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ON THE LEVEL: Lee Cochran takes the long way home - to affordable, mixed-income homes

By: Tony Brown, Staff Writer June 20, 2014



CHARLOTTE – “Sometimes,” as three-time Pulitzer Prize-winning playwright Edward Albee put it, “it’s necessary to go a long distance out of the way in order to come back a short distance correctly.”

Tell that to Lee Cochran, vice president of Laurel Street Residential, one of the few – if not the only – private, for-profit Charlotte developers of affordable and mixed-income housing.

Cochran, 41, went a long distance out of the way in order to come, correctly, and last year, to the offices of Laurel

Street, in one of those imposing vintage homes on East Boulevard.

Laurel Street is a minority-woman-owned entity that was spun off from the Charlotte-based Crosland development company in 2011 with private investment from founder Dionne Nelson and Crosland chairman emeritus John Crosland Jr., for whom Nelson worked as an affordable-home developer.

Right now, Laurel Street has just started pulling building permits for the final phase of the 334-unit mixed-income, multi-use Renaissance development, being built on the site of the former low-income Boulevard Homes housing project at West Boulevard and Billy Graham Parkway.

As is usual for Laurel Street – which, by the way, has nothing to do with the Laurel Avenue that connects the Elizabeth neighborhood with Eastover but is the name of the street Nelson’s grandmother grew up on – Renaissance is being done as a partnership. In this case, with the Charlotte Housing Authority and Highland Grove, a company in Richmond, Va.

Laurel Street has a current development pipeline of approximately 700 units and more than \$100 million in development costs.

That’s the story of Laurel Street Residential.

As for the circuitous story of Cochran, a native of Lubbock, Texas – what he does at Laurel Street; how he got there; how he and wife, Natalie, and their four children came to be in Charlotte; and how a mechanical engineering student at Duke University came to be in the affordable and mixed-income development game in the first place – for all that, On the Level will let Cochran himself take us by the hand and lead us a long distance out of the way and back a short distance correctly.

I’ve scanned the website. But tell us, in your own words, what Laurel Street Residential does. We’re a developer of affordable and mixed-income housing. Our mission and goal is to bring quality and affordable housing to the market. That’s not exactly what’s on the website, so I guess that makes it my own words. I can’t remember what’s on the website.

How is. . . High quality and affordable housing in high quality neighborhoods. I forgot the neighborhood part.

How is affordable housing different from in the 1960s and ’70s, when housing projects starting popping up in inner-city America? It really changed when the federal tax-credit program came in in the late ’80s. That’s when what we do now really got going. It’s how we use the tax credits to help pay for the project instead of

bank debt.

You get the tax credits for building affordably, and then sell the credits to a bank, or whatever, which finances the project, right? Right. It covers the increased cost of building quality affordable housing. I can build the same complex as the guy across the street and his rents have to be higher. He has a lot of bank debt.

Why do private companies get involved in this, not just the government or nonprofits? The idea is, private companies have more flexibility than (the U.S. Department of Housing and Urban Development) giving a big grant to a local government entity – because of the tax credits that are sold. You need that flexibility because the tax credits create some business discipline.

Meaning? The (entity that) buys the credits owns the asset. You still have to pay the same costs, the same as market-rate developers. What makes the difference is that we don't have the debt service. That's how you make it affordable.

So why work in partnership with the government, with the Charlotte Housing Authority, at all? The government can layer on grants from HUD to bring the rents down even further for certain renters, for those in the lower-income tier.

So the tax credits for affordable housing came in in the 1980s and changed the landscape. But the trend now is to not only build affordable but mixed-income. Why? In Renaissance, we're building 334 units in three phases of about 100 each, and we're just getting started on the last phase. All those 334 look pretty much the same; there's no difference between the market-rate, the middle-income and low-income units. The difference is tax credits and the subsidy from the Charlotte Housing Authority. Some of the units, those financed by the Housing Authority, have little or even no rents – maybe \$50 or \$100 a month, whatever they can afford. The next level is not public-housing residents, for lack of a better term. The tax credits allow us to rent to the next income tier up for \$300-\$350. Then we have some that rent for \$600 to \$700, when the market might be as much as \$1,100. In the last phase of Renaissance, 60 of the units will be pure market (rate), \$900-\$1,000. There are no restrictions there.

Back in the day, when they were built for just the lowest-income renters, they were called "the projects." But "project" means something entirely different to a developer. Yes. In the old days we used to do 200 units, only for the lowest tier. Typically they are not very pretty. They were "projects." I find myself having to catch myself sometimes when I'm writing a proposal or talking about this, and take that word out – "project." I have to say "development" or some other word, even though I am using "project" correctly in terms of developments. It just means something different in the affordable housing context.

So what is the advantage of mixing income brackets? It really helps people who can't necessarily afford to be in a real "neighborhood" to have that normal life. When I was reading that book about "the hierarchy of needs". . .

Abraham Maslow? Brilliant stuff. Right. He said if you can't satisfy the basic needs, if you're not safe and not well-fed, no matter how good the school is, if you don't feel safe, you don't learn, and you can't go up the hierarchy. Our goal is to create secure neighborhoods. That's the word, "secure." I just saw on the TV last night, tenants complaining about their refrigerators not working. Refrigerators are necessary to good food. I don't know how I could raise my kids under those circumstances – appliances not working, rain dripping through the leaky roof.

Why would someone who can afford a market-rate apartment want to live in a mixed-use development? It depends. Not all of our projects – "developments" – have market-rate (units). They all do have a mix of incomes, up to \$35,000 to \$40,000. . .

We're talking annual household incomes here, right? Right. But not every development has the upper-tier, the market-rate component. It depends primarily on the location. Again, no matter what the income-tier is, they're all brand-new units, all high-class, that would get \$1,110-\$1,200 on the market.

Are we talking two bedrooms? Two and three. The average occupancy is 2.5 (people). The best example of a location that is most desirable for market-rate rents is one we didn't do, the First Ward revitalization, which goes back to the late '90s. That's a location attractive even to those who can afford market-rate rents. That's one of the great things about working with (governmental) housing authorities – because of all those old projects, they have a lot – a lot – of property, like in First Ward. They've been around so long. But in the areas where you have to revitalize the whole area more, you do the development just as mixed-income, no market-rate units, and hope that it will help the market-rate housing to come along.

And, eventually, with enough rooftops. . .Retail. Right.

Your card says vice president.

What's that mean? You're a lead developer, a project manager, that's the best way to describe it. Basically, I manage

What's that mean? I'm a lead developer, a project manager, that's the best way to describe it. Basically I manage projects – "developments" – make sure they get done, from design to leasing, soup to nuts, and gets done right. There are two of us that do that here.

You don't do anything; you just make sure everything gets done. Ha. Exactly. We also make sure it works financially. We do the numbers, make sure we create a design that allows the general contractor can build it for that cost.

Laurel Street came out of Crosland, and Crosland always did affordable housing, right? That is something that John Crosland Jr. always wanted the company to do, when the tax credits came along in the '80s. Once you learn how to do it – it's not easy – you have an advantage over someone who starts from scratch. There are no other companies who really do this in Charlotte. There are some that work statewide and come into Charlotte. We go outside Charlotte some, too, in Virginia and elsewhere in North Carolina. We're open to South Carolina, but haven't found the right opportunity.

What's the hardest thing about making this work? The tough thing is having a decent balance sheet. We have to make a guarantee to the investors, the holders of the tax credits. We do have some debt, a construction loan during that phase of it, and a small, very manageable mortgage at the end. That guarantee is tough. So you can't just hang a shingle out.

Why would a smart guy like you wind up in a business like this? Why not go to, and stay at, say, Levine Properties, where you once did work? I got a master's degree in public policy at Duke, and I've always been interested in public-private interaction – my dad was a professor of political science at Texas Tech. And I like working in a small company. And I like real estate. In this job, I'm an agent of implementing public policy. I like that. I would not be happy working in government because of the real estate.

But you've had a circuitous route, right?

What did you major in as an undergraduate at Duke? Mechanical engineering!

Ha. Give us the rest of the story. . . I was at Duke from 1991 to '95 – that's what brought me to North Carolina. Then I came to Charlotte to teach.

Teach? What did you teach? Science and math, at Holy Trinity Middle School. It was a Catholic program for new college graduates – the Alliance for Catholic Education. They taught you how to teach and brought you to the South.

You're Catholic, I presume. That's a personal question, I know. . . No, that's all right. Yes, Catholic. I did that – teach – for a year, 1995, and hated it. I did meet my wife there.

I hope she wasn't a student! Ha! Nope, nope. A fellow teacher. After we got married, we moved to Pittsburgh.

Great city. But why? Something different. I went to work for an (information technology company), a (business to business) firm. And did that for three years until 2000, when I went back to Duke and got my master's in 2002.

Next? At that point, I went to work for the city of Baltimore in the housing department, and that's where I finally figured out what I wanted to do. By that point, we had kids, and couldn't wait to get back to North Carolina. So went to work for the (Charlotte Housing Partnership, from 2003 to 2011), and put in 18 months with Levine. Then came here.

That's some journey. It took me a while, but now I'm here.

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