

SAVE YOUR NEIGHBORHOOD

and Yourself With WAHM

JAMES T. WEBB, MASTER BUILDER



We Say Starter Home!



They Say Crack House!

SAVE YOUR NEIGHBORHOOD and Yourself With WAHM

Your *GUIDE*

To

THE WEBB AFFORDABLE
Redevelopment Model

*Rebuilding America One
Neighborhood at a Time...*
A Builder's Story

James T. Webb, Master Builder

America's Premier Redeveloper of
Affordable Single-Family Homes
WE must SAVE AMERICA by
rebuilding its FIRST TIER



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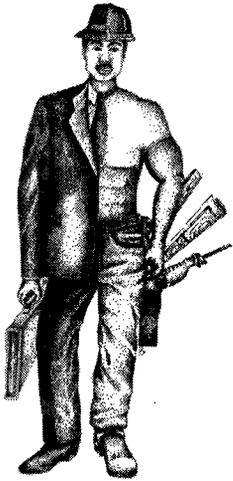
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First and foremost, I dedicate this book to Master Builders of all races and creeds. To the profession of construction, building, creating something where nothing of value existed before, a profession which is misunderstood by many and whose practices and principles are studied in most all contract law classrooms across this country, as students learn the basics of contract law.

To those builders who wake up every morning to mobilize and motivate men in the field who work with their hands, and who exist in all types of hazardous environments both physically and financially just to make a living. To you I dedicate this book and say remain strong and teach generations behind you that being a builder is indeed an honored profession, despite the numerous hurdles that one may have to endure. Teach your descendants the importance of learning a trade, a skill, an ability to do work with their hands.

In this book there is a very special class of builder however, that must be called upon to solve a very special problem which exists in our country today. That problem is the state of the inner city and rural low net worth neighborhoods, most of which are African American neighborhoods. Filled with blight, lost hopes, crime, unemployment and statistics for its male population that will render the entire community extinct if things continue the way they have gone. Too many have spoken good rhetoric and philosophized about the problem but few have viable solutions. The time has come and it will take this very special class of Master Builder to solve this crisis.

We are starting at a current disadvantage as there are only a few of this class of Master Builder who even exist. And it is with this reality that I write this book to encourage....to encourage the lost breed of Black Master Builders to wake up and understand it is time to BUILD. It is time to solve the catastrophic decline of our neighborhoods. Enough is enough! It is up to you and it is to you that I speak and give this wake up call, asking you to remember the Black Master Builders of the past who were some of the best craftsmen of all time. You must not, and you must not allow others to rest on the shoulders of these great men, our Master Builders.

To these great souls who have gone before me, those whose hands built the pyramids, the many factories of the North and the South, and the Grand Mansions. Those who came across to America whose hands built this country during slavery. Many of you were sanctioned to live in slave quarters, as you built many of the finest structures in America and the world, many times without pay, many times without promotion or appreciation, even as some of you wondered why your own brothers sold you into slavery as you yet had to endure the oppression of a different overseer.

In somewhat of a strange way, in spite of having been a Black Master Builder here in the 21st Century and having been a millionaire many times over, I do feel your pain, I understand your struggle. I am honored to be a recipient of your fortitude, your vision, your wisdom. On your behalf, I hope that through this book and my many efforts that there will be an uprising of African American Master Builders ready and willing to Re- build "this" our current America. We must do this

to eliminate blight, and to create a wholesome life for many at the first tier who currently exist well beneath their privilege. The mission is to rebuild not only our communities and the lives of the people in them, but in the process to also build wealth for the community and for us.

Being a Master Builder involves a lot more than the orderly amalgamation of sticks and stones. It involves a lot more than construction materials and labor. Being a Master Builder involves bringing together cohesiveness in the mist of a storm, even as in Egypt with the mighty storms and the torrid desert heat.... the taxing mental and spiritual resources that it took to build the pyramids. Master Builders persevered.

Being a Master Builder is much more than being a carpenter. A Master Builder understands that to perfect his craft, he must be able to sustain certain storms, whether slave or free, whether bound or loose. He must be able to keep his mind on the ultimate blueprint, the destination....the erecting of the monument, or the change in a land that without his existence would see its' own demise. And so it is today that I am honored and privileged to write this book on your behalf, thanking each one of you for all you have given to this nation and to the world.

As you have endured many major storms, I too have endured. For despite being a millionaire many times over, I have also been bankrupt a couple of times. As I rise to this occasion, as I rebuild the inner city once again, that my hands might touch, I hope that this book will be an inspiration to many of those, not just of African American decent, but to all strong minds willing

to receive this calling., to stop for a moment what you are doing in your construction and development careers and to take a peek down the road of our neighborhoods. To see, not only the opportunity, but to see the need, and to look beyond the need and to see the beauty that exists in the coming together of brilliant minds from all RACES, CREEDS AND RELIGIONS, coming together to make a positive difference in America's, in OUR , neighborhoods.

To this call some will say NO but many others will say YES. Some will come to rob, steal, dominate and humiliate, while others will come to enrich, educate, nourish, multiply, empower and to SAVE. To all I say, be not deceived; God is not mocked: for whatsoever a man soweth, the same shall he also reap...For those who say yes to this calling, be not weary in well doing; for in due season we shall reap if we faint not. I encourage you to stand strong.

To be a successful Master Builder is not an easy destination, but you can indeed make it if you endure. You will mount up with wings like eagles and you will fly above all of the rest. But your focus has to be clear and your dedication has to be consistent.

I also am writing this book as a tribute to those who fought for civil rights in America, those from all races who fought in order that a young African American such as myself, who was willing to study into the wee hours of the morning, could gain knowledge of a marketplace virtually absent of many Black Builders, still in 2007, with legislative policy designed to discourage and to thwart out even the interest of Black Builders or Developers in these neighborhoods. To all of you, I say

thank you for your blood, your sweat and tears which caused America to move forward. Hopefully through this book and my future works, MANY new emerging African American Builders, and others will receive the call. The calling, not just to build and develop new markets, but to come back home and to Redevelop the neighborhoods and the communities that brought us across. We have public accommodations and the right to vote. Economic rights are much more complex and very difficult for the common and untrained eye to see. We must Redevelop and return to our roots.

If we return to our roots, we may find with our current intellectual competencies of today, that not only could we change the direction of our communities and in particular the unfortunate crisis of the black male in America, but we may be surprised at the potential financial opportunities that exists within our community which will enrich our families, ourselves and America.

MESSAGE TO THE READER FROM THE AUTHOR

First, this book is intended for those who are Men and Women of Great Courage. If you intend to rebuild America, you will be criticized, condemned, misunderstood, and even worst. Those close to you may attempt to have your mind examined as to why you feel that in the face of all the obstacles that exist, that you can make a difference. Do not fret. You must understand that this effort has to be larger than you. What you sacrifice today is nothing compared to what many throughout history sacrificed before the enlightenment period. Before many understood how to even think rationally on ideals that today are yet so simple. Do not loose hope, as the waters could get rough. This purpose is and must be bigger than you. The purpose is much larger than your bank account. Do understand that you can indeed, however, become very wealthy. Your financial wealth, though, will be commensurate with your dedication to the WAHM. Be not deceived, as is evidenced currently by the blood of my brow; this is no walk in the park.

However, it is for those who understand that when nothing is ventured, nothing is gained. If you follow this track, you will be a guiding light for the many that will follow you one day. Please understand this: One day this life will come to an end. At that point, you will be judged by the fruit you produced and not the fertilizer you spread. Will you be able to say that you **STOOD** on **PRINCIPLE**, that you did what was good for the entire community, and not just what was politically correct? If

I could teach you how to do this and at the same time help you become wealthy, would you be interested? Come with me through this journey. I promise to show you how to “Rebuild America” one neighborhood at a time. No tax credits needed, No special governmental incentives required. No gifts from banking institutions necessary. We can do this TOGETHER.

You do not have to have any money. Money is attracted, not pursued. It will show up when you need it most. Be very careful whose money you accept. First, you must understand that you must have the desire in your heart to really make a positive difference. And, that you are willing to sacrifice your time for this cause—and what a cause it is. Once you have done this, just pick the number. Increase your level of service for this cause and your money will catch up to your service. If you want to give a million dollars worth of service, you will become a millionaire. If you want to give away a billion dollars of service in this model, you will become a billionaire. The choice is yours.

This book is intended for a number of audiences. First it is intended for those who care about the ones who have fallen through the traditional “safety net” and those who are concerned about our missing working class. Unfortunately, the safety net today is broken. The good news is that people at the first-tier have the power to rebuild their own net and to own the boat which pulls it. All you have to do is to direct and encourage them. They will come with you and surprise even their own families with their positive growth. This is totally about reaching out and looking up. Stay focused. Keep your eyes on the goal. Do not let the outside noise through you off-track. It’s just noise in the background.

For those who do not care about the first-tier, and who think for some reason that they are above the effect that the downtrodden have on our economy, crime rate, and world image, hopefully through these pages, you will see that there is a direct correlation between the pain that those in the first-tier feel and the reality that you experience on a daily basis.

Community leaders who are charged with the duty and the pleasure of dedicating their lives to making a positive change in the community that they live in, you will find specific instructions on how to mobilize and uplift your communities and neighborhoods.

Clergy will find through these pages the opportunity to do a lot more than rebuild lives, but will also learn how to reach the soul and heart of many in the community who are tired of seeing their boys go to jail or early graves, who are tired of seeing condemned houses in their communities “falling down around their ears,” who are tired of being victims of economics that they had no part in creating, who are tired of living in their current condition and desperately want to realize a change.

Politicians will find through these pages answers to the most difficult questions facing inner cities today. Crime, gang violence, infant mortality, poverty, homelessness, and joblessness are just a few of the ills that the WAHM will change. Not only that, but they will also find an avenue to personally get involved in the redevelopment of projects where they may help to feed their own families better, despite the limited salaries that they sometimes receive for the full-time public service that they render. And, hopefully, they will not fall victim to the tactics used by others to tempt them with small

change at the expense of losing their political positions and being victims of public disgrace. By purchasing, rehabbing, and selling quality homes to first-time homebuyers privately and encouraging their city to do the same, they will be a direct participant in increasing wealth for the total community.

Bankers will wake up to the opportunities that await them in an untapped goldmine of development opportunity in America where they will be surprised that the numbers work better than any other marketplace in the country. No tax credits are needed. No handouts are needed. No contributions are needed: **Just plain good business.** They will also find that there is no reason to receive a “poor” rating from the Comptroller of the Currency relative to their CRA performance—that there are countless ways to make good loans to first-time homebuyers and redevelopers in the inner city based on sound banking principles, just as there are in other communities. They will find the benefit of not waiting until rebel non-profits stage protests at their shareholders meetings to force positive involvement and positive contribution to their community.

Investors who are interested in buying homes in this marketplace to redevelop will receive millions of dollars of valuable advice on what to do, as well as millions of dollars of advice on what not to do, to make affordable home redevelopment in America a reality, while at the same time building a profitable real estate redevelopment business AND NOT LOSE THEIR SHIRTS.

FORWARD FOR VINTAGE SUPPORTERS

This book is dedicated to all of those who believed in Alpine's WAHM. For those who had the courage and the faith to believe that there could be a better way of life for many at the first-tier. That quality affordable housing could be a reality. That it was bigger than ROI, that it was bigger than what they could take, but that it was, and is still, all about what one would give. To those who saw me and the WAHM tarred and feathered by some who came into the model to rob and steal and who had no vision but were filled with greed, those who had no passion to make any positive change. For those others who only wanted to divide and conquer at the expense of the rest. To those warriors who did and still do believe in me and in the model. Those who have supported me during this critical financial crisis period, where I have received one of the greatest educations I have ever learned about the worst in people. To all of my supporters, I shall remain eternally grateful.

To you, I would say thanks for hanging in there with me and, if you are able, just hold on a little while longer. You will soon see, along with me, that "unearned suffering" is indeed "redemptive." Help is on the way! The model will perfect itself. But it will not be through slick Attorneys who encouraged and allowed the devaluation and stripping of your homes.

For those who sought to destroy me after you no longer could take advantage of me and the model, I forgive you. Some of you were my closest friends. It has, however, been charged to your head and not to your heart; For, I do believe that all people are inherently good. To you

though, I would say thanks for the tough lessons in corporate sabotage and character assassinations. I have taken my beatings and learned from them and, more than that, I will teach others who aspire to do great things to not to be moved and to always remember that, even though they may consider their hardships as casting “pearls before swine,” that all of us are God’s children. I hope to teach them to even love their enemies.

Hopefully, despite this difficult financial period, as we all evolve to heights beyond your imagination. I hope you will find forgiveness in your heart for me and any growing pains in the model and see the real value of how WAHM can help so many in this country and in this world. Try to look beyond your personal preferences. I have, and have given all that I have to this model.

I have been privileged to work with you, some of the most brilliant minds in this world and often think about how this model would be a billion dollar business today, if only personal preferences were put second to the opportunity and needed solutions in this marketplace. There is a power that exists in the midst of pain. There is a lot of suffering, within the LMI low to moderate income and minority communities of America. If we all work to cure the PAIN, the last thing in the world we would ever have to worry about is the level of the GAIN. God bless you all and I hope you find these words enlightening and that you will be able to understand where I am and the potential future of WAHM.

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SELF ANALYSIS

If you picked up this book because of the picture of the beautiful Webb estate home and the Bentley, I am grateful. I put a lot of work in that construction project and I sure did enjoy driving that car. However, that was me five years ago at the beginning of my second attempt to make single-family redeveloped affordable homes a reality for low net worth communities in America.

Today (or rather at the time of beginning the writing of this book), I am sad to report that I am not standing happily in front of that awesome 12,000 square foot home that I built from scratch. I lost that home to foreclosure in 2006. I am now looking for an apartment or a rental home for myself and my family for a short period, until I can bring the pieces back together again.

Also, I am not standing in front of the Bentley Azure convertible. I am riding in a rental Nissan SUV (great truck, but you get the picture). And, no, I am not in the middle of renovating over one hundred homes with a small army of administrative support, field teams, and heading a company with annual sales of over \$8 million a year. I am, however, picking up the pieces and heading out to meet with a bankruptcy attorney. My wife, she will probably file Chapter 7, and I am filing Chapter 13...I think. Maybe I should also file a Chapter 7. At this point, it's time for the third and last rebound: the Phoenix Rising.

Despite my current financial void, I am excited about the future, the next ascension, and to see and behold

that which my Creator has in store for me. Until that revelation appears, I had better be about my Father's business and write this book to avoid any future delay in receiving His next avalanche of blessings, which are guaranteed, if I only remain diligent to this higher calling.

THE DREAM

My dream is to drastically reduce crime in the inner city. To reduce gang violence, poverty, joblessness, and blight,-. To spark a revolution of redevelopment within low net worth communities throughout America. In this effort the dream is also to help others and I profit from this work. And, yes, profit is a part of the dream.

Despite my current personal financial drought, the goal was to prosper personally, while accomplishing all the above. Despite banks, not only refusing at times to lend in the inner city, but sending out scud missiles to destroy anyone who would go against the grain and attempt to engage them to do so in markets they had **redlined**, I held on to the dream of affordable housing in rebuilt communities. As I watched predatory lenders with interest rates at an all-time high, not to mention at points beyond the stratosphere, take aim at the dream, I still managed to keep it alive.

The affordable housing crisis is indeed a national crisis and, unfortunately for America, it will remain one until we embrace the principles of the **Webb Affordable HOUSING MODEL** (“WAHM”). It is only then will we be able to adequately address the ills of our communities and the effects of the blight in the inner city now, which crosses county lines and impacts the exterior fringes of thriving suburban communities. We must resolve the crisis which has beset our cities and small rural communities. And, any entrepreneur who might be courageous enough to tread in this marketplace let us walk together through this potential wellspring of opportunity.

Why do young boys keep killing each other? Why do young girls continue to turn to drugs and prostitution, only to be left without hope? What are the mothers saying? What are the grandparents saying? Or, are they too just struggling to survive? When will the killing stop? When will my child be able to get a job? “He has paid his debt to society. Now he needs to be back at home with his family, not back in jail,” a mother cries out for her son.

Just take a moment to dream along with me. If there was one thing that could be done to employ people in our cities and rural communities without opening manufacturing plants, without opening military bases, without building more jails, and, at the same time, provide affordable housing, rebuild the community, and uplift this wonderful nation of America, would you be interested? Would you be interested in changing the plight of tens of millions of inner city and rural American citizens? Blue collar, black collar, pink collar alike, and still build wealth? If you are interested, I have found the solution. The solution is **WAHM**.

WHAT HAPPENS TO A DREAM DEFERRED?

Intellectual Property For Sale - \$20.00

THE BLACK COLLAR ECONOMY - MASSIVE ATTEMPTED LARCENY

Some may ask the question, why write a book that teaches others how to compete against you in any market place, especially when such a business model requires a minimal amount of financial resources? Well, after being the victim of corporate espionage inflicted by former Fortune 500 executives disguised as angel investors and partners who tried to steal both the intellectual property and the well-oiled machine that I had created with the sweat of my brow - a business which grew from zero capital and \$800,000 in sales in 2002 to over \$8 million in sales one year later to doing a volume of business exceeding \$25 million in little over three years - I thought it was time to document some of it in a book.

When some greed-ridden joint venture partners and others attempted to steal my intellectual property and tried to recreate my model in companies (which, for them, failed), they stole my executive director. I had paid this woman over \$100,000 a year to run my company and handle the business of my joint venture partners. They funded her new high-end single-family development projects in exchange for my scalp and a made a deal with her to dismantle my company and encourage espionage through fat cat partners with an

overzealous desire to make huge profits at any expense, even if it meant running me into bankruptcy.

Then, they went on to encourage former employees, funded by some of my former business partners, to start their own initiatives, which included turning both former and current employees into corporate assassins against me and my business interests, and even stripping and burning some of the homes that we had renovated, in an effort to destroy and dismantle everything good that we had created.

And, then they went on to encourage one media paparazzi newspaper writer, who had a reputation of destroying peoples' character, to write one-sided, prejudicial pieces about me and my companies, just as she had done against other Black businesspeople in Durham, North Carolina. Having an all but apparent death wish for me, they joined in with a sagacious plan to tar-and-feather me and make me look like some gangster thug that I was not. With the help of a couple of pompous, boozy Negro men, who had already tried to destroy my custom-building career when I sued them for failing to pay me and my men for work performed at their low-cost mansions, they joined the fray. Along with two of the largest banks in the country, this mob orchestrated a structured attempt to destroy my company and me when one of my staff members threatened to expose their racist lending patterns in redlined districts in eastern North Carolina.

After watching many of them work in tandem to scare employees off and to even threaten the lawyers who represented me to the point of intimidation, I knew that my basic constitutional rights were being violated.

Despite at times feeling that I had the most competent legal minds in America for counsel, I found that other times I was ending up more as the victim in the hands of potentially good legal counsel who themselves had been bitten by the mighty jaws of corporate and other ruthless sharks, people who had previously terrorized the management of some of my companies.

CHOOSING FREEDOM OVER SLAVERY

After watching the many others who were angry because I had the audacity to be a *fighter* in the face of what I viewed as wrongs against me personally and my companies, against subcontractors, and against good joint venture partners who believed (and still believe) in my model, I knew I had to continue fighting. As I watched some investors/partners who were oblivious to what was happening blindly join in as this dismantling of my successful business occurred, I saw their attempts to just survive from the loss of my company's daily support for their rental portfolio. Mission accomplished... FINANCIALLY, YES!!! The VILLIANS took me out. Or, as a couple previously disgruntled custom clients from a golf community who owed (with his brother-in-law) me and my company hundreds of thousands of dollars promised, "We have the power to destroy people and they'll never know where it came from!" One of their methods, instead of making me a member of the oldest Black Fraternity in America as they promised, where a part of my secret initiation for them would be discounted financial favors on the construction of their houses; they would network with affluent African-Americans across the country and others to make sure that I was never successful again. Most of what they promised, they did. My hat goes off to them. You really did it. I hope you are proud of yourselves. It is a horrible thing for the good members of your secret society who have supported me in the past because I did save hundreds of young Black men through the construction trades. If Black America's elite only knew your names and your dastardly deeds, you would be pariah in your own land.

Well, after living through this hell pit - watching as they drafted even close friends and former supporters to join in on their mission to stop me before I told the world about their mission, how they were trying to destroy me and what pompous and horrible people some of them were - I knew they must have determined that for them a good defense would be to create a good offense and just take me out...essentially destroy me,- have me labeled as a hoodlum, fraudster and the like, not the former Student Body President honor student, legitimate businessman and Master Builder that I am with a vision and history of not just building churches, and estate homes into the millions of dollars but also for turning around blighted low net worth communities; and for providing hundreds of affordable single family quality rehabilitated homes while at the same time creating hundreds of jobs in local neighborhoods for many who otherwise would not have employment.

Well, I figured that the least I could do after all these experiences was to try to teach any aspiring entrepreneurs, builders, or rehabbers how to beware yet prosper even in the midst of this type of evil - how to prevail and achieve despite the terrorist styled corporate espionage that these type of people, have obviously mastered from past experience as corporate executives. Despite their evil, after having been a millionaire many times over, what you always remember is not the hell that you have lived through, but how to *come back* again!!!

Fortunate for me, they forgot about two very important realities: my *right* and my *ability* to speak. Whether bankrupt or billionaire, never allow anyone to destroy your knowledge or your dream, or to squash your voice and render you mute.

THE CITY OF UZ

After being thrown into the City of Uz and being in a Job-like state as a result of many of these plots, I figured that the least I could do is to let those close to me who were not aware of my challenges and the rest of the world know more about the phenomenon of distressed single-family redevelopment and the opportunities, risks, and challenges that exist in the area of redevelopment in the inner city and other low net worth communities across America. Hopefully, this book will also let other would-be builders, rehabbers, and developers understand some of the hurdles that they may have to endure if they choose to stand up for what is right. Hopefully, this book will not only teach you about the WAHM, but also about how to survive despite the challenges faced in construction. The African-American builders, rehabbers, and developers, I am certain, will be able to greatly benefit from this book, as there are no other such works written from this perspective.

Even as an African-American builder and developer, I made it to the highest level of residential construction only to find that there were many there who desire quality, value, and your talent, but want more than anything the savings you bring them and the satisfaction of turning you into their pawn, or rather making you their “boy puppet.” If you refuse their demands to go to their fake dinners and you decide to stay away from their psychological mind sessions, they will move to turn out your lights.

I spent a large period of my life trying to convince myself that it did not matter that I was an African-American

builder. Demanding respect and to be treated like a non African-American counterpart may be difficult because, no matter what (and always remember this), some clients feel they are doing you a favor just allowing you to build their low-budget mansions and other projects. Some of them, if they could afford to hire the non-African-American big name builder or developer in the golf course community, would hire him in a flash over you. Strangely enough, they will and have admitted this. By the way, in case you are wondering about the above example, I am talking about a couple of pompous Black upper-class folk [who now reside in _North Carolina, and for whom I have built low-budget mansions].

Maybe through these words, some young builder, new rehabber, transitional career person, or decent corporate individual with the same passion and drive to build and provide jobs to the first-tier sector of our society and, hopefully, to work to establish affordable housing in America, will find these pages a benefit and an inspiration - if only just to know that the struggles they experience are not unique to them.

This book is not directed to just potential African-American and emerging builders and developers but, yes, they are one of the main, intended readers of this book. The reason that I am focusing on this group is that I know as well as you do that it is very unlikely that non African-Americans, or individuals who want to become emerging builders, developers or rehabbers of higher net worth communities, have little, if any, interest in going into blighted neighborhoods within the African-American community. Many have little interest in hiring first-tier African-American labor or purchasing and rebuilding condemned, or otherwise

distressed, homes to convert into quality neighborhoods and provide quality affordable housing. Many probably won't take a stand against gentrification and the other realities that destroy these communities - it has little significance in their world. While there may be some exceptions, great! Anyone who knows the history of the NAACP and many other human rights efforts in this country know as well that we have many times had substantial help from Non-African Americans even when we ourselves were silent from fear, apathy or ignorance. I encourage Non-African Americans to come into the community to make a difference. Maybe if you came, the banking community would change their opinions of this marketplace, especially since Banks in America are controlled by you.

In this book, in many instances, I will deal with the realities that will beset the emerging African-American builder or developer because I am an African-American builder and developer and, like it or not, the experience is different for us. Redeveloping single-family homes in low net worth communities is not a Donald Trump experience, even though, as a developer he has overcome major obstacles himself.

Please allow yourself to see this market through my eyes. To those who do not care to become engaged in the redevelopment of these communities, thanks to you too for reading my book to get a better understanding of the community and, if you later desire, welcome aboard. My goal is to encourage all of our builders and developers to run back to the community instead of away from it. If only I had WAHM twenty-one years ago when I started my career as a builder, I could have

saved many legal fees and bypassed major delays to reach my ultimate goals.

Journey with me through these pages and I am sure that you will gain an appreciation for the opportunity and learn how to be able to avoid many of the potential pitfalls that otherwise will thwart your success. Hopefully, through this message, there will be hundreds, thousands, or even millions of new WAHM-minded individuals and businesses that grow across America and the world, that will help solve many personal and public crisis situations that too many people just sit by and wonder what can be done. Let's move forward in America and resolve the misunderstanding among us. Stop arguing with the rap artist who may sometimes, in your opinion, miss the mark. Let's stop blaming the establishment for problems that they may or may not have created in our own neighborhoods. At the same time, let's roll up our own sleeves and make a difference and save ourselves from ourselves.

Let's move forward and solve the problems of joblessness and homelessness and help our neighborhoods become what they used to be. At the same time, let us increase our net worth, as we make America a better place to live for all Americans.

My focus in this book will not be on the high-end residential construction markets, nor on the commercial or church construction market, as there is a much more critical and current need to provide affordable housing in the world. There will be future books on all of the above topics.

THE COURAGE TO PROVIDE AFFORDABLE HOUSING AT ALL COSTS

On the first of January 2002, I received a call from a very dear friend who had purchased some rental homes that I had renovated in the late 1980's during my early twenties. It was my first attempt at purchasing, renovating, and providing affordable rental homes. During this period, I had purchased and rehabbed approximately one hundred units, starting out with only a couple of hundred dollars in the bank. For a couple years, I did this mostly without any partners, as I did not have any energy to interface with other people, except for my immediate construction family. That day in 2002, my friend had just received a call from someone who wanted to purchase one of her houses. The interesting thing about the conversation that day was that the buyer wanted to pay \$135,000.00 for the house. This amount was three times as much as the \$45,000.00 I had sold the house to my friend for fifteen years earlier in 1987 after, I had rehabilitated it!

This was not only hard for me to believe, but made me question why I ever left the rehab marketplace to go to greener pastures in new construction, building multi-million dollar homes for sometimes less-than-grateful custom clients anyway. With daily battles over change orders, political posturing, threats to destroy my business if I did not let them take advantage of my subcontractors and extort financial favors, watching as they cut side deals with my subcontractors behind my back. I tried to grow my construction career as they

tried to live on “million dollar fixed income positions.”
At times, I would actually make less money building
their estate homes than I did as a framing contractor!

Upon finishing the conversation with my friend that
day, I began to evaluate the realities of the single-family
affordable rehab market once again.

THE HARVEST WAS PLENTIFUL

What I found was unbelievable! Not only were distressed or condemned houses available to buy, but there were even more of them than I had ever seen, even during the mid-eighties (The National Vacant Properties Campaign exists to provide everyone – individuals, advocates, agencies, developers, non-profits, and others – with information resources, tools, and assistance to support their vacant property revitalization efforts. This is one of a number of entities which has realized the impact that vacant dwellings and land has on our neighborhoods.)

Negotiating a purchase price of under \$15,000 on a distressed home was as easy as anything I had ever done. The inner city communities provided a wealth of labor pool resources - individuals ready, willing, and able to work - as these people generally worked only forty percent of the year, so steady work was desperately needed.

Many of the smaller contractors experienced the same problems that I experienced at a higher level regarding getting paid by their clients for change orders or just for basic contract labor services whenever they did get a chance to work. They were tired of change orders and the stress that went along with the continued challenges of receiving the support needed to grow their small construction businesses. They were also tired of the challenges they experienced with waiting on Fridays for their payment from some of their current customers, only to have to explain to their workers that they had to wait until the next week to get paid when these

customers did not provide payment on the agreed date. Hundreds of them were ready for something different, steady, and safe. Through my rehab model, I was able to employ **hundreds of men**. The reality of just being able to get paid on every Friday was something that was very appealing to these workers, to say the least.

The asking price for distressed or condemned homes was between \$10,000 and \$35,000, with the square footage between 900 and 1400 square feet. Purchases could always be secured for \$15,000 or less with patient negotiating. After completing the rehabs in these types of homes, you could easily sell them for \$65,000 to \$75,000. However, you'd better be ready for some construction challenges that go way beyond the simple fixer-upper stage. Like structural work, for example, or replacing the floors in a couple of rooms, or replacing some rotten walls resulting from failed built-in gutter systems, or unsealed siding and window casing damage caused by years of neglect.

You also better be ready for real construction work - like, at best, replacing the plumbing supply lines due to the age of the houses. Most were originally plumbed with cast iron pipes. If they were plumbed with copper, most of the time, the copper is missing due to the increased value of copper on the Black market. Electrical systems generally would need to be upgraded if not totally replaced. Most, if not all, distressed houses will not have any form of central heating and cooling.

Much of the wallboard in rooms would need to be replaced. These types of homes could also have roof leaks, which could require repair or maybe even totally new roofs. Almost all houses would require new kitchens

and baths to bring them up to snuff, along with a fresh coat or two of paint inside and out. Hopefully, the exterior siding will only have to be partially replaced if you're lucky. As close friends and fellow builders have told me, "why would anyone of sound mind even think of purchasing such houses to redevelop? It's just too much work!!!"

Not to mention the city breathing down the current owner's neck to rehab the property and, when it is repaired, some officials asking, "How are you going to maintain it while renting to low wealth tenants? Aren't they one of the most challenging of all rental markets? What about thievery in the community? We all know that thieves in these communities are a problem. The current owner of the house just wants out and usually will sell it to you a very good price. Why buy it? Why not just build on the golf course and ignore the inner city? Do you know what you are up against they would say?"

CALCULATED OPTIMISM

Well, it is very reasonable to assume the worst in these markets; however, the WAHM assumes the very best, and, with a few adjustments, it will continue to perfect itself. (Hopefully, for my wife's sake, it will perfect itself before my third bankruptcy. Just kidding...).

Yes, all of the above are challenges. However, anything easy is not worth having. The unique thing about this model is that when you look at the above challenges, what you need to focus on are not the challenges, but to view those tests as a big screen panorama that will scare the be-gee bees out of your potential competition. And scare them they will!!! These challenges will even keep your potential competition from being able to steal your model and from being successful at it. Believe me; I have seen them try already.

However, if you are willing to come along with me and gain an understanding of this marketplace and master the above challenges, you will set yourself far ahead of most who would not even dare to tread on this turf. Once you have perfected the redevelopment process, you must not create a pool of tenants. After the renovation is completed, the *ultimate answer* for long-term safety in this model is to simply ***sell homes at affordable prices to first-time homebuyers!*** Yes! **Sell homes at affordable prices to first-time homebuyers.** They will gain a pride of ownership that you helped them attain. Empower another human being with self-pride and the power of ownership, and you will have released yourself from the day-to-day challenges that go along with being a landlord. There should be no

landlords in the low net worth or LMI (low net worth) communities, and no tenants except for those who are elderly and handicapped. All able-bodied people within this income level should own their own homes.

FOLLOW ME TO THE HOOD

In understanding the WAHM model, it is necessary to understand the territory. For too long, many poor African-Americans, Black people, multi-ethnic people, and white people, the ones who, live at or around the poverty level and comprise most of the residents in these areas, have longed to be able to improve their economic condition. There have been many scholars who have found just as Keith R Ihlanfeldt of Georgia State University that there are real problems in guaranteeing that local neighborhood residents receive work from development projects in their own neighborhoods. Many of the reasons are not justified and are in many instances due to developers and financiers being unfamiliar and insensitive to those who live in the communities that they develop multifamily or commercial properties. Almost never will you see them redevelop single family housing stock. Keith R Ihlanfeldt writes about some of these issues in “poor people excluded from jobs in their own neighborhoods.” Some residents however desire to escape these communities. It is human nature to want to elevate our socioeconomic status. If asked, many of those who have “made it out” will even say, “I have left nothing back there and I thank God that I made it out.”

There are many examples of those who have come from meager means and who were still able to elevate their minds and increase their drive and actions to remove themselves from this marketplace without receiving local construction jobs and live happily-ever-after in the fantasyland they had always dreamed about,- away

from the hood. And, it is commendable to achieve the level of accomplishment that we realize from the sweat of our brow.

But it is not necessarily the case that all people who grew up in these neighborhoods want to escape them. I have found that a lot of people want to live in the hood and would love to receive development and construction jobs there while improve their communities. Many wouldn't think of uprooting themselves and leaving behind relatives, neighbors, friends and churches and all that is familiar to them. They just want a decent home environment right there in the community they know and transplanting their lives to a place that the mainstream labels "a better neighborhood" is not even a consideration. It is their 'hood' and, as troubled as it may have gotten, it is still their home. And many residents want to see the neighborhood return to its original state.

One of the things that many who have escaped the hood fail to realize, however, is that which they have left behind may also be the catalyst for their ascension. In other words, back in these communities, back in the hood, often times is where grandmother or Auntie and, yes, Big Momma still lives. Okay, maybe you built Big Momma a house in the suburbs close to you. Great, but the strings still go deep, back to the old neighborhood. For many formerly low net worth Americans, it is only when you've reached your lowest point in life, that your community and prayer really means something again. When your friends forsake you and even try to destroy you, it's in these periods that you are able to reflect upon whence you have come. This is the time when you do not want to hear Marion Meadows, Kenny G,

and the wonderful sounds of Cool Jazz on the radio. You are searching diligently for something deeper. You know, the sounds of an Andre Crouch, Kirk Franklin, James Cleveland...when we just want someone to come on the radio and just sing, PEACE, PEACE, PLEASE. PEACE BE STILL.

What did we leave in the transition from the hood? Maybe we left behind the appreciation of the small things. You know, smaller things, like being able to go to the Dairy Queen on Sundays after church. That building is now a liquor store with some of the jobless brothers hanging around debating life, or life if you understand what I mean. The small things like, despite not being wealthy or middle income, we were able to have a full-course meal every day growing up and we always had a nice clean suit to wear to church every Sunday morning. And, yes, we went to church every Sunday morning.

COME BACK TO THE HOOD WITH ME.....but not after you've fallen on hard times. Your old neighborhood needs you *now*!! Your neighborhood needs your mind, your ability now as a financier/secondary mortgage banker,-not promoting garbage sub-prime loans but fair affordable development and homebuyer loans. Doctors, open up your medical practice close to where you grew up,-or at least a small minor practice. Lawyers young black men need to see you in your thousand dollar suits not just on the day of court. Show up back in the hood, hang out and inspire our young bright minds in dire need of your presence. Clothiers, or other business professional, must become teachers and, yes, even preachers we need you to show up in the hood on days other than for Sunday service. Yes, not on Wall Street,

but on Evans Street. The neighborhood needs you now. Young boys and girls need role models who they can see and emulate, people who take responsibility for redeveloping their blocks and their houses, employing their brother who is now, because of your WAHM, drying the tears from mama's eyes because he is staying out of trouble.

Stop looking at Anderson Cooper on CNN and imagining that "those people" are not "your people." In all races and creeds, MOST OF AMERICA GREW UP POOR! The people that you see on Anderson Cooper are your people. The people that he spotlights may not be your relatives and old friends, but they are your people. Stop saying "*those people.*" They are *your people* whether you like it or not.

Yes, your neighborhood needs you now, while you are on top. Yeah, that's right. And now - not after someone in your family dies. It's time to turn around and go back there before another Katrina strikes to remind us of the reality that exists there. The time to go back is now, as one of my best friends once told me, "**Turn around and come back home.**"

COME BACK HOME

Come back with me and let's ride around in the neighborhood for just a few minutes. What do we see? Remember Redcross Street and the wonderful soul food restaurants? The thriving businesses that kept many of the locals employed? The businesses that gave both young and old a sense of community pride? Proud to be a part of the community—at a time when those in the community owned all of the local businesses except for a small sacred few who were endorsed as a part of the community, because they were just good people who supported the neighborhood just like it was their own.

Remember Mr. Tommy's convenience store on the East side, the best old-fashioned cookies on the market. All the shelves were always stocked, and a Coca Cola was only a dime. At those prices, how did he even make it? There was very rarely violence in the neighborhood. People had respect for each other and their property. There was a common bond in the community; maybe because outside of the community, nationally, there was a sense of struggle.

The only struggle that we knew growing up there was pulling away from the switch or the extension-cord whipping rendered, at times, by someone else's father or grandfather, as discipline in the neighborhood knew no genetic boundaries. If you were not correct, someone else's parents would whip you into shape.

THE GENRE

In the old days in the neighborhood, men wore their Dobbs hats, while women wore their beautiful spring dresses. The only bad element was the occasional temptation of a beer for a teenager. No drugs, no drive-by killings. Even after a bad day working on the other side of the tracks, when our fathers came home, they cleaned up, ate dinner, and went to visit their friends. They played checkers or sat around talking about religion, politics, and history. Our elders encouraged us to press on and to keep on keeping on. They set examples for us by showing us how to live good lives even when things weren't always that good.

That is where we must go back to. Instead of focusing on what went wrong and **what is wrong** with the low net worth communities in America, this book will focus on **WHAT YOU CAN DO TO TURN THINGS AROUND** to bring the community back. This book will focus on common sense real estate development ideas that we can all use together to bring your own communities back!!! **At the same time that you are helping the hood, you can become a millionaire and teach others to do the same!** Within the low net worth communities of America, you ask? **YES, JUST LIKE IN ALL THE OTHER COMMUNITIES OF AMERICA.** You must be kidding, you say. **NO, I am not.** If you do not believe it is possible, just keep on reading.

NOT FOR THE FAINT OF HEART

If you thought that this book was **only** about becoming a millionaire, then you thought wrong. This book is also about a war that is going on. Not in Iraq, but here in America. There is a war going on that affects our cities and low net worth communities in a horrible and despicable way. And, no, it is not a war on drugs. It is much bigger than that. It is an older war. That has been waged since the beginning of time. It is a war among the classes. It is a war of massive proportions, one so overwhelming that it serves to deprive economic resources that would flow to America's low net worth communities and leave them in a condition worse than any Third World country. Most of it comes from perception or, rather, it is the result of misperception. Our LMI (low to moderate income) communities are misunderstood. Many of our communities are even misunderstood by the community development organizations whose missions have become so narrowly defined that they exclude those who live in the community, according to Sandy O'Donnell & Ellen Schumerin in *Community Building & Community Organizing*.

THE WELL OF OPPORTUNITY

Despite popular opinion, there is much history, class, pride, respect, and vision within the boundaries of our traditionally low net worth or redlined communities. It is not my mission in this book to change the minds of the world, but rather to encourage a few willing warriors who have courage. And believe me, it will take MUCH COURAGE to move forward and to make the necessary sacrifices for all of us to band together and change the current reality in our low net worth communities. Not only to redevelop them, but to redevelop the people who live in them and to teach them what many have missed concerning the economic opportunities that are available to, yes, even to them, in this wonderful country we call America.

There is an OPPORTUNITY, which exists within the inner city and lower net worth communities that makes it like no other marketplace in the world, especially as it relates to the redevelopment of affordable housing. Why is this the case? Is it that there is no development interest? Is it that there are no jobs for the residents and that they are considered a credit risk? Is it that people there cannot support monthly mortgage payments of \$375 to \$500 per month for a newly-renovated home? The answer is absolutely not. It is quite the contrary. Well then, what can be done to change the affordable housing crisis in the inner city and rural low net worth communities to create jobs and eliminate the blight?

There are many things that can be done to change the inner city and rural communities. However, it is not an easy task, especially with available capital **not** recycling

into the marketplace. Or rather, affordable capital just **does not show up** in this marketplace. Affordable capital—not sub-prime, high interest, predatory money, but rather, normal market rate interest loans that are fixed and have no balloons or other surprises for the homebuyer or the redeveloper, and not through some complicated government or non-profit program, but with normal commercial banks.

WHERE DID ALL OF THE BANKS GO?

Not any pay-tomorrow loans, not the local check cashing center (however, they do provide an important service), not the predatory lender on the corner making that quick loan today and foreclosing next year. I mean the normal banks. Like Bank of America (NationsBank), Wachovia, RBC, and others. As the middle and upper class moved to suburbia so did the Banks. Not only did large and small banks move away from low and moderate income communities but but they also were successful at “streamlining” themselves away from the requirement to even be regulated based on the Community Reinvestment Act, according to the National Association of Affordable Housing Lenders. **Business wire Sept 9th 2004 “WASHINGTON - - FDIC/OTS Proposals Will Reduce Availability of Private Capital for Affordable Housing and Community Development in Low- and Moderate-Income Communities;”**

“Judy Kennedy, President of the National Association of Affordable Housing Lenders (NAAHL), which represents America’s leaders in lending and investing in low- and moderate-income (LMI) communities, said that a proposed rule change by the Federal Deposit Insurance Corporation (FDIC) to offer “streamlined” testing under the Community Reinvestment Act (CRA) to institutions up to \$1 billion in assets will harm affordable housing and community and economic development in LMI communities, particularly rural areas.” This was good for the bank but continues to hurt our neighborhoods.

Fortunately, all hope is not lost and everyone is not asleep in the 110th Congress ie Mr Frank, Ms. Waters, Mr. Gary G Miller, Mr. Ramstad, Ms Velazquez, Mr. Mchugh, Mr. English, Mr. Al Green, Mr. Shays, Mr. Murphy, Mr. Dent, Ms. Lee, Mr. Renzi, Mr. Clay, Mr. Smith , Mr. Lynch, and Mr. Hinojosa who introduced a bill to establish the National Affordable Housing Trust Fund in the Treasure of the United States to provide for the construction, rehabilitation, and preservation of decent, safe, and affordable housing for low-income families, in an effort to construct, rehabilitate and preserve at least 1,500,000 affordable homes over the next decade. (HR2895)

To those who are from the neighborhood: When you go back home to see your mother or your cousins, take your business counterpart with you, especially if he is a banker or finance person. Ride around the neighborhood and just LOOK AROUND for starters.

What you will probably see are a lot people who resemble those citizens of New Orleans after Katrina. Yes, people of all races and creeds. Obviously, the situation was dire in New Orleans, just as it is in all of America's low net worth communities. Katrina is just an instance when America got to see them. So, what will you see there? Based upon my twenty-plus years of experience in the redevelopment of lives in these communities, if you look hard, I think you will see that:

Many capable, strong, young men and women, ready, willing, and able to go to work are right there in front of your eyes. You may call them UNDEREDUCATED, since some did not finish high school. One of my biggest role models was a brilliant, white real estate development

billionaire who told me he had only finished the 7th grade,-undereducated but became a billionaire. A real estate author I once studied said after being criticized by a former professor about a speech he had given where his grammar was incorrect, said sometimes “it is better to say ‘I is rich’ than ‘I am poor.’” My role model, even though he only finished the 7th grade, became a billionaire real estate developer. So, why are we so quick to judge people superficially, especially as bankers? Sometimes we speak of the young men in the community, “well, we all know that anyone can get a job, if they would just get up off of their lazy stool and find one”. “They do not want to work; they just want to hang out on the corner.” You add, “I wonder if they shot John.” If banks do not start lending money in these neighborhoods they may not only shoot John but he may have mistaken identity and confuse other very innocent people with John. Hunger, starvation, bailouts for corporate America in to the Trillions, but not programs or loans for poor people of all races to help empower themselves economically in America, and we wonder what happens to these young men. Suck the blood out of any community and expect them to be normal, STOP DREAMING, CHANGE YOUR WAYS AMERICA, or it will only get worst.

And on top of it, well, if they are convicted felons, which unfortunately a lot of them are, and they go to fill out an application for employment, for jobs typically outside of their community they have to most times answer the question “Who shot John?”

The answer could very well be, “Well I...I...I...shot John, in the leg, but it was self defense and I did a plea hoping not to go to jail, did not get it signed and, oops,

there I was. That was fifteen years ago. John did not die, but he ended up killing someone else three years later. I served my time, thought I had paid my debt to society. But every time I fill out an application for a job, I answer that question truthfully and they never call me back. I guess the debt is still due!” What’s NEXT?

DEBT TO SOCIETY

What happens to this man, once he has been rejected employment everywhere he turns just because he shot John or took food from the corner store in an unjustified but desperate attempt to feed his family? Even though he has paid his debt, still the debt is never erased. (Maybe this chapter will help to explain why the Justice Dept estimates that one-third of black males will be going to prison during their lifetimes, in "Jobholding Barrier: Felony Convictions "in,-The Urban Agenda by David Jones) I will tell you what happens to him. He may pick up a hustle on a construction site here or there. But he cannot excel beyond being a laborer because he has a record and corporate does not allow ex-felons to ascend into management or supervisory positions. And you say rightfully not. Until you hear of another Enron and the scales of justice being tilted toward those who have the financial means to hire good counsel and sustain quality representation and who didn't end up as felons. And, if this laborer does start his own legitimate business to circumvent the system, he really will be met with challenges and that debt will be used against him by his competitors at every opportunity for their advantage.

So, he sits at home waiting for a call from a familiar voice that may position work for him, as he just does not want to deal with the embarrassment of being a convicted felon anymore. He may pick up four or five days a month, but that is barely enough money to buy food for his family. His wife is looking at him to be the breadwinner. Later that evening, he goes out to the corner store and runs into some of his old buddies.

They embrace him and then they are off. Well...you know the rest of that story! One more young man lost to the system. Recidivism on the rise. That is just one man, but represents Millions.

Often this man is no different than you. He just wants the chance to make it without being prejudged. It is amazing the number of Christians who never read Mathew 7:1. I wonder why it is anyway that there are more Black men in prison than in higher education. Spending on prisons has increased from 2.1% of the national budget to 6.3% in the past 20 years, while higher education spending has fallen from 8% to 4.3% according to an article published by Guardian Unlimited on research done by a Washington DC Think Tank."More black men in jail than at college". An estimated 16.6 percent of black men nationally are current or former state or federal prisoners- a rate six times that of white men. If WAHM were throughout black communities in America this would change

BLACK-ON-BLACK CRIME

There was a time when I thought that Black-on-Black crime referred to gang-bangers and brothers in the neighborhood causing damage and death to each other. That is, until I personally experienced some of the most vicious Black-on-Black attacks at the hands of older Blacks in corporate settings who attempted to destroy me after they failed to take advantage of me as a builder and to extort financial favors from me.

What I experienced was that not only were they worse than any street gang-bangers could be, but the damage these corporate Black-on-Black attackers caused hurt hundreds of small construction workers and dealt multiple blows to my business. What I also found out was how they used the same gang mentality to create a feeling of community and protection in order to get people to join their little cults, by flaunting their influence with Black corporate friends and associates worldwide. It is no wonder we have the problems we do at the lower tier in the Black community when some of the best of our Black semi-elite act in a worse manner. This dilemma is worse even than the Jim Jones Kool-Aid suicide cult.

I once bid on a very large commercial construction project, standing up for the ability of first-tier Black subcontractors in the face of a very wealthy developer, who had made some pretty rude general remarks about Black laborers. The next morning I received a call from a very good friend, who was a high level commercial banker with a very large institution. Who took me to the meeting. He said that, on the night of this meeting,

the developer spoke with a couple of the so-called Black elite members of the country club about my statements, and manner as I defended Black first-tier labor, knowing that the whisper campaign against me had already been started by the “two coons” he was speaking with. They then called another Black banker at the small local Black savings and loan to warn my banker friend to stay away from me. The Black banker at the savings and loan then called my friend and said, “You know Webb, the Black builder who builds the million dollar mansions? Well, some of my friends don’t like him.”

My friend said, “Are you calling me to piss in my man’s Webb’s cornflakes? If you are, you called the wrong number.” My friend called this type of activity the “dial-a-nigger rolodex.” I know we have buried the ‘N’ word, however some of the mentality still lives within some of the highest levels of the African-American community. And there are more names in that rolodex than you might ever imagine! They might even have served on the board of trustees at your Black university’s alma mater. I wonder if this type of stuff happens at Harvard or Yale. Probably not, or maybe it does.

In this model, we can all solve first-tier Black-on-Black crime by creating through WAHM careers in construction and not destruction (see congressional Black caucus foundation report, executive summary... ..)“The construction industry is one of the few industries over the decades that have provided substantial employment opportunities for less educated male workers as a result of robust employment growth in this sector. Yet, unlike less educated white and Latino men, comparable black men did not attach to this source of employment demand for less-educated workers over

the 1990's. These results indicate that employment for less-educated black men has been declining steadily over the past decade, but that opportunities to reverse these trends exist.....the report continues...additional investigation should be conducted to determine why less-educated black men have not been able to attach to construction jobs, an important employment source for less-educated men.) Simply put, there needs to be more Black Master Builders in America who understand the culture and nature of black first tier construction workers.

This will not happen until we stop, not just Financial Institutions from discriminatory lending practices which stops construction growth in these communities, but also we must stop, those within the black community with power from stomping out entrepreneurship in the Black community just because they cannot get what they want, while using the power of affluent Black organizational leadership nationally for their private agendas. Also allowing *some* nonprofits in the community to be diluted and used for every purpose -except the purpose for which they were created. Not to call any names, but start with rogue intellectuals who seek power and prestige at the expense of anyone who does not give them what they want in public and private settings.

Yeah, I know I never could hold my peace well or stay in my place!!! I guess that is what gave two Black pompous and boozy Negros, the right to go up and down the corridors of some of North Carolina's most prestigious golf communities and to be sanctioned by friends of mine, some who were attorneys and judges, who like myself proudly grew up in North Carolina, as these

boozy and pompous negroes spoke against me, trying to smear my name in clubhouses that, until recently, they would have only been able to speak to ask a patron what they wanted to drink while they worked as a bartender, or as a waiter.

Forgetting all of the struggles that civil rights leaders and workers went through just so people like them would have the right to enter the country clubs of the south; they now enter, not to enjoy the benefits created by those before them. But they move forward with the bold audacity to try to destroy Black entrepreneurship designed to change the conditions at the first-tier, with no remorse and at all expense, just because the Master Builder refused to be their “lap dog.”

Thank God for many strong leaders in the Black community, especially in my home, state North Carolina, who do embrace Black talent and who do encourage growth of brilliant minds within their own communities’.. Thank God for the leadership in churches like White Rock Baptist Church in Durham, North Carolina and many others who do not discriminate against their own community’s construction talent. Also I would like to thank God for Non African American leaders in all of the States we have worked, both liberal and conservative who have supported this model and who understand that WAHM is good for America

Martin Luther King, III said on his national tour that, with construction comprising seventy-five percent of our nation’s GNP, and there being virtually no construction or redevelopment within the African-American and low net worth communities, it is no wonder that we have the conditions that we have today.

Think with me for a minute, especially those who want to help me and others change this reality. Suppose, just suppose, this young man, the one who shot John, had been introduced to the WAHM that night at the corner store instead of the Drug Dealer's Model, and suppose he could be taught how to protect himself against economic and intellectual property attacks as he grows his legitimate business.

REDUCING RECIDIVISM

Suppose he found out that there was a redevelopment company, maybe YOUR REDEVELOPMENT COMPANY, which did not care if he shot John in self-defense, as long he knew how to shoot a nail gun to frame a roof, replace siding, jack up girders, and install floor joist. Just suppose your WAHM company could help him go from an entry level carpenter making \$10 per hour to a lead carpenter making \$16 per hour in just a few months. Suppose he could be taught how to run his own framing or renovation crew and gross over \$300,000 a year for him and a couple of five-man teams. Maybe he could even hire his old friends that he ran into at the corner store that night. Maybe they could start a gang for construction and not a gang for destruction. Listen carefully to me, because if allowed, this model can CHANGE AMERICA. It can CHANGE THE WORLD.

VOCATIONAL TRAINING

When I graduated from high school in 1980, besides being student body president at my high school, I was a student leader in VICA (Vocational Industrial Clubs of America), where we learned what opportunities were available in the construction trades. During this period, we were taught job skills, such as carpentry, plumbing, electrical, and even auto mechanics, and not just computer or electronic technology. I went on to college; however, there were others who did not and were making more out of high school with vocational training than we were to make on our first jobs after college.

It was very normal when we grew up to see the generation preceding us to be the best brick masons with very large teams, thriving plumbing companies, and many other construction businesses. Skilled labor was and is a valuable societal resource, and learning a trade was either inherited generation-to-generation or taught in the vocational education classes that used to be offered in high school.

I have friends who finished high school with me who could lay brick at a rate that they could easily walk onto any construction site and demand \$18 to \$21 an hour in 1980. Yes, fresh out of high school. Many of my high school friends have gone on to build thriving construction firms in these sub-sections of construction. Many were making more a year than many professionals in other non-construction professions, with some up into the \$300,000 net income per year range. Others have grown their construction companies to a level

where they have fifteen to twenty employees. This does not just help John it helps the total economy. We must examine the research of those such as Michael A Stoll/Congressional black Caucus foundation Inc in "Taking Stock of the Employment Opportunities of Less Educated African American Men". WAHM solves most of our neighborhood problems.

Yes, with the skills and knowledge that my friends learned from high school (or from home) and not four years of post-graduate training they have been able to reach impressive financial levels. Unfortunately, not only were these training modules removed from the high school level, but for some there was even a shift in attitude towards the construction industry as being less than worthwhile. There was the idea that construction, for some reason, was a dirty business. That if you wanted to have a respectable career, you must go to a traditional college and then obtain a masters or even a doctoral degree. Otherwise you were considered to have missed the boat. Not that going to college is a bad thing. Thanks for good doctors and lawyers as well. But learning a construction trade provides a person with the skills to earn a livable wage.

A STRANGE BREED

Why are African-American builders so scarce within the fabric of the American construction, development, and redevelopment community? I did say builders, not architects. Sometimes we get that confused *(See Black Construction: Its legacy and future by: Henry C Alford). This is another, a later book, but there are very specific reasons which do not benefit all of our society.

There were individuals who were so surprised that I, as an African-American builder, could have the vision, or for them to have the “missed vision” of leaving church and estate home construction to return to the inner city and low net worth communities to redevelop areas that, most times, banks would redline. Even intellectual Negroes would snub their nose at me while their white counterparts would say to my staff, “if you redevelop on the other side of the tracks, you could make twice the profit.”

Many people looked at our redevelopment efforts as something from outer space because I had decided that I did not want to be well-known, so as **not** to be destroyed in areas where I should have known better than to attempt to redevelop. There had to be something wrong there. No developer in his right mind would enter these neighborhoods to redevelop distressed, affordable single-family homes when he could be making money hand-over-fist working the luxury market.

They would say that builders just don’t go into these markets and do what James Webb has done. There had to be some type of scam. To them I say, you ignorant

donkeys! Why is it that it is okay for other developers to purchase land out in the woods, put up a beautiful masonry subdivision entry wall with stucco details, subdivide lots purchased for an average of \$3,000 an acre and then resell the lots for \$100,000 and build 1,800 square foot homes on the land, and then sell the house and lot for \$450,000 within twelve months?

But let a African-American builder, such as I, go into the inner city and buy a block of distressed houses for \$15,000 per house, put in another \$15-25K +- of work in each house utilizing the benefits of growing first tier labor, install new plumbing, electrical, kitchens and baths - the works - and then sell the same 1,800 square foot houses for \$65,000 a piece, and you call it a scam.

I guess they sometimes feel justified with this position since even the government designed policies to prohibit real estate entrepreneurs, with the agility to make low cost housing actually work, charged by Congress with potential unconscionable profits. Unlike any such stipulations put on non-Black development in non-Black communities (see article "Getting into the Black: Race, Wealth, and Social Policy, where the T.L. Cross elaborates on the fact that "speculation, the essential lubricant for production of wealth in the normal economy, has been banished by law from Federally subsidized real estate projects in the slums. To Keep the "quick buck" speculators out of low-income housing, we have adopted strict and impractical safeguards against corruption, which assure us that the LEGIMATE WEALTH-MAKERS will not participate."), In other words, if you are "black get back." While it is accepted behavior for white developers to profit from development in their communities, it is not acceptable behavior for

Black developers to profit from development in their communities. And if they do...it has to be corrupt. What in the Hell is this?! Congressmen for God sakes read this report.

What is wrong with this picture? Is this economic racism, ignorance, insensitivity, or the response of just plain stupid people? I am just asking the question. We have made great strides in Civil Rights but here Economic rights have not moved forward very much. Enough of that, let's move on. Men in our community are waiting to go to WORK.

THE POSITIVE IMAGE OF THIS MARKETPLACE

It is so easy for people who do not live or who have never lived in a low net worth community to see an abandoned house and call it a “crack house,” And, especially if the people sleeping there are doing crack. *Go figure*. Some fail to realize that the house, an inanimate object, cannot be addicted to drugs. It has no habit. It is just a house. It was built on the same kind of foundation as all the other houses in the city.

Maybe someone neglected it and did not repair the roof. Maybe they tried and could not get a blessed bank to do the loan. Oh, I am just upset right now. Please excuse me. However, it is just a house though. It has no persona. Maybe the owners wanted to repair it, but could not get a loan because it was in a low net worth neighborhood or across the tracks, where plenty of working class people go to work every day. *The redlined area.*

THE CRACK HOUSE

For whatever purpose, the house fell into disrepair and decay. It could have been that there was just a bad tenant there who made the landlord give up hope after they **destroyed** the place, with the cooperation of the parking ticket guy who snuck into minimum housing in the city and hates all landlords. This guy even conspires with the tenant, when the opportunity is there, to torture landlords; especially since most of our tenant-landlord laws are tilted towards tenants, who often use the system to live free and run the small business owner (landlords) **OUT OF BUSINESS!!!** This is especially the case where you have **WEAK** Mayors who would rather side with large banks who are blatantly discriminating against their residents by not lending money to rebuild and renovate the condemned housing stock. They then turn the focus to that of criticizing the small business people who believed in the community and who decided to put their hard-earned money where their mouth is and purchased these homes for redevelopment, only to later see that banks are not holding up their side of the bargain by refusing to fund the redevelopment or sales in these areas.

Whatever the case, know this one thing: When it becomes a **CRACK HOUSE**, the house didn't do it! It is just a freaking house! It is a house that would love to be renovated and look just as nice as the other houses on the street. In many cases, it is the only crack house on the block. Not even the house wants that kind of **bad** reputation. Give the house a break! Buy it, renovate it, and sell it to a first-time home buyer at a fair price and make \$25,000 for your efforts. And stop

calling it a crack house! By the way, there are people on crack living in prestigious cities across America. Those residents could just get a loan from the bank to keep their house repaired. So, lighten up, for crying out loud!

All of the above issues have solutions within the community. There are many qualified unemployed workers who would repair that house for a good price. Only if you understand how to coordinate the labor and only if you understand how to motivate, mobilize, and inspire vision within the first-tier, can you gain an understanding of how to capitalize your redevelopment company. Because **THE BANKS AIN'T GOING TO willingly GIVE YOU THE MONEY** to redevelop until you build a track record, and even then it is tough.

A VERY CLEAR ASSESSMENT OF THE OPPORTUNITY

After looking at the available housing stock, I needed to look at the rent analysis to make sure that the houses would provide cash flow. Obviously, there were tenants in need of quality rehabbed homes to rent. The key of course is finding “quality tenants.” One thing that I have come to realize is that a quality tenant is also a potential quality first-time homebuyer. Many tenants were paying fair market rents for sub-standard homes before we showed up. So, if we could produce a quality product that would provide cash flow at the current market rent rates, then all we needed to look at is the cost to rebuild.

HOW MUCH IS THE PROJECT?

One of the first things that one needs to do to be successful in this marketplace, as with construction in any marketplace, is to understand the cost of construction. In the early 1990's after my first Chapter 7 bankruptcy, following a run for the North Carolina State House, I watched my empire be disassembled in front of my face. This was after I had purchased and renovated over 150 homes in the affordable housing arena. Of course, it was partly due to the fact that I refused to heed the warning of good bankers, who asked me not to run for State House because it was not my time. LONG STORY...and a lesson to the wise: "If your bankers say to you do not run and you want to stay in business, don't run." It's not them you have to worry about. It's the Big Boys with millions on deposit with them most of the time.

Afterwards I decided to go into building speculative new construction homes, approximately 2,800 to 3,500 square feet single-family homes. I had never constructed a new home; however, I felt that I had the knowledge of every components of the construction process, having worked in construction since I was twelve years old. Once I made the decision to move forward with my goal of building homes from the ground up, I called on a couple of builders I knew, who had done new construction in the affordable housing sector. I asked them how much it would cost per square foot, to build a new middle income house. They said, "oh, about fifty-five dollars."

They had been building new homes for some time and so I trusted their opinion. One of the things that I failed to discuss with them, or rather that they failed to tell me, is that the houses I was about to build had 12/12 roof pitches with many hips and valleys and that the cost of roofing lumber alone was going to be \$20 per square foot. The marble on the floor was another big ticket item, not to mention that the cabinets in the marketplace I was building in had to be upgraded at a cost of \$15,000 just to sell the spec. The list went on and on and on...adding more unknown cost upon more unknown cost.

The end of the story was that I was fortunately able to finish the first couple houses. However, not only did I not make much net profit, I also had to come home and explain to my wife that we needed to put a mortgage on our house just to pay the final bill to the lumber company.

The fortunate thing, however, was that she reminded me that I had paid my tithes based upon what I thought I was going to make. Well, I was off by approximately \$30,000. At that point, despite my household stress, I tried to lessen it by helping her to realize that now she really needed to put on her seatbelt because God was in my debt. I had overpaid my tithes and that I was sure He had tremendous heights that He was going to take us to. And that He did!!!

However, after this experience I learned a very important term. It was called "doing the TAKE OFF."

COST EVALUATION

When I first heard this term - “ take off” - I thought that the builder was just trying to impress me with a bunch of mumbo jumbo. However, what it meant was taking a blueprint and breaking the pieces down to determine what the cost of the material was, along with the labor. This meant breaking the house down one piece at a time and analyzing the cost of labor and materials. In a new construction project, you generally have a set of blueprints or “working drawings” to use. In most single family rehabs, you do not. (Just for the record). For illustration purposes, I will detail some typical take off items in new construction.

In a new construction setting, the first thing that you do is calculate the lot clearing cost, then the cut-and-fill based on the topography map and the details given to you by the landscape architect, if you have one. Otherwise, you just have to be able to use a transit and have a good eye to boot. Some of the next steps are as follows:

FOUNDATION

- ✓ Calculate the amount of concrete that is going to be needed in the foundation in cubic yards.
- ✓ Determine the cost of the concrete and labor per cubic yard.
- ✓ Determine the cost to dig and pour the foundation.
- ✓ How many linear feet of rebar go into the footing?
- ✓ How many cmu blocks are required in the foundation?
- ✓ Are you going to be able to get block masons at \$1.50 per block for the labor?
- ✓ Find out the cost of the sand and how many tons you will need.
- ✓ Determine the cost of the mortar mix.
- ✓ Determine the cost of putting in the road and the gravel for the road.
- ✓ Determine the cost for the excavator of the land and road.
- ✓ Which trees are you going to keep? What's the cost of locating the septic field and of any engineering necessary to allow the house to be built?

FRAMING

- ✓ Calculate the number of floor joists based on the print.
- ✓ Be sure to remember that they can be ordered in 2-foot lengths only.
- ✓ Calculate any steel cost in the flooring system.
- ✓ Calculate the band in doubles.
- ✓ Calculate the girders in triple.
- ✓ Calculate load-bearing walls in double.
- ✓ Calculate additional piers for point loads, if the designer left them off.
- ✓ Are you using spruce or yellow pine and what is the price for the area?
- ✓ Start looking for framers and make sure that you find first-tier ones with the ability to frame the style of house you are looking to build. (Big names do not necessarily mean they have the ability to perform. They may be subbing out the work to second-tier subs who hire first-tier workers).
- ✓ Calculate the number of sheets of plywood.
- ✓ How many tubes of glue?
- ✓ Are you furnishing the nails for the framer?

WALLS

- ✓ Calculate the number of 2x4's, 2x6's, and pipe columns, and any other material the designer or engineer calls for.
- ✓ Calculate the exterior sheathing required for the exterior walls.
- ✓ There may be interior walls that require sheathing as fire walls and for other structural purposes.
- ✓ Calculate the two top plates for the walls.
- ✓ Calculate the temporary and permanent bracing required.
- ✓ Calculate the 2x10's for headers for the walls.
- ✓ Calculate all cripples, jack and king studs, etc., for the walls.

CEILING JOIST

- ✓ Calculate all 2x6's, 2x8's 2x10's micro lambs (lvs).
- ✓ Calculate all steel in the ceiling system and any additional structural installations.
- ✓ Is a crane required, and how much is the hourly rate?
- ✓ Is the framer's cost in his contract? If not, give the framer an allowance.
- ✓ Calculate exterior band for ceiling joists.

ROOFING

This is an area where you really need an expert if you do not have experience determining material lengths and runs.

- ✓ Have a lumber supplier sales person with experience with calculating, or hire a take off expert if the roof is a stick-built one (made of individual pieces and not a truss roof).
- ✓ This should also be done for the plywood and shingles.
- ✓ Upon getting all lengths and having them labeled on your working drawings based on alphabetical sections, furnish your framer with a cut sheet that contains all sections of the roof, and make sure that the supplier delivers the material with the same corresponding alphabet on the sections of lumber. This one section could cost you thousands of dollars in waste. The object here is not to use any board lengths that will have over two feet of waste. Since wood prices increase substantially per foot, you need to really watch this. Also, be sure to send out your material list to a couple of lumber yards for bids. There are certain lumber yards that specialize in rough lumber (framing lumber) that may not have the normal small items such as door locks, hardware, etc.

WINDOWS

- ✓ Order your windows at the same time that you are ordering concrete. They may have a lead time. Drop off a print and get bids from suppliers.
- ✓ Calculate the cost of the window installation and confirm that the framer is going to do the install.
- ✓ Figure in the cost of black plastic for the windows.

YOU ARE ALL DRIED IN!!!

Ready for the rainstorm, your crews can now work on the all inside construction. There were obviously many considerations based upon the blueprint that you used. You could have had a concrete pad for the foundation of a masonry fireplace, elevator, etc. (There are dozens of additional items.)

I will not continue to detail all of the items that need to be taken off for a new construction job. These will be included in a separate book later. For now, just understand that there are many detailed steps in the estimating process.

The object here is to demonstrate the need for being very careful to determine the exact cost for material and labor if you are going to undertake a construction project that is starting from the ground up, or a REHAB. Or might I say, especially with a rehab.

REHAB COST EVALUATIONS

Here is where the rubber meets the road, people. This is where Lightning McQueen can earn his keep. Have you done your homework? This is where your PROFIT lies and this is where your potential failure is waiting. The better you are at this section, the more profitable you will be.

For my entire building career, from rehabbing affordable homes in 1986 through 1990, to church construction in 1990 through 2002, from commercial construction and estate home construction in 1992 through 2002, and back to rehab in 2002 to current, I have had FIXED FEE CONTRACTS (guaranteed fixed sum). This is not necessarily the smartest way to go. There are many builders who will only build based on the cost-plus system. In other words, whatever the cost, the customer, partner, etc. is going to have to pay another 20% + or - for overhead and profit directly to the builder. That is how you determine your profit, if you are in a cost-plus environment. The drawback to this method is that it forces you away from 1st tier labor as your profit is more if you hire 4th tier and then tack on your 20%.

INDETERMINATE CONSTRUCTION

The term RENOVATION scares the bageebes out of most bankers, and, believe it or not, builders as well. As my brilliant brother, Ronald Sparks, who is a physicist first and engineer second, taught me, many people look at renovation as indeterminate because you really never know what you are going to end up with once you tear the walls out. Not that all of the walls will have to be torn out.

REHAB FEAR FACTOR

However, the benefit of the “fear factor” concerning renovation in the minds of others is that there is an opportunity, if you are willing to learn. If no one else wants the house, you should probably buy it anyway, unless, of course, it is really falling down. The challenge here is to know what you are buying. Do not be moved by emotion, POSITIVELY or NEGATIVELY, regarding which houses should be purchased for rehab.

One of the areas where we have always been able to contain our cost is in the area of renovation labor and materials. It is not hard to determine your labor and material cost. Just remember not to create unnecessary administrative costs, should you decide to grow your business beyond your direct control.

HOW NOT TO LOSE YOUR SHIRT IN REHAB

How do you not lose your shirt in the Rehab Game? Well, first, as my father who raised me with a hammer in my hand taught me, you have to plan on the worst case scenario. When you are looking at a built-in gutter system that failed in an old house in one section on one side, for example, you can either tear into the walls close to the leak for a few feet on each side until you determine that the balance of the walls is okay. Or, plan to replace the entire wall of that side of the house. If you calculate the cost to replace a substantial section of that wall even though you think it is only a two-foot section, you will be okay. This can also be determined by going into the roof and seeing what damage was done in that section and then going under the house to evaluate as well. **TO NOT TO PICK UP ON THESE CRITICAL POINTS IS TO MISS THE FINANCIAL MARK!** Understand this: it is these types of items that run off your competition. But they may not be as big a cost as your emotions tell you. **BREAK IT DOWN IN SECTIONS.** It's all about **TASKS** and **COSTS**.

The same thing applies to a floor system. If walk into a house and, without a laser, it appears that the floor has settled, it probably has. Plan to replace the girder and potentially the piers and floor joist in this section. Once again, nothing beats crawling under the house to do an evaluation. Or having a trusted framer or engineer do so is also a good idea. Be sure to build relationships where these guys will not charge you an arm and a leg. Once you are in the business, some will do this type of

evaluation for a small fee and the potential of future business.

With the kitchen floor and the bathroom floor, just plan to at least replace all of the plywood and probably the floor joist as well. You may not have to replace the floor joist; however, if you do, you have factored it in at the start. You would be surprised at the reasonable cost of these items once you add them all up. Of course, also you should have a quality first-tier framing crew lined up. It is these types of things that you see when walking into a house that you have to segregate. Do not be thrown off because you see a kitchen or bathroom floor falling in. IF IT IS THE EXTERIOR BAND OF A HOUSE, that is a horse of a different color.

To replace, most bathroom floors are around 8x8 square feet. So the maximum is:

Approximate Material: 7-2x10 floor joists
2 pieces of $\frac{3}{4}$ inch plywood
Glue and nails

Obviously there will also be a cost for new vinyl and the plumbing fixtures. Be sure to get detailed breakdown cost from the subs in those areas. However, it is nowhere as bad as it looks when you walk in. Run the numbers. Flush the drama.

And when getting quotes from subcontractors, get them to give you the breakdowns of all material as well as the man hours for labor. Compare material breakdowns from multiple bids. It will not hurt to read a book on construction estimation. Once you know how to figure out your own material and how to schedule work hours for tasks in the field, you will be able to determine how

much money is enough. You will know whether a sub-contractor is taking advantage of you or whether he is charging a fair price. You need to ultimately understand what his exact labor cost is without asking him. Not that you want to squeeze him, but because if you understand, you can also make sure that he is proficient. If he is not, he is going to either overcharge you or he'll steal from you behind your back. You must know his numbers enough to know that he is also being profitable. It does you no good to get a good price today and to run your construction worker out of business tomorrow. Just as it does no good for him to overcharge you today and lose a rehabber tomorrow.

EVALUATING THE HOUSE

No matter how much you want to change the community and the lives of its people, if it is not a profitable venture, it will, in fact, be a short-lived dream. I will attempt below to detail from start to finish all the areas to consider and address in a potential rehab house before purchasing it.

ASSESSMENTS

You need to assess each house on a house-by-house basis. While they are similar to the notion of doing take offs in new construction, rehabs are a little different. There are no blue prints typically. There is no house with the same problems; each one is unique. And appearances can be deceptive.

I remember looking at a house in eastern North Carolina and I asked the realtor to get out and show me the house. He said, "Go ahead, Mr. Webb, and be careful." Well, a tree had fallen in through one section of the roof and, over time, water had rotted the floor in that section of the house. You could look up and see daylight and look down and see the ground. I looked in the house and I went quickly back to the realtor's car and said, "Sir, please, if you would please come and show me this property." Once again he said, "Sir...please, be careful and go see the home." I walked up to the house, did a little tour, and came back to the realtor and said, "Mr. Realtor, sir, isn't it your obligation to show me this property? I really wish you would show it to me." He said in a not-so-calm voice, "Sir, I told you I am not going into that house." I said, "You know, I sure hope that you are going to work with me on this offer today." The realtor responded, "just get in the car, and let's get the deal done. I never wanted to list it anyway. I listed it because of the family who owns it. You make them an offer and they are going to take it. I don't care what it is!!"

Well I offered \$10,000 for the house and a vacant lot, and they took it. No one else wanted it. What was the

problem? The BAD news was that the house did have major problems. The GOOD news is that the MAJOR PROBLEMS were just in two rooms. I needed to replace the floor joist in those rooms, the ceiling and a few rafters, repair drywall, replace the kitchen and bath, redo the plumbing, and install new HVAC. However, there was absolutely no further structural work required. It was not my best deal ever, but it was still okay.

The message behind that story is that too many people underestimate the value of homes in their distressed states. One man's condemned house is another man's paradise

Where in this model you need to purchase homes for \$15,000 or less, it is important to also make sure that you are aware of all potential costs to repair the home.

COST OF REHAB

There are a number of areas to consider. As I have mentioned in this model, it is important to understand that there are generally eight categories of work. They are as follows:

- Demolition (not tearing the house completely down; but rather internal demolition)
- General carpentry
- Electrical
- Plumbing
- HVAC
- Painting
- Carpet/flooring
- Clean up and landscaping

DEMOLITION

When I say demolition, do not get it confused with tearing down the house. Many who do not understand this model would suggest such. Demolition in this model means the removal of all items parts and pieces that are currently damaged or will become damaged during the course of construction.

First, remove all debris from the interior of the house. There will be furniture, clothes, and other debris too gross to describe. Understand that in this process it is not necessary to be turned off by the smell. It is not the house that stinks, it is the debris, which needs to be hauled out, that smells. Old clothing, furniture, grease, newspapers, and other garbage will have a stench. However, the original construction material does not carry an odor. Lumber, sheetrock, and other raw construction material will smell the same as it does in a new construction property once the garbage is removed from it and the house is aired out.

Secondly, it is very important to start tearing out all damaged roofing if required. Most of the time, it will not be necessary to do roofing repairs, subject to the type of house that you purchase. When looking to buy a house, it is better to find one with a bad floor rather than with a bad roof. If the roof has been leaking for some time, it is possible that there is substantial damage where water came in. You could also have a roof that has not leaked, but simply needs to be replaced where no interior damage has occurred. The damage inside may be contained to normal wear-and-tear, termites, or failed construction methods, i.e. faulty piers, split girders, or

walls that did not have double floor joists under them where the wall runs parallel with the joists, along with electrical, plumbing, and other general problems.

However, if you did purchase a house with a bad roof, obviously begin by doing the demolition on the area where water is coming in and then inspect the surrounding area as well. The leak could be because of old torn out material. Shingles or tin may not have been maintained properly. The leak could be from not having the chimney flashed or the gutters prepared in the correct manner. If so, the demolition should be done specifically to the area that is in need of repair unless the entire roof needs to be replaced. This directive should come from the general construction super sub-contractor. We do not want a demo team tearing out an area that should not be torn out.

The general construction person should be working on identifying other areas as well that are in need of demo before the demo person starts. Otherwise you may have a gut rehab which will be cost prohibitive. Most houses do not require a gut rehab. It sounds good, but is not always best. Some existing materials and conditions are superior to those that would be used in a gut rehab environment based on current materials that are available today.

The other persons who will need to interface with the demo person are the electrician, plumber, and the HVAC person.

DEMOLITION AND ELECTRICAL

Some of the homes will not require any electrical work, except potentially the fixtures and plates. While others will require a total electrical system replacement, some will just require the changing of the panel and electrical service. This is a call for a licensed electrician to make. The different levels of work required will demand a different level of demo. Let the electrician direct the demo person as to which items he wants removed. You will find that some electricians will want to do their own demo. However, you will need to coordinate the timing so that the hauling of debris will happen in a coordinated fashion.

DEMOLITION AND PLUMBING

Some houses will require only the changing of toilets and tubs. Others will require totally new supply lines to replace galvanized lines and waste lines. Some houses will require new water mains, etc. The demo required for plumbing should be directed by the plumber with the demo person.

DEMOLITION AND HVAC

Most times the houses will not require any demo as it relates to existing HVAC systems. Most will have radiator heating, or gas space and electrical. You will want to replace the current heating system with a new HVAC system. This will help the marketability as well as add to the comfort of the home. The only demo required would be the removal of the old heating source.

Demolition is a very important part of the construction process and it is a very important sub labor category to put in place. The type of sub for this section of work could easily be the young person down the street with a pick-up truck who is looking for work and is willing to listen. He will need to install sides on his truck to haul any substantial amount of debris and maybe get a trailer as well. Some may consider a dumpster on site; however, the dumpster needs to be filled by someone. It may as well be loaded and removed from the property by the demo sub. This is also a way to increase local labor. When you compare the cost, if you structure it correctly, it should be just as cost effective to allow the local debris removal person do the entire job instead of paying for a dumpster that does not fill itself. This way, ultimately the debris sub will have additional capital to purchase a bobcat and other equipment to become more efficient.

Cost of demo per house? Try to maintain a cost of approximately \$1,750 of which \$500 should be allotted for dump fees. That means that the demo sub receives \$1,250 gross for the house. This will include all debris

removal throughout the entire job. The goal is for him to have at least two per week. That is \$2,500 per week gross. If he has to pay two men at an average of ten dollars per hour, he has \$1,700 remaining gross. Multiply that by 52 weeks and he now has a business that earns \$88,400 per year.

This can easily work, if you can just keep him busy or refer him to your neighbor who is rehabbing on the street next to you.

GENERAL CARPENTRY

This category is the most important. We call the team leader that runs this section the SUPER SUB. Unlike in new construction where there are:

- Foundation subs
- Rough carpentry framing subs
- Flashing subs
- Roofing subs
- Insulation subs
- Drywall hangers
- Drywall finishers
- Stair subs
- Cabinet installers
- Finish carpentry subs
- Archway subs
- Fireplace subs
- Porch and decking subs

The SUPER SUB does all of the above and more. Needless to say, he has to be talented and highly-skilled. The leader of the team will typically have many years in the construction and/or rehab business. The best profile is someone with extensive experience as a framer. Framers generally touch all areas of a construction project. The leader of this group will generally have at least four workers with him. Of the four workers, two need to be lead carpenters who can be left alone on their own tasks with only a helper.

The leader should also have knowledge in jacking up structural systems and installing piers in foundations where needed, and in trailing “point loads,” and installing

floor joists. Most good framers are also decent finish carpenters, especially if they have had to experience difficult cuts on complicated roofs in new construction. The only challenge with transporting new construction workers into rehab is that, if they get there before a good demo and cleaning occurs, they may be spoiled and not want to get too dirty. Framing is one of the most profitable sections of new construction. These guys know their value and demand it.

However, they can be won over once they understand the numbers in rehab. An average framer who is reasonably busy works 50% of the year and will make \$50,000 after paying his help. In the WAHM, he should gross approx \$4,500 per house on an average just for his labor. It could be less and, of course, more, depending on the condition of the house. If he has four men making an average wage of twelve dollars per hour, his payroll will be around \$2,000 per week. If you can coordinate work that will allow him to complete five houses on an average per month, he will net \$10,000 per month, even if he has to build five crews. You have helped to increase his direct net income from \$50,000 to around \$120,000 a year - if you keep him busy and if he turns out the five units a month.

It may appear difficult at first to bring in a super sub; however, if you can just help him understand the power of steady work and the benefits of building an organization, he will be with you for a very long time.

ELECTRICAL SUB

Electricity is obviously very important. The best way to select a good sub is to call the electrical supply stores and ask for a salesman. Upon speaking with him, let him know that you are going to have a number of houses that you are going to be rehabbing. Let him know that you are looking for an electrician who has experience running crews. He may know someone who may have just gotten his license and may be looking for work. The fact that an electrician just finally got his license and is going out in business for himself is good for you and him. Hopefully, he would already have success at running men on a number of crews for his former boss. On his previous job, he was probably only making \$40,000 per year. With you, if you help him secure five units a month with just him and one man, you will make his day. His labor price should be \$1,350 multiplied by five, for a total of \$6,750. His labor for a ten dollar per hour man is \$1,600 a month. That would give him a direct net income of \$61,800. With two crews (three men, he would have a cost of \$4,800 a month, double his workload and have a direct net income annually of \$104,000. This is why he got his own license, so that he could start a business and increase his income. By the way, his former boss would probably charge you up to \$7,000 a unit for labor, not \$1,350. (Believe me I know...I have been fighting off the vultures in the field for twenty-one years, when many would jump the numbers).

PLUMBING

The same process would work and the income should be the same for plumbing. The only thing that may be different is main sewer taps, where a backhoe is involved. One way to guard against this is to have your plumber to inspect the property before you purchase it. Also, it never hurts to see how long the water has been off. If it's been off for more than twelve months, get the plumber out to have a look. Also, try to get the water on the property. Generally a new sewer tap will not be required for an existing structure.

HVAC

HVAC is one of the most important aspects of providing a competitive advantage over the competition in this marketplace. It may sound strange to many that any house in 2007 does not automatically come with HVAC as standard equipment. However, most homes in these markets do not have central HVAC! Most of the heating sources are gas space heat or baseboard. Very rarely will you find existing forced air. If there is air conditioning, it is usually only window units. What a difference a little cool air makes!

The subcontractor for this category of work is very similar to those in the other areas. You will easily find a smaller HVAC mechanic who has managed jobs before and is looking to grow his new business. His average income will be around \$45,000 per year. Most of his jobs come from small builders and so he has the same problems as the small builder in getting paid every Friday, or pay period, for that matter. Most small construction companies are not well-capitalized and they will not find much support from banks, as far as credit lines are concerned. If he is working for a custom builder, by the time that change order dialogue is over, he'd rather not even pick up the check.

He is tired of chasing down his money and is looking for you harder than you are looking for him. The presentation is as follows: If you are able to help him double or triple his annual income, would he be willing to work for you at reasonable rates? If you give him \$3,500 per house on an average with the promise of ten

houses a month, his gross would be \$35,000 a month. His cost should be as follows:

- Approximately \$1,250 per unit
- Other materials \$550
- Two mechanics for two days @ \$400 = \$800

Total unit cost to contractor installed
\$2,200

Total received per unit	\$3,500
Balance gross profit per house	\$1,300

Of course, he is now installing ten units a month for a total gross month profit of \$13,000 and an annual net profit of \$156,000. This is still plenty of money to hire a good bookkeeper, if his spouse is not already filling those shoes.

If you had approached this sub and told him that you wanted him to install turn-key units at \$3,500 without explaining “economics of scale,” he would have looked at you like you lost your mind.

PAINTING

This category of work does not require a rocket scientist. Any warm-bodied human with the will to work can conquer this category of work. In order to get value in this category, there are indeed some basic skills sets that one would want to become familiar with. They are as follows:

- Understanding the need for caulking correctly
- That there is a difference between sanding exterior existing wood and stripping it
- Mastering the use of a paint gun and shield
- Knowing how to prep walls behind drywall workers

There are obviously many more items to learn; however, there will always be more to learn in all phases of construction.

The pay grade for the model is turn-key, \$900 for interior and exterior labor only. Okay, I know. There will be an outcry. We are talking 1,000 square foot three-bedroom houses. Take my word for it. We have gotten hundreds of houses painted for this price and helped to build good sub contractor groups as well. Some stayed with us and some moved on to greener pastures.

The Numbers:

2 crews, 14 houses a month	\$12,600.00
4 men at 10.00 per hour	\$6,933.33 monthly
Total Monthly Gross Profit	\$5,666.67
Total Annual Net Profit	\$68,000.00

\$68,000 a year just for supervising two crews of painters is not a shabby income. Not to mention, if you are on one of those crews. Make that \$88,800 a year.

CARPET INSTALLATION

As a general rule, leave this task to the carpet store. Because of the high volume of some stores, they order tractor-trailer loads of carpet for very low prices. As a result, they run specials for total installs of medium grade, cut pile and vinyl for \$1,000, especially if you go in and negotiate volume prices.

CLEAN UP AND FINAL LANDSCAPING

There will be plenty of local workers vying for this section of work. Do not leave them out. The category for this section should be \$500 and should include some seed/straw. And, it never hurts to have a few attractive blooming hedges, if the budget allows.

To recap cost, we want to make sure that the purchase does not exceed \$15,000 and that the rehab material and labor does not exceed \$25,000. The ranges are again below:

Category	Material	Labor	M	L	M	L
Demolition	\$100	\$1,750	\$100	\$1,100	\$100	\$600
General Carpentry	\$6,500	\$4,500	\$4,500	\$3,500	\$3,000	\$2,500
Electrical	\$1,100	\$1,350	\$800	\$800	\$500	\$700
Plumbing	\$1,100	\$1,350	\$800	\$800	\$500	\$700
HVAC	\$3,500 MRTL/ LB combined		\$3,500 MRTL/ LB combined		\$3,500 MRTL/ LB combined	
Painting (interior)	\$350	\$450	\$350	\$450	\$350	\$450
Painting (exterior)	\$350	\$450	\$350	\$450	\$350	\$450
Carpet/vinyl	\$1,100 MRTL/ LB combined		\$1,100 MRTL/ LB combined		\$1,100 MRTL/ LB combined	
Clean Up Landscape	\$500 MRTL/LB combined		\$500 MRTL/LB combined		\$500 MRTL/LB combined	

Level 3 House \$24,450.00

Level 2 House \$19,100.00

Level 1 House \$15,300.00

You have purchased a house for \$15,000, and then put \$24,450 into the hard cost to rehab it, with a total basis of under \$40,000, and now it is ready for the market at \$65,000. You easily stand to profit at least \$25,000 on your investment and sweat in coordinating this project. Not because you overcharged anyone, but because you created great jobs at the first-tier, helping many to triple their current standard of living, while beautifying the neighborhood, cutting down on crime, providing a beautiful, quality rehabbed affordable home and helping a buyer keep their monthly mortgage payment at around \$500 per month. If you do that twice a year, then you have created a return of more than 100% on your money in twelve months.

WHAT HAVE YOU DONE WITH ONLY ONE HOUSE?

- You have purchased an eyesore on your street or your parents' street and you have turned it into the neighborhood beauty spot.
- You have employed young men and women who needed work.
- You have probably cut down on recidivism.
- You have helped with lowering the local crime rate.
- You have increased the local tax base.
- You have helped the local economy, i.e. building supply stores, carpet stores, appliance centers, paint shops, etc.
- You have taught young dreamers how to fish and become entrepreneurs.
- You have provided an affordable home for a first-time homebuyer with a mortgage payment of approximately \$375 to \$550 a month with nothing down.
- You have given the community a positive shot in the arm.
- You have made \$25,000 profit on your \$40,000, which was previously paying you 2% annually; \$50,000, if you do this twice a year.

If it gets any better...I'll stop breathing. It's heaven! People, **THIS IS WHAT AMERICA WAS BUILT UPON!!!**

One of the most challenging items you'll need to perfect this reality is the **BACK-END FINANCING** which

banks have committed over a trillion dollars to finance first-time homebuyer sales. We will discuss this in a later section.

Despite you having a somewhat involved assessment in these projects, you will still be in a better position than if it were new construction, especially estate home construction with over one hundred sections – elevators, wrought iron, tons of specialty finishing items, and more. Not to mention in this model, as a builder, you do not have to deal with complaining custom clients who want the greatest mansion in the world and expect you to deliver it to them as the “builder genie” on a “shoestring budget.”

REHAB PURCHASE PRICE

I previously mentioned that your target should be to purchase homes at a cost of no more than \$15,000. I know you may think this is impossible. However, with the WAHM, we have done this literally hundreds of times within the past few years. It depends on what state you are doing business in. I would say, for starters, that the only two states that I would exclude are California and Florida. Not that they do not need affordable housing. They probably need it the most. It is just that we have found that, in these markets, prices have been driven up to make the basic acquisition price of this model virtually impossible to replicate. There may still be deals in these markets, but you would have to make a major adjustment to the numbers. However, there are plenty of areas in all the other states in the Union. Not to mention in other parts of the world.

ADMINISTRATIVE COST

If you are interested in buying, rehabbing, and selling only one or two homes a couple times per year, you should be able to handle the day-to-day administrative and field operations yourself without any major administrative support.

TAKING IT TO THE MOON!!!

For those who desire to make a large business out of this model, get ready as there are a number of support items you will want to have in place.

Avoid the MC Hammer Reality

From 2002 to the end of 2003, I went from zero to 800 thousand, from 800 thousand to \$8.5 million in sales of homes that I had rehabbed in 12 month periods. I grew a substantial staff in 2003 and beyond. With affiliate companies, there were more than 35 staff members handling everything from:

- Acquisitions
- Closing coordinating
- Assessment
- Accounting
- Market research
- Construction Admin
- Information Technology
- Database programming
- In house finance support
- Legal research
- Junior development coordination
- Property management coordination

On top of this, I paid an executive director well over \$100,000 a year to run the company and I paid a director of construction over \$100,000 a year for construction administration. I was advised by a brilliant corporate coach that I needed to HIRE AND EMPOWER people to run the company. The coach said that I could not

see the forest for the trees and that I needed to be able to look out over the horizon just before I made the administrative decision to hire the world!! Not brilliant at all!! Even though I was blessed to work with some very intelligent and trustworthy people, I also had some that were neither smart nor loyal.

Well, I followed the consultant's advice and, by the time I came back from the horizon, my trees had been cut down and I was on the ground trying to pick up the sticks.- so much for corporate advice. Always, and I mean always, follow your GUT! All I can remember is that a whole lot of people got paid, while I was left holding the empty cup.

KISS (KEEP IT SIMPLE, STUPID)

My advice to you is to do the same. It is not a complicated model. It is so easy that sometimes even brilliant minds screw things up. Hold your genius in reserve. You will need it to count your money, if you do things right and to keep others from stealing it. Or, just use your genius to keep others from trying to take your intellectual property. Protect yourself by not allowing the wrong partners into your company, those who may come into your company to try to destroy if they are not successful at stealing from it. Or, use your genius to protect yourself from unscrupulous attorneys. Maybe they will read this book and become rehabbers. Especially since their efforts generally never yield their clients any money and destroys everything in site. Construction is always better than destruction. Oh, I forgot, that line was for the gang bangers...

If you do desire to grow this as a business and complete 200 plus units a year, it's a good thing. Believe me, you will not run out of potential houses, workers, or homebuyers who will need your help. The sky is really the limit.

If you are able to net profits of \$100,000 from successfully redeveloping only two homes twice a year, well, imagine what would happen if you did 100 homes twice a year. If my math serves me correctly that would be five million dollars (\$5,000,000.00 gross profit). With this type of profit potential no wonder the greed of some of my enemies got out of hand. Obviously, there will be additional expenses and many additional considerations that go beyond the requirements of just two units a year.

CREATING YOUR OWN WAHM

While this business model will help emerging builders who only want to rehab two houses a year and add \$50,000 to their income, it will also help those who desire to do 200 homes per year. There are some who would like to and who would be able to do 200 houses a year. I know some of them personally.

If this is your desire, I say **MORE POWER TO YOU**. Just remember to sell the houses at an affordable rate \$65,000 to first-time homebuyers. Do not rent them out. And, do not be tempted to go with the gentrification tide and sell them for \$150,000. While this helps your financial position short-term, it will only hurt the communities we are trying to redevelop. Remember this. There are a thousand of reasons why you must stick to this plan. You guessed right...that is another book. Just take my word for it and don't mess up the WAHM.

To rehab 200 units a year is to rehab approximately four a week, or between 16 and 18 homes per month. Some may ask, is this possible? There is a long way between 2 and 200. However, the answer is yes. Absolutely it is possible; however not without much diligent work. And, in this model, it may take a little more than just reading my first book to take it to this level.

There are a few staff requirements that you will need also for this type of volume. They are as follows:

Title	Salary Range
One Acquisition Specialist	\$40,000.00
One Construction Project Manager	\$55,000.00
Two Construction Superintendents	\$35,000.00
One Construction Field Coordinator	\$35,000.00
One Office Administrator-Cost Accountant	\$40,000.00
One First-time Homebuyer Specialist	\$35,000.00
Total Office Payroll	\$240,000.00

ROLES AND RESPONSIBILITIES

Obviously, the length of this book will not suffice for the telling of all the knowledge and experience from the “School of Hard Knocks” that I have gained in the past using this model. However, if you are a good student, you should be able to easily digest these descriptions and add to them even beyond my explanations. I will make available additional support information in the future. I will be available for some, workshops and other questions in the future.

ACQUISITION SPECIALIST

The role of this person is strictly to find the good deals. Another important responsibility for this person is to find new sleeping markets. Finding good deals is not always easy. One of the first things that you must teach this person, however, is to develop tough, thick skin. They will come up against so much negative response that the average employee, without support, will quit this job in a month. Remember this person's role is to help to find the good deals. They are on the frontline dealing with realtors, who are vying for larger commissions and looking for the larger sales numbers, since commission is generally based on the percentage of the sales price.

There are a number of properties that can be purchased for the asking price that can be found on www.Realtor.com and multiple internet sites, as well as from local realtors. However, there are many others ones that, once the field assessments come back, you realize are not worth the money that the seller is asking. Guess who has to carry back the bad news to the realtor? The acquisition specialist! And, of course, no one wants to hear bad news.

Over time, however, as the acquisition specialist explains that you are looking for distressed or condemned homes with the potential to be turned around, they will be calling you with pocket listings. Especially when realtors realize that you can show up with the cash within ten days. Keep reading.

SLEEPING MARKETS

Another very important area for the acquisition specialist to always be on the lookout for is good markets. You want this person to keep in their pocket more houses than you can currently purchase. As their relationship grows with realtors and owners of large groups of older homes in the communities that you are active in, you will have more homes than you will be able to purchase. Don't get stressed if you cannot buy all of them now. They probably are not going any where any time soon. They will generally sit there for years until they are eventually torn down, or some local John gets his WAHM in gear.

RENT RATES

One way to determine whether the market where you want to start is a good choice is to look at the typical type of home that you will be renovating. Find the finished product. Not a house that has not yet been renovated, but rather a house that has been renovated to the level that you will renovate yours. Find out what the landlord is charging for rent. If the landlord is charging at least \$550 per month for rent, chances are that the prospective tenant will pay at least that to own a home. The payment on their mortgage, if it is \$65,000, should be less than \$550 a month. And, in some states, it could be even less, as in Louisiana (*because of the homestead rules, according to the Mayor of Grambling, there is no property tax on houses sold for under \$70,000.) Certainly you would want to consider what the taxes and insurance would be in the subject city in order to come to your own conclusion about what the total monthly payment will be.

FINDING THE FIVE COMPARABLE SALES

Typically you want to find at least five recent sales within the past three months within a one-quarter mile radius of the subject home that you intend to rehab. In most development areas, the rule is one mile. In the low net worth neighborhoods most bank underwriters will feel better if it is within one-quarter mile. Families and community organizations are taking on the difficult task of acquiring and rehabilitating property and turning their neighborhoods around-only to have their work undone by a property appraisal process that is extremely subjective, often arbitrary and in some cases openly discriminatory according to Errol T Louis in "The Price is WRONG" City Limits Magazine City Limits. The Seton Hall Law Review in "The discriminatory Impact of Traditional Lending Criteria: An Economic and Moral Critique.".....speaks about in their introduction, "Lending discrimination as a denial of the American Dream." I DIDN'T SAY IT WAS RIGHT; THAT IS JUST THE WAY IT IS!!! If your end sales price is going to be \$65,000, then you need to find five comp sales for the same price or more. Be sure that the comps have the same bedroom count and bath count. It is also good to be sure that the lot size is about the same as yours. The style of the home should also be similar to your subject's. It should also be of the same approximate age.

There are some considerations before you buy your condemned house. Mortgage companies and banks are generally a little harsh on lending, especially if there is a boarded-up house next door. You should consider buying the house next door too, if it is

boarded up. However, the Bank of America Community Commitment Program specifically states “boarded-up houses next door are allowed, especially where there is evidence of redevelopment in the neighborhood.” I did say program. Where did the 750 billion dollars go anyway....not in the LMI districts of America? Not yet at least. The Seton Hall Law Review goes on to speak on how many banks are “Using the Secondary Market to Disguise a Lending Institution’s poor Minority Loan History”. This entire report is 19 pages long but worth the read. You would be surprised. Or maybe you wouldn’t.

TYPICAL REHAB FUNDING VS. WAHM

You must consider what the lender will say at the back-end before you begin. One challenge in this model is that lenders generally do not like to see over 200% increases between the purchase price and the end sales price. Many do not want to see even 100% increases. For instance, if you purchased a house for \$15,000 before rehab, they do not want to see a sales price for over \$45,000 after rehab. Obviously this does not take into account all the rehab work and the cost involved in producing a quality home. (The strangest thing, as it relates to new construction, I have built projects with square foot sales numbers beyond 250 per sq ft, not 65 per sq ft on a rehab. Lenders feel more comfortable in neighborhoods that they are familiar with, I guess.) Their approach works if you are paying \$30,000 for a house and selling it for \$90,000. There are a few problems with that. One is that the end sales price now is not the targeted \$65,000. It is \$90,000. Also, why pay \$30,000 for a house that you can buy for \$15,000? The assumption behind this, according to banks, is that, if you only paid \$15,000 for it, it cannot be worth much. That is a big mistake and this is where some of your opportunity lies. Now given that the house you are purchasing is in a very rough state, it would figure that you will be doing more rehab work than the purchase price amounts to. This is what most back-end lenders like to see:

Lender preferences

Purchase Price Condemned	\$35,000
Rehab cost	\$10,000

Total Basis	\$45,000
Sales Price	\$75,000 to \$105,000

Well, there went the **affordable \$65,000.00 home!!!**
Where, with the right community commitment loan, a former tenant paying \$550 in rent can have a payment PITI for around \$400 per month, if the taxes and insurance are in line.

WAHM

Purchase Price Condemned	\$15,000
Rehab cost	\$25,000 (hard /soft cost)
Total Basis	\$40,000
Sales Price	\$65,000

In this analysis, it will be important to understand that you may not be totally embraced by lenders or realtors who sold you your last house for \$15K. Many do not feel there is any value in these markets, despite what the comps say. Call it discrimination, unfamiliarity, or pre-gentrification attitudes. I do not know what it is. That, of course, is within the eyes of the misguided, and they probably don't know either. Just know that it is a hurdle. Once your house is finished, you should easily be able to find a bank to finance the sale to a first-time homebuyer. This relationship is just as important as the rehab project itself.

It is not your responsibility to be endorsed by everyone. Stick to the facts. If the comps are there, that is what determines values. Because of predatory loans in these communities, some have lost homes because of very high interest rates; however, you do not have a dog in that fight. Your buyers should be able to get loans done at 1% over prime, if you work hard at it. Do not be distracted by the failure of those who came into the neighborhood to take advantage and, as a result, created a two trillion dollar sub-prime nightmare. (BY the way most of which was definitely not lent to Black People or others in LMI low to moderate income communities, even though they would like to blame them for it.) (T.L. Cross voice is heard in volume 114 No. 4 (Winter 1999))

of Political Science Quarterly on the fact that in the past we have made only passing efforts to build wealth and equities in the ghettos of America. And that influenced by reformers, we have taken profits out of the slum when the real objective should be to put profits into it. Keep your dream of quality affordable housing and low cost payments for your buyers alive. And stay away from sub-prime loans. Even before and during the height of the sub-prime days, there were great affordable loan products out there. Mortgage brokers and banks just pushed sub-prime because they could not charge four points and get 2 % yield spread on the back side of the good affordable loan products.. There was, and is, quality fixed rate 7% loans with one point to the buyer and with 1 % yield spread for mortgage brokers who are not lazy and strapped with greed.

Despite these truths, there is a real paralysis on the part of many in the financial services industry to put real support staff in place to focus on these deals. You must get to know your banker very well and make sure you keep him focused on these smaller deals. If you don't, they will focus on the ones with additional zeros on them.

MAKING OFFERS

It will be the responsibility of the acquisitions person to make the offers on the available properties that you decide to purchase. Of course you do not want to purchase before the assessment is performed and you are totally comfortable with the potential cost of the rehab.

COORDINATING THE TITLE REQUEST

Once you determine that you want to purchase the property, there should be a clause in the contract that protects you from having to spend money on a title opinion. Make that an expense of the seller. After all, it is their house that they are trying to sell, not yours. Ask for a title opinion without any exceptions, except standard ones. Consult with your title attorney.

SETTING CLOSINGS WITH THE CLOSING ATTORNEY

As previously mentioned, since you have closings that will allow the sellers to close from ten to thirty days, you want to have the support of a good title team. Even though your seller is paying for the title work, your title person can perform the search. Therefore, your turn-around time may be quicker, since you are a repeat customer.

END-MARKET VALUE AFTER REHAB

One of the most or the most important items is what the value of the home will be once you have completed your job. There are a number of ways to arrive at this value. Do not be fooled by what you think the market will bear. Do your research. There are a number of search engines the acquisitions person can use that give public information on all sales in the United States. One such source is Real Quest (www.realquest.com).

WAHM

Purchase Price Condemned	\$15,000.00
Rehab cost	\$25,000.00 (hard /soft)
Total Basis	\$40,000.00
Sales Price	\$65,000.00

This deal can and obviously has been financed. The big difference is that you will need to build a relationship with a lender who understands what you are doing. They will have to know the extent of your projected renovation work. While you are replacing floors, walls, and even sections of the roof, other rehabbers are just painting, changing cabinets and carpet. You will probably be required, or if not, just offer, to furnish, pictures of the before, during, and after,—room by room—for the rehab. This, hopefully, will give the lender an appreciation of the level of repairs that you do. Also, it should easily justify your end sales price, which may be outside of their traditional box for LMI neighborhoods not being redeveloped.

TRADITION IN LENDING ON REHABS

It is traditional for lenders to believe that, if a house cost the rehabber more, it is in a better neighborhood. This is relative. Many lower-priced homes are located in very good neighborhoods. Especially to the people who grew up there. They may be minority, but still very solid, neighborhoods. The reason the rehabber can purchase homes in these markets for a good price is that the sellers have a limited buying audience. And, the audience that they have generally cannot receive financing on such a home. Most of the investors with high liquidity end up in other markets, as they do not think there is opportunity in these neighborhoods.

Even some who attempt to invest in these markets, because they are so unfamiliar with the neighborhood, as soon as anything goes wrong, they panic. I remember an investor said she had gotten a yard violation from the city and called two landscapers from out of the Yellow Pages, who told her they would not go on that side of town without their guns, much less work over there. She thought that the sky had fallen. The street that her house was on had schoolteachers, a minister, and many other hard-working tenants and homeowners. It was not a bad area of town at all. The landscapers just did not understand the turf. There were other landscapers there who lived close by and did understand the turf, and they took the job for only a fraction of the cost, and completed it to a great standard. She just looked the wrong places for labor. Unfortunately, marketing your business in the Yellow Pages ad is not the cheapest form of advertising for first tier labor. One Lawyer told me he spent over 100 thousand dollars a year using this method of advertising.

UNDERSTANDING THE TURF

People generally deal with familiarity, especially banks. When you look at the corporate boardrooms of financial institutions, you see a couple of realities that will help to explain why capital rarely shows up in low net worth neighborhoods.

Most of the bankers are not from the low net worth community. For some of those who are, they work very hard trying to let the rest of the world know that they are not from there, so as not to become pariahs. They are not from the neighborhood, even though some of them grew up there. (There are of course exceptions) However, most of the minority bankers that exist are generally put in community development departments with no direct lending authority. Banks send them out to meet with organizations in the community to put on a good face for the bank.

Many of the minority banking “officials” that I personally know are very disgruntled with the treatment and the lashings that they receive in their own banks, especially when they bring in substantial deals that really could positively affect their communities, only to watch them get crushed and sent back out the door. The traditional bankers who are endowed with decent lending authority deal within their scope of reality based on their background. The less than 1% of lenders from that community generally do not have much signature authority. And, if they do, despite maybe having the desire to lend in these markets, they also want to remain popular among their peers. Now there are a few who are willing to go to bat for the community; however, unless

a large non-profit or large community redevelopment project shows up, the loan may not get done. As a small rehabber that leaves you out! You have no tax credits to offer the bank and you may have no large non-profit affiliations. Every door that you knock on is closed in your face. You have spoken to local retail bank branches to finance your deal; you have been turned down at every turn. What do you need to do now?

DON'T STOP KNOCKING

You may have to start small. But start anyway—even if it takes you one house at a time! You can ultimately, with perseverance, find a bank willing to help. The bank is generally going to require at least 20% of the purchase price down. For a house that you are purchasing for \$15K, they will want \$3K down. You may not have the \$3K!!! These are some ideas that may help you out:

- Get the loan for \$3,000 from the local finance co. There are many finance companies willing to lend this amount on signature only. Yes, the interest rate may be a little high. However, this should be a short-term note, to be paid off when you sell the renovated house. If it can help you get closer to the end of your deal, where you will realize about \$20K to \$30K in profit, you ought to be able to pay interest of six hundred bucks.
- Also ask the seller to take back a second for maybe \$5,000 for zero interest. This will leave you an additional \$2,000 for material or to help cover some of your administrative costs. You can pay off the seller once the house is completed; this is based on how you structure the financing.
- What about the \$25,000 needed for construction? The Bank should lend 80% of the \$25,000 (\$20,000). If you are very active in the deal and do not need to hire a supervisor, you could generally save the \$5,000 in supervision cost. This, however, will require your visiting

the site every afternoon after work. It may also involve lunch time coordination with the lumber supplier to make sure that the material that you requested is what is being delivered from the lumber store.

PROJECT MANGER

Once you close your first deal, it is important to understand that this business is no walk in the park and that dealing with first-tier labor can be quite challenging, albeit rewarding at the same time. Once you have identified your crew and understand the scope of work required, then it is time to go to work. (See Section on construction process.)

The value of this person, your project manager, is immense. This person, probably more than any other position, can make or break your business. You must monitor all administrative personnel positions, but especially this one.

As a project manager, this person will be managing two superintendents; that is, if you decide to do 100 units a year. This person will have the authority to ultimately do field assessments, negotiate contracts with subs, handle material authorizations, and determine schedules. Where there is so much responsibility, there are also many ways for this person to fall short and hurt your company. (The success or failure of a project manager is a book in itself.) Just be careful and monitor this position very closely.

THE SUPERINTENDENT

This position should be hired by you personally, of course, just as all other positions. Do not ever allow anyone to talk you into having others interview and hire your staff. Trust me, that is not a good idea. If you do, you will come into work one day and wonder who the boss is.

It is not a matter of not trusting the project manager. It is a matter of knowing who is on your team and them knowing that you make the hiring decisions. **Their loyalty must be to you.** The project manager is there to monitor them and encourage them. You must inspire them and they must feel that they can come to you and discuss any problems that they see in the field.

WILL A SUPERINTENDENT STEAL FROM YOU?

Of course not, Yeah, I wish. Be careful how much direct control over money you put into the hands of the super. Make sure that you create good common sense accountability controls, as they relate to the use of authority for material and labor. Any time you put control in the hands of others, you are at risk.

HOPE FOR THE BEST AND PLAN FOR THE WORST

Do not overestimate anyone's loyalty in the field, or in the office, for that matter. Create good accountability systems to know at all times what is going on in your organization. Any time someone tells you not to worry, that we have everything covered, **FIRE THEM!!!** What they may have covered is everything that they should be showing you.

APPRECIATION OF THE FIRST-TIER

Your super must have a genuine appreciation of the first-tier. As a matter of fact, it is a good idea if they came from there. Try as best as you can to hire from within the ranks. That way, they will be able to relate to what a sub is feeling and not make them wait at Lowe's all day for material while his men are on the clock. They will make sure that, if they see labor slacking under the sub, they will address it and even encourage his laborers to as well.

SHOW THEM THE BIGGER PICTURE

Any good superintendent will potentially be a good builder. Help the super to grow and teach him how to become a PM one day, just like his boss. Of course, the project manager should also be looking forward to growing into new markets and becoming a regional manager.

It is very important for the super to understand the first-tier philosophy. Builders who have traditionally looked at this space as a bad bet will change their way of looking at these neighborhoods. They will see them as thriving building environments with a vast pool of laborers ready, willing, and able to work, not to mention end-users with spending power equal to the 8th largest country in the free world... With these realities in play, how could anyone call them crack communities?

SUBCONTRACTORS AND FIRST-TIER LABORERS

There is a forgotten or unknown class of construction workers and other talented people who live within the inner fiber of our society. And no, contrary to popular belief, these people are not all drug addicts or alcoholics. And, many of them just want to provide for their families. The unfortunate thing is that they only deal with FAMILIARITY. That is to say, they do not often go out and openly try to find jobs. They do not put ads in the Yellow Pages. And, they typically do not show up at construction trailers. “If you do not know them, don’t work for them” is their credo.

Let me take you on a journey to help you understand the brothers from the hood. Then you will understand how they ended up in this state. One might ask, if a person is willing to go to work, why don’t they go out and find a job, or at least let employers know that they are looking? There are a number of reasons.

Just because someone has a talent does not mean that they have received support from others encouraging them to develop those talents. Like an elephant that was tied to a stake as a baby, is now conditioned to believe that he can only travel a certain distance. The invisible rope around its leg has it convinced he could never go far! Many who have skill sets that would be considered superior to those of whom are gainfully employed on top commercial and residential construction sites. They just have not been identified. Some of them will

never be identified, unless someone shows up on their doorstep.

Most of the first-tier workers deal with people who they know. It could be because they do not have workmen's compensation or general liability insurance. Of course, most contractors need workers with both insurances. Well, this sometimes poses a problem for first-tier labor.

THE GOLF COURSE FRAMING JOB

As I looked for lots to build spec homes on during my new construction days, I came upon a subdivision where I was asked by one of the sales agents to call one of his builder friends. He said they were in desperate need of rough carpentry framers. Since he knew that I'd run a number of framing crews previously, he asked me to bid on some of his blueprints.

I decided to go out to some of the homes in the subdivision that were being framed at the time just to get a feel of the price point in the community. The first job that I came to I asked the lead framer what they were getting per square foot for the job. I also asked him if he was working for the contractor directly. He answered and said, "No, I am not working for the contractor directly. I work for a guy by the name of Mike. He drives a red Camero and comes by on Tuesdays and Thursdays to check up. He pays us \$4.25 per square foot."

I came back on Thursday to speak with Mike and asked the same questions. His answers were, "No, I do not work for the contractor directly. I work for a guy named Tommy. He drives a blue Ford F150 and he pays me \$7.50 per square foot. He is normally around on Fridays to check up." I returned on Friday to speak with Tommy and he answered the same questions. He said, "Yes, I do work for the contractor directly and I get \$8.50 per square foot and the contractor/builder pays an additional \$1.50 for nails and air hoses, etc."

Well, it does not take a mathematical genius to determine that the spread between \$4.25 per sf and \$10 (\$8.50

and \$1.50) equals \$5.75 per square foot. What does that mean? The house was a 7000 square foot house. That equals \$30,250 of savings on just the framing labor section, which could have been realized by the builder if he worked with the first-tier. Why does this happen?

Well, he probably did not know the first-tier guys on a personal level. The first-tier men did not have workman comp and general liability. Mike carried them on his policy. It was a very small amount, considering the amount of the spread. What if the contractor got to know the first-tier framers? He would have saved \$30K and probably gotten hit with less change order costs from Tommy.

VOLUME

One superintendent should be able to handle between eight and nine houses per month with good systems. Make sure that you use Microsoft Project or some other critical path project management system. Do not make it too complicated. There are good supers who may not have great computer skills. They can, however, give the detail reports to the construction coordinator.

LOCAL BUILDING INSPECTORS

While some building inspectors are the best gentlemen you would ever meet, some are from a whole other place. Just because you are creating hundreds of jobs for the local community, do not expect to automatically be greeted by the welcome wagon, even if you are from that town. How to deal with building inspectors is certainly a topic worthy of another book. One of the difficult areas for a rehabber is in understanding where the lines of authority start and stop for the local building inspector. Get the wrong building inspector, without having the requisite knowledge as to where the lines start and stop relative to rehab versus new construction, along with grand-fathered items, and what is really required to conform to local and regional codes, you could be over budget on every job, and out-of-business on your first one.

While paying your respects and asking the local building inspector to make a field visit to the house before you start to let you know what he wants done may seem to be reasonable...but it could backfire in your face.

When pulling a permit, you are required in most jurisdictions to permit the items that require permitting, which are your changes, as well as those items which require permitting that are not up to code and which you plan to correct during your project.

Once you pull your permits, you would think there would be a level of excitement that you are bringing condemned and distressed homes up to a livable standard and providing quality affordable housing. Well, think

again. You will need to learn how to navigate the mine fields of power hungry inspectors from Baghdad Hometown, USA.

WE LIKE YOU...JUST STAY IN YOUR PLACE

One of the things that I always tried to teach my first-tier labor force was not to show how successful they had become. We try to teach them, if you are fortunate to purchase a new van, park it at the store when the inspector comes. He has known you all of your life and now, all of a sudden, you have three new vans and you are working nine men instead of working with just one helper.

In a small town where we had renovated over fifty houses, I received a call from an electrical subcontractor. He was having a lot of problems with the local inspector. When he would call for inspections, the inspector would not show up. He even stood him up on several occasions when there were scheduled inspections. I asked the sub what his last conversation with the inspector was about. He said, "Well, we were just sitting outside and shooting the breeze and he asked me how we got all of the work that we had and said that he was amazed. I told him that it was because of you, and all about the great things that you, even as a Black guy, was doing in the community, buying these old houses and rehabbing them." I said, "You did WHAT?" I had previously instructed this sub, as well as all the rest of them, not to talk about our growth and definitely not to mention that I was behind the deal.

WHAT FOOL SAID THAT RACE DOES NOT MATTER?

Understanding that they were just giving the sub a hard time because of ME, I called in the assistance of one of the most intelligent and beautiful, middle-aged, non-African-American woman who I could find to go and intervene at the building inspector's office, down in eastern North Carolina. And that she did!!!

After calling to schedule, she arrived at the meeting with the chief building inspector and the head electrical inspector. She began by stating that she was having problems getting some of her houses inspected. She gave the inspectors the addresses, and they said, "These houses are not your houses. They belong to Webb, that Black fellow from Raleigh." She said, "Webb does not own anything. He works for me. Those are my houses that you are holding up and delaying my jobs." The inspectors responded, "Honey, well, my Lord, we did not know that and we apologize to you. And, if you will, please let me know the addresses of the houses when you start on any house in this town." The inspectors immediately approved the houses without even going out to look at them.

On the way home, she called me and gave me the update and told me that she needed a raise since she now owned the company instead of me. We laughed about it. Then we just left it alone. It was not a fight that we could win. As is typically the case, even though that city was over 50% Black, they did not have any Black representation

in the leadership of the department and there was only one Black building inspector that we knew about.

Every city is different and has its own set of rules. One unwritten rule you will find, in many places is, “You may be okay...just do not get too big.”

You must be an equal opportunity employer. Always have friends on all sides of the tracks. If a building inspector has a reputation of being a racist, then you may want to consider hiring a perceived-racist to help with your building inspections. Believe it or not, there are many non-African-Americans who do understand the struggles that will beset you. This has been the case throughout history, even as far back as the Niagara Movement, which was the beginning of the NAACP. There were “good” white folk who fought to stop the human lynching in America. Unfortunately, the financial lynching still occurs. Yes it does take a village...but a VERY INTEGRATED ONE.

THE EDUCATIONAL CURSE AGAINST THE UNDEREDUCATED

In whatever city you live, do not vote for a school board member who is too insensitive to understand the need for vocational training in the high schools. In high school, I served in VICA (Vocational Industrial Clubs of America). When I came through high school in the 70's, all schools in our county offered Brick Masonry, Auto Mechanics, Carpentry, as well as many other vocational shop classes. This allowed young men who could not get accepted into college or who choose not to go an opportunity to be able to start off with a legitimate job making twenty dollars per hour. Yes, even just with a high school education!

Why did we allow these programs to leave the high schools? Vocational education is an imperative for America; we must give the youth of America the skills that are needed for both them and industry to survive. This must occur if we are to save the first-tier labor force in our society for all races and creeds.

IT SUPER

How do you mold a good super who does not have great computer skills but has everything else going for him? Yes, that is a good question. What you must do is surround him with good daily administrative support with the aid of a construction field coordinator. This is very important, as many good supers do not always have great computer skills. Is it easier to train a super on IT functions than it is to train an IT person on how to quickly become a super rehabber? I think so.

CONSTRUCTION FIELD COORDINATOR

The construction field coordinator must have good people skills and not look down on anyone who does not have the same administrative skills. This position must support the superintendent with everything from helping him to schedule subs to material takeoffs, to capturing all work performed with digital photos, to monitoring for field delays, etc.

Another responsibility of the field coordinator is to keep the office informed of any changes in the projected dates of completion and advise administration as to whether the man hour counts are the same as those projected. A field coordinator must also keep a close eye on projected materials needed for individual categories. This person will work in close unison with the office administrator, providing daily updates that will allow her to project adequately the end result.

OFFICE ADMINISTRATOR

Most of the responsibilities of this position are the same as those of an office manager. However, there are, of course, coordination items unique to the model that would not otherwise apply. Look for an office manager with experience in the construction business, so that the terminology will not be foreign to her. An office administrator with experience in the industry may come with contacts of her own among suppliers, workers, inspectors, vendors, and even potential homebuyers.

TOTAL OUTLOOK

This position requires that one have a total understanding of where your company is growing, one unit to 100 units or even more. They will have to understand the acquisitions—how many houses need to be in the pipeline for purchase to accomplish the end goal. Coordination between the project manager and the supers is necessary to make sure that the additional administrative support is in place for the construction managers.

AUDITING THE CONSTRUCTION PROCESS

It is very important that this person audit the construction process, especially the before, during, and after digital photos, along with the tasks associated with the description of work. These pictures will be needed in order for this model to work, as will be explained in a later section. You may end up with one hundred photographs per house. You will always be glad that you did.

This position also requires that the back-end pipeline is monitored. Nothing is worse than having completed homes without approved buyers to purchase the homes. This person will, therefore, also have to coordinate with the mortgage specialist.

THE MORTGAGE SPECIALIST

This position must be held by someone who understands how to deal with people. They need not totally understand the mortgage industry, for if they do, they may pose a hazard to the model. That is, unless they have an open mind. One of the biggest problems for industry people to overcome is the “bad credit” buyer’s reputation, as they would call it for the potential buyer in this market.

BAD CREDIT BUYERS

What? Now has the author/builder lost his mind? Not quite. As a matter of fact, I am glad you thought that. That attitude limits the competition. Think for a moment. If I told you that I wanted you to come to work for me and that almost every client that you dealt with who wanted to purchase a house has a beacon score under 580, you would probably pass on the job, especially if you were a seasoned mortgage industry professional.

Well, fortunately many banks, Fannie Mae, and others with extended approval products realize that some people with traditional bad credit are good credit risks. They realize that in the past, even if people had to pay higher interest rates just for a small loan, or have to cash their checks at a check cashing store and receive less than their weekly wage just because they do not have a bank account, that just because they have not been able to establish credit, it does not mean that they will not pay their mortgage payment. As a matter of fact, many studies have found that they pay even better than in many other markets, when given an affordable home loan. Not a sub prime earthquake mortgage but a real affordable loan.

TAKING CALLS

This person must take calls for your company from the potential buyers that are interested in purchasing your homes. Most of the calls that you get will be from interested renters. They do not want to be renters. They just do not know that they can own. That is, until now. Once your mortgage specialist explains to them that they could own a house for less than they would pay in rent and for as little as ZERO down instead of first and last month's rent and security deposit, they become very excited and want to finally own their own home.

STAYING WITH THE BUYER

This is not a traditional client. This buyer has never purchased a home in his or her life. They do not typically apply for credit, especially anything as involved as a mortgage. You must stay close to them. If there is a missing document that the bank needs, you must encourage the buyer to send it in. You must track the relationship from the initial phone call to the closing. If this does not happen, you will not close.

This employee must do a great job of explaining the benefits of home ownership. The last thing that you need is to get the deal approved and come to the end just before closing and then have the buyer purchase a new car just because their credit is now a perfect picture. This could throw the debt-to-income ratios out of line and it could take some time for them to qualify.

HOMEBUYER EDUCATION

Unlike most of your traditional mortgage programs, most of these loans will come with some form of homebuyer education course. You must monitor their attendance and go with them to the class, or even pick them up, if necessary.

COMMUNITY OUTREACH COORDINATOR

This person cannot be bashful. To sustain the pipeline that you may need for approved homebuyers, they may have to present before churches and community organizations. An extroverted personality is necessary for this position.

Obviously, there are additional requirements that you will find on a day-to-day basis that all of the above positions will have to master. Your ability to just use common sense and to be diligent with your company will determine if you do one or one hundred units. If I did it, you can too. It is just a matter of focus and making sure that you have the right people on the bus.

THE RIGHT PEOPLE ON THE BUS

You have probably heard many stories about the need for having the right people on the bus in any business. How do you know who they are? Well, if there were some magic formula, you could put this book down, patent the formula, and just go sailing for the rest of your life.

One of the best ways of knowing that you have better people on the bus is to hire from within. Obviously, if you have worked around people, you have developed an understanding of their strengths and weaknesses. At least you should be able to measure if they have the ability and the inclination to do a good job for your company.

Prayer and asking for direction does not hurt. Yes, ask for direction, and you may be surprised. Hopefully, at least then through your inclination, you will be able to avoid damage before it occurs and be able to discern any evil elements.

As for employees, there will be wonderfully amazing ones who surprise you and excel to heights you never thought they could, and others who you trust with all your heart and soul, but you sadly find that, with control and power, they become your worst nightmare.

Many say that you inspire through incentive. I disagree. I think there ought to be great incentive. However, good people who are dedicated to a task are not impressed by more money alone. They are going to do their best because that is just how they look at life. They appreciate the opportunity and they just do **their job**

and do it well. Find seven people like this and they will make you RICH and themselves RICH as well, as your company grows.

MARKETING YOUR HOMES

Once you begin construction, you must also begin your marketing. Install signs on the front post of the house. Not the \$150 signs. They don't work. Install the ones that cost 98 cents at Lowe's. Not just a For Sale sign, you need to also install a For Rent sign." Not that you are going to rent the house long-term. I would strongly encourage you not to rent any houses until you have built up substantial cash reserves to carry your rental portfolio. However, if you only put up For Sale signs, you will not get many calls. Once again, people deal with what is familiar to them. Most of your potential buyers in that market are use to **renting**, not **owning**.

First-time homebuyers are just that—**FIRST-TIME HOMEBUYERS**. What were they before this were **TENANTS**. Many times they will not realize that they can even qualify to purchase a house and that it will save them \$200 a month from what they would have to pay in rent. I repeat the math here, so that you can really understand the benefit of what you bring to them.

RENT VS OWNERSHIP

Typical rent in subject markets up to \$575.00 per month

PITI on 7.0% 65,000 mortgage \$375.00 to \$525.00 per month (subject to principal, interest, taxes, and insurance)

Also in many markets, such as Louisiana, there is a homestead exemption that disallows property taxes on any house valued under \$70,000. This makes the monthly payment even less.

MARKETING TO FIRST TIME HOMEBUYERS

Marketing to first-time homebuyers has to be done through the normal avenues of the rental market. At our call center, (when it wasn't being dismantled by rouge and over aggressive joint venture partners), we have had up to 25 calls a day on just one house. Once the conversation starts and people understand that it is possible to own a home with just \$500 down and in many cases ZERO down, they start getting excited.

FIRST TIME HOMEBUYER FINANCING

There are a number programs designed for first-time homebuyers. Some of them are not as favorable as others. Please stay away from programs that will cause the first-time homebuyer to lose their house twenty-four months after you've sold it to them. These would be programs with adjustable rate mortgages and balloon payments.

There are many attractive programs sponsored by many lenders, including Bank of America, who has a \$750 billion dollar, ten-year commitment to lending for redevelopment in these areas. I do not know how much of that money is dedicated to single-family homes (and not multi-family dwellings). Regions Banks, Wachovia, and many other institutions have good programs as well. One of the problems is that some of the banks have yet to hire and train underwriters and processors who understand the programs. Many leading mortgage/banking employees do not even know that the programs exist, in their own bank. Banks have made huge promises to regulators, The Comptroller of the Currency Congress, and our nation about setting aside hundreds of BILLIONS of dollars for this type of lending.

However, if you look at the HMDA data and do census tract analysis, and then look carefully at their annual audits, most of them have lent out less than 1% of their commitments.

Is it that banks are just plain racist and elitist and do not desire to lend to minorities or to people in low income

neighborhoods? Well, banks, of course, can not be racist or elitist, just like a house cannot be addicted to crack. But some bankers are racist and elitist, just like some crack addicts smoke crack in vacant houses. Just as bad, bankers work in banks and make decisions which are in the interest of the banks and not in the best interest of the low to moderate income communities where they are not located, but receive substantial deposits from its residents.

I think that most bankers, especially at the top of their banking organizations are not racist or elitist. I think it is just a matter of not being familiar with the neighborhoods and how things work there. All corporate banking leaders do understand that it is politically correct to have a corporate conscience. They have the programs to prove it (and I mean how!). Beautiful PROGRAMS!!! But they do not have much meat on the bone. They testify before Congress as to their commitment to getting low net worth individuals into their own homes with affordable home loan programs. I am sure they feel good while talking about their programs. But when they return home, it appears from the facts that they do not take this marketplace very seriously. Based on the programs that they currently have, you can interface with the mortgage departments and some retail bankers to help the first-time homebuyer obtain their own financing. However, it is definitely not a walk in the park. (For sources on failed promises with CRA lending programs, just Google it. Sources are too numerous to mention). However just hang in there and you will see that it will be worth it, especially with all of us together, Redeveloping America.

BE PERSISTENT.

WITH DILIGENCE, YOU CAN GET YOUR BUYERS LOANS.

Perfecting this part of the model will push this business into the billions. Things are getting better; however, you must build strong relationships with the lenders who are committing to lend to this buying audience. Hopefully, things will be even better with all of the national attention that is being given to the market after the sub-prime tragedy. Hopefully someone with good sense will enter into the dialog nationally, so that the canned survival slogan will not prevail. It goes as follows, "Many lenders in America lent money to people who just could not afford to own a home." Analyses such as those printed in Housing and Hope Symposium in Seton Hall Law Reviews Vol. 29:1467 will enlighten America on this issue. Maybe more Secondary purchasers hopefully will be required to purchase some "lower qualifying" quality loans with "higher qualifying loans instead of being able to just "skim off the top and to go on and create a market for non quality lower qualifying loans that blow up the people and just leave the houses standing.

THE BRILLIANT INSTITUTIONAL “SPIN”

The idea behind this false position is to shield the sub-prime lenders from the backlash for going into the communities and not understanding that you can do good business within low net worth and black communities without sucking the blood out of people. They could have just as easily placed affordable home loans in the hands of a first-time homebuyer at 7% fixed rates instead of a sub-prime combined 12% loan to jump up to 16% after the initial period. Now that they did not do the right thing, they want to blame people who “just could not afford to own a home.” Well, I say that is a bunch of BULL. Low net worth people could afford to own homes—if you would give them a fair loan with a 7% fixed rate like you give to the rest of America. Not even some of you could afford to live in your houses at a 16% interest rate, much less a person in a low net worth community. God help us in this country.

Why is it that banks who have designed programs for specialty census tracts and affordable housing end up lending most of those resources to mid-to-high income people in these census tracts, i.e. historic districts???? Maybe they are the only ones who show up and ask for loans. But I doubt it. Well, hopefully you can help them find customers for affordable home loans. I am sure they are interested despite many of them working very hard to lessen the Community Reinvestment Act (“CRA”) punch.

NOT AN EASY ROAD

This is not a traditional processing module; so you cannot disappear from the scene once you have found your buyer and a banker who says they have a decent affordable loan program for your buyer. You must stay close to them—the banker and the buyer. The banker is used to having an applicant who will show up with all of the financial information and employment information requested. When a buyer does not, the loan simply sits. The banker may make a couple calls to the buyer, but if there is no response, he moves on to the next file. Or, he just pushes the buyer into a quick, no documentation, high-interest, sub-prime loan. Do not blame the banker. It is your house that you are trying to get closed. Stay on the deal. Remember, people generally deal with familiarity, and take the path of least resistance. Fight for your customer to receive a 7% fixed-rate loan.

THE RIGHT TO OWN A HOME

While these buyers are very interested in owning a new home, many of them do not believe that it is their RIGHT to do so. If they are asked to provide too much information, they may sometimes feel that people are being too intrusive. After all, the finance company with the 20+ % rates just wanted to confirm that they were working...These buyers are easily discouraged and are tired of being told no. It could be something as simple as turning in a pay stub or getting letters to justify non-traditional credit or income sources. You must stay close to your buyer and the banker so that there is positive communication. You must make sure that, at all times, you understand what is missing and ensure that the buyer and banker both understand what the other one needs. You may be limited in the amount of financial information that the bank will share with you; however, if you show interest, they should let you know what you can do to help to move the closing along

You may say, “Brother Webb, all this sounds great, but given the fact that most, if not all, banks are not willing to lend in these communities until after the houses are totally rehabbed and, even then, it is a challenge, tell me where am I going to get the money to purchase and rehab?” I am glad you asked that question, which is very likely the most important one that you might ever ask as a redeveloper of affordable housing.

“CARRY NO PURSE, I WILL PROVIDE”

SO HOW DO YOU GET THE CAPITAL?

You may say that you do not have the money to get started. Well, guess what? I didn't either. TWICE! Back in 1987, before I purchased and rehabbed around 150 affordable homes, and again in 2002, before I purchased and rehabbed around 500 affordable homes. I also filed bankruptcy twice... "Woe is me!?" Not really, especially if you have the right passion and the dream that attracts the required and promised manner from Above.

There are many sources from which to gather capital to fund your projects. One very important thing to remember though is that you do not want to allow money into your life from the WRONG places. By the wrong places, I do not mean from illegal sources, although that should go without saying. I mean legal sources that will harass you into thinking you would have been better off borrowing directly from Al Capone. Always remember that money is *attracted*, not *pursued*. It flows to good ideas. **DO NOT GET DESPERATE AND DO NOT ALLOW YOUR COMPANY OR YOUR PERSON TO DO BUSINESS WITH PEOPLE YOU DO NOT PERSONALLY KNOW AT FIRST.** There will come a time when you really grow, that you may have a private placement or other financial structure, where you will not be allowed, or rather will not want to know who is capitalizing your funding sources. That will be someone else's job. However, you will need to know that "someone else" very well. Did I say very well or very, very, very well?

HISTORY FROM HARD KNOCKS

In 1985, after finishing college and following a three-month attempt at law school, I decided to go out and search for my dream of becoming a BUILDER, DEVELOPER/REAL ESTATE INVESTOR. The search for developer wisdom began.

I had already studied the likes of Mark Haroldson, Nick Nickerson, Tyler Hicks, Robert Allen, Richard Allen, and, of course, Napoleon Hill. After coming in from law school one day after having failed a torts exam (as did most of the class), I decided that there was a bigger world out there. I had faith in God and I felt that since He was in charge, I was covered. My first year at law school was a very difficult period for me, as I am sure it was for most of my classmates. You see unlike in undergrad, in your first year of law school, they really beat you downto get you ready for the real world they say. My spirit always gravitated to more positive dwellings. Always wanted to inspire and be inspired and to move away from non inspirational dwellings.

I resolved in my mind that if I would be willing to continue to study and learn until two a.m. in the morning, however, not about what Cardoza said in his Supreme Court Rulings, but from what some of the most brilliant real estate development and investment minds said about the current marketplace. If only I would do this, I might be able to figure out how to make a good living in the real estate business. It did not hurt that one of my greatest role models was a billionaire real estate developer who had not even finished high school, a man by the name of Odell Williamson.

PARTNERSHIPS OR GOING IT ALONE

One thing that I decided when I began my real estate career was not to do any deals with partners. I borrowed some funds from a few personal friends and secured them by a deed of trust. I discontinued that shortly after I was able to get local banks to buy into my redevelopment efforts. I was able to go from not being able to get a loan—where bankers would say, “Jim, we are not going to make a loan on that house on that street,” to having city executives decide to lend to me directly when I was only in my twenties. On occasion, I had lines of credit for redevelopment up to \$500,000.00. This was, and is, a much safer and less expensive way to grow a business. Try to grow one with local banking relationships.

Once you gain a reputation for being a quality rehabber, you will find that some local banks will support your efforts. Most of them will have absolutely no current activity in the inner city redevelopment areas and will be frightened at the prospect of going there. With a few successful examples, you can show them that it makes **sound banking sense**.

I remember in the mid-80's, after working my way up the ladder from branch manager to city executive, I went into a City Executives office one day. He had promised to make a loan on five redeveloped homes, so that I could refinance and pull my capital out to go on to the next project. The banker had previously told me that he was going to do the deal. However, he forgot that he was already “over his local limit with me at that time. His local limit was \$500,000. And, so he called one of his good friends at another bank to help me.

GOOD OL' BOYS ARE NOT ALWAYS BAD

I asked him the other banker's name and he told me. I said, "Wait! Don't call him. He will never do business with me." I had already heard from the leadership in the community that this man did not make loans to African-American people. The banker said, "I already have him on the phone." The conversation began, "I have one of my guys over here and he is doing some inner-city redevelopment...his name is James." The other Banker responded, "Who? James WEBB;...Oh yeah, **little Black Donald Trump!**" My banker interrupted, "Hey man, you are on speaker phone." The other banker apologized and said, "Mr. Webb, I didn't mean anything by that." I said, "No problem," because, from him, I considered it to be a high compliment. Well, he told me to come on over and he immediately approved my request and gave me the loan.

Well, what was different about that situation? I guess I got to know my banker and he liked what I was doing and felt that he could trust me to repay him. The word was that I had gotten a pretty good name at the country club as a good redeveloper. This was during my 20's. Well, that went fine for a while until I decided to get out of my place and run for State House of Representative and even switch parties to do it. (That is another book. I think I will have a lot of books. I have a lot to talk about and hope I make a good author.)

GROWING YOUR COMPANY

For some people, doing just four houses a year and netting an additional \$100,000 per year while doing great things in the community, is all that they want. And you know that makes perfect sense, of course, if that is what **you** want. Some others may look at the bigger picture and what they can do to help change the world. For those, I would say the sky is the limit. I look forward to being on the same flight with you, or on the same ark. Don't forget Noah. Build and they will come for shelter.

One way to grow a lot faster (sometimes faster than you might want to) is to invite or allow other individuals, companies, or financial groups to become a part of your redevelopment company's efforts. I was able to grow from \$800,000 in gross sales in 2002 to \$8.5 million in gross sales in 2003. And over a four-year period, I did approximately \$25 million dollars in volume, only to end up at zero! What happened? **KEEP READING...**

Investment partners could be your **GREATEST** asset or your **WORST** nightmare. The choice, however, is yours to make. I will simply explore with you the pros and cons of having these relationships. I will do this based on personal experiences and a little buzz, if you will indulge me.

TYPES OF FUNDING

Since your initial capital requirement into your business will be \$30,000 to \$40,000, depending upon how much of the administrative work you intend to do, you may have the capital to do your first deal. The math is very simple. If you are good and are able to complete a house with a total of \$35,000 and sell it for \$65,000, your total gross income should be \$30K. That is, if you do not have a joint venture partner. If you partner with someone, I would suggest paying them 50% of the net profit. Only pay them when the house sells. If you are really frugal and able to keep the budget at \$32,500 and go it alone, then one house becomes two, two becomes four, four becomes eight, eight becomes sixteen, and sixteen becomes thirty-two. Thirty-two houses multiplied by \$65,000 is \$2,080,000. This would be six cycles.

TURNING \$32,000 INTO \$2 MILLION IN 2.5 YEARS

If you are able to sell your little diamond homes within a six-month period every cycle, you would have grown \$32,500 to \$2,080,000 in under three years, starting with only one house. This is how the millionaires next door just pop up from nowhere, or so it seems. Compounding is very important. Just think about how the atomic bomb was created. My oldest son gave me this basic math lesson at one of my lowest moments in the model.

Cycle	Capital/units		Cost	Sales price
1 July 07	\$32.5K	1	\$32.5K	\$65K
2 Jan 08	\$65K	2	\$65K	\$130K
3 July 08	\$130K	4	\$130K	\$260K
4 Jan 09	\$260K	8	\$260K	\$520K
5 July 09	\$520K	16	\$520K	\$1040K
6 Jan 10	\$1040K	32	\$1040K	\$2,080,000

Now obviously this will take some dedicated effort; however, it will be well worth it in the future. Not to mention that, at this level, you would have grown \$32,500 to over \$2 million. I am sure that you can think of a few good investments to keep your money growing at this point, for the next level. Yeah, like doing more rehab houses and continuing to grow your own little WAHM. Maybe you will even be able to provide health insurance to some of your labor and help them to own their own homes at this point.

This is a beautiful model and there is plenty of room for you in this world. We have a major problem with

REAL AFFORDABLE HOUSING priced between the \$65,000 and \$85,000 range. If you do not have the cash, what do you do then?

A LITTLE HELP FROM THE SELLER AND LUMBER COMPANY

One of my first deals was in 1986, when I was purchasing a house for around \$8,000. The owner was very excited that someone was interested enough to consider purchasing it. Despite the fact that I was really interested in the home, I had little cash. I knew a lot of small contractors and labors who needed work, as they would call me and come by my house almost daily looking for work.

I explained to the seller that I needed some help with owner financing, as it was very difficult to get a bank to give us a rehab loan. In a very unusual transaction, I was able to talk a bank into lending me 50% of the tax value which was around \$14,000. I felt I was getting a good deal on the purchase. 50% of tax value was not quite all I needed to borrow to get the deal done. However, \$7,000 was still \$7,000. Remember, my purchase price was around \$8,000. To purchase, I would have been just \$1,000 short. The larger problems would have been having the rehab money to do the renovations and to pay the labor.

Purchase Price	\$8,000.00
Renovation Projection	\$12,000.00
Total Capital needed	\$20,000.00
Bank Loan	(\$7,000.00)

I had the seller to take \$1,000 down and finance the balance until we finished the rehab. That left approximately \$6,000 for material and labor. Most went on labor. I had a small material account which

allowed me to purchase the material. Upon refinancing the house, I was able to pay everyone off.

\$45,000.00 refinance amount

\$20,000.00 total cost including bank loan

\$25,000.00 gross equity pull-out

Another option in starting out is to engage financial support from those who are the direct benefactors of your project. They are as follows:

- The seller can typically carry back a portion of the purchase price for a six-month period to give you enough time to finish your rehab. The seller may also consider subordinating to a first mortgage lender, if you are so lucky as to find one. You may want to offer the seller extra interest in the deal for his consideration of allowing you to pay the majority of the purchase price from the closing proceeds when the house sells. In this case he becomes the bank and is able to lend to you on a house that he could not sell because the Bank previously said NO the other guy who wanted to buy it.
- The lumber supplier will generally give you a 45-day net account as soon as you document for him that you indeed own the house.
- The labor pool is, believe it or not, a good resource, if needed, to gain financial support. There are many ways to structure deals with labor that will allow you to maximize the available capital that you do have at your personal disposal. You can do this and still not starve your subcontractor labor. Any delayed

payments that your top subs take should be from their profit only and not from their or their crew's weekly labor payroll needs.

Those are the three major ways to get financial support from those with a vested interest.

Once you have decided to move forward with the purchase of your house, no matter what, just sit down in a quiet room for about thirty minutes in the evening. See yourself completing your house with all of your subs benefiting, the seller making a profit, as well as the first-time homebuyer improving their life. Once you have done this, many thoughts will pop up in your mind that will crystallize your thinking and your possibilities to accomplish this goal, even within your financial constraints. No one book can hold all the answers. There will be many new answers inside of you, based upon your current resources. You must, through these pages, dedicate yourself to become a student of redevelopment and keep studying and reading to refine your knowledge base.

PASTORS AND REHAB

Some congregations may not have the tithing base necessary to complete a very substantial project. Most building drives last for at least two years. If your tithing base is not large enough to rebuild or build a new church, you do not need to have fund-raising raffles. The time is over for car washes. No need to overtax your members with fish fry's on Saturdays. These and other events use many physical and mental resources of the members and do not do anything to change your neighborhood, much less make a great profit. If you want to prepare fish or chicken dinners, do so. But give them away and send one to me.

Call a neighborhood meeting:

ATTENTION ALL PLUMBERS, ELECTRICIANS, CARPENTERS CARPET LAYERS, ROOFERS, BRICKMASONS, CONCRETE FINISHERS, AND LANDSCAPERS:

MOUNTAIN TOP BAPTIST CHURCH IS IN THE PROCESS OF REBUILDING OUR NEIGHBORHOOD.

COME DOWN ON THURSDAY NIGHT AT 6:30 PM TO THE FELLOWSHIP HALL TO FIND OUT MORE.

REFRESHMENTS WILL BE SERVED!!!

If you do not know what to do when they show up after reading this book and studying it carefully, well, just call me. If I can, I will come and help you to organize. If I cannot, maybe WE can set-up a NATIONWIDE

video conference to begin this REVOLUTION to REDEVELOP our communities and help our churches eliminate their debt.

DO NOT WAIT ON THE BANKS OR THE GOVERNMENT TO HELP YOU. Do it yourself. Once you start the wheel turning, they will all show up just to get the credit. Let them have some credit. Just make sure that they are helping you to redevelop more homes for your people. You will convince the government and the banks to become a part of your MOVEMENT and never again will they speak negatively about your neighborhood and call it a declining community, OR A CRACK, OR SLUM NEIGHBORHOOD!

The following week, put out another announcement:

*ATTENTION ALL RENTERS IN THE WALNUT CREEK COMMUNITY.
IT IS TIME TO OWN YOUR HOUSE.
PAY LESS FOR YOUR HOME THAN YOU CURRENTLY PAY FOR RENT.
ONLY \$500 TO ZERO DOWN PAYMENTS.
7% FIXED MORTGAGE LOANS AVAILABLE.
BRING WEALTH TO YOUR FAMILY NOW!!!*

Churches should not have any problem gathering the \$32,500 needed to buy and rehab a condemned house in your neighborhood to begin to multiply their wealth. For individuals with cash problems, there are other options.

Okay, say you did not have \$35,000 to rehab your first house. There are a number of potential structures that

you can use to accomplish the goal of completing and selling one house. One is:

Purchase Price \$15,000

Give the seller \$5,000 at closing and have the seller take back a mortgage of \$10,000 until the renovation is complete. Then pay it off from the balance of the sales proceeds.

Renovation \$20,000

Chances are that material will cost about \$10,000. Get the lumber supplier to extend you a credit line for the \$10K. Then pay it off from the balance of the sales proceeds

As for the balance of \$10K for the labor, you will be able to possibly cut a deal with your super sub to take \$5K now and the balance from the sales proceeds, with a kicker of one grand for waiting. This will require you to really be good at finding the first-time homebuyer because labor will typically want their money as soon as the house is finished.

Sales Price

\$65,000

Pay off balance of first mortgage (\$10,000)

Pay seller	10,000
Pay off balance of labor	(\$5,000)
Pay off Lumber	(\$10,000)
Gross Profit	(\$40,000)
Reimburse your \$5K down	5,000
Reimburse your \$5K labor	5,000
Net Profit for house #1	\$30,000

In the above case you needed 10K of liquid capital.

FAMILY AND FRIENDS

It is a wonderful thing to go into a joint venture with family and friends—as long as you do not allow strangers to enter your family or to become your friends. That is, of course, without creating some method for being able to determine who really should be considered family or friend. Unfortunately in this life, as old folk used to say, *tongue and teeth fall out and they are really close*. In this model, however, one thing that you will have to consider is the fact that you will have to give up some of that hard-earned \$30,000 profit to your family/friend joint venture partner, if you do not have the cash.

For most people, who have a burning desire to redevelop these communities, it will not take much for you to gather the needed resources to redevelop one house for \$32,500. Below are examples of some of the types of joint venture partners that you should easily be able to work with:

- Relatives
- Co-Workers
- Neighbors
- Members of your Elks Lodge
- Masonic Members
- College Alumni
- Fraternity or Sorority Members
- Church Members

Pitch in with each other, if needed. Let someone pay for the material on a house, someone else pay for the house, and another pay for the labor. Better yet, you may be able to perform the labor task yourselves. There

are many variations to get the job done. Just be sure to keep strangers, or rather those whom you suspect could be unfriendly, OUT. They could really mess up what could be WONDERFUL for everybody else.

PRIVATE PLACEMENT MEMORANDUM

If there is enough interest in your church or organization, you may want to hire an attorney and an accountant and create your own FUND

This may give you, or you and one other partner, an opportunity to help to mobilize this type of effort in your community. If you are the sponsor of the fund, you can receive a 1-to-2% administrative fee. You do not have to be a broker dealer, nor do you have to be an investment firm, to sponsor a FUND. You will want to consult with a good securities lawyer to determine the rules that apply in your region. You may have an investment firm already, but still speak with good counsel about what the requirements are.

Choosing the right investment firm to raise the capital for your redevelopment effort or company could be a great value too. Choosing the wrong investment firm to raise the capital you need could be the beginning of your end as developer.

A FUND

At the beginning of my reentry into the model in 2002, I did not know what a fund was. However, now I know all too well what it is. When you ride by the great commercial centers, the local mall, the hospital building, the skyscrapers, the many beautiful hotels, what you see is many times the result of a PPM or FUND. The main difference in raising capital for your redevelopment interest this way versus from individual on single deals is that if the deal is not as profitable as everyone hopes without a reg. D you are at risk of having an individual complain to regulatory agencies, or if they are upset because you told them to keep their money and that you did not want to do any other business with them, they still may complain. If you did not have your relationship structured in a fund, they could cry foul and can be heard. If they are in a fund, then they will be able to cry foul, but at least they cannot claim that they did not know about any risk factors, that they did know about. Knowledge about risk always changes whenever people do not make the money that they wanted to make.

One of the most significant items in the fund structure is that in a fund all of the potential risks are not only explained to the investor/lender, but he has to sign off, acknowledging that he knows that he may lose his money if the venture is not successful. In private deals, developers, redevelopers and others, many times do not have disclosures signed and do not structure the relationships through a fund environment. As many real estate development lawyers familiar with these areas are often convinced that your deals are only

joint ventures among family and friends. Some on occasions suggest that up to 35 members at a time can be grouped into an LLC or other partnership structure. This is an area of much debate. One day I was on the phone with a very large law firm, one that handled one of the largest bank mergers in American history. They had five different attorneys on the line, as we discussed how to capitalize and grow WAHM to the stratosphere. They were debating and screaming at each other as to whether a mortgage on an under-development property was a security or not; there were four different opinions at first. I asked if I was being charged for all four legal opinions at the same time and they answered YES. I asked for them to please work it out and to call me back with an answer later when they all could agree. They did call me and finally decide that it definitely was not a security and did not need to be in a FUND.

Many other commercial buildings and businesses use the fund method to grow their enterprises. Growth does not happen just because one individual is strapped with tens of millions of dollars. Many times it is because they built a good track record in their business venture and got advice from an attorney, financial person, or someone who understood the business and sponsored for them multiple funds to raise hundreds of millions of capital. You may not need these two types of resources for your redevelopment efforts. I just wanted to share with those who may not understand that everything that grows does not have to be an individual effort of just one wealthy person. There are tons of people who have become very wealthy and grown substantial business interest through these methods. Another thing however, to never forget about growth is what a good friend of mine told me concerning the size of his church

vs. others. He said that everything that grows is not always good. You know he said, “Cancer grows. “

Talk with other people for whom the promoter has raised funds for. Never introduce the promoter to the members of your staff—just give them a business proposal and proof that your model works.

AND NO MATTER WHAT REBUILD AMERICA

While sponsoring a Fund may cost up to \$50,000.00 in just legal fees, it may make your redeveloping efforts of an affordable house virtually impossible. There may be yet other types of disclosures that a good real estate transactional attorney may be able to help you with. While the fact that you would need such disclosures instead of just a traditional mortgage on the house that you plan to purchase to rehab, is prohibitive and your redevelopment efforts will be stalled, you may want to consider it being a potential security for the moment. You may want to explain to your attorney that, despite the fact that millions of these types of deals in America have been funded this way for hundreds of years that you want to err on the side of caution and consider the securities issues that could be asserted by your potential competition, or former lenders.

While we did have the good legal advice from some of the best legal minds in the country, Womble Carlye in North Carolina, who allegedly handled most of Wachovia Banks mergers and understood Securities laws very well, they also served as Attorneys for some of the largest Real Estate Development Projects in America. We also had the guidance in North Carolina from another great law firm Ragsdale and Leggett and in Florida the 1000 plus member Law Firm of Greenburg Traurig where many of their brightest legal minds said that our model and the way we structured our deals were absolutely not a security. This was the case with all the law firms, as

we had ongoing legal advice in all the states where we worked.

However, given my current status in a lawsuit with the SEC who sued me and my companies on this issue, there must be differing opinions at least at the federal level. The Jury is still out on this question. However, if you are getting a mortgage from lenders where they are to be paid an interest rate on the mortgage for an interest rate that is allowed by law many would agree that it is okay?

Strangely, the third largest Construction co in America built their business with mortgages from investors where they paid 12 to 16% per annum on the mortgages. Even though most of all their developments were on the other side, the non REDLINED side of the tracts the rules should be the same?

The final determination is in federal court concerning the "HOW" to receive needed capital for your WAHM , especially if you are going to do a massive quantity of houses in the black community and the BANKS SAY NO.

In the meantime be sure to save the legal opinions you receive on the issue from law firms who specialize in this area, if you can afford one. I know.....not an easy answer: Not an absolute one either, Well, even with brilliant minds, there are always 2 sides to every issue, story or reality. Whatever, the answer, it is imperative that we ALL REBUILD AMERICA one neighborhood at a time.

Wish me well in this case and hopefully I will be able to report back with very clear news on this issue in my next book that, I am thinking of calling “POOR MONEY”- dealing with the challenges and solutions to redevelopers being able to capitalize the redevelopment of distressed single family homes in LMI and minority neighborhoods.

INSTITUTIONAL

Once you are able to get a track record to audit your successes in the right structure, you have made it to the top of the food chain. The good thing about institutional partners, if you are able to document all of the work that you have done deal-by-deal, the prospect of gaining their support for the model will not be determined on whether you have been put through the meat grinder or not. Smart institutional investors will recognize Grade-A beef, even if it is in a ground form. Sorry for the animation.

PUBLIC COMPANY

Now you are rising into the stratosphere. Any public company is going to be highly-regulated and you may lose some of your control. The problem with losing control is not just losing it. The major problem with losing control is that others may get a hold of it and, if they mess it up, you will probably be blamed for their mistakes, especially since it is your model.

Ultimately, having a public company will, however, give you all the capital that you may ever need, not only for the redevelopment, but also for the mortgages for the first-time homebuyers. Imagine “a public affordable housing mortgage REIT”

Do not rule this out as an option. The days of needing a half million dollars and the approval of major local economic players in your community are gone. Anyone with a track record and a couple hundred thousand dollars can take their company public. Before you do this, you will want to have a very good securities attorney and have him recommend financial advisors who he feels comfortable with.

This is a way to raise major capital. You do, however, lose a lot of control, as I mentioned. But there could be other benefits to having a smaller part of something very substantial. Unless you are growing from one hundred to thousands of units per year, this should not be required.

There are many people with capital generally receiving no more than 10% annually. When they hear of an opportunity to be a joint venture partner in a little house

rehab deal (or a large rehab deal) where they can more than double that 10% annual return within a year and where you are doing all of the hard work, your phones will ring off the hook. Be sure that they are doing some of the work, unless you are structured in a PPM. If it is a direct deal, make sure they are actively involved in the business venture. If you do not document their involvement they could later assert that they knew nothing of the potential down sides that generally any person of a sound mind knows as apparent risks.

ANSWER THE PHONE SLOWLY

When the word gets out that you are taking on joint venture partners or lenders and the phone rings, answer it slowly. Do not get excited yet. Find out what terms your potential partner or partners are looking for. It is not enough to arrive at a point where savvy investors are impressed and want to place capital with you. Remember, they do not know your business or your model as well as you do. They do, however, have the needed capital to make your growth dreams come true. Or at least they sound like they do. But you also have the ability to produce income for them that they probably will never receive anywhere else.

WHAT SHOULD YOU DO?

Well, if you were to ask about my anguish, pain, and suffering at the hands of some investors/lenders who had the propensity to be financial terrorists and who evolved from the very pits of Hell, I would say **HANG UP THE PHONE NOW!!! CHANGE YOUR PHONE NUMBER!!! AND, ASK THE PERSON WHO REFERRED THEM TO YOU TO NEVER SPEAK HIGHLY OF YOU EVER, EVER AGAIN!!!** There is enough decent and clean money in the world not to have to deal with the horror that will follow if you fail to meet any one of the evil shark's many expectations. And, with the wrong sharks, even if you do meet their unreasonable expectations, they still come just to devour and to destroy. And, even when you tell them that you do not want any more of their money because they ridicule your staff and humiliate you, they get angry and use their special contacts with governmental agencies to try to get them to harass you in the future. In a very sagacious way, they use the system to try to extort money and preferences from you by those who are supposed to protect you (as well as your partners). And, if you are not on top of their dastardly deeds, you may become a statistic. And, yes, all you wanted to do was rebuild America one neighborhood at a time. It's a moral disgrace.

Understand that some people just live in a miserable hell pit and they want company there. Do not give them your company, or your company. How do you tell the difference between them and others who are very supportive and high quality lenders and joint venture partners? Well, you have asked the right person.

Believe me, I have met them all—the good, the bad, and the ugly; even the ugly guys who have had extreme makeovers.

INVESTOR PANIC

Why do some of the smartest people run to the hills when they see an attack on the horizon and sometimes even join in with the opposing cavalry if they do not make it into the woods for cover? This is just a curious question; however, it is one that you may want to consider way in advance before it ever happens to you.

NEVER TALK TO STRANGERS

One of the ways to protect yourself from unwanted corporate terrorists in your personal and business life is to do as your parents told you to do when you were growing up. **Never talk to strangers.** Grow your relationships with people who you already know. How far do you have to look to find someone who has \$35,000 who would like to make an additional \$15,000 on their money twice a year? \$30,000.00 on \$35,000 is unheard of in any current marketplace. If you sold just one house that you had rehabbed in twelve months, your partner still makes \$15,000.00 on \$35,000.00. What is that?—a 42.8%return on investment (ROI). Two cycles in one year and you are the goose who laid his golden egg. However, do not let bad people make money off of your hard work and dedication to your model.

GREED

This could certainly be a book in itself. The amazing thing about making a lot of money for people is not that the making of the money is the big problem. That is easy. In most instances, it is keeping the greed of those who prosper with you in line. This often becomes the biggest challenge. You will find that, as people are making money off of your efforts on a regular basis, they become used to it. Their expectations are that this is going to continue, and even increase, forever. If you run into hurdles in the process of laying those golden eggs for them, they sometimes do not understand the complications of delivery and will have you abort the delivery and seek an emergency C-section, but without the help of a good physician.

What is even worse is when these people, out of Greed try and Extort financial favors from you, and try to make you as the entrepreneur, feel that they are on some mysterious "*council of jurisprudence*" that they control, which gives them the ultimate power to strip you of your freedom. They have even made threats that if they do not get what they want financially that they will see you spend the rest of your life in jail. As if jail is a modern form of slavery and that they serve as the overseer. Their attorneys stop short of using these specific words as they realize that these types of threats could cause them to be disbarred. However, they will call for illicit investigations against you, hoping that this will frighten you into their way of thinking. They even pursue through the use of media paparazzi, those who will call those who direct your current projects and destroy potential multimillion dollar contracts, as they

make senior development partners aware that there has been a public *lynching* called for you. This happened to me on a project that could have yielded literally thousands of jobs and affordable homes and opportunities for vintage and new supporters. My paparazzi ghost at their direction followed me across multiple states as she set out to destroy this development project, or rather my involvement in it; based on the information given to me by the Master Developer. Why would a newspaper reporter be involved in serving as a coordinator of this type of destructive effort and personally make calls to interfere and destroy development contracts, in other states? What was her benefit?

Greed is what started Americas most gruesome institution; the institution of slavery. Just as has been the case in America's pass. And yes not just by some of our sick white brothers and sisters, but as well by some of our sick Black brothers who, still act identical to some of their ancestors who sold their brothers into the slave trade in the early 1600's. The methods have just changed. Be careful as some on both sides still believe that slavery is in vogue. However, today some things have gotten better and because of this book and our efforts to help redevelopers in America, hopefully many more redevelopers of affordable housing will make it through the middle passage, maintain their dignity and their freedom despite the existence of Greed.

UNREASONABLE EXPECTATIONS

Some people's expectations are not always based on you holding up your side of the deal. Most of the problems you encounter will come from the **hidden agendas**, which people may have for you, but which they did not tell you about. And, if you are to stay in business with the corporate terrorists, you have to become their indentured servant and turn over all of your valuable possessions (intellectual property included) and other business assets to them—or else they will DESTROY YOU. Oh yeah, and, as they so pompously say, you will never know where the destruction comes from. (As if they have created a satanic version of the Holy Spirit.) I DON'T THINK SO!!!

WOULD YOU LIKE IT IF I GAVE YOU \$25 MILLION IN A THREE-YEAR PERIOD?

Do not hold your breath for thanks! There was a redeveloper who paid returns and spent on behalf of his partners \$25 million dollars within a three-year period, even though they only lent him around 25% of that for redevelopment. And when the nipple dried up, he has yet to have received thanks. I think he is about bankrupt and writing a book partially dedicated to them. Everyone is happy when the river flows cash in their direction, but when the tide changes, it is very popular to jump off the boat and be influenced by others. I know this guy very well. For legal reasons, I will not mention his name. He is an awesome redeveloper, who unfortunately answered phone calls from some of the wrong people who became his lenders and joint venture partners, not to mention a few other goons before that.

Some will present themselves to regulators and your joint venture partners as if they were poor victims whose houses did not sell as soon as they needed them to. What they fail to mention is that they went behind your back to interfere with your sub-contractors, employees and financial relations which helped to delay the sale for starters. And, they also may fail to mention that they are not poor victims at all. They neglect to say that they have net worth's, some upward of \$20 million, \$8 million and \$10 million dollars respectively and annual incomes of \$800,000 to one million dollars a year from some of the highest paid corporate and financial jobs. As they approach some of your most loyal supporters, they will destroy everything in sight including the loyalist, just to get what they want.

“AIN’T NO VALUE OVER THERE”

There was once a lender or joint venture partner who told a rehabber that there was no value in real estate in the Black community. This was after this person had made profits of over one-half million dollars within the Black community from the rehabber. The reason for his position was a strategic attempt by this person and his attorney to try to paint the picture that he had been blindly led into the Black community to purchase houses and, on top of that, no rehabs were done. One thing that they failed to realize is that on all homes he owned, there were many pictures, permits, and other documentation of the before, during, and after periods of the rehab.

This was a partner who this rehabber used to hold in high regard. The partner, however, said he just got into the deal to make money. He was not interested in taking any responsibility concerning the challenges of the marketplace. Oh yeah, and that his wife was forcing him to take that position.-So much for fair-weather friends.

GOOD PARTNERS

I am sorry for that prolonged description of the downside of partnerships. I just do not ever want anyone to experience some of what I have had to go through or what I know others have gone through. However, on the other hand, there are some very fine and decent individuals who really have a passion for the work that you are engaged and a real appreciation for the apparent challenges that you have to deal with on a daily basis just to get your job done. Unfortunately, if you get just one wrong lender or joint venture partner and let him too close to your company, he could spoil it for all of the good lenders or joint venture partners. Yes, it is true that **ONE BAD APPLE SPOILS THE WHOLE BUNCH.**

You might say, “Well, you can reason with anybody and help them to find the good inside of them.” I used to think the same thing; however, some people do not understand reasonableness. No matter how much you give in and no matter how much you do, they live for controversy. Sometimes you just have to draw the line in the sand and move on. As an old wise man once said, “You cannot reason with a fool.”

Be sure that your partners have a whole lot more than money. Try to make sure that they have an appreciation of the model, the market, and that they are genuinely interested in helping the “common man.” Make sure that they are not just coming to rob you blind with no interest in or compassion for the challenges that you may face as you try to redevelop America. For, if they do not support your efforts, not only will they hurt you, but they will hurt other innocent lenders and joint venture partners.

NEVER CAST PEARL BEFORE SWINE

How do you recognize swine? Well, I could give you a number of exact descriptions of swine, relative to some people I know. However, not to be graphic or open the door of opportunity for them to never feel the forgiveness that I have already given towards them, I will refrain. However, there are a few things that you may want to consider.

Get references. Just because as a builder you are trying to get a job, or as a rehabber you are trying to get a partner, does not mean that you do not have rights to know who you are doing business with. Ask them to give you the names of at least three people who they have hired to do construction jobs for them. Maybe ask for three former joint venture partners who they have done deals with. You may be surprised what you hear from their references.

There are typical questions that you will want to ask. If you are building a house for them, find out if they could make up their minds during their construction process. If it is a JV relationship, find out if they held up their side of the bargain and how they reacted when they experienced some turbulence. There are some passengers who do not jump out of their seats when the plane goes through turbulence, while there are some who scream and yell and will curse the pilot as if he is Father Nature and personally responsible for the change of wind. There are others who will try to communicate on your behalf with air traffic control to help you better navigate through the turbulence. And lastly, there are some who will patiently and quietly wait

for you to gently land the plan on ground successfully— just because they appreciate your ability to fly and they know that ultimately you will make sure they arrive safely home.

WHAT TO DO IF YOU FIND YOURSELF UNDER ATTACK (HOMELAND SECURITY FOR THE REDEVELOPER)

A mighty wind blew night and day
It stole the oak tree's leaves away
Then snapped its boughs and pulled its bark
Until the oak was tired and stark
But still the oak tree held its ground
While other trees fell all around
The weary wind gave up and spoke
"How can you still be standing Oak?"
The oak tree said "I know that you Carry every
leaf
Away
Shake my limbs, and make me sway.
But I have roots stretched in the earth.
Growing stronger since my birth.
"You'll never touch them, for you see.
They are the deepest part of me.
Until today, I wasn't sure
Of just how much I could endure,
But now I've found, with thanks to you
I'm stronger than I ever knew."

Anytime you are attempting to affect major change in the world, you will be met with opposition. Throughout history many great warriors who are responsible for the luxuries that we all enjoy today were attacked, ridiculed demeaned, tortured, assassinated and sometimes even crucified for standing for what they believed in and for

what was right. Just the facts that it was different or made change occur was all it took to begin to bring on the attacks. Sometimes it will come from places you never dreamed of. However, you must understand that this cause is larger than you and that you do have a cross to bear.

I could very easily have written a book that was just happy and rosy. However, that would not be what you need to survive in this marketplace. It is not just about the uplifting of lives, redeveloping of distressed homes, beautifying the community, and helping to change America and the world in the process. It is also about surviving in an environment that has potentially dangerous waters, especially if you desire to control your direction and not be owned and controlled by others. There are many great books on real estate investing; however, most of them really miss the mark as they relate to investing and redeveloping within the inner cities and low net worth communities across America. Many will even discourage redevelopment in those areas.

I write this section not because I am trying to scare you, spook you, or make you think that these types of activities are such that they would ever be able to destroy your efforts. I hope that you never experience some of the things that I have experienced. I wish someone, however, would have written a book such as this from this particular perspective before I started my real estate career. It would have saved me much pain and suffering along my journey.

And as we continue to commune through this redevelopment revolution together, I assure you that you

will be safe because I will be close by you and there will emerge many other warriors like me, who will embrace your efforts to change our low net worth and minority neighborhoods throughout America. This is despite those who do not want to see it happen, or won't help with making it happen, or rob and strip you and the community, and have no real interest in changing the community or changing lives. We warriors will all bring support to you as well as encouraging prayers to you, so that no matter what you go through, you will have a platform to air those concerns and the aid of like-minded warriors at your side.

Through challenges, never lose sight of the bigger vision. Never lose sight of what you are supposed to accomplish. That goal that is bigger than both you and me put together.

PRIVATE MEETINGS AND WHISPER CAMPAIGNS

There are a many tactics that people use to try to destroy what they cannot have and control. “Private meetings” and “whisper campaigns” are two of them. The first time I encountered these tactics was in 1990 in political circles. What generally happens here is they telephone. For instance, if you are a builder in the subdivision where they live, they actually call everyone who lives there to try to build rapport with them on a mutual interest item.

Once they have gotten their favor, they then discuss with them the challenges that they may be having with you, the builder down the street. They are careful not to mention that they owe tens of thousands of dollars to you. I have had good clients come back to me to say one of the terms these people used was, “I am having a problem with Webb the builder. What about you?” “You know we do have a lot in common other than the same builder”. When they realize that someone cannot be sucked into their crab bucket, they leave him alone for a while.

However, they are sometimes successful at getting embraced from others and even get enough embraces that they sometimes become president of the homeowners’ association in the golf course community.

THE REVERSE RAPTURE

We all, of course, know what the rapture is supposed to be, when God comes back and you look beside you and someone that you knew very well will not be there anymore. They will be called up to meet Him. Well, you ask, “What is Webb talking about.....what is a reverse rapture?” It’s when you think you know someone very well, an employee, coworker, joint venture partner, and, all of a sudden, you look up and they are not there any longer.

The only difference is, instead of them being called up to meet Him, they are caught up with the demons involved in the whisper campaign—people who are bent on your destruction who have harassed them so bad and scared them into a state of emotional frenzy, to the point where, if you saw them, you would not know who they were. Strange, but it can happen and it has happened, even to professionals who take oaths to uphold the canons and other so-called sacred guidelines for their respective professions, at the hand of some of these devices, they will act totally opposite in private from how they do in public. You may think I am a little off my rocker. With what I have experienced, maybe I should be. But quite the contrary, all my systems are working fine and I am actually more astute than I have ever before been in my entire life.

This information is not for me. They have already done their worst. Rather, it is your guide to protect all that you may grow that is good and to keep you alert and aware of all the pitfalls of the rehab business.

ILLEGAL PHONE WIRETAPS AND ELECTRONIC INTERFERENCE

While you may think that your telephone conversations, email, and computer communication may only be viewed by the government, the government is your least worry, especially if you follow all the rules. The people you have to worry about are bad current or past joint venture partners who wanted you on their balance sheets or kept you dependant on them so you would have to pay 50% to 100% plus annualized interest on their money.

It is nowhere as difficult in this modern day of technology to have someone listen in on your conversation as it used to be. While listening, they not only know what you are doing, they know your joint venture partnerships, relationships, banking relationships, current employee base, and they can figure out how you get your deals done. I have had employees and others receive negative emails that were attempts to harm my redevelopment efforts that came from our own internal server from the actual named email address of an ex-employee. This type of activity goes way beyond the threatening phone calls to ex employees to scare them off. While trying to convince them to steal files from your office they told one of my employees that the “government was on my trail.” We will have information on our website to help you identify the source of this type of activity if your business is ever under attack. Then you can turn that type of information over to the authorities. This type of activity is totally illegal.

LAWSUITS

One tactic that your enemy will use is to engage you in litigation. Especially if you have a large number of joint venture partners who they want in their pockets. Once they engage you in certain types of litigation, you will not be able to work and focus on your business, and you may be restricted with how you can communicate with your positive joint venture relationships.

They will sometimes set traps to try to put you in situations where you would be showing preferences to others, thereby damaging your chances to succeed on behalf of the joint venture partners and others you may be trying to protect. When they even **distance you from your supporters** through their tactics, they will then corner them and bring them into the little hate-the-redeveloper cult. Complex, but it is even more reason to be careful whom you do business with. If you are careful, hopefully, you will be able to write a book that is only about the glory of redevelopment.

The reason they are able to accomplish this is that people are generally looking for leadership. Once they remove you from the picture, they become the leaders. What they fail to tell their newly-sanctioned cult members is that they are the reason for their pain. They will not do that because, if your old friends think it is you to blame, they will follow them. If they only knew the TRUTH, they would hang them out to dry. Hopefully, you will not have to go bankrupt and write a book for them to realize what has happened to you. Or better yet, choose the right business associates and maybe this will never happen to you.

LEARN FROM OTHER PEOPLE'S HARD KNOCKS BY OBSERVING AND NOT BY EXPERIENCING THEM YOURSELF

Within the pages of this book I have, and will continue to, relate real-life experiences and, beyond this book, I will always be available to selected rehabbers to share additional wisdom from what I and others have experienced in this specialized area of real estate redevelopment within inner cities across America. I want to help you uncover the wealth of opportunities, as well as the challenges that will beset you despite the positive change in the communities that you are attempting to rebuild. No matter how much others may profit with you, there will be some who just come from another place and seek to destroy all that they cannot have and control. They will lie to the world and meet with others and vigorously work in a deliberate attempt to scare the rest of the world away from you too!!!

WILMINGTON, NORTH CAROLINA'S BULL CARTER 1989

I had heard from one of my mentors, Dr. Hubert Eaton Sr., as I contemplated a run for the North Carolina State House. He told me about the race riots of 1898 in Wilmington, North Carolina, and warned that if anyone asked me about that part of our history during my campaign, not to comment on it. However, after looking back over our history in that marketplace, I found that, just as in many other parts of America, not much had really changed.

I had the untimely experience with one who I called the modern-day Bull Carter. This was a gentleman who worked for a mortgage company as the director of that region. In 1986 when I had purchased my first two houses, I went into the mortgage company to apply to purchase two houses. One was to be an owner-occupied house, and the other an investment property.

THE AFRICAN-AMERICAN FINANCIAL DOUBLE STANDARD

At the beginning of my redevelopment career in the mid 1980's, after meeting with a wonderful mortgage banker who was very supportive and who was also president of that mortgage company (which was later purchased by a very large bank), I explained to him that I wanted to purchase both houses. He told me to purchase one as owner-occupied that day, and told me to come back a month later to purchase the next one also as owner-occupied, then to convey the first one out to a friend or other person. This way, I could buy it back later and avoid having to spend the additional 13% down which was required under this program to purchase an investment property. I had originally made a request for one investor loan and one owner-occupied loan and was prepared to put down 13% for the investor loan.

I asked him if his method was okay to do. (Word to the wise, if you ever: If you ever have to ask that question, DON'T DO IT!). He said yes, of course, that people do it all the time. He called his regional office, as he was a direct endorser, and asked them while I was still in the office. They told us "no problem." His explanation to me was that it was an "intention question." "A gray area," he said. I did not know then what that meant, but I do know now. He said, "I intended to eat breakfast this morning and my wife did not cook. You just need to intend to live in the first house and, if you change your mind thirty days later, you can intend to live in the second house."

Well, maybe they did do this all the time. But, after following that advice, I ended up with a Title 18 violation. Yes, a felony! Just under five years later, after the political storm to win a State House seat, I was served. This was around 1988, after going into the office of the modern-day Bull Carter, a man who later took over this mortgage president's position as I wanted to purchase another investment property. Unlike in the days of Dr. Martin Luther King, Jr., he did not use *water hoses*. This time it was the power of the *ink pen*.

When I arrived that day, my Bull said, "You James Webb?" I said that I was. He said, "You already have four houses and that is too many." He called himself the Devil's advocate for Housing and Urban Development ("HUD"). "You will never buy another house in this town or any where else for that matter." It did not matter to him that we were employing young men, Black and white, who otherwise might hijack his car at a stop light. He was just being the old racist that he always was.

Well, over one hundred units later, after experiencing a series of bureaucratic torture sessions as a result of my determination to redevelop and at the time a run for State House as well, I got a knock on my door from none other than the Inspector General's office on behalf of HUD. This response was concerning the Bull Carter information item (*the ink pen*) that was sent in a couple years back. The federal agent began to question me about the two original homes that I had purchased under the owner-occupied rules. Remember the mortgage company president's structure?

As I explained to him that I was told by the president of the mortgage company that I could structure the deal this way and that **his signature was on both applications**, confirming that he at least knew that I was purchasing the homes under the owner-occupant rules. His loud response was, “WHO DO YOU THINK I AM GOING TO BELIEVE, A BUSINESSMAN OR SOMEONE OFF OF THE STREET?” Yes, those were his exact words.

MISTAKEN IDENTITY

You have heard of racial profiling at lower levels. You haven't heard anything yet. Wait until you hear this story. Just one more challenge, if you intend to redevelop in low net worth communities, African-American or not. One would think that banks are in business to increase deposits and to make loans based on sound banking principles. Yes, until I as an African-American builder closed twenty-one houses in one day and receives a check for over one million dollars at closing, aggravated by an employee that rubbed one older banking gentleman the wrong way.

After banking with what I thought was a wonderful hometown bank for over two years, depositing an average of well over one half a million dollars per month into this bank, you would think I would not only be well-received, but that my growth would be encouraged. Well, stay tuned...

I will make this short, as there are more important sections than this one. However, one of my staff people made one of the bad good ol' boys upset (against my wishes) because this banker refused to lend on a particular street in Rocky Mount, North Carolina. **(Just for the record, I still feel that North Carolina is a wonderful state,-My Home State, with many wonderful citizens and good leadership. My family also lives there, but, like any garden in any state, it has a few rouge weeds.)**

The subject bank thought that we were going to file a federal housing discrimination lawsuit because one of

their employees and one of my employees was told by a thirty-one year veteran at the bank that, not only was he not going to do the loan on that street but, upon pushing him, he said, "Find another town" and then ultimately, "Find another bank." Upon being approached by my employee (who he thought worked for their bank), the banker became very angry. My employee asked, "What do you mean? Isn't that **red-lining**?" He responded, "I do not care if you call it **Black-lining**. I am not making the loan."

Upon his fear that my staff person was going to make a big issue (and she did before I knew about it), he called in some of the troops from his and his constituent bank's corporate centers and informed them of what had happened. You would not believe that in 2003 and in America this type of banking behavior would even be allowed. I could have told my staff person what backlash was in store for all of us because of taking the position that she took. Soon after, however...

There was a meeting called in Raleigh, North Carolina by the security division of five major banks. The meeting took all day and was specifically on how to destroy our redevelopment company, which, at the time, was called "Alpine." There were a series of events that followed. We have secured tons of emails recounting this effort, and for legal reasons will not include in this book.

First, directives were given to do everything possible to discredit and destroy my director of financial services who used to be a bank branch manager at one of the banks involved in the campaign against us. That effort was also directed at me...the redeveloper. They immediately held meetings with all of my staff members'

banking relationships and told my staff person's career-long banking associates that, if they as much as spoke to my staff person, they would be fired, lose their jobs, and their banking careers would be destroyed.

Of course, this totally shattered my staff person's ability to get deals financed with all local banks. There was an ultimate leave of absence, which was required in order for our development company to stay afloat because of the intimidation experienced by the banks' internal security divisions. Some of her banking associates actually quit their jobs because of the pressure and went into the mortgage business or other areas, despite the fact that they were on career tracks to ultimately lead the banking community in that region and potentially the nation. Just because they did the right thing and lent bank money in African-American neighborhoods and tried to stand up for what was right. Why did they have to suffer just because they lent in low net worth and Black communities and tried to change the country and provide jobs?

The next item on the internal security department's rogue bankers' agenda was to destroy my company and to help to paint me not as the Master Builders that I was, a man who decided to go back to his roots to try to redevelop low net worth communities in America, especially in eastern North Carolina, where he grew up and was president of his high school and college student body, and as former State youth director of the North Carolina NAACP. But they captioned me as a Negro thug who duped the banks, circulating on October 13th 2003 via fax, a False Criminal Rap sheet on me with over 13 false criminal convictions, as if they belonged to me, trying to scare other good bankers away from

my organization. Well, guess who led the attack? My own bank (name changed to protect the innocent)—*Freditol Bank and Anti-Trust of The Americas. My bank!!! In receipt of over \$500,000, and at times, one million dollars, in deposits within a month. My own bank led the way.

Ultimately to attempt to produce a modern-day styled lynching, a **one-thousand page** investigative report which attempted to label me as a **FLIPPER** was produced. Obviously they had no knowledge that the federal flipping statutes encouraged just what we were doing, which was rehabilitating distressed housing stock to provide affordable housing. They included articles of many illegal flipping schemes in the USA in their report. They even had emails sent from their banking email addresses to each other stating that:

“I WILL HOLD OFF ON CLOSING DOWN WEBB , I WILL BE RIDING OUT TO HIS BOYCE MILL ADDRESS THIS AFTERNOON, HOWEVER ALL THE REPORTS I GET BACK IS THAT HE MAKES HIS INVESTORS HUGE PROFITS AND GETS GOOD RENTS FOR THE HOUSES THAT THEY REHAB. HIS MODEL APPEARS TO BE SUCCESSFUL. I WILL KEEP YOU POSTED.OUR BEST CHANCES ON THIS ONE IS TO WORK TOGETHER”

Work together on WHAT? Paving the way for the criminalization and financial lynching of yet another Black Man in America who did not know his place and thought that it was okay to rebuild the neighborhoods like the ones he grew up in. Sick, Sick Sick people.

They even sent emails listing the names of many of my private lenders and partners, stating that we had to be some type of money-laundering outfit because of the volume that we had done. Well, obviously their allegations were not true, but why would a bank or banks go to such distance to destroy an African-American redeveloper of low net worth communities and try to turn him into a thug? You tell me. What they did not know is that my payroll in the office, as well as in the field, was **over 50% non-Black people**. It could have just easily been their family members who worked for me, who were going to be unemployed by these decisions. Why?..... I have the answer...They were just plain stupid. What is even worse is the names that they mention in their emails as potential money launders associated with us, were respectable doctors, lawyers, accounting people, former All-American athletes, educators and other hard working people and some of our employees as well as many other highly regarded pillars of their respective local communities with a passion to help provide jobs and help to redevelop neighborhoods despite the banks unwillingness to help us in these types of efforts. They passed these garbage emails, back and forth between each other as they diligently tried to dismantle our redevelopment company, with no regard for the rights of privacy that they are held to uphold, and the JOBS they were about to destroy.

THE \$800,000 DEPOSIT REFUSED BY A BANK

At the beginning of the rehab model in 2002, I had begun construction on a \$1.8 million spec home. Upon selling the home, I called my banker who had made the loan in order to tell him the great news. "I am bringing you a pretty good deposit just to say thanks for believing in me and lending me one million to build a spec home."

Well, because he was and I am sure is such a wonderful gentlemen and was referred to me by another wonderful banker, I will not mention his name. However, upon calling him with the good news, despite his initial excitement, he called back soon after and said, "Hold up, I will speak with you later this evening." He came by my home later that night and said that he really thought that things had gotten better, but that some of the older guys had really gotten worse. Worse than he had ever seen and it was just wrong. He told me to hang in there and not to be discouraged.

He had to also tell me NOT TO TAKE MY \$800,000 check to his bank to deposit. I had to find another bank. His up-line administration would not let him receive such a deposit from me. This was after one of his up-line administrators cornered my financial services director and badgered her in my office about where she met me. He totally changed his attitude once I came in the room and said, "Oh, hey, James! How you been doing buddy?" I understand that he was a part of the Internal Banking Security Lynching sessions.

What causes this type of racist and evil activity at the highest levels of our banking systems? It is no wonder that low net worth communities and Black People can barely get a loan. Was it that I was successful at getting financing on millions of dollars of real estate in areas that they had red-lined? Was it that they hated that times were changing and that some of the younger bankers of non African-American descent did not have a problem with lending in minority and low-to-moderate-income neighborhoods?

I do not know what caused it, but too much of this type of activity in small markets can break your back. Not to mention it has already broken the back of tens of million of citizens across America in LMI communities. Who could make it through this type of crap and live to tell about it? Well, I DID!!! Barely, but I did. Lesson to the wise...if a **bad** good ol' boy says no, leave him alone. If you upset him, do not feel that just because he may have only finished the 12th grade, he does not have power. You may be unpleasantly surprised.

MILKED, STRIPPED, TARRED AND FEATHERED

Do not underestimate the ability of your adversaries to put roadblocks in your way. First, the question is, what can you do to avoid encountering some of the villains that I speak of in this book? Below I have detailed some of the things in the redevelopment and construction business that you can do to not to end up fighting battles:

Avoid costly entanglements at all expense: It may sound good to say I will just sue them to get what is due to me and protect my organization from this type of treatment. However, you may end up having to hire a lawyer to teach you how to deal with your lawyer, who has been spooked by those who you are suing. This is not always the case. There are very competent lawyers who have the fight of a bulldog and who are not moved at all by your opponents. One happens to be running for President of the United States of America.. However, hiring an attorney to sue is a very expensive proposition. Then you get the reputation of not being reasonable and being too much of a fighter. No one likes confrontation.

Well, you ask, “What to do when someone owes you money on a construction project or you feel you are being taken advantage of?” Try to reason once, twice, three times, and then once again. Turn the other cheek, if it will resolve the problem. Once you are beyond that relationship, you have a lifetime to prosper. You also have a right to never interface with that person

again. Why keep him in your life for years in a lawsuit. “Get rid of him, even if it means letting him have a few of your precious princely robes.” (Eddie Murphy in *Coming to America*)

Beware of rogue former employees siding with your villains to destroy your rental portfolio and the rental portfolio of your joint venture partners, if you have, against my advice, ended up with rental homes”.

Be willing to listen to the opinions of others even if you know they are crazy, inconsiderate, pompous, rude, or from another planet. Maybe they have just received a revelation. You know that God has spoken through a burning bush before.

Do not have a head-on collision. Just because someone is going 100 miles per hour in your lane does not mean you need to hit them. Just pull over and let him pass by. Hopefully, he will not hit the tree on his side of the road

The reason they are trying to run you over is not always because they want something from you. They could be just protecting the veil that covers their incompetence, which they are afraid you will remove if given the chance. Who knows? They probably don't.

TELL THE WORLD ABOUT THE POSITIVE SEEDS THAT YOU ARE PLANTING

One philosophy is, tell the world what you are going to do, but first “show them.” Well, once you have done it, there is one thing that you must understand if you plan to grow any substantial volume within the LMI (low to moderate income” communities. **SAY IT LOUD I AM A REDEVELOPER AND I’M PROUD.** You must **SPEAK IT LOUD AND CLEAR.** That is **only after you have done it.** If you talk about it before you do it, your efforts may be destroyed. Why?

If you advertise and talk about what you are going to do before you do it, you may pose a threat to many. To your surprise, there may even be organizations set up to do just what you are doing. While there are **GREAT** non- profits who would embrace you, there are others who may view you as a threat to their status quo, especially if they see you as being more successful at accomplishing what they are attempting to do. While many non profits are “not for **PROFIT**”, some of them are “for **SALE**”. Be careful where you trod.

If you do not tell the whole story about the “good” that you are doing, then, if under attack, your enemies will create a “bad” story and you will find yourself responding to untruths or unable to respond at all due to the advice of your attorney. The attacks may come from some paparazzi or reporter who may be paid by your enemies or just from a very good friend of one of your enemies. They may beat you to the punch and publish a hatchet “investigative report” just after you

filed a lawsuit to collect money due to you and your subs. Or even after a blood-hungry investor sues you just when he feels that you may sue him first. Trust me, **TELL YOUR GOOD STORY FIRST**. Sometimes they will use the “investigative reporter” as a warship who will even call your current and potential business relationships to try to discourage them from doing business with you, just because you had the resources and the courage to stand up for what you believed was right. They will even have her call your lawyers and threaten them that they better not represent you. Not for murder, but for being a courageous redeveloper. Is that amazing or what?

MY PAPARAZZI

My paparazzi highlighted all of the litigation that I ever had. If you are a developer, in affordable or high-end housing, you will have litigation. In law school, contract law is taught on the basis of construction litigation. Now when you have had well over five hundred construction related projects, which easily produces another five thousand sub agreements or contracts, and then a paparazzi highlights only fifteen or so that have been in dispute, I think that is batting a pretty good average. With this type of volume, there is sure to be some disputes along the way, for as humans, none are perfect. What percentage of dispute is acceptable, 3%.....? Well, 3% of 5,000 would have been 150. She highlighted only fifteen. That is only .03% of litigation or disputes. **With over 4,000 successful transactions in inner-city redevelopment, they should have given me a Medal of Honor. But no, I got the hatchet.**

Read and re-read this book and other works I will write. Allow my hard knocks to be your cushion against pain. If you pay attention, hopefully, you will be able to avoid litigation and entrepreneurial torture.

Why did my paparazzi not highlight the thousands of young men that I put to work in my life? Some of which were ex-felons who I gave second and third chances to and turned many of their lives around, while being embraced by their peers and pulled themselves up by their own bootstraps.

Why didn't she mention the fact that I was able to do this in an environment where redlining had occurred and still

occurs or that I was able to get a one million dollar loan from the same bank to build a spec mansion approved in one day? And, not even a forty thousand dollar loan from the bank to redevelop a presale affordable home and that it took one month for them to tell me no? Which forced me to have to go directly to individuals to borrow money at 50% plus annual interest rates (and sometimes higher) to redevelop affordable homes in LMI, low to moderate income areas.

Why didn't she do a feature story on the fact that banks still continue to redline inner-city communities and refuse to fulfill their CRA commitment to help to turn around the blight within these neighborhoods? Why didn't she highlight that even though banks have spent tens of millions of dollars creating wonderful programs that they testify before congress, stating that they have made an effort, yet still never staff these programs to make affordable home loans available to people who live in these communities?

Why did she not underscore what, as Dr. Martin Luther King, Jr. said, about America and segregation and how it related to lending patterns of Banks in America in 2000? She could have said our modern-day banks "have a high blood pressure of creeds and an anemia of deeds"? Why didn't she focus on the fact that we were in a diligent effort, as we still are, to provide quality affordable housing for many in the inner-city communities across America?

Why didn't she spotlight the beautiful relationships that I was able to bring together with individuals who became individual not institutional lenders who believed in the model and saw the vision that I had and who reaped the

wonderful fruits of our labor, some to later fall victim indirectly to corporate sharks? Why didn't she call attention to the corporate sharks that came into my company and tried (with her help) to tear it to shreds and hurt the wonderful partnership relations that I had built with my supporters in the model, just because a few greedy individuals could not have me as their slave? Why didn't she bring to light that many financiers come into the lives and businesses of entrepreneurs, not to partner and grow, but to partner and strip? They call it Corporate Raiding.

Why didn't she draw attention to the blocks and blocks of distressed houses that we had redeveloped and the communities that we changed at very affordable rates, instead of quoting a few trifling non-paying tenants with an eviction grudge? Why didn't she talk about the fact that approximately 65% of the homes that we purchased were on the condemned, demolition, or minimum code enforcement lists and, as is evidenced by the pictures on the website, that these homes were turned into neighborhood beauties?

Why didn't she give emphasis to the issues of being a landlord, where many times deadbeat tenants do not pay their rents and take advantage of small business owners, who are only trying to do a good service by providing quality affordable housing within the challenges of that marketplace? Why didn't she mention the **hundreds of condemned and distressed homes that I totally renovated?** And, once the truth started coming to light, why didn't she publicize the dismissal of the cases that were grouped and put in her lap to write about?

RECKLESS QUALIFYING CHARACTER SOURCES

Who was one of her most highly-regarded West Coast accusers of me, in the person of one **Rodger Fuller**, who had received a \$200K return on his \$200K and the return of ALL HIS PRINCIPAL BACK just a year before? -(100% ROI?) Fuller snuck into my organization and reinvested through his partner Mike Bishop under the cover of **Spitfire Investments** after I told Mike that I did not care if Rodger had a billion dollars and that I never wanted any of his money again. Mike told me right before the article appeared that he had invested with my company on behalf of Rodger and apologized for not telling me. Well, what I hope she did not know around the time that she used the reckless words of Rodger K Fuller is that he had been served an order by the Department of Justice and the IRS to shut down his business, Cornerstone Strategic Advisors LLC, for creating illegal tax shelter schemes for some of his clients. *(see Department of Justice “**Bars Nationwide “employee leasing”, TAX SCAM.**”). Some of Fuller’s clients were actually referred to me to help them earn enough money from the sale of our renovated homes to offset the IRS penalties their clients had received (or were about to receive) because of the readjustments of their clients earnings.

And, when my cow could no longer produce milk to the tune of 100% interest per year on their money, many of Cornerstone’s clients joined in on the party and called my paparazzi to help sharpen her axe. Instead of standing up against what she portrayed me as—one smooth operator—well, she was being operated on by some of the richest and most ruthless corporate

operators in America. Many of them were worth well over \$20 million net. In other words, she got “played by the players,” hopefully not “paid by the players”, as some who did not want their names mentioned have asserted. And, yes, she was a ready, willing, and able air-born missile, ready to release her bombs on yet another Black entrepreneur, especially bread from Durham North Carolina and North Carolina Central University. What she did not realize was that, in the process of trying to destroy me, she would hurt many others who I’d worked so hard to save. Ultimately, some appreciated it; others did not. And they marched just like little drummer boys and girls to the beat of the drums of the players.

UTAH FEDERAL COURT BARS NATIONWIDE
“EMPLOYEE LEASING” TAX SCAM

Utah-Based Financial Planners Must Disclose Customers’
Names

WASHINGTON, D.C. - The Justice Department today announced that the U.S. District Court for the District of Utah has barred two financial planners from promoting an “employee leasing” tax scheme.

The court’s order requires the defendants to stop promoting the scheme, provide a copy of the court order to their customers, remove all references to the employee-leasing scheme from their website, www.affluentadvisors.com, and provide the Justice Department with the identities of customers who purchased the scheme. The defendants are also barred from promoting any other tax scheme that involves making false or fraudulent statements about the tax laws or preparing documents for customers that will understate their tax liabilities.

“People who help others evade taxes are breaking the law, and the Justice Department will take action to halt their illegal operations,” said Eileen J. O’Connor, Assistant Attorney General for the Justice Department’s Tax Division.

According to the civil injunction complaint filed by the Justice Department, D. Michael Bishop, Roger K. Fuller, and their business - Cornerstone Strategic Advisors, L.L.C. - falsely and fraudulently advised customers that participation in the employee-leasing program would eliminate federal income taxes on income that exceeded the customers’ personal living needs.

The complaint alleged that Bishop is a law-school graduate and Fuller is a certified public accountant with a master’s

degree in taxation. Both men, the complaint also alleged, have extensive experience in financial and tax planning.

According to the complaint, Bishop and Fuller's customers paid an initial fee of \$7,500 to participate in the scheme. The customers, who are self-employed professionals or business owners, then terminated their employment relationship with their own company and contracted with a purported Barbados "employee-leasing" company - Global Executive Placement, Ltd. - to hire them and "lease" their services to a U.S.-based company, Executive Placement Services, a company that Bishop and Fuller own. Executive Placement Services then "leased" the customers' services back to the customers' own company.

Under the scheme, the leasing companies allegedly paid the customers only the necessary minimum to meet their basic needs, but collected substantially more in "lease payments" from the customers' own companies. Thus, a large portion of the earned income the customers had previously received as pay for work at their own company was now diverted to the Barbados-based company. The complaint also alleged that Bishop and Fuller falsely told customers they did not have to report the diverted portion of their income on their own tax returns, even though the customers still had access to the money.

Information on other injunctions the Justice Department has obtained against tax-scheme promoters can be found at www.usdoj.gov/tax/taxpress2003.htm. More information about the Justice Department's Tax Division can be found at www.usdoj.gov/tax.

DO NOT WAIT FOR APPRECIATION

If you wait for the Medal of Honor for your redevelopment efforts and for carrying the weight of others, you will be saddened by its delayed arrival. You probably will never get it. Understand that, while you may desire public approval (and, of course, everyone desires it), you probably will not receive it. If you do, it may be short-lived and must not be your only motivation for this effort. You must develop a love and passion for what you do and get your happiness from the lives that you are changing, as well as the positive business growth that you realize. Do not wait for earthly approval. It must not be your driving force!

100% INTEREST ON MONEY

Let's examine this idea of 100% interest. Why is it that I even agreed to pay 100% return of cash? Well, one reason is that, at the time and with the success of the model, I could afford it. More importantly, though, if money was available at the rate of 5% plus interest (like it was when I borrowed one million dollars to build a spec house in a non-LMI- low to moderate income communities or non-Black side of town), I would have happily paid only 5% plus. However my request for a loan within these markets was refused. Not at a million but at 40,000.00 increments on houses that would sell at 65,000.00.

Why is it that banks do not lend money for the purchase and redevelopment of single-family homes in LMI and Black neighborhoods, but will lend money for renovation and new construction in non-LMI and non-Black neighborhoods? This is not hearsay I speak from personal experience.

\$50,000 LOAN FOR A CADILLAC, BUT NOT FOR A HOUSE

They say that to lend small amounts, such as fifty thousand dollars, to purchase and rehab a spec house in the LMI low to moderate or Black community is too difficult because of the low numbers. Why is it that a Black man who lives in an LMI or Black neighborhood cannot borrow fifty thousand dollars to purchase and rehab a house like his counterpart can in the non-LMI and non-Black community, but he can get a fifty-thousand dollar loan to buy a Cadillac.? Just a

question...but the Cadillac is a depreciating asset and creates no local jobs and the house is an appreciating asset and creates local jobs, no?

In the redevelopment of single-family affordable housing in LMI areas, there is no such thing as staying under the radar and just doing your job. Redevelopment is very rewarding, but it is even more challenging. If you think that you will not be challenged and sought after by evil people seeking advantage at your losses, or those who will be upset just because you have chosen this area of endeavor, think again. Just get over it. Stay focused and just keep on swimming.

JUST KEEP SWIMMING

Your paparazzi may get promoted to editor, or, they may end up owning the rag. But just remember that their opinion is just one opinion. There may be others, but just stay focused. Don't be distracted by the noise because, at the end of the day, that is all it is— JUST NOISE! Noise from the stands; they are not even on the playing floor and they are definitely not on your team! And, they certainly do not determine the championship. Just stay focused. The championship is determined by the spirit that is within you and the God that sent you. *Be not conformed to this world, but be ye transformed by the renewing of your minds.* Hang in there and stay focused despite what the paparazzi do. There may be others, but always remember, it's all just noise. Do your work.

REDEVELOP AMERICA!!!

No matter what your race religion or creed, REDEVELOP AMERICA!!!

They may milk, strip, tar and feather you, but they cannot take your vision and they cannot destroy your dream.

Whether one or multiple houses, you must let everyone in the community know the good that you have done. You must build strong alliances with local churches and non-profits, as well as community organizations. For daily, they feel the pain of the neighborhood's blight and they will hopefully better appreciate the value that you bring with you. When the press calls you to do a story on the block of houses that you turned around, do not ignore their call; Allow them to do the story. Get as many "good" stories as you can get. In the heyday of my development, I ignored them as I believed it was better to be an unknown. BIG MISTAKE!

What you are undertaking as a rehabber or redeveloper of affordable single family homes is very strange to many communities. When most people think of affordable housing, development, or redevelopment, they think of multi-family dwellings. No one thinks there is any value in single-family homes within the inner-city and LMI-low to moderate income communities. If you do not highlight the positive and wonderful things that you are changing in the inner-city on a daily basis, there will be others who will label you as many things that you are not. Tell the world and be very clear about the great things that you are doing. Also engage the support

and protection of the non-profits and other community groups who are willing to support you in your efforts. As this model WILL solve many of their communities' problems, they are on your team. This is very important and cannot be over-emphasized. I just said it twice. It deserves to be restated one hundred times.

STUDY TO SHOW YOURSELF APPROVED

Do not fool yourself. Learn the rules and do not be misguided by seminars, books, television programming, and presidents of mortgage companies or attorneys who may not specialize in the areas that you are embarking upon. What is good for the goose is not good for the gander, as it relates to how you will be viewed by many within regulatory agencies. As a REDEVELOPER of affordable single-family homes, you CANNOT do what they do, even if they say to you that it is okay to do it. At least when you learn and follow the rules, you will be able to fight and stand up for your rights. I learned this many years ago—the hard way.

GOVERNMENT ENFORCEMENT OR FINANCIAL SLAVERY?

What happens when you do business with someone who had traditionally uses the government to take advantage of entrepreneurs? What do I mean? All fifty states, as well as the federal government, have departments and agencies that are designed to protect the general public and businesses alike. But what happens to a small entrepreneur when one does not understand the ways of the system?

There are many investors who have quietly used divisions of the government to take advantage of small businesses since the beginning of government. That is why Congress and state legislative bodies continue to pass laws to protect man against himself. Remember adverse possession, for starters, where people used to just take the land of their neighbors by quietly erecting fences around their land for a number of years. Your potential enemies have been there and done it many times before. If the small businessman or businesswoman does not have the financial resources to hire good legal counsel, then they can prepare for failure and, even worse, if one is not fast on his feet. (Tobi, or was it Kunta?) Many times very wealthy investors will disguise themselves as a non-informed, novice investor when they no longer can milk you and get you to do what they want and then they go crying to the government. They will even manipulate your former supports to join in with them and encourage them to stand out front. They will wine and dine them at their multi million dollar mansions,

and make false promises of affluent connections for their future endeavors.

After not being able to just **take** your company or make you sign up for the new office space that they have prepared for you in their shop. After not being able to have you agree to go on their balance sheet to become a part of their company in exchange for five hundred shares of their worthless stock, they decide that it is in their best interest to file complaints against everything except your driver's license.

They file complaints and then continue to call, or have others call, bureaucratic agencies to complain. Many times those who are calling the government agencies are individuals you have never even done business with and don't know them from Adam's monkey. They continue to harass the government divisions so much so that they sometimes unerringly give in to this torture just get the witches and warlocks off their backs. Well, then you are forced to enter into strange agreements that hurt even your most loyal supporters in an attempt just to stay in business. Or, just keep fighting. Oh, but you just spent hundreds of thousands of dollars on legal fees! Fortunately for the witches and warlocks, they do not have to spend a dime. They have the government harassing you for them. Now they will not tell the government that the sole purpose behind the complaints was that they really wanted a slave. A man who was determined to be FREE!!! Still I say, God Bless America.

THE ROBE OF A BAD GUY

Understand that, it is not enough to say that, as long as you do what is right, you do not have to worry about anything. Well, understand this. Sometimes your adversaries are very clever. They will dress you up like the person they want you to be, no matter how much right or good that you have done. They will not mention that. For this is only a problem for them.

This is done through quiet channels, as well as through structured media attacks. They gave me a gold tooth, for goodness sake! They put me in a sloppy fur coat with diamond-studded jewelry and called me a “smooth operator” in the paparazzi article. There are many movies about these tactics. Remember, the theatre can come to life.

At least, they did not call me an ignorant operator in the article, despite the fact that it really bothered them that I had a brain and that I chose to use it to redevelop LMI communities against all odds. This false depiction, and propaganda, however, is very dangerous. If you and those watching are not sharp, you will look at the articles and say, “Wow, his image looks typical. Just like that other bad guy that we read about, only now we are reading about what they said about him. And if they said it, then it must be true, it’s the newspaper.” Thank God for the many smart people inside and outside of government who can read between the lines.

In some cases, the witches and warlocks win and innocent people get hurt, not even knowing who inflicted the pain. And, in other cases, they loose. When they did

win, in our business model is when many good joint venture partners were unable to get their houses sold. (see web site list of over 700 of the 1000 plus first time home buyers who wanted to purchase our rehabbed homes.)

That is just one example. Unfortunately during this period, as the witches and warlocks were running off our staff and trying to destroy me and the model, those who needed homes the most...ended up without the opportunity to purchase a home? And those who put their money where their mouth was were not able to sell their homes. Now, to let the Witches and Warlocks tell it, no one wanted to buy our homes, because they were crack houses in crack neighborhoods. Well obviously that was not true. Read the names for yourself. Unfortunately they probably still do not own a home.

You must understand these things as you consider who you are going to do business with and how you interface with your environment; never forget that these are apparent risks. Be very careful who you bring into your business. Be careful not to get the wrong bankers upset. Check with all consumer protection agencies in your local area and nationally and see if your beloved new investor has filed complaints before against other entrepreneurs. Or if he's had complaints filed against him. If so, interview and get their side of the story before allowing them to torment your life for personal advantage.

WHAT TO DO WHEN THE WICKED ATTACK

First, stay calm. Nothing is as bad as it may at first appear. Understand that no government agency, in this day and time of potential overnight national media exposure, will engage knowingly in a corporate lynching of you or your company if they hear and are helped to understand the full story. With some issues, it may not be worth it to fight as long as it does not affect your business growth. Do not waste money on non-essential legal fees.

Secondly, call upon your resources and the best legal minds who understand development law and your potential area of exposure. Most of these types of assaults are void of merit and must stand some type of legal and governmental test. Unless, of course, illegal petitions are filed with the help of an uninformed or conspiring government personnel, as in the case of illegal attachments on your bank accounts when payroll is due or other actions before seasoned public official are able to consider the merits. Be in a position to tell the world about your challenge. The wicked who try to get the government on their side generally hide behind others. They will push others up in front to do their dirty work and, many times, they will seek out those who do not have much legal experience on the issues. Some of them have even less dignity than third world terrorists. At least those horrible people will accept responsibility for their terrorist acts.

Third, immediately move to help government agencies to understand the real story. No bureaucrat in his or her right mind will support modern day financial slavery, unless there is some unidentified quid *pro quo*. As we see everyday on national news, the *pro quos* very often are ultimately exposed. In the words of Fredrick Douglas, “You must rest on the reality and that sometimes you must learn to *rejoice in controversy in order to revel in victory.*” God always has a ram in the bush. What the devil meant for evil, God will always make good.

FIGHT FOR WHAT IS RIGHT!

What do you do when many around you are losing their heads and blaming it all on you? We do not have the luxury of knowing that our entire life will be without struggle. It is important to choose your fights carefully though. However, there may come a time when you must fight, especially if you are a redeveloper of affordable single-family housing in LMI areas, and especially within in the African American community. When that time comes, fight hard with all of your might and unto death.

THE REAL ISSUE IN THE TEMPORARY COLLAPSE OF THE MODEL

When the Bank told me NO they would not lend me money in the Black community to redevelop even though they would do so when I developed in the White community, how is it that I was able to gain the financial support from:

- Investment Bankers
- Doctors
- Lawyers
- Educators
- Certified Public Accountants
- IT Wizards
- MBA's
- Bankers
- Stock Brokers
- Hedge Fund Managers
- Carpenters
- Brilliant Fortune 500 Gurus / Dot Com Masterminds
- Business Owners
- Top-tier \$750K annual salary Mortgage Administrators

How did I persuade them all to come and follow me into the Black community to fund redevelopment efforts on what some later called, "crack houses" in crack neighborhoods when most all of the banks were saying no?

Is it possible that I could have hoodwinked all of these brilliant people, as some of my enemies allege? Just the nature of the professions of many of these people is to do **SERIOUS** due diligence on, not just the company, but also of the person they are going to do business with. How could I have duped all of these bright people? If I did, I say, “Bronze my whole body and put me in a museum and charge admission just to visit me.” Could I be **that** smart?

Well, of course not. Any fool knows that neither I, nor anyone, could be **THAT** smart. Many of these people spent days and even weeks at a time combing through my financial and construction records. They spent major time evaluating my systems and the flow of my progress, as we did hundreds of houses, and complimented us on the brilliant flows and processes sharpened by some of the best MBA’s in gap analysis work in the country. I maintained an open book for all who wanted to look. Well, as long as they had money to lend the company, I did. Well, James, if they were not duped, what was the biggest flaw with your model? Well, before I answer that question, let me reply by saying despite all of the raunchy, rude, obnoxious, false, and horrible things that have been said about me, first they are all untrue. Secondly, I am very proud to have gained the united support of such brilliant financial players at one point or the other during this model.

I stood the mental test of some of the most brilliant minds that you could ever imagine!!! They sent their best number crunch-ers, analysts, real estate authorities, and financial geniuses. And, you know what? **I ALWAYS PASSED THE TEST WITH FLYING COLORS!!!** Why, contrary to paparazzi belief, I do

really know what the hell I am doing. AND, YES, I AM VERY DIFFERENT—AS I AM NOT AN ORDINARY BARN YARD FOWL. And, for the record, get over it!!! Yes, a Black man can be SMART—even as a MASTER BUILDER, REAL ESTATE INVESTOR, FINANCIER, ADMINISTRATOR, AND REDEVELOPER. And guess what else, through THIS WORK and many others and with the support of GOOD people in America, I will be training many others from ALL communities to come back and to change the horrible and despicable conditions within LMI and Black Neighborhoods throughout AMERICA!

Okay, now that I have that off of my chest, WHAT HAPPENED? And, what is the SOLUTION? There is not one investor, lender, or partner of mine, who did not and would not support this model and me one hundred percent even today..... Yes, even the WITCHES AND WARLOCKS who I speak about in this book. After all of the hell they put me through, there is not a one, in this model who—if MAJOR BANKS IN AMERICA would just open up their minds and LEND MONEY TO BLACK PEOPLE IN BLACK NEIGHBORHOODS AT AFFORDABLE RATES, TO PURCHASE THEIR OWN HOMES AND STOP REDLINING—there is not a one who I could not pick up the phone and call and, believe me, I would not need to borrow for acquisition and rehab. They would fund it ALL, to the tune of ONE HUNDRED MILLION DOLLARS WITHIN THE FIRST THREE MONTHS—IF I COULD JUST SHOW THEM THAT THE BACK-END IS FIXED.

Despite some of my partners' differences, all, and I mean ALL, financial challenges in this model go back to fluid and available capital to the buyers in LMI areas

which include most Black communities. Instead of my former and current partners taking on this fight, they decided to run me into BANKRUPTCY to **force me to take it on**. And, you know what, I have! And I will continue to fight this battle because now I do not have anything financial to lose.

This is probably not going to come without pressure and so: **MY CHALLENGE TODAY IS TO ALL:**

PRESIDENTIAL CANDIDATES: You must make this a part of your debate. We must fund first-time homebuyers, with affordable loans, thereby creating capital to provide jobs for tens of millions of undereducated, skilled labor so they can redevelop their own neighborhoods.

SENATORS AND CONGRESSMEN: The cooling off period for major banks must be over. You must take a stand and commit to passing legislation that will put some teeth into CRA enforcement. Stop running on this platform just to change courses after you get elected.

FEDERAL REGULATORS, Comptroller of the Currency, HUD, Office of Thrift Supervision, Federal Reserve Board, Federal Deposit Insurance corporation, National credit Union Administration, and all others agencies who regulate banks: you must make banks more accountable to the communities in their footprint. Enough is enough! We can change the lives of people in LMI low to moderate income areas. **IT IS TIME TO DO THE RIGHT THING!**

MAYORS: Do not allow a bank to exist in your city if they do not support all of the residents of your city—all races and creeds

MINISTERS AND ALL THOSE WHO KNOW THE WORDS OF PRAYER: Pray much for me, as after this book comes out, I may need it! Ministers, do not allow your members to deposit money in BANKS THAT DO NOT LEND IN YOUR COMMUNITY for redevelopment.

COMMUNITY LEADERS: Mobilize your communities and encourage them to redevelop from within. I have shown that there are GOOD PEOPLE, BLACK AND WHITE, and WITH A LOT OF MONEY, who want to see the blight ELIMINATED in our communities in America! Do not wait on the Banks to do the RIGHT THING.

BANKERS: The time is over for having a “high blood pressure of creeds and an anemia of deeds”. REDLINING IS PLAIN AND SIMPLE, MODERN-DAY SEGREGATION. There is no such thing as separate but equal. Guess what? Despite what you may think, there are ways to do good business within the LMI low to moderate income and Black community based on sound banking principles. Programs are good, but it is time to CLOSE AFFORDABLE HOME LOANS IN LMI COMMUNITIES AND TO BLACK PEOPLE! IT IS TIME TO CLOSE LOANS!

Hopefully, as redevelopers, you will never have to worry about some of the pain that I have been through to mold me into the microphone of financial equality.

As we continue our efforts to perfect this model and to help to create millions of like-minded redevelopers in LMI communities throughout America, this road as

well should become easier. Remain focused and stay on task. Do not be moved by the noise in the background. That is all it is.

Choose your partners very wisely.

There is nothing wrong with wanting to know what it is that other men say about you. Even the Good Master wants to know that. Once you know, stay focused on your goal and move forward with the understanding that, as long as you have God and you on your side, you have a majority. If you focus your time on what you are supposed to do, nothing can stop your momentum. You may have enemies on the sidelines all of your life and they may one day be reading YOUR BOOK, trying still to figure out how to stop you now. It is only when you allow your dissenters to conquer your mind that you lose.

You hope that you will be loved by everybody. News Flash...one came through perfectly and he could not do it; so if Perfection didn't, imperfection probably won't make everybody love you. However, in order for you to accomplish great things you must learn to love your enemy and understand that it is not between you and him; it is between you and God. Maybe God is using him to make you ready for something very great. Be calm and learn from your experiences and strive to be the best that you can be. And, in all of your getting, GET UNDERSTANDING. Learn to forgive. I have. It may not sound like it, but I really have.

AMERICA'S FINANCIAL SERVICES NEGLECT -- BRING THE BANKS BACK TO THE INNER-CITY

Just as Dr. King said during the periods of Operation Breadbasket, America had a “high blood pressure of creeds and an anemia of deeds.” Nothing has changed and things, in a lot of ways, have gotten worse.

Most banks are still averse to lending to these communities. We have over one thousand potential first-time homebuyers who fit the guidelines for programs that banks brag about to bank regulators. Even though they fit the programs, many underwriters change the rules like they change their socks—daily. While these deals can get done, it should be nowhere as hard as it is to do them. If major institutions really wanted to change the inner cities and low-to-moderate income communities, it could be done. While at the top of the food chain, bank presidents, their legal counsel and others, are all aware of the need for this type of redevelopment.

Congress and the Federal Reserve Bank are very aware. They get a chance to look at their audits from accounting firms and experts who tell them what a poor job they are doing in CRA, relative to what they have promised the government and the community. A lot at the highest levels are very supportive of these types of initiatives, when they know about them. However, when they are not aware of them, they continue to focus on larger deposit relationships from major corporations and move away from banking relationships with the common man. They forget about the need for small businesses

to exist, as they are the backbone of America, not to mention small minority businesses being the core of their communities. Many times these businesses are sent to the back of the bus or to specialty programs run not by the bank, but by some organization outside of the bank, which is barely able to survive and keep its own lights on, much less provide real financial resources to the community.

The problem with banks is that the word rarely filters down from the top to lower tier management. Another problem is that bank leadership generally is removed from what is really needed at the bottom levels of the communities in their footprint. This is very unfortunate, as there are major economic opportunities for banks at the first-tier. If banks would become more astute in understanding how to interface with redevelopers in low-to-moderate income and minority communities, these communities could solve many of their own problems and Banks could make a lot of money as they help change America.

Without the support of some corporate or other major supporters, as a redeveloper, it will be very difficult for you to get the attention of top tier bankers. However, collectively with hundreds of other redevelopers in these markets, it should become a lot easier. Until that happens, feel confident in the fact that if you keep knocking on local banking doors to invite your local banker out to visit your rehab properties, as they are under redevelopment. Even at the lower banking levels, it is prudent to do this, as they will develop a sense of partnership with you. You will ultimately receive their support. The proof of your redevelopment will whittle at even the most negative banking person.

It will also help to start at the bottom and go up, or from the top and go down. While it may be a little difficult to get the audience of the president of any major bank, you can certainly get the attention of the local banker. Never give a loan request to a banker who does not have the signature authority to approve your deal if it is a redevelopment loan. If you remember this, it will save you a many a sleepless night. Be careful not to forget that you must not depend on anyone to sell this model for you. You must build that report, and not depend on your banking contact without signature authority to do it for you.

Tell your banker to set up a lunch with his boss before you allow him to present the deal for you. You need to answer his questions directly about his concern relative to redeveloping the community through single-family home redevelopment. Sometimes the lower level banker means well, but forgets about the typical prejudice that resides in the minds of not just his boss, but many affluent people who grew up in LMI and minority areas, and even from the Black community as it relates to their perception of the value that exists there.

If you do not handle this in the manner I have prescribed, not only will your deal not get done, but the up-line will seek to destroy you, because you did not get permission to execute your model in their backyard. You will make them look bad without their permission.

MULTIPLE BANKING RELATIONSHIPS

If you are going to get funding in the African-American community, you will need to consider multiple banks. While it is not customary for most types of businesses to have multiple accounts due to the fact that most banks, if they do any business with you at all, are going to require compensating balances on deposit. This is generally 25% of the loan amount. Yes, on deposit. You may end up with many different bank accounts, especially if you expect to do any substantial number of units at the same time.

As you grow your relationships with one bank, this will be required less. Most bankers will not ask you for compensating balances, as they are not allowed to make that a requirement of a loan. However, if you do not have such 25% compensating balance on deposit, you will not get the loan, especially if it is in a redlined area.

CHALLENGES OF MULTIPLE ACCOUNTS

Back in 1990, after a six-month, high-level IRS audit, this was a potentially devastating issue. Upon review, when regulatory agencies see multiple accounts, they think some hanky-panky might be going on. As a redeveloper, you do not always have the opportunity to explain the reasons; since this is the case you need to prepare for the potential backlash.

UNIDENTIFIED EARNINGS

If you have multiple accounts and you have transferred funds from one account to another, just to make sure that you have the 25% compensating balances in place. That money could be considered unidentified earnings, if you do not do your own internal CASH trails. You must source all deposits into your accounts. Do not just think that because you did not receive the deposit as profit that you will not have to prove it. Every transfer into another bank account could be considered income unless you determine that it was a transfer of your own money.

NO CRA ENFORCEMENT

The numbers speak for themselves. I am not calling names, as it is not my intention to alienate banks; rather I want to encourage them to do the right thing with many of my previous and future supporters in this model and fund these markets better than they are currently doing. Many major banks throughout the USA have failed at their CRA commitments. Much of the bite in the CRA regulations became watered down even by the non-profits that levied the blows to raise awareness.

They allowed banks to sign consent decrees so that they would improve their records at lending in these communities, while, at the same time, trading their grassroots mobilization in for their class A office space, dependable salaries, and other perks. As they unerringly allowed, there to be no enforcement on the consent decrees, thereby putting banks in the same position to ignore lending in LMI and Black communities without retribution. This is a moral disgrace, as many of the citizens who helped in the mobilization for their original negotiations have seen no improvement in the current conditions of their neighborhoods.

MODERN DAY HARRIET TUBMAN

As you are able to secure local support from first-tier bankers, stop there. That is, until the opportunity occurs to interface personally with the higher tier relationships. There was a time when local bankers had signature authority. However, with the fail of savings-and-loan institutions in the United States, this authority was removed and centralized, especially with the larger institutional lenders. With the larger banks, it is virtually impossible to get help financing your redevelopment projects, unless you build rapport with the individual who has the signature authority that matches your request. Your best target will be local community banks.

Most community's banks have a commitment to their neighborhood. I am not saying that they do not also red-line. That statement would be entirely untrue. Many small community banks still do red-line. Some of them were founded by affluent members of a community for their development and personal projects and to lend to their friends and associates for all of their banking needs. There are some that were started to help their friends and you too can become one of their pet politically-correct projects. However, there are some that were really started with the purpose of rebuilding the community. If you find the last option, it could be a wonderful opportunity for you. Build rapport with them. Let the branch manager or city executive know of the good that you are trying to do in the community.

Hopefully, you can team up with a lender that has a mortgage arm. As long there are many community

loan programs and extended approval products with Freddie and Fannie, the bank's mortgage company can help you and not risk anything. See if they would be willing to lend to you, and then to your buyers, upon the completion of your homes.

Never try to force a deal in above your banking relationship's direct signature authority. If you do, you are doomed to fail. Once there was a director of finance for a redevelopment company who did not heed this request. She was what I call a modern-day Harriett Tubman. She was determined to beat the good ol' boys into shape and require them to do deals on streets that that they did not want to lend on, as well as in cities that they were determined to red-line. While this redevelopment finance director was very brilliant, she was determined to enforce justice in lending from the other side of the table. Unfortunately, she and the development company were greeted with disaster.

If one of the good ol' boys says to you that they do not want to lend on that street, find another street, especially if they are willing to lend somewhere. No, it is not right! But, our goal here is to redevelop America, not to change attitudes through force. To do so is like building a skyscraper without allowing it to move with the wind. It would only break and tumble to the ground.

You may be surprised to find that, if you forgive them and move on anyway further toward your goal in spite of them, you may be embraced by them. If not, why waste your time anyway trying to make them do something they do not want to do and probably will never do, unless told by the Comptroller of the Currency?

Do not worry about the water hoses or the dogs...
Just keep on marching and being determined, and
say, "I AIN'T GONNA LET NOBODY TURN ME
AROUND."

THE \$20 MILLION DEAL KILLED BY A FEW “BAD” GOOD OL’ BOYS

Once I got a call from a family friend who used to be a college All-American, Olympian, and NBA athlete. We were discussing the neighborhood where he grew up. He liked what we had done in his community, but saw there was a greater need than our current resources could handle. At that time, we had purchased and rehabbed well over fifty houses in that town.

Both of us thought it would be a good idea to meet with his childhood and life-long friend to help me and my joint venture partners get to the next level. His childhood and life-long friend happened to be president and CEO of one of the largest banks in America, Wachovia.

We went to Charlotte and met with the president and CEO. He was very receptive and seemed very interested in what we were doing. He understood immediately that this was a CRA-type project. He called in one of his top men in the nation in that area; he allowed me to speak with him and said that another gentleman would be calling me by the next day. He said that if I did not hear from him the next day, I needed to call him on his personal cell phone and let him know.

Well, I did not hear from him the next day. I heard from him before I arrived back home from Charlotte that same day. He asked me if I could come back to Charlotte for a meeting the next day and, of course, everything that I had to do was put on hold and I returned to Charlotte.

The gentleman's name was Rick Abrams. Abrams was the head in charge of business development for the entire bank and Wachovia Securities internationally. The first thing he said was hello. The second thing was, "Is there an equity position for the bank in this deal?" I thought I knew what he meant. He said that there were some people doing affordable single-family rehab, but with scattered consistency and that we "were on steroids... the largest that they had seen." He said the bank wanted to take this type of single-family affordable rehab to a level that would quickly reach 3000 units per month. That I would be riding on the corporate jet, up and down the Eastern Seaboard, directing this effort.

I had never thought I had been to heaven before, but after talking with Mr. Abrams that day, I knew that heaven's doors were about to open! For all the long years and sweat that I had expended to grow my knowledge in this area since 1986, seventeen years later my chariot had arrived!!! Or, so I thought.

DEBRIEFING

We spent most of the day together, Rick Abrams and I. I made sure that I gave him my life story, personally and from the beginning of my construction career to that day. I told him about all my ups and downs. And, yes, we discussed the Title 18 violation from the HUD/POLITICAL days. He said that, as a developer with the large-scale volume that I had, I was surely in a lot better position than many developers who they currently were doing very substantial business with. He said that there were some disclosure items, as is always the case. However, that bump in the road was not a problem.

SECONDARY MORTGAGE MARKET

He asked me how we were getting our deals done at the time. I told him some with banks and, later, some with mortgage companies. I said, “How do you propose we get such a large volume done here?” He said, “We are the bank...follow me.” We went up the elevator through security doors to this area. Once the doors opened, it looked like there were five hundred computers. I asked him, “What is this, Wall Street?” He said, “We brought Wall Street to Charlotte.” Then he said, “James, what you have is golden. We really need to make loans on houses in CRA census tracts, which is where you are. We will sell them to smaller banks and package them with other mortgages as they’re being sold to the secondary market. All we do in this area of the bank is to sell mortgage-backed securities.”

I hired a gentleman who had once worked for the Comptroller of the Currency as I tried to understand how the secondary mortgage industry worked. Understanding that if I was to ever get into the hundreds of deals per month, I would not be able to do that through traditional mortgage-financing methods, I became a quick study.

This was an opportunity to far exceed my greatest dreams to grow what I know could become a billion dollar business. Wachovia and my company...at the top of the food chain! I had finally gotten the attention of the CEO and his top business development person and they wanted to be my partner!!! It just does not get any better than that.

Don't get excited too quick. There was just one thing that was going to be a last requirement. That was "community buy-in." The local banking community where we worked had to give us the thumbs up.

COMMUNITY BUY-IN

Well I told Rick, “Mr. Abrams, if community buy-in is required, I am toast. We might as well flush the deal. This deal will never happen.” He said, “What do you mean?” I told him about my modern day Harriet Tubman episode by one of my former employees. Once again, I will emphasize that where my staff member was totally well founded in there disappointment of the local bankers in the rural eastern community (won’t say the name to protect the innocent and because there are many good people there as well) red lining, I still feel that it should have been handled a little more gently. Oh by the way, community “By In” did not mean the community of citizens. It meant the community of Bankers—the **community of bankers in traditionally red-lined areas.**

Well, Mr. Abrams said, ‘Jim, I think I can handle that.’ After months of refining our \$20 million deal/joint venture to purchase rehab and sell and finance tens of thousands of homes up and down the Eastern Seaboard, I got a call from Mr. Abrams one morning at around 10 am. He said, “James, I know I am going to read great things about you...You are a very bright person and what you have been able to accomplish is very awesome.” He continued, “If it was a loan, I would do it immediately, but we are talking about bank equity. And with bank equity, I can’t have any noise. Take care of yourself and I wish you the best.” He ended with, “Let’s let some time pass and revisit this deal. You were right about the local guys in that town. They were very upset about what happened.”

12TH GRADE EDUCATION

At that moment, my mind went back to a day when my staff member called and told me about the redlining episode in that eastern city. By the way it was not Wachovia in that redlining incident; it was another bank, which later fired hundreds of staff in that area for these types of actions. Yes in 2003, 2004 in America..... Some of their staff however took the lead in the attacks that were to come, without the knowledge of the CEO. As my staff person said of the perpetrator, "He just finished the 12th grade and banks are trying to replace people with those types of racial problems like he has," I said then and I say now...the man did not say he did not want to lend money to us. He just said he did not want to lend to us on that street. I told my staff person, "If you think he does not have any power, understand this: If he has been there for as long as he's been there, he has power."

Well, his power killed a twenty million dollar partnership with me and Wachovia Bank and Trust Company. Not to mention thousands of jobs in his community and up and down the Eastern Seaboard; and by now 10's of thousand homes for first time homeowners, and at my last calculation by over 15 billion dollars of volume. I am sure I would have also employed some of the "bad" good ole boy's relatives, as we were always an equal opportunity employer. See, at the first-tier, where my labor force comes from, it was, and is, nothing to see a white, "good" redneck construction worker with a Rebel emblem on his baseball hat, working right beside a "good" Black rebel with a Malcolm-X tee shirt on. I was just walking on a roof with two of them today.

I only wish I had a chance to speak with him before the attacks started, to help him understand. “Well, Webb, what would you say, since you are writing your book now....?” I would say, “God Bless you and I love you, but you are a DAMN FOOL, MY BROTHER, for hurting YOUR FAMILY, as well as MY FAMILY. WE MUST LEARN TO UNDERSTAND AND SUPPORT EACH OTHER A LITTLE BETTER FOR AMERICA’S SAKE. For at the end of the day, we all want the same things out of life and WE ARE ALL THE SAME KIND OF PEOPLE.”

TRADITIONAL REAL ESTATE GURUS SOMETIMES DO NOT UNDERSTAND THE AFRICAN-AMERICAN MARKET PLACE

There are many within the African-American community who have read and studied books and other information written by many non African-Americans real estate gurus and try to apply it to the Black community. Many of them fail and are let down because as I have relayed in this book there are many additional considerations where one would have to have a good understanding of the community before proceeding: considerations, which are not typical with real estate redevelopment in non African American communities.

Do not be misguided and feel let down just because you realize that there must be a different application. Many of the principles taught are indeed of tremendous value. Many of the instructors have good ideas, but many have never stepped foot in the African-American community, let alone grew up there, and know little—especially as it relates to funding in these neighborhoods.

I have seen many very competent corporate fund managers experience major hurdles that they were not used to while trying to obtain financing in African-American communities. Be careful when joint-venturing with others who promise they can obtain capital for these communities as they have in other communities, as they may not be as successful and, when they are not, you may be their *fall guy*. This is one reason that a potential fortune 500 deal went south, despite the fact

that they had top brass lending relationships in New York and Boston for their other ventures.

FUND MANAGERS

There is another source of capital. It is derived through fund managers, broker dealers, or other financial advisors who are able to help with capitalizing your redevelopment projects.

Unfortunately, I did not find a book to read that would help me understand the role of the fund manager in the life of the builder/developer or redeveloper. I had no idea what a fund manager did. I was approached by a money manager through a positive and existing relationship. I was told by the fund managers that they were going to solve all of my capital requirements and that I would never need capital again. Well, I fell for the trick. The main things that they wanted were my existing joint venture relationships, to steal my intellectual property, put me in a F150 pick-up truck, and turn me into a field project manager, while they ran and owned everything.

Most of these types of fund managers receive a front fee from the money that they raise for you. Generally it is 2%. They also receive a percentage of the profit that you make upon selling your homes. They give the investors who show up with the money a preferred return and a percentage of whatever is left on the back end.

There is a place for them. Just make sure that you speak with other entrepreneurs who they have worked with in the past before signing up with them. Ask their references how they were treated by them; did they honor their word; and, of much importance, did they raise the money they promised within the timeframe that they promised. Lastly, find out from their references

if they tried to make a “RUN” on their company. It’s called Corporate Raiding.

Despite there being bad fund managers, there are very brilliant ones who really appreciate the value that hard-working entrepreneurs bring to the table. You find a good fund manager and he can help to take you to the moon. You will take him there as well.

INDIVIDUAL JOINT VENTURE PARTNERS

You can secure the needed capital from individual joint venture partners. In your model, this could mean a person coming up with the capital for one house or even forty houses. There are indeed partners with those types of resources. It is up to you to determine where you want to go. It is also up to you to determine if you want to do business with any particular individual or institutional joint venture partner.

STRUCTURE OF CAPITAL

- First Deed of Trust on the individual house,
- LLC, Joint Venture Agreement,
- Private Placement,
- Debt Financing instead of equity
- At what point does financing require a PPM

Above are some options and questions to ask in the formulation of the financial resources that you may desire, if you do not have your own capital and your local bank won't lend you the money you need to redevelop within LMI-low to moderate income and African-American communities. With this model, I have heard at least ten different options and preferred structures from ten different attorneys. This is currently being reviewed by the highest financial regulatory body in the country. Hopefully, we will receive a concrete answer within the near future. One thing for sure, if you listen to all ten legal opinions at the same time, you will do absolutely nothing and we will never rebuild America.

Be sure to explain to your attorney what your plans are and to get his advice. To be sure, it may behoove you to take a visit to your local Attorney General's Office and speak with the person who runs the Securities Division to ask them to give you an opinion before you move forward accepting or engaging the capital of others. If you do not get good legal advice, using OPM (Other People's Money) could eventually become a legal problem for you. Even upon receiving good legal advice, you could have issues because of one bad apple who maybe wanted more when you said no.

Yes, even if they make plenty of money on your efforts and even if they make more than they were originally expecting from your efforts. Cover your backside. Do not wait until you have paid approximately \$25 million on their behalf from your hard work in the field, while lying on your “bankruptcy bed” of affliction. It is not fair and should never happen to anyone.

WHERE ARE THE NINE?

Just because someone was healed from leprosy does not mean that he will come back and say thanks. Do not plan for them to come back and say thanks and you will not be disappointed. If you work with joint venture partners, lenders, or equity participants, go ahead and plan for the bumps now.

Unfortunately, if you do not plan for the bumps in the road, you WILL regret it in the future. Plan for the bumps...there will be some, no matter how good of a redeveloper you are, as long as you use OPM. "My house did not sell fast enough." "I do not want these tenants any more." "These are your responsibilities and not mine," even though on their tax returns, they say they are active investors. "I do not want to refinance my house to pull any equity out for operating expenses." "I do not care if your overhead's eating you alive.....I just got in this thing to make money." Believe me; it goes on and on and on and on and on.

Do not be deceived by happy campers who are milking the breast until the milk dries up. They may not be as friendly as you thought when the nipple temporarily runs dry. You may see those happy faces on the six o'clock news standing beside the "troubleshooter" talking about what a con man or woman you must be. However, as always in "hatched" attempts, only one side of the story will be told!!! And, guess what? IT WILL NOT BE YOURS! Cover yourself now. When you are invited to the investors' dinner, read the invitation twice...three times, and pray over it. There are good partners, however, but count them on the fingers of

your hand and then put your hand quickly back into your pocket before the bad guys convince the good ones to turn on you and cut your fingers off. I apologize for the graphics.

ALL ANGEL INVESTORS ARE NOT FROM HEAVEN

If some angel investors are not from heaven, then they could be from hell. Do not be fooled by potential partners who show up with large financial statements. Just because someone is worth \$30 million does not mean they are a better partner than the person with only a \$25 dollar net worth. Money does not determine the quality of your relationships. There are some potential joint venture partners who are great to work with, but have limited resources, just as there are those who have great resources, but are difficult to work with. Sometimes you get lucky and find one with great resources who is great to work with and who stands tall on integrity. What a concept....?.

You must decide what type of people you are comfortable working with. This will be based upon, among other things, your level of tolerance. You may like more constant interface, or you may not. Some joint venture partners will want weekly updates on your projects with them and others will not want to be bothered. With creative and supportive partners one may encourage more interfaces. If you have to wonder if your conversation is being recorded one may not. This book is worth more than 20 dollars.....

EVERYONE WANTS TO “BE LIKE MIKE”

One thing to remember is that there are many who, despite how much money you help them to make as joint venture partners, they still want to be like Mike. It is not enough for some people to prosper with you. Some people in life want everything or nothing at all: Strange, but true. They sit and calculate how to be just like you, even though they are not really interested in doing the dirty grunt work that you may have to do to make the venture as successful as it is. The unfortunate thing for them is that they really do not have any idea about the level of work you have to accomplish just to turn out one, much less hundreds of single-family affordable homes. They will look at what you do and feel that it is so easy, they could do it better and remove you from the deal and take your side of the profits. One thing they fail to realize is the hard work that you have to do behind the scenes.

Sometimes at the moment when you have let your guard down the most and begin to trust your partner, like a primal animal in the desert, he goes for the jugular vein. It is no wonder that, in this country, we have passed more laws to protect each other from each other than any other country in the world. It is because some people are so cannibalistic..

Well, given the fact that this is a potential reality, be careful whom you do business with. When you find a good partner, still keep him at bay and do not allow interface with your subcontractor base. I have had joint venture partners who literally stole my subcontractors to start their own redevelopment company. Sometimes

they returned to us, tails between their legs like the dogs they emulated, to purchase back their half-done houses at a discount after the subs tore them apart.

AVOID COSTLY ENTANGLEMENTS AT ALL EXPENSE

This is a section that has some of the most important advice that you will ever read. Just because a man is going down the road at 100 mph and he crosses into your lane does not mean that you should have a head-on collision with him. So what! He is wrong! Pull off on the side of the road allow him to pass and, hopefully, he will not kill anyone else before he hits the tree. Did I say this already? Good, listen and keep your money in your pocket. Turn your lawyers into joint venture partners. They will even have less stress, than with suing people.

War, what is it good for? Absolutely nothing!!! I was told by many of the great real estate investors over twenty years ago that I studied but I did not listen. If I could find one thing to attribute most of my career challenges to, it would be NOT turning the other cheek. You must learn how to fight hard, but fight smart. Choose your positions very carefully. Is it about winning now or winning later? Learn to turn the other cheek more. You will be surprised at the power that lies in just forgiving people, even when you know that they have done wrong against you.

After all, you do want them to feel good about you when you become a billionaire and they are reading about you on the cover of Forbes magazine. They will tell all of their friends how you were a person of principle because they will recall you're allowing them to take advantage of you that one time and remembering that you forgave them and gave them your jacket.

SUBCONTRACTOR TURF WARS

Do not be moved by the excitement of having partners to the point that you allow them to take field trips with you to the houses that are being renovated and introduce them to your labor pool. You would have spent months and maybe even twenty-plus years building labor relationships, only to see some of them shattered by an overly-aggressive and greedy investor or joint venture partner. If you keep them away from your labor base, you can better control the greed and, hopefully, they will not think they can do it themselves and that they do not need you.

ACTIVE PARTICIPATION

No matter what you do, be sure to involve your joint venture partner in some degree of the project. Make sure that they take an active role in reviewing the construction progress and the sales process. You can be sure that they will probably state that they are active on their tax returns. If there is ever a falling out, one of the most preferred tactics is “I did not know anything about the deals. I was just the money guy.”

The reason that you want them to have an active role is that sometimes, if the deal is not quite as profitable as you both had hoped, or for other reasons, you do not want them to play dumb. You may be accused of selling a security by them. It does not matter how much money your joint venture partner or partners have made off of your sweat. It does not even matter how much money you have paid them for their effort in your business or that you have come up on the short end of the stick. If some people cannot milk a relationship, then they turn sour. When this happens, they seek to destroy everything in sight.

WANT APPRECIATION? (DON'T HOLD YOUR BREATH)

Do not have the false or naïve impression that if you can help people make a lot of money off of your business that they will like you. Unfortunately, a lot of people just want what they can get from you. If you utilize partners, do so until you can no longer do any better—unless you have found good partners WORTH growing with. There will be some partners who you will enjoy working with long-term.

Keep them close, they are golden. Especially if they have a true appreciation for the work that you do for them at ground zero. Your work as a redeveloper is literally “*dirty work.*” Others will not want to do it, and many could not, even if they wanted to. Even after they have failed at destroying you and reproducing your model, they would never admit it. They may, however, post on their website that their affordable housing model was unsuccessful due to not having the government support required; (Whatever that means). Do not underestimate your value to others. Never sell yourself short. Once you have found the right partners, just do your work and stand your ground. **Good partners will respect you, support you, and never try to destroy you.**

STAY SMALL UNTIL YOU PERFECT THE MODEL

However, I would advise that, at the beginning stages of your redevelopment career, do not take any money from individual investors/private lenders if you do not have to. It is very difficult to determine who is genuinely supportive of your business and who is not. And it does not take much for one bad partner to turn good ones against you. Unfortunately, times are not like they use to be. People in America like DRAMA. You will find yourself daily justifying yourself to GOOD joint venture partners because they got bit the night before by the vampire bite of a BAD joint venture partner. The unfortunate thing is they will probably not even tell that they received a call or who it was who called them about you.

In America, we have really grown to love drama and devastation, even if it is potentially dangerous to ourselves and others. Why else do people enjoy looking at real-life catastrophic situations as if they were at the cinema?

Try to make a go at it alone, without joint venture partners at first, until you are large enough to hire good attorneys who should advise you on how to interface with partner relationships. Do not just depend on your attorney's advice either; be sure to have the counsel of a seasoned real estate developer close by to help you navigate those potentially dangerous waters. And, on top of it all, use your common sense.

Once your work is noticed in your community, or it gets the attention of local bankers, you should be able to secure additional support at much lower rates of interest and not have to deal with some of the horror stories that come along with private individual capital infusions. Getting your local banker to buy into your model will not be easy, but is possible with enough success. Try your best at first to go it alone.

There was one investor, we will call him Rudolph, who approach a redeveloper and asked him if he could partner up on a deal. The redeveloper obliged and said, "Yes, let's work together." Rudolph lent \$40,000 to the redeveloper to purchase and renovate the house. When the house was complete, Rudolph's house had an end-value of \$110,000, within several months. Instead of selling the house, Rudolph decided to refinance the house and pull out the equity and split it with the redeveloper, which were within the terms of the deal. Well, Rudolph secured a loan for 80% LTV for \$88,000. Rudolph splits the \$44,000 with the redeveloper, \$22K each.

One year later, Rudolph is unable to keep the house leased and decides he wants out of the deal. He finds a lawyer who stayed up until two a.m. every morning dreaming of what Cardoza said, and he sues the redeveloper. The redeveloper now has to hire a lawyer. He spends \$10K to defend in the lawsuit because Rudolph says that the redeveloper let him purchase a house in a crack neighborhood, that the house has a value of less than \$15K, and that the redeveloper failed to keep the house rented out for him.

In other words, sometimes when dealing with an investor/lender partner, it does not matter what you

do. It is not enough. If the redeveloper in this case did his deal with a bank, he would have had to pay only \$2,000 in interest to the bank, not \$22,000 on the \$40,000. And he would have been able to keep \$42,000 in profit, not \$22,000. And he would have another \$22,000 in equity until the house sold. The sad part of this story is that Rudolph was not a bad guy. Good people do strange things in real estate joint ventures when influenced by bad people. A couple bad apples can destroy what could be great relationships. Then after the destruction people look back and say what in the world have I done? Some though proudly say, "look what I have done, with nothing to show for it but nuclear war remnants.

If you really have to involve investor/lenders do so, make sure they are only lenders with a 10% maximum preferred return, with larger interest in the profit of the deal only after all of your expenses are paid. Do not pay 50% annualized interest for money before the houses can even sell. Then, you can keep troubles farther away from you.

Rejoice in the wonderful thing that you have just done. You have turned around a rough house in the neighborhood. You have made the neighbors happy. You have sold the house for a fair price to a first-time homebuyer. You have created jobs in the local economy and you and your joint venture partner have made a good profit. And, your joint venture partner is ready for the next deal.

UNDERSTANDING THE FIRST-TIME HOMEBUYER

Instead of looking for capital on the development side of your business, look harder for qualified customers to purchase your homes on the back-side of your business. This is where the **REAL POWER** is. Build your pipeline of approved first-time homebuyers and the rest will be easy. Interfacing with first-time homebuyers will be a little involved.

This is a very different buying audience to almost all real estate professionals. The typical responses are: “You have lost your mind, you can certainly make a lot more money in a higher income bracket with a different class of buyer,”, or “Why work with someone who you know is going to have poor credit? You’ll just frustrate yourself and everyone else who would make them a loan?” “You know that being in a low net worth category, it typically follows that one has a low credit score, sometimes lower than 500. Almost all lenders cut off at 580.”

Unfortunately some of the above arguments are true. Don’t be confused, this is a very difficult market to get financed. That is, until there are thousands of affordable housing redevelopers with clients for banks to service. Not only are the financing programs different, but the level of understanding with the client base as to the normal procedures to get approved, is also a different challenge. The WAHM approach to this situation is reminiscent to that of looking at a piece of coal before it becomes a diamond.

FIRST-TIME HOMEBUYERS ARE REAL DIAMONDS-IN-THE-ROUGH

Before businesspeople know the future value of a diamond, they will call you crazy for chipping away at a dusty piece of coal. Obviously there is a complex process in finding a diamond in a piece of coal. The time came, however, when all realized the value of the precious jewel. And, now it has even become a girl's best friend. So will the opinions of the business world change once like and kind minds in the development and banking arenas realize that the first-time homebuyer is the perfect jewel that exists in the most unlikely development areas—the inner city and rural America.

REAL CHALLENGES/ REAL SOLUTIONS

Well, let's deal with the challenges. The good news is if you adhere to the core basis of the WAHM, you will always be in markets where, after the renovation, you can sell your houses for a mere \$55K-\$85K and still make a good profit. If you were to do an amortization, you would find that on a 7% loan in these markets, your buyers PITI should be between the \$350's to the mid-\$500's per month. This would typically be about \$150 to \$200 less than they would have to pay to rent the same house.

CRA CENSUS TRACTS

Given this reality, the rest should become easier. One of the first questions is, of course, “Who is going to lend to these people?” Well, these people are not any different from any other people. All people have different credit profiles and, fortunately, because of the CRA (Community Reinvestment Act), recent examinations of HMDA (Home Mortgage Disclosure Act) data, banks and mortgage companies have come under more scrutiny. This will become even more sensitive for them after the sub prime tragedy. They have also been required to develop programs to lend in these markets.

You may be surprised that you are potentially the answer for a small community bank, or a large one as well, that might have your neighborhood in their targeted area, not to redline, but to create more loans for their CRA requirements.

What does this mean to you as a redeveloper? Not as much as it should. If all things were equal, you would be able to lead your client up to mortgage lender and get a mortgage with no problem within the next thirty days and have no glitches. One of the good things is that banks have at least made commitments to change their lending practices and to include this population of tens of millions of buyers who want to own their own affordable home.

Since commitments have been made by some banks, there are programs on the books. One of the best ones we have seen is the one that Bank of America has authored. It is called the “Community Commitment

Loan Program.” It appears that they have yet to come anywhere close on reaching the goals they told Congress about.

There are also many additional programs through non-profits and city agencies. These may be somewhat slower than your open-market programs. However, they do exist and some have been successful.

THE ECONOMICS OF REDEVELOPMENT

Maybe Congress (when deciding to have the Community Reinvestment Act as one of the five criteria that banks would be judged by when under review for a merger, or any other approval needed by the Comptroller of the Currency) understood the importance of the economics of redevelopment. When you empower a people to lift themselves up by their own bootstraps, the entire community will rise. However, within these communities, the neglect and disappearance of banks have taken place for so long that most residents walk around with holes in their shoes and do not even have boots to put on—much less bootstraps to pull up on.

With redevelopment in these communities flourishing, you will have new carpet stores, electronic stores, lumber supply stores, grocery stores, drycleaners, commercial strip centers, SHOE STORES and more, opening up shop. And, the list goes on and on and on.

THE NEW CONSTRUCTION COMFORT ZONE

You will find that in all markets that the cost of open market construction charges, will far exceed your construction cost, if you are willing to grow first-tier subs. Therefore the home cost will generally be substantially more especially in new construction. We have seen prices at more than \$70K above our basic model of the \$65K home for newly-built homes. Why is this?

SPECIALITY SUBS IN THE INDUSTRY

Multi-tasking is not in the vocabulary of most subcontractors in the construction industry today. Everyone has a specialty and no one wants to do the other persons work in typical construction modules. We try to discourage that by encouraging the subs to become super subs, who handle more than one category of work. Then the super sub can receive a lower override on multiple tasks and make even more money for his time. However, typically with the construction of a new \$135K “affordable” 1000 square foot home, you will find:

New affordable home	vs.	WAHM Rehabbed home
-blueprint		-not required
-excavating sub		-not required
-new utility services		-already intact
Electrical		
Septic/sewer		
Water		
-sewer tap fee		-not required
-impact fees		-not required
-electrical t pole’		-generators quicker
-footing sub		-minimal required
Concrete cost		-not required
-foundation sub		-minimal required
-framing sub		-multi task (super sub)
Lumber for house		-approx 85% lumber in place
-roofing sub		-multi task (super sub)
Roofing material		-approx 70% of roofs okay
-gutter sub		-multi task (super sub)
-plumbing sub		-plumbing sub
-plumbing main from street		-already in place
-electrical sub		-electrical sub
-electrical service to house		-already in place
-HVAC sub		-HVAC sub
-drywall hanging sub		-multi task(super sub)

- drywall finishing sub
- insulation sub
- wood trim sub
- painting sub
- hardwood sub
- cabinet sub
- tile sub
- carpet

- multi task(super sub)
- multi task (super sub)
- multi task(super sub)
- painting sub
- multi task (super sub)
- multi task (super sub)
- tile/carpet store
- tile/carpet store

In every one of these above categories, there are associated costs. And the subs, in some cases, try to milk each category, whether new or rehab. We had an electrician trying to charge \$7,000 for a \$1,350 labor job on multiple houses in our model without having permission to proceed. He was in cahoots with a rogue PM. We refused to pay the usurious rate and he sued.

Be sure to make your superintendents have all contracts in writing. It probably will not hurt to have the super sign an acknowledgement of your normal budgets at the beginning of construction, accepting liability if they exceed without your personal authorization. It is possible, unfortunately, for the super to build unbalanced relationships with subcontractors, where you, as the redeveloper, are on the outside.

There are so many benefits (cost as well as social) to rehabbing rather than building new that they all cannot be mentioned here. In these days when the value of vintage has been realized and validated, there is more than a premium interest in period houses than ever before. The reutilization of existing structures and materials also feeds into the general trend in business to be socially responsible and environmentally-friendly, i.e., GREEN. Rehab housing is one of the greenest ways to go nowadays. It is a win-win proposition for all concerned parties.

VALUE OF EXISTING MATERIALS/ SYSTEMS AND STRUCTURE

The main advantage in the WAHM is in utilizing the current value of existing materials in the house and the labor already used to construct it. Understand that just because a house is older does not mean that the materials are inferior, or that the quality of the installation was substandard. Actually many times over, it is the contrary. Even the dimensions of lumber before were larger in size and made from a more valuable species of wood.

GREENWISE REDEVELOPMENT

While we all know that it is in vogue to talk about being GREEN, I really hope that the redevelopment and salvaging of our existing materials and housing stock are not left out of this debate. With every rehab, there is a recycling of material that benefits the neighborhood and the planet, the builder, and the customer. Oh yeah, not to mention salvaging our people. You know, like those who many would like to throw to the human landfills of our country, let's recycle them into construction industry workers. Let's also consider how we might recycle our citizens, even before our trees. WOW, what an idea!

REMOVAL OF ALL THAT IS BAD

This next statement is PROFOUND...By not removing older parts that are in better condition than anything you could install today, and by growing in your ability to understand the difference, you create the opportunity to have the money in the deal to remove all parts that do need to be removed. Use your money wisely and do not be moved by ignorant suggestions from people who know nothing about what they speak. "I gutted my rehab down to the studs.....I do not know what I tore out or if it was good or bad, but it's gutted...and, oh yeah, do you have a loan? I think I am going to be over budget..."

Back to the supers and subs: Work to keep the supers and subs as part of the same team that you are on as the owner. When a super or PM threaten the subs that they cannot bother you or they will be fired, BEWARE!!! CALL THEM ALL IN AND HAVE GROUP MEETINGS WITH OPEN DISCUSSION. WEED OUT THE SECRETS AND GOSSIP.

ACCOUNTABILITY AND THE CREATION OF 100% HONESTY IN THE RANKS

What an interesting topic. If this were possible, we would not need Congress and the multiple checks and balances throughout our government to make people to do the right thing. Wherein we all should understand that true accountability is regulated by one Supreme Being and not by man himself; there are things that you can do in your construction rehab business to help achieve a reasonable earthly level of accountability.

MUSICAL CHAIRS IN THE FIELD

Building inspection offices learned this fact of life years ago. If you are working on a daily basis with anyone, especially when your relationship with them is relative to their livelihood, there is the potential for a quid pro quo to exist. To make sure that there were no favors in the field between building inspectors and contractors, they would rotate building inspectors to different areas of town so that they would inspect different contractor's jobs.

The same principle should apply as it relates to your superintendents and the sub contractors that they interface with. You should create systems that are universal, despite what areas they are working in. For example:

- Switch supers to different markets.
- Try to help your entire team see the bigger picture.
- Minimize to the extent that you can the exchange of information on profit spreads from employee to employee.
- Understand that some people don't utilize their potential vision and can only see today's greed. (Manage this person with the daily carrot and good procedures.)
- Keep construction cost and house costs affordable.

POTENTIAL SECOND CIVIL WAR

I am very hopeful that more Americans will head the call to create their WAHM, to redevelop the inner city and other low net worth communities. While it is very easy to see the increase in the prison population, violent crimes, illiteracy, high school dropouts, infant mortality, and poverty, I often wonder if there is a real genuine desire to make a change within these communities. What are we waiting on—a second Civil War? We see gang violence at its highest rate in our country's history. Young men yearning for a sense of belonging and community are picking up all of the wrong habits instead of the right habits. Six thousand high school drop outs per day. The reality is that not only are these youths African-American but OTHERS as well. We must not wait until it is too late.

WHO IS THE SMALL REHABBER?

The same way that you would not hear about Jackie Robinson down the dirt roads in Cairo, Georgia, no matter how well he played, it was not until he was allowed into the major leagues that people knew who he was. The same was the case with many other African-American athletes, doctors, lawyers, and other professionals. **Even Charles Drew died because he was refused a blood transfusion, when he created the technology himself.** So is it too with the LMI low to moderate income community rehabber. He is lucky if he is not railroaded or thrown under the bus, period. It is time to grow African American Builders and Rehabbers and to allow them into the American Major leagues. This may be America's missing link to solve her many problems in LMI sectors.

The nature of redevelopers is that they are small, independent businesses and they operate in markets that have been traditionally deprived of capital. They operate with little capital and resources and, because of this, once they grow, they disgrace and shame banks in their success by highlighting the need for help in these blighted areas in the bank's footprint. If they grow too much, they are sometimes busted up and destroyed by banks, not to mention by some well-cared-for, not-for-profit organizations who always "keep their ear to the ground" for potential uprisings in redevelopment that might expose the agenda of larger institutions and developmental interests (which is to ignore these markets). These redevelopers' lives were typically short-lived and sometimes limited in very technical legal interpretations of development

in their marketplace totally different than the same interpretations on the other side of the tracks for non-LMI low to moderate income and minority developers...

SMALL REHABBERS AND EMPLOYMENT TRENDS

The same reason that construction cost tends to rise in other markets has the opposite effect on the rehabbers' labor statistics. The days of Mike the Builder, where one builder employs his own labor and first-tier subs have long since passed. The general practice nowadays is to sub out all of the work to multiple sub contractors, who happen to be, in most instances, second, third, and sometimes even fourth-tier subs.

What does this mean to the typical consumer? First, it means higher prices, and a potential lapse in quality. If you do not know who did the work, you cannot assign accountability.

If we keep the small rehabber alive, we will keep many small and medium construction workers and teams alive. It is immensely important that we do this as in many commercial and larger union based construction environments you will find cities such as Atlanta where according to former Mayor Maynard Jackson in 1971, in the Atlanta Constitution there were 37 black men in the five top paying construction trade unions in Atlanta. The same unions had 3,993 white members even though one third of metro Atlanta citizens were blacks. Not much has changed across America today.

However, the small rehabber cannot survive if banks continue to red-line in the LMI areas where this work force typically works and where the housing stock is readily available for affordable rehab.

PROPERTY MANAGEMENT

This, I call “Riding the Lion.” If a rehabber could master property management, he could build a portfolio into the hundreds, which would retire him within the next four years. If a rehabber allows others to manage his portfolio, he could build a castle made of sand only to watch it destroyed in three years.

There is a sensitivity one has to adapt to master the art of property management within the low net worth community. Where there are many rewards, there are more hurdles that may keep you up all night.

Do not do it! For the sake of all parties involved. Sell the homes to first-time homebuyers even if you have to start out with a short-term lease option until they are able to get a loan. At least then, you will have fewer problems with tenant turnover and having to go back in and re-renovate the home again after transient renters cause wear-and-tear and damages. Not to mention walking off with the electrical wires etc.

THE WEALTH OF AFRICAN-AMERICAN HOMEBUYERS

According to the Selig Center at the University of Georgia, Africa-American spending power rose from \$319 billion in 1990 to \$716 billion in 2005. By 2010, the figure is expected to rise to one trillion dollars annually. Why can't we "just get a loan?" According to The Charlotte Observer which has published a series of reports on the reality that Blacks were less likely than other races to receive loans.

LMI FINANCIAL RESOURCES

Be prepared to hear the song and dance without much substance, unless you become very involved in the financing process for your buyers. Many banks who have designed beautiful programs for low to moderate income homebuyers while the world was watching, as soon as the world turns its back, these guys just do the same old thing—lend the money to mid-to-upper income buyers in traditional low to moderate income districts purchasing downtown condos, gentrified rehabs, single-family mega-mansions. History, gentrification, cherry-picking the LMI community for absentee landlord investors, and other practices, at the rate we are going, low to moderate income citizens will very rarely get a fair shake without direct and constant intervention. If you wait on banks to do the right thing of their own free will and accord, if history is any indicator, it will never happen. However, we all know that throughout history things changed that we never thought were possible. Hopefully.....as this is one that needs changing.

EX FELONS

UNDERSTANDING SOME OF THE BOYS FROM THE HOOD

One of the largest misconceptions is that most young Black men are thugs or ready for the system's slaughter. Not only are some of them grossly misunderstood, not all, but many of them are in environments where the only major economic ascension is in the area of drug trafficking, hustling, pimping, or other illicit endeavors.

In many other cultures of our society, young men are being exposed daily to doctors. Eating Sunday dinner with the family at home rather than praying for the family at the hospital, hoping for the survival of the shot-up young son. They experience lawyers in the living room, not the court room. Investment bankers speaking to young kids about the secondary mortgage market, not policeman warning them to stay away from areas around their neighborhood called the meat market. And, on and on and on and on...

That's not your problem? No it is not; however, we are all affected by it. Role models in the community, why are they so important? Yes, it is good to have great basketball players, movie stars, politicians, musicians. However, if you are a young man or woman coming up and your break does not come or your talents in these areas are lacking, what do you do next to be all you can be? Maybe you can just look next door. Who owns that crack house? Go to the tax office and look it up. Hopefully I have shown you through these pages the

value of WAHM. If you have twenty-five crack houses in the beautiful neighborhood that you grew up in, buy all twenty-five of them...and let's turn them into neighborhood beauty spots and you will become the millionaire next door.

DISTRESSED PEOPLE

What are we talking about when we speak about distressed people? I am talking about the down-and-outers. Not necessarily the ones on the soup lines. The ones who have given up on hope and are too embarrassed to go stand on that soup line. They look around trying to find jobs, but they run into hurdles.

Hurdles? Surely a man can find a job if he is willing to work. With persistence, you are probably right. However, there are those who may not have the persistence to keep on knocking. Let us evaluate some of the reasons that they may not be able to successfully gain employment as quickly as one may think.

Maybe one becomes tired of repeatedly being turned down because of his past criminal record. Maybe he does not have the education required for the position. Maybe she is lacking the funds to take a class or the knowledge of how to complete a student loan application. What if his family obligations started a little too early and he has to worry about child-care expenses, if he ever finds that job?

DISTRESSED REDEVELOPERS

DISTRESSED COMMUNITIES

A DISTRESSED COUNTRY

CHALLENGES WITH PROVIDING AFFORDABLE HOUSING IN AMERICA

DEVALUATION BEFORE GENTRIFICATION

- PUBLIC OPINION
- REALTORS
- APPRAISERS
- BANKERS

DISCRIMINATION ACROSS THE BOARD

CAPITALISM ACROSS THE TRACKS

FAITH

WHEN THE WIND BLOWS

Stay calm and keep your vision clear. Faith is the difference between Champions and Losers. As you attempt to reach your goal of redeveloping the inner city or rural communities, it is not necessary to get total community buy-in. Contrary to popular belief, it is not necessary to win a popularity contest. The nature of what you are attempting is UNPOPULAR. Get over it!!! Why would you be so misguided to think that you will be able to win everyone over to your idea of such a REVOLUTION OF REDEVELOPMENT? If you desire to be totally embraced, you also desire to be the victim of the political and economic agenda of some:

- Not-for-profit organizations,
- Religious leaders in the community
- Civic organizations
- Private development interests
- Banking interests
- Investor interests

The thing that you must realize is that, as with any other revolution, change breeds resistance. Yes, it would be so great if you were embraced in your efforts to create jobs for the first-tier and to provide true affordable housing for \$65K in 2007. The reality is that if you are waiting on acceptance and the “perfect will” to appear in people, you will be in for a rude awakening to say the least.

Why will you not receive an outpouring of support from all those who are leaders in the community? Some will support you. Enjoy the moment when they do. Hopefully, it will be long-lasting. However, do not

expect it to last, unless there is a quid pro quo or you gain national prominence and they are looking for you to pour your support into their programs or to help formulate policy on their behalf.

VISUALIZATION

Many have asked me how I was able to rehab literally hundreds and hundreds of homes with just a few years without traditional development financial support from institutions. One of the best answers is that there is something within us that when we decide that we are going to reach a goal and we ignite that goal with passion and see and believe it as being so, things happen.

My main goal in this book is to become your top advisor in your journey to redevelop low net worth neighborhoods in America and the world. My other goal is to start a revolution of redevelopment within low net worth communities within our inner cities and rural communities across America and the world. I feel that I have earned through the University of Hard Knocks—being thrown under the bus and run over at times for my dedication to this marketplace and the principles that this model purports—a certain insight. Let my sharing these insights be the starting point of your journey to building, redeveloping, and investing within these communities.

Never limit your base of knowledge. Continue to study, read, listen to the news, (good or bad) and understand the vibe across the world as it relates to the redevelopment of affordable single-family homes. Let's make affordable housing a dream for all who desire to own. Let us stand up together and let the world know that owning your own home is a right and not a privilege. Stand up against gentrification, but demand fair values for your homes. Let us help educate first-time homebuyers, train first-tier labor,

and educate bankers, lawyers, and others in our society about the positive side of our communities. Together we can do this. Singularly, we will definitely get lynched.

In the process of this education that we must pass along to others, let us be gentle with our approach. It will be frustrating at times, but we must understand that it is a lot bigger than us. Our moving forward to do this work is not about us. It is not about how much money we can amass. It is not just about how beautiful we can make a neighborhood and how to keep the little ones safe. All of these things are very important. However, we must understand that the work that we will do with the WAHM is based on a much higher plane. This work is much bigger than our hands. Let's stay in touch

www.JamesWebbRedevelop.com.

There is a God Who sits high and looks low and is watching our every deed, as well as watching our enemies as we attempt to do His will. We need not threaten anyone with a millstone about their neck; however, we must pray for them and help them to understand that their disagreement, discontent, and their hatred is not between you and them. For you, it is between you and God. As my mother told me many years ago, "You can learn to love your enemy, despite what they have done to you and how they may try to destroy you, if you understand that it is not between you and them, but between you and God, and that it is your obligation to love them anyway. Then God will open the windows of heaven and pour out blessings that are so overwhelming that you will never in this life be able to receive them all." God bless you. Keep the faith, save a lot of people, and, by all means, strive to be happy and great without FEAR.

THE POWER OF LOVE ONLY JESUS

Despite the challenges that you may be confronted with in this endeavor, understand one thing: And, that is “unearned suffering is redemptive.” Jesus came into this earth to give his life for our sins. In the process, there is nothing that you could imagine that might beset you which is more severe than what He experienced. One thing, in the midst of your trouble, you can rest assured that He is always right there beside you and all around you.

Trying to understand His suffering and what He had to endure just to save humanity, you should look at your pain and grow through it and say to your adversaries, “Do your worst.” Forgive them and understand that your mission is much greater than them and much greater than yourself. Do not be misguided by those who do not know Him, as they will not ever understand how you can keep your head up even in the middle of those brilliant attacks.

If you use the principles that I have described in this book, you can't help but be successful, prosper, and change your world and the world around you. Stay focused and reach for greater horizons. Love your enemies and pray for those who spitefully use you. For the battle is not yours; it is the Lord's. You see. Bad guys have powers but not as Powerful as Jesus and our Father God. (Words from my 6yr old son)

THE EAGLE IS NO ORDINARY BARNYARD FOWL

One of my personal mentors during my days at North Carolina Central University where, yes, I am very proud to have served as Student Body President in 1984, was Dr. Helen G. Edmonds. She once told me that nothing in this world could stop a dream whose time had come. She also cautioned that, “In life, you would be met with many challenges, which may even be a test from God before he elevates you to the next level, if you pass His test. However, in the midst of your despair, always understand that the eagle is no ordinary barnyard fowl. To not compare yourself with the barnyard fowl that others would try to make you believe that you were like, is to soar to heights unknown that you may have never imagined... and not to limit your vision, despite how untraditional it is.”

You may end up associating with all types of flying creatures, but look carefully and you will be able to identify those who are eagles. Eagles do not fly in flocks. Eagles mostly fly alone and they fly at altitudes above the noise. You must remain diligent and focused and committed to being an eagle. Never let anyone kill your dream of redeveloping America’s neighborhoods. This must happen, not just for you, but for our many generations to come.

God bless you and may heaven smile upon you!!! Now. Go forth and Redevelop America without FEAR. He will send many to walk with you and to protect you along the way. The End.

La Vergne, TN USA
25 November 2009

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SAVE! YOUR NEIGHBORHOOD!! And, yourself

YOU WILL DISCOVER HOW TO...

- Employ first-tier labor and save your community
- Tap into the unknown wealth of labor, ready, willing, and able to work at fair prices for your projects
- Not be bullied by large subcontractors and others
- Make a wonderful profit by rebuilding houses in your local low net worth community without displacing the original residents
- Be successful despite redlining
- **STOP GENTRIFICATION**
- Understand how to benefit from **DEVALUATION** before **GENTRIFICATION**
- Build a construction organization of wonderful 1st tier labor
- Build a small administrative support system to make you a sustained **MILLIONAIRE**
- Learn how to budget your financial life as a Redeveloper
- Become a community Leader with Real Positive Community Change
- **AVOID** costly mistakes and learn from my **PAIN**
- Inspire the clergy to support your redevelopment efforts
- Survive against the corporate bullies
- Convince your bank president to become a positive community influence and grow his bank at the same time
- Build positive coalitions in your redevelopment efforts
- How Not to run when the slightest wind blows
- Become local rehabber's major reference source
- Become a leader in the redevelopment community
- Get Johnny off of drugs and back to work
- Make your parents happy because you gave them a dream
- Cut through the Fat, **SAVE PEOPLE, SAVE HOUSES, SAVE COMMUNITIES**
- Eliminate potential **KATRINA** realities in America
- Master financing in **LOW NET WORTH MARKETS**
- Understand that **ALL ANGEL INVESTORS** are not from **HEAVEN**
- Grow your community, your business and leave this world in a better condition than when you arrived here
- **GET RICH WHILE DOING ALL OF THE ABOVE**

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