-bedroom affordable units in Cumberland County.

"A lot of the affordable housing stock is so old," Brown said. "In some instances, it is economically unfeasible to rehabilitate it or repair it."

The reason Duggins is able to offer his apartments for less than other apartments is because his financing costs less. Because it does, he can charge less for rent, while still making a reasonable profit margin for himself.

Blanton Green cost \$3.3 million to build. The money came from a combination of North Carolina Housing Finance Agency tax credits, federal Housing and Urban Development loans and a private mortgage.

Margaret Matrone, a spokeswoman for the state agency, said the federal government allows states to issue tax credits based on population, which in North Carolina amounts to \$9 million a year.

"The idea is to make it economically feasible for private developers to own and operate rental property that is affordable for low-wage families," Matrone said.

It works this way: Developers like Duggins obtain a tax credit, which offsets the cost of developing the property. The privilege of using the tax credit is usually sold to investors -- in the case of Blanton Green, to First Union National Bank -- before construction begins. The proceeds are then used as equity, which reduces the size of the mortgage and the monthly debt and operating cost.

But that generally covers the cost of the buildings, not the land. For that, Duggins used a combination of a private mortgage and two loans, one from the city for \$450,000 and the county, \$300,000, both from the HUD Home Investment program. In return, Duggins gets development and management fees. Sounds easy enough. But it isn't. Matrone said that the agency only approves one out of four applications submitted. In addition, the agency oversees the architectural standards of each project and it likes to see local governmental involvement in projects it approves. And it looks favorably on such practices as having the development company hire social workers to help the residents, which Duggins has done.

And as in every business venture, there are pressures. Duggins is contractually required to keep rents affordable for 30 years. Because he or his heirs will own the property after that time, that's an incentive to maintain it properly. And he's audited frequently by all of his partners, First Union, the IRS, the city, the county, the Housing Finance Agency.

If the rents ever shoot upward and the property falls out of compliance, not only would Duggins have to pay back every dime he's borrowed, he'd have penalties on top of that.

"That would gobble me up," Duggins said. "It would be a total complete disaster for that to happen."

Duggins said that a close relationship with government regulators means that his time has to be divided between bricks and mortar and intense study, to keep up with all the changes in the regulations. Last week, for example, he and his staff were in Raleigh for a daylong Housing Finance Agency seminar. Everyone brought home a 150-page book that they have to know inside and out, or next year's planned projects won't fly.

Private developers

Duggins said that he started out 25 years ago by studying government financing of housing, including programs offered by the Federal Housing Administration and Farmer's Home Administration. He successfully built scores of houses and apartments, mostly in this area. But it wasn't until some changes came about that Duggins would build apartments like Blanton Green. Originally, in the 1960s, the government built apartments for those with low incomes; the government ran them; and they were managed poorly.

The words "housing project" came not to mean a place where people lived, but a place that was poorly maintained and crime-ridden. Duggins said that by the mid-1980s, lawmakers recognized there was a great need for affordable housing, but a better delivery system was needed. By 1986, the government began allowing tax credits to entice private developers to get into the affordable housing business.

Duggins said he spent 18 months studying all the rules and regulations.

In 1994 and 1995, knowing that the Housing Finance agency wanted local governments involved, Duggins approached Fayetteville and Cumberland County with a proposal to start building apartments, modifying an apartment house design he already had to build it out of materials that made it virtually maintenance free.

The reaction has been both good and bad: The Golfview Apartments in Hope Mills won an award naming it as the best Housing Finance Agency-backed apartment complex in the state in 1997.

But there have been detractors. Neighbors around the Longview project protested the construction, and there have been some contentious public debates.

But Duggins said that some criticism has come from business competitors: apartment owners near Longview and mobile home park managers close to Blanton Green. He said the one criticism he heard from Haymount residents during a public hearing over the new Haymount Manor project was from a schoolteacher who said he had spelled Haymount wrong: Duggins had it "Haymont." Duggins went back and changed the spelling in every reference in every document.

"There could be people who are jealous that I do this," Duggins said. "But I truly believe in what I am doing. I enjoy it, and I think it is making a difference in my community. And I am going to keep doing it as long as I have my health, as long as agencies and local government support what I am doing. That's my plan."

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