

Working Hard in Corbin to Disprove a Cliché

In the summer of 1921, MIT-trained chemist and Massachusetts industrialist, Arthur Dehon Little (1863-1935), after hearing someone quote Jonathon Swift's (1667-1745) adage, "You can't make a silk purse out of a sow's ear", decided to do just that. Little arranged with Wilson & Company – a Chicago meatpacking house – to boil down 100 pounds of ears from sows into 10 pounds of glue. He added small amounts of chrome alum and acetone to the rather odd substance in order to turn it into gelatin. He then forced it through tiny holes in a perforated cylinder (spinneret) into a mixture of formaldehyde and acetone. The glue emerged as 16 fine, colorless streams that hardened and then combined to form a single composite fiber. Little soaked the fiber in dyed glycerin. Then he wove the resulting silk-like thread into cloth on a handloom and fashioned the cloth into two elegant purses, the kind of item carried by ladies of the Middle Ages.¹

Outline of Need: Nearly nine decades later, another "sow's ear" is being turned into a "silk purse" in Corbin, Kentucky. A team of employees from Franklin Asset Management (FAM) has tackled the daunting task of revitalizing a 78-unit, two phased property that had suffered since its beginnings in the early 1980's from weak management, financial distress, neglected maintenance, and all the negative baggage that accompanies multi-family housing projects afflicted with those infirmities. The owner had wanted to sell the property for some time and finally found an interested buyer in the form of a very ambitious community action agency anxious to serve the housing needs of deserving people in southeast Kentucky.

How Rural Development Helped: After two years of consultation with the USDA Rural Development Area Office staff in London, the applicant, KCEOC Community Action Partnership (formerly Kentucky Communities Economic Opportunity Council, Inc.) submitted a project proposal to purchase and rehabilitate the former Oak Place Village, Phases 1 and 2. As of June 2007, the two projects became the new KCEOC Corbin Apartments, and the FAM team took over as the management agent.

The structure of KCEOC's proposal was extremely complex and involved transfers of ownership, assumptions and reamortizations of existing debt, subordinations to new debt, proceeds from the sale of Low Income Housing Tax Credits, interim construction financing, and the review and concurrence of the Rural Development National Office. The fact that Phase I participates in the project-based Section 8 Program administered by HUD, and Phase II utilizes Rental Assistance provided by Rural Development caused some additional complications.

To close the deal on Phase I, a financing package was assembled that included a 538 Guaranteed RRH loan of \$375,000 (for rehab construction) from a bank in Utah, a construction loan from BB&T, and two equity providers: Community Affordable Housing Equity Corp. (CAHEC) in North Carolina and National City Community Development Corporation in Louisville. The Phase 2 financing package involved the same equity providers and a BB&T construction loan, plus a \$200,000 HOME loan from

the Kentucky Housing Corporation. The mastermind who put these deals together, negotiated the agreements, and made the entire project possible is Kentucky's Multi-Family Housing Program Director Paul Higgins.

But it is the FAM team of employees who have spent nearly a year working hard to get the properties up to their standards. They are Regional Property Manager Debbie Cherry, Area Supervisor Sherry Williamson, Site Manager Deborah Hatfield, and Assistant Manager Darlene Williamson, and Maintenance Personnel Gilbert Hensley, Huston Miller, David Bradford, Carl Payne, Lonnie Broyles, and James Richardson.

These folks were recognized at FAM's recent annual training meeting by company president K. D. Watkins-Ball who praised their ability to work as a team as the reason for their many successes. They have worked long hours to organize tenant files and recertify tenants who were determined to be eligible to continue living at Corbin Apartments, creating a new filing system as they did. Each day brought new challenges and problems: educating distrusting and disgruntled tenants unaccustomed to abiding by normally accepted 515 policies and practices, and coordinating tenant relocations and utility disconnects and reconnects with the construction crews and usual delays associated with this type of renovation. And then there are the surprises not discovered prior to the construction phase that needed to be part of the rehabilitation effort: rusted and dangerous electric service entrance boxes, severe termite infestation, backed up sewer lines, and antiquated fuse-protection on water heaters and HVAC that have turned into maintenance nightmares. Because the refinancings involved the issuance of tax credits, the management team has had to deal with learning new occupancy requirements and meeting statutory deadlines. When others were doing holiday shopping and enjoying time with their families, this team processed 11 new resident move-ins last December, even working late on New Years Eve! They managed all this while still keeping up with their normal duties of managing four other apartment complexes in nearby Barbourville.



The Results: With the renovations finished, nearly 80 residents are proud to call Corbin Apartments *home*. A date for the completion celebration should be set for early summer, and everyone will be invited to tour the “silk purses” in Corbin!

By the way, Arthur Dehon Little discovered acetate and founded the world's first management consulting firm in 1886 and named it after himself. Today, the company is sometimes called ADL and it is one of the world's leading management consulting firms, having played key roles in the development of operations research, the word processor, the first synthetic penicillin, and NASDAQ.² Today, one of his two original “silk” purses can be seen in the National Museum of American History at the Smithsonian Institution in Washington, DC.

And now you know the rest of the story!

¹ *HistoryWired: A Few of Our Favorite Things* is the Smithsonian Institution's experimental Web site developed by Martin Wattenberg at SmartMoney, Inc. to introduce visitors to 450 of the 3,000,000 objects held by the National Museum of American History, Behring Center.
<http://historywired.si.edu/object.cfm?ID=535>

² Arthur D. Little – Wikipedia, the free encyclopedia at
http://en.wikipedia.org/wiki/Arthur_D._Little

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