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Interviewee: Mitchell, Marlon

Interview Date: March 20, 2014

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Houston History Class

Interviewee: Marlon Mitchell

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Interviewer: Zachary Smith

Transcriber: Michelle Kokes

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Abstract:

Since 1993, Marlon Mitchell has been with Houston Business Development Incorporated (formerly known as Houston Small Business Development Corporation,) a small business incubator that focuses on combating community deterioration, and he has personally witnessed the transformation of the OST/South Union neighborhood. As the CEO of HBDI, Mitchell is the most important figure in the reinvigoration of the Palm Center and helping suffering small businesses get the capital they need to grow. Mitchell speaks about the history of HBDI at the Palm Center, successes with local small businesses, his vision for the future of Palm Center, and the potential for more revitalizing change in Southeast Houston with the recent development of the Southeast METRORail line, the Houston Texans YMCA, and the new additions to the Park at Palm Center.

UNIVERSITY OF HOUSTON
ORAL HISTORY OF HOUSTON PROJECT

Marlon Mitchell

Interviewed by: **Zachary Smith**
Date: **March 20, 2014**
Transcribed by: **Michelle Kokes**
Location: **Houston, Texas**

ZS: Hi, this is Zachary Smith and I'm at the Palm Center with Marlon Mitchell. Today is Thursday, March 20th and it is about 2:00 in the afternoon. The interview begins abruptly with Marlon Mitchell giving a general history of his time with the Houston Business Development Incorporated at the Palm Center.

MM: Community Development Department. From 1987 to 1992 we operated the revolving loan fund under which we made loans to small businesses operating in community development target areas. Palm Center at the time was being run by a different group that had a contract with the city, called City Ventures of Houston. It was a partnership between a local accountant and a group out of Minneapolis, Minnesota. They ran into some difficulties, some challenges with HUD meeting the compliance requirements the national objectives. At that time the city said, "We need to make a change. Let's take that contract and merge it with the contract of the City of Houston Small Business Development Corporation." I was then charged with coming here and running the redevelopment effort. First thing we did was put together a master plan, back in 1993, which would determine, help determine the best and highest use of the property going forward. That was mandated by HUD, we had to provide HUD with some indication that the project was now going in the right direction. Once we completed that study HUD gave us the green light. We began to operate and manage Palm Center in addition to provide our regular

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products and services which was lending management and technical assistance. All of that started in 1993 which is when I started here. Under that plan we then began to implement what was a three-folded strategy and that included bringing workforce development education and training entities here to Palm Center; small business development which was a small business incubator, and then thirdly governmental agencies and non-profits. The idea was to reinvigorate the center not with retail which failed because of the changing demographics and the building of new malls that were enclosed in various parts of the city. That was the demise of Palm Center, as you know right around 1984 essentially closed its doors. The redevelopment effort now centered around a mixed use complex made up of those three components: workforce development education and training, small business development, and governmental agencies and non-profits. We slowly began to embark upon bringing tenants in like Kelsey-Seybold, Houston Community College, Houston READ Commission, The Urban League, The Public Library, The Post Office, a dental clinic, Harris County Constables, Justice of the Peace, Tax Assessors, City of Houston Police Department, the SBA, SCORE – Service Corps of Retired Executives, and small businesses. All of those tenants along with an incubation environment that offered office space with support services ranging, the office space ranged anywhere from a hundred square feet up to about four hundred square feet. Our idea was to help small businesses get off of their dining room tables and be able to have a professional environment where they could entertain clients, where they could conduct meetings, and have access to an array of resources that could support them: secretarial services, notary services, shipping and so forth. That was the concept and gradually but surely over a number of years we got the center to where it was eighty-five percent, ninety percent occupied. Now since then over the years we've had some turn over and we will continue to have that but our hope is now that given what's transpiring in this community,

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you've got a sort of a mix of activities taking place that will collectively serve to transform this area, so once again go through a redevelopment effort. You have The Village at Palm Center, which is about two hundred and sixty units apartment complex that's being built with some commercial space right at the intersection of Martin Luther King and Griggs Road in the old Montgomery Ward's building that has been a flea market for the past decade. There's also the Houston Metro, Metropolitan Transit Authority has the rail line coming through and that will come on line next year. We look at the new library that's been proposed at the intersection of Martin Luther King and Griggs Road. We have a new YMCA. All of those are serving to once again spur or sort of result in this new invigorating activity for Palm Center. Our hope is to take Palm Center and piggy back on some of these other developments. Once again conduct a feasibility study to find out the best and highest use of the property and then move forward in repositioning the property for transit oriented development that can add to what we have and provide additional amenities to communities that we serve. We're in the process of working with the City of Houston, we serve as sort of the economic development arm of the city's housing and community development department which has been historically our funding base. In 2012, we became what's called a Community Development Financial Institution and as a CDFI we're able to go after alternative sources of capital that previously wasn't available to us. Our funding in the past has been limited to what we generate internally from our lending activities and also from Palm Center. As of 2012 we now can actually knock on the doors of banks, foundations, pension funds, insurance companies, and the like to raise capital to support our activities. It's our hope to be able to use those alternative sources of capital, marry those with funding available from the city and other governmental entities and create a true public private partnership so that we can then transform this area.

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ZS: That was a great answer. I want to back track a little bit.

MM: Sure, go ahead.

ZS: Could you talk more about yourself and your personal interests in Houston and more specifically, the Palm Center? What brought you to Houston and what was it that got you involved with Houston Small Business Development at the time HBDI now?

MM: I grew up in an inner city community in Fort Wayne, Indiana. Fort Wayne is probably a town of about 250,000 population. I saw firsthand the devastating impact on inner city communities. When there's not capital, you have a disinvestment. When I went to college I majored in business administration, had an interest always in the back of my mind of either running a small business or working with small businesses. I came to Houston in 1980 after graduating from college, began to work in the field of banking for a local bank First City National Bank, went through their management training program and had a passion for working with small and minority businesses. An opportunity presented itself in 1987 to go and run the program on behalf of the city, ground floor opportunity in a new program that dealt exactly with what I was interested in, working with small businesses in minority communities that typically would not have access to capital made available or the lack of capital being made available by your conventional lenders. Here was an opportunity for me to work with small businesses in minority communities and help to stimulate growth and revitalize communities. Palm Center just came along as a result of political expedience. I had no idea that I would come out here and in fact it's funny because when I was first presented with the opportunity I didn't see it as an opportunity because Palm Center was boarded up, it was defunct. It was a hornet's nest or like going into a hornet's nest is what I was quoted as saying years ago by a Chronicle writer by the name of James Robinson who is no longer here. This was back when Palm Center was constantly

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in the news because of the infractions, the problems that they were having with complying HUD regulations. Word got out that the city was going to merge the contracts and that HBDI, then known as the City of Houston Small Business Development Corporation, would take over the activities. I had a choice to make. I could either put my name in the hat to come and be the director or I could stay with the City of Houston in some other capacity. I was a bit leery because the project was mired in politics, it was in the paper every other day, it was run down, it was vacant, largely vacant. I finally after a great deal of deliberation, thought and prayer decided that this would be an opportunity. It wasn't as dire as I had made it to be in my mind thinking that, "Oh wow, this is horrible and if the folks with the development background and history can't make it work why should I make it work?" Well I think the reason that it has worked thus far is because you have people who are committed to it. People who have a vision for transforming the community and not people who are just interested in making a buck. So my passion for community development has been intact since I was a young man. I'm much older now and still have that same passion.

ZS: You spoke about there was mismanagement before and it was mired in controversy, the organization here. But now since you've been involved it's really turned around, right? It's

MM: Yeah we've not had any, it's never been in the paper for any type of mismanagement or any HUD audits or findings. If, federal funds go into a property you've got to be able to show that you're complying with whatever those audit requirements are, whatever the national objectives are for HUD. We've had a great relationship with HUD over the years since we took the project over in '92, officially in '93 but we actually came out in '92, we've not had any issues whatsoever.

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ZS: Can you talk a bit just about how HDBI, actually just functions how you guys do business?

MM: We are a nonprofit community development financial institution and our primary mission is to combat community deterioration, stimulate economic growth by promoting entrepreneurship and supporting small businesses. Our vision is to transform communities and to create jobs and sustainable livable communities. That's our objective and we do that by making loans to small businesses that otherwise might not be available in the private sector from your conventional lenders. We are government funded, we are nonprofit so we have a little bit more latitude and flexibility in terms of how we can structure financing and although we look at the same metrics as a lender would, your proverbial five seeds of credit, we do it with more latitude and more flexibility because we don't have the same cost of funds that we have to be concerned with. Our primary objective is to manage this center and to provide capital to businesses to help those businesses grow and expand and create employment opportunities and we do that throughout the metropolitan area of Houston. Now that we are CDFI we can also expand into the surrounding counties, Waller County, Pearland, Brazoria, Fort Bend. The organization is able to grow and expand in terms of the services we provide in order to accomplish the mission that we have.

ZS: I think you said earlier that the capital only recently you are involved I guess with banks, like you work in tandem with banks to stimulate the business, is this...?

MM: Yeah, as example let's say somebody wants to build a hotel downtown and that hotel is going be a hundred rooms and it's going to create forty jobs. A bank might say, "Yeah, this sounds like a pretty good deal but we're only interested in putting in four million." But it requires four million, it requires five million dollars. So there's a gap of a million dollars. Deal

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won't happen unless you can fill that gap and that's where we come in. We work in tandem with the bank. Where the bank might put in money for the land and building and we come in and we put in capital that would be used for furniture, fixtures, and equipment. Then we negotiate with the bank to determine who will have what right to assets in terms of collateral. Our role is to come in and enhance a credit so the credit is the loan request. If you go to a bank and the bank says, "Uh, we're only comfortable with a million," but they, the total project calls for a million five hundred, well that's where we come in; we fill the gap. Or somebody goes to a bank and they've been in business for two years but the banker says, "I'm interested in businesses that have been around for at least three to five years and that can show us an upward trajectory in terms of your sales and your net operating income." Well this business has only been around for two years and their sales are stagnant or constant at this level, they're not growing. We can work with that business where as the bank might say, "No it doesn't fit in neatly into the box that we have." We come along and we say that because we have more latitude and flexibility, and we believe that this business can grow and expand, that we can make them the loan. Now we don't compete with banks, we take deals that banks either are unable or unwilling to make and if we think that the loan has some viability then we make that loan or we work in tandem with the bank to come alongside of them to provide that gap financing that's needed.

ZS: Do you think, can you tell me a little more about how businesses, the small businesses actually, do they approach you? Are they working with the bank and the bank suggests you or?

MM: Both. We market our products and services by putting on workshops and seminars,

having loan products orientations. We have a number of resource partners: University of

Houston Small Business Development Center, Minority Business Development Agency,

SCORE, the SBA and with each of those entities we put on workshops, seminars and they refer University of Houston

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people to us, we refer people to them. We work closely with most of the banks in town. Someone might be referred to us from a bank, they might walk through our front doors, they may go to our website, any number of ways.

ZS: Would you say that local businesses have fully utilized the resources that HBDI can provide them?

MM: No, I wouldn't say that at all. I think just like with any business there's always room for growth and always room for improvement. We're a nonprofit, small nonprofit, don't have a huge marketing budget so you won't see billboards on our organization, you won't see us on television with commercials. We don't have branch locations so that, like Bank of America or Wells Fargo or Chase, you'll see them practically on every corner. We're not that type of an entity, We're a nonprofit community based organization so just by our sheer nature there are a lot of people that don't know who we are that don't take advantage of our services. It's our hope that one day we will become a household name but we're not that now.

ZS: Can you talk a little more about the surrounding neighborhoods since you've been here? Just the way it's transformed. You already mentioned some things about how like the light rail but could you go into a little more detail about maybe personal experience, or personal opinions on, at the time when you started and then, you know, compared to now?

MM: The community is going through a transition. When I came here in '92 it was largely a predominantly African American community with household incomes averaging around twenty-two thousand. It hasn't changed significantly. What probably has changed is that there's a growing population of Latinos, income levels are slightly higher but not much different. There are some developments that have taken place since we've been here. To the east of the property there's about four hundred unit apartment complex that was built. Across the street there's a

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dollar store that was built. There are plans, as I mentioned earlier, for building the library. The YMCA is fairly new, less than a couple of years old and there are some new, I guess you would call them townhomes or executive homes that have a price range of two hundred, two hundred-fifty thousand dollars that are right around the corner, a stone's throw from here. There have been some changes. What's very, very intriguing and interesting is that the city of Houston had a competition, if you want to call it that, where they would award disaster recovery funds to agencies throughout the city in five different areas. They selected this south union/OST community as a recipient of some of those funds which is going be the basis for the I-Tex Development Company Village at Palm Center. You see that those types of developments are coming into play; the library, the Village and Palm Center, the YMCA, the Oasis right here on Martin Luther King. Those developments are serving as a stimulus for even further development. If you go back to '93 there was literally nothing taking place, but now there's buzz about what potentially could happen in this community. Grocery stores, restaurants, different types of amenities that a community needs. It's exciting to see what was and what now is coming in a relatively short period of time.

ZS: There's been a lot of momentum building recently in the last few years.

MM: Exactly and a lot of that is predicated upon the light rail. The light rail will have a terminal station right here at Palm Center so this becomes sort of a destination location. People can get on the rail line here and go to the University of Houston. Right across the street is Texas Southern University. Go a bit further and they can go to Dynamo Stadium. Go a bit further, they can go from downtown and into the Hobby Center. Folks who want to leave their cars can park somewhere here and then go downtown. Ideally, we want to make sure that there are amenities to capture those folks who are the riders, those people who are going downtown or going to the University of Houston

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University. To have different amenities, whether it be a cafeteria style restaurant or a Starbucks or an ice cream shop, business incubator, those types of things are all what we look at and what we consider.

ZS: Tight now this is really fertile ground for development in this area. What do you see in the future? I guess, what do you think the future holds? You talked about some things just there.

MM: It's difficult to say exactly what it will hold. I mean if, we do know that it will never, Palm Center will never be what it used to be. An open air shopping center full of retail establishments like JC Penney's and Palais Royal, and Oshman's and the like. The demographics don't support that but demographics certainly could support as I said a moment ago, a cafeteria style restaurant. People have to eat. An ice cream shop, a barber shop, a medical clinic, a hospital, educational facilities, a business technology center that goes beyond what we have here currently, banquet halls, maybe even a grocery store. Not here at this site but if you start to build those amenities, if you start to bring in single family housing, if you bring in affordable housing and at mixed income levels now you attract more amenities. A grocery store becomes more attractive to an operator. Those are all possibilities but it remains to be seen because you have to determine what the best and highest use is of the land in the area. It's a foregone conclusion that it is fertile, this area, for further development.

ZS: And the Palm Center itself?

MM: Yeah, Palm Center itself. We're talking about structures that were built in 1955. Well they're solid and they're obviously being used but there's certainly an opportunity to transform this center. Still keep your same tenant base that you have, but enhance it. Build up as opposed to having a space that's not being widely utilized. Those are all considerations. It would be

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premature to say exactly what Palm Center will look like ten years from now but it won't look like what it does now.

ZS: Do you know, do you have any personal knowledge of the surrounding community's opinions on the Palm Center? Of the way that they used to view it and the way they view it today? Have you had an interaction with people?

MM: Sure, we have people who are from the community that view Palm Center as an asset for the community. You have a great deal of services that are offered. I think that there's always been the notion of adding retail and of course retail is predicated upon meeting the benchmarks for those different retailers so you have to be able to show that. In order to bring a Kroger's here or an HEB, they have certain demographics and certain benchmarks that they look at. While I've heard that from representatives from the community, there's only certain types of retail that going forward will be accommodative here at Palm Center. As the area transitions and as income levels increase and as you build rooftops, you know this area could grow and expand and transform like so many communities have around the city. I think that there's a level of support and sort of ownership that the community has with Palm Center, meaning that it's been here and it's always been something that people can relate to. I run into people all the time who tell me that, "Oh I used to shop over there and I remember when..." It probably never will go back to those days but it's our hope that you can have something that is equally as important for the community. I don't think the Palm Center will ever lose that notion of being a community asset.

ZS: Okay. Well it for sure won't be another retail place like it was in the past.

MM: It won't be a shopping center.

ZS: But do you think that in the future the community would ever view it in the same kind of cherished way?

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MM: I think they do now. I think, again there have been efforts afoot to sort of change Palm Center, to wipe the slate clean and start over. Each time that that's surfaced the community has rallied behind Palm Center and said that, "Wait a minute. Why are we doing this?"

ZS: Yeah I just read an article, I think it was from about a year ago, about HCC. There was a rumor that HCC would take over the Palm Center or something and it was Zinetta Burney and you and a bunch of the community was, I guess, asking questions about it like, "No. Don't take away Palm Center."

MM: It was and it was, exactly as you say, that was rumored because we have a and have had a, working relationship with HCC. They used to be a tenant here and I think that HCC has an interest in this community in terms of providing educational resources and we'd love to have them here. The rumors that were circulating about were likened unto something that happened back in 2008 which was HBDI, which is the owner of Palm Center, is going to sell it and that once it's sold that all of the tenants here will be evicted or they'll be displaced and that something else will be built. We've always considered ourselves a community partner so whatever happens with Palm Center will happen with support and involvement from the community. We exist because of the community and so I think that that rumor was pretty much, the purpose for the community meeting was to dispel any rumors and it was dispelled resoundingly from the mayor's office. Representatives from HCC were in attendance at that meeting as well as myself and others. Again you had a room that was standing room only with residents from the community expressing their concerns about Palm Center. So I think that the Palm Center will always be cherished by the community in whatever state it is, whether it's a shopping center or a whether it's a community asset with various components. Education

training, work force development, small business development, restaurants, banquet halls, you

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name it. Whatever the study determines is feasible and viable. I think you'll see that coming alive in the upcoming years.

ZS: Maybe older citizens are the ones who might have more, I guess, cherished memories of the Palm Center but you think younger generations maybe with the YMCA here and other things like the new park down over by the apartments? They're going to have, you know, good memories of this place in the future and cherish it just as much.

MM: Yeah, I do, I think that the center is not regressing but it's progressing. It'll have more amenities, more services, more resources. Again this will become a destination area with a rail line, a library, state of the art library, new developments, single family housing, mixed use, mixed income. I think that in itself will make this area attractive to old and young alike.

ZS: I think I read that you're on the board of directors for the YMCA? Is that true?

MM: Yes.

ZS: Can you talk about how the YMCA was brought here to the Palm Center area?

MM: We had about a little over 5.3 acres of land that was largely vacant facing Griggs Road and Martin Luther King. After many years of trying to persuade or coerce, attract a developer to come in, it was very difficult. We didn't own that piece of land we had a lease agreement, long term lease agreement. It wasn't the type of lease agreement that would allow us to actually develop the land, you need at least a hundred year lease so that you can then turn around and offer some to the developer. The city was approached, the city owned the land we leased it from them. The city was approached about the potential of using that land for a YMCA and after negotiations and going back and forth we terminated our lease agreement to accommodate the YMCA. The city worked out an agreement where the YMCA could have purchased that land and determined that it would be an ideal use at that time simply because there were no other

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activities, no other interests from private sector developers, although there had been like maybe an interest in a Walgreens or, not necessarily in the entire site but just in the corner. But other than that there wasn't much interest expressed so that came about as a result of the YMCA working with the city and the city's housing community development department and they were able to craft a deal that worked for everybody.

ZS: Okay. I just had a thought. I was going to ask another question but it just escaped me so, sorry.

MM: No. Take your time.

ZS: Let me just look through my questions because I've been jumping around.

MM: Sure, yeah. You'll probably find on that tape when you go back and listen to it we've covered quite a bit. Just jumping around as you said though.

ZS: There are some more things that I'd like to get into more detail into but I'd have to jump back I guess, or I could back track to talk about that. One of the questions, let me rephrase that... this is kind of before you but can you talk about what brought this organization to the Palm Center itself?

MM: The Houston Business Development Inc. as I said was established in 1986 on paper. In 1987 I became what was called "program coordinator" hired specifically to run a loan program. That was the only activity of the Houston Business Development Inc. The Palm Center on the other hand at that time had a relationship with the city by way of a contractual agreement. I mentioned that earlier about the partnership between the local accounting firm and City Venture out of Minneapolis, Minnesota. When that project, that particular contract, had some issues with compliance with HUD and The Office Inspector General stepped in and said no more money can be used on that project. It was then that city decided, "Well what are we going to do? The city's

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not in the development business, not directly. So they said, "We will take the organization that we've created, Houston Small Business Development Incorporation, spin it off and allow it to operate autonomously and merge with the activities of Palm Center and they would then take that over." That's exactly what happened. In 1993 we spun off from the city, which wasn't a bad thing because it enabled us to have more autonomy also with our lending activities. It's very difficult to conduct a loan program within the auspices of city government because you have so many layers of bureaucracy. As an example, if we wanted to approve a loan that was fifty thousand dollars, which is a small amount, we would have to go through so many different layers that by the time we got the approval from city council three, four months have passed. Well the business could have gone out of business in that period of time waiting to get a loan. You have to have an expedited process, a timely process to be able to respond to the working capital needs, the equipment needs, the growth and expansion needs of small businesses. It was really expedient for us in two different ways. One, politically expedient because Palm Center was mired in controversy. We could squash that and get the project back on track. Then expedient for us because it allowed us to sort of streamline and expedite our lending process. In 1992, '93, officially '93, we came out to Palm Center and began to manage it. We spun off from the city and became a separate nonprofit 501c3. Prior to that we weren't a tax exempt organization, we were just a nonprofit that filed with the state of Texas but we weren't tax exempt. We became a tax exempt organization in '93 and began to manage Palm Center, the ongoing redevelopment effort, and provide management and technical assistance and lending activities to small businesses. That's what brought us here.

ZS: Originally the city took over the center and they had in mind, I guess their goal was basically to create HBDI? Or this organization as it was then, and so that it could re-stimulate the University of Houston

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area, right? That was the goal at the time when it failed I guess in 1980, in the early 1980s, as a shopping center? They were like, "Okay. Well let's come in and we can use this center, save it, and try to re-stimulate the area?"

MM: But it wasn't . . . Yeah, you're exactly right. The city, under the auspices of the Housing and Community Development Department, the former director of that department, Ephraim Garcia, along with the support of several city council members, decided that they could take Community Development Block Grant funding and stimulate growth here by working with private sector developers to come in and reposition Palm Center. They did that not with HDBI, they started that process with Palm Center Management Company, the Tillman Trotter Foundation. Those were the groups that were involved in the initial redevelopment effort of Palm Center, from a defunct shopping center to a complex that would have a vocational school, would have an incubator, it would have a police command station and then they would build it out in phases. That's what met with some controversy because the development team that was in place got themselves sort of crosswise with complying with the regulations. Finally HUD stepped in and said no more funding can be used for this project. The city never managed Palm Center directly. They used their resources to induce developers to come in and redevelop or take on a development project. When that effort was thwarted and they again ran into some difficulty, that's when the city said, "Okay what are we going to do? We're going to sever our ties with this group and now we're going to work with the organization that we created that's a nonprofit and allow that organization to manage Palm Center along with their other activities." That's how we got involved. We weren't the first effort to try to redevelop Palm Center. The first effort was not successful. Then we got involved, put together a master plan, got the green light from HUD to once again resume redevelopment efforts, and fast forward to today and that's where we are.

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ZS: Part of being a 501c3 organization, or nonprofit organization, I guess, is providing a sort of charity to the community and trying to prevent community deterioration, right?

MM: Right.

ZS: What year did you say that you guys achieved that status?

MM: We always . . . Well let me back up. The mission of the company has been the same since 1986 on paper. We became a tax exempt entity in '93, which basically said we applied to the IRS to be considered as a charitable organization so that if somebody makes a donation or a contribution to us they can write that off on their taxes because what we're doing is helping to stimulate growth, revitalize the community, combat deterioration, create jobs, all of which qualifies for a charitable purpose. We started that back in 1993. We have since applied for other designations with HUD that further expands our reach and our scope of services. We're classified as a Community Based Development Organization with HUD, with the US Treasury Department we're classified as a Community Development and Financial Institution. So the mission and our focus has always been the same.

ZS: Can you talk about, you said that there's always going to be some sort of turn over here in the Center and you mentioned Kelsey-Seybold and HCC which aren't, they both aren't here anymore, right?

MM: No.

ZS: Okay. Can you just talk about I guess the life cycle of businesses in the Palm Center since HBDI has been here? The reasons those businesses, I don't know exactly why they left or . . . ?

MM: Well, yeah, sure. Just like with any business you have expansion and growth opportunities. Kelsey-Seybold built a brand new facility on Holcombe which is their flagship

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organization. This was in close proximity so it didn't make sense for them to continue to lease here. We sign leases with businesses based upon what their need is. You may have some businesses that will sign a one year lease. You have other businesses might sign a five year lease, other businesses that will sign a twenty year lease. We have some that are more long term and then you have some that may be here for a year or two years and then they're looking for a larger space. With HCC they built a campus on Reed Road and 288 that was in close proximity to this facility again so they decided "Well we've got the southeast campus, we've got the central campus, and we've got a brand new campus right off of 288 so we won't continue our lease."

Now on the other hand you have agencies like the library, they've been here for more than a decade. The post office, the constables, justice of the peace, tax assessors, those agencies are . . . well we would call or consider anchor tenants that are going be here. People come and go based upon what their business model is.

ZS: I guess I'm just curious about maybe organizations that might have failed in some ways or might have... I don't know, just curious about if there's been any struggles with certain businesses in this, in the center and maybe what those reasons were that they struggled.

MM: I don't know of any that have actually struggled here. Again typically the businesses that have left have left because of their business model. You may have some small start-up businesses that are trying to get traction and it just never happens so they end up leaving after their one year lease expires. We've not had any problems with people that have come here and determined that, "I can't be successful because of that community or that market place." That's not been the case.

ZS: So can you talk about some of, maybe, success stories with HBDI and the businesses they've helped?

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MM: Yeah, we've helped a number of businesses. One that I particularly like to talk about is a small shoe store. This is typical of the type of financing that we can provide and I'll give you a couple of examples of both tenants as well as borrowers. This company was called Affordable Shoes. They approached us back in the 90's; they wanted to borrow money to start up a shoe store. Well, the principle of the company had experience; he ran a shoe store as a regional manager in the Chicago area. He moved to Houston and decided he wanted to go at it on his own, start his own business. He approached the private sector lending institutions and banks, they couldn't help him because he was a start-up. Most banks don't do start up financing. For a start-up business you typically are going look for funding from FF&A, Family, Friends, and Associates. Or some investor who believes in your business, an angel investor, but then they have an appetite for certain types of businesses. Investors, angel investors or venture capitalists, they may say, "Well I'm interested but I'm only interested in transactions that are two million dollars or more that are high tech and that will give me a 29% return on my investment." Just as an example. Here you got a guy wants to start a shoe store, a retail establishment. Not many takers on that so we worked with him. He gave us a detailed business plan. We made him a small loan in the range of fifty thousand dollars. After about six months he came back to us and needed to borrow more money and so we walked him back to the bank that referred him to us, back then it was called Lockwood National Bank, Co-American Bank today, and so now because we had made him a loan and they could see a track record, they could see that he was pretty stable, they made him a loan. We made and additional loan and they made him a loan a little bit further down the road. That business grew to doing over ten million dollars in sales at various locations in malls throughout Houston, also expanding to the Atlanta area. Very, very successful business created a bunch of jobs. Another example would be a business that started here as a tenant.

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ZS: In the Palm Center?

MM: In the Palm Center. Our model is to help businesses that are emerging and start-up businesses that may be operating out of their home, home-based business, but they can't grow, they can't expand. You can't entertain clients at your home or you tell somebody that you're trying to project this image that you're a solid and strong company, professional, and they say, "I'd like to see your facilities," and your facilities are in your apartment. We created, intentionally, office space that would be affordable, hundred square feet, lease for about two hundred dollars a month, a dollar and ten cents a square foot when we first started and it's still very reasonable at the rates that we charge. At any rate we made a loan, or we provided an office space to this business; the business was able to generate contracts and grow their business and expand to the extent that they had to move away from here but when they moved away they moved into a warehouse and now their business is doing millions of dollars and has created a number of jobs. I could go on and on and on talking about those types of projects but that's what our role is, to help grow businesses to help them expand by giving them access to affordable space and various support services, management and technical assistance, and to give them affordable financing with flexible repayment terms.

ZS: Earlier we had talked about or I had asked about maybe the struggle with HBDI and trying to get the word out, you know, trying to make it well known because you said you don't have as much funds for marketing. It's kind of more like a secret kind of hidden here in the Palm Center, not well known to the community, I guess. What kind of plans does your business have to make it a more well-known household name, like you had said earlier?

MM: That comes with growing, expansion plans I think, as you . . . I mentioned two designations, one is a CBDL one is a CDFI. Both of those are recently obtained and they afford

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us the opportunity to be able to grow and expand by accessing alternative sources of capital.

With those alternative sources of capital and a larger footprint we can grow, we can expand. Our name becomes more well-known because now we have greater capacity. But when you have limited capacity there's not a whole lot you can, there's not a whole lot you can do. It's not for a lack of effort on our part; we're not unlike any small nonprofit. For example, if I threw out some names to you, you likely will never have heard of them. Have you ever heard of Texas Mezzanine Fund?

ZS: No.

MM: Or People's Fund? Or the San Antonio Economic Development Loan Program? Or the Southern Dallas Development Company? These are all agencies that are very similar to us. People don't know about them because they are small nonprofits and they have a niche. But we, again, put on workshops, seminars. We have one coming up I think on April the 26th that will help introduce our clients to the National Association of Minority Contractors and introduce the Minority Contractors Association clients to our services. We may have thirty-five to seventy-five people in attendance and so we build a database. We begin to get word of mouth when people find out that, "Hey. They made a loan to Kim Son Restaurant or to Mai's Vietnamese Restaurant or to This Is It Family Café." And, "Oh I didn't know that they make a loan to a restaurant. I'm trying to get my restaurant started." Then people are referred to us. But no, it would be a long time before us, before we become a household name because we're limited. Banks have billions of dollars in assets, a small community bank has ten billion dollars in assets. We don't even have close to a billion. We don't even have close to a hundred million, ten million. So yeah, we're not going to be a household name for a long time.

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ZS: Yeah. I guess I've been trying to understand and you've let me know a lot which had kind of changed my understanding of this business and I didn't know about nonprofits and the struggles that they have so this is all new to me.

MM: Nonprofits have to raise capital and our challenge was, is that we were a governmental entity. We were considered a component unit of the city so we didn't have any other sources of capital but one source that was the city. Well the city only gives you so much money so if they give you, let's say two million dollars, that's it that's all you have. You can't go out and raise other sources of capital from other entities because you're a governmental entity and nobody's going to give money to a governmental entity. But as a CDFI and a CBDL we're no longer considered a governmental entity so we can reach out and raise capital. If people like what we do and they believe in our mission and our vision, then hopefully they'll partner with us and come alongside and help us to grow and expand.

ZS: Well it seems that since you've been involved here it's really turned around and it's, you know, the momentum is building, right? It looks like the future is bright so that's good.

MM: It is. I really believe that and I would be remised if took credit for that. We have a board of directors, very committed and dedicated to what we do, share the vision of revitalizing communities, stimulating growth. I think when you have that, when you have a mission driven organization and individuals who buy into that vision, you can partner with other organizations and build these collaborations then yeah, the future is bright. You can makes some things happen.

ZS: Well it's been close to an hour. I, um, let me just check if I have any more questions.

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MM: And if you do you can always give me a call. I'd be more than happy to share with you what I have and please let me know when you finish your article. I'd love to get a copy of it and see how you, how it turns out.

ZS: Okay. I'll make sure to let you know if I have any more questions.

MM: Sure.

ZS: Okay. Thank you.

End of interview.

