

A middle-aged man with light brown hair and blue eyes is seated in a dark brown leather armchair. He is wearing a dark grey pinstriped suit jacket, a white dress shirt, and a red and blue patterned tie. He is looking slightly to his right with a thoughtful expression, and his hands are raised in a gesturing motion. The background shows a portion of a room with a wooden desk, a framed picture, and a decorative object.

A
Big vision

Michael Stevens gets the job done in real estate and civic activism.

By **Mark Hiebert** and **Rachel Zoch**, HAA Staff

Photos by **Mark Hiebert**

While 2006 Hall of Fame recipient Michael Stevens might not be the most familiar face at Houston Apartment Association general meetings, his work in the multifamily real estate business and his civic and political activism has played a tremendous part in reshaping the Houston region.

Stevens is chairman of Michael Stevens Interests Inc., a company he founded in 1981. Michael Stevens Interests has developed and managed more than 84 real estate projects valued at over \$600 million, representing more than 10 million square feet of building area and 10,000-plus apartment units. His company presently employs more than 150 people and owns and manages more than 5,000 apartment units on 26 properties.

ABODE met with Stevens at the company's corporate office. Situated just south of Interstate 10 on Dairy Ashford, his suite overlooks what not too long ago was the far western edge of the city. Walking into his office, visitors will note a varied collection of Western art, a couple of mounted trophies, family photographs, awards and mementos from a long career in real estate development.

Evidenced by the awards, Stevens was a serious golfer, but priorities shift. Chiefly, grandchildren shifted his recreational priorities.

"I used to play a lot of golf, but I've kind of gotten away from that," Stevens said. "I don't play as much now, since I spend more time with the grandkids. My grandkids play golf, and I walk around and show them how to hit the ball.

"It's kind of interesting. I had to weigh all that. You kind of end up having to decide where your time is going to be spent, and I clearly consider my grandchildren much more important. Grandkids are a lot more important, and they're going to be around a lot more, so I'm going to devote my time – that's an easy priority."

A native Houstonian, Stevens graduated from the University of Houston in 1973 with an undergraduate degree in business administration. He served and was honorably discharged from the United States Marine Corps. He and his wife, Kim, have one daughter and three grandchildren.

Alongside his business ventures, Stevens has served in a wide range of roles on behalf of local and state government and in service to organizations such as the Greater Houston

Partnership, the Texas Urban Transportation Alliance, Baylor College of Medicine, Texans for Lawsuit Reform, the Brookings Institute and the Harris County-Houston Sports Authority.

Transportation issues have been a major focus for Stevens' involvement on the state and regional level. Stevens chairs the Transportation Task Force of the Governor's Business Council, whose efforts led to the adoption of the Texas Metropolitan Mobility Plan by the Texas Department of Transportation. According to the Texas Department of Transportation, the plan has allowed almost 90 percent of metropolitan mobility projects planned between 2004 and 2015 to begin in half the time. For the Houston region this amounts to about \$4.1 billion in transportation infrastructure and includes accelerated expansion of I-10 and I-45.

Locally, Stevens was intimately involved in Houston redevelopment initiatives that began

What follows is some of what Stevens had to say about the real estate business, his company and his hopes for the Houston region when ABODE caught up with him in mid-July.

ABODE: How did you get started in the apartment business?

Stevens: I was involved in a public company, and we were in multiple businesses and had a big tax loss that we needed to take advantage of, so we decided to get into the apartment business in 1974 to utilize the tax loss. We bought real estate from Fred Rizk, Harry Reed, and the Dinersteins. Through a complex tax transaction, we bought a couple thousand units back then, and that was my beginning in the apartment business. I haven't been able to find my way out of it yet.

I decided to start my own company in 1981. Before then I told everyone I was going to get

"Politics in reality drives everything about our lives — the legislatures, the legislation and laws." — Michael Stevens

under the administration of Mayor Bob Lanier. In 1995, Lanier asked Stevens to serve as the City of Houston's first Assistant to the Mayor for Housing and Inner City Revitalization. He is also credited with the creation of the Homes for Houston program which built, rehabilitated or improved more than 20,000 units of affordable housing stock in the city of Houston during the Lanier administration.

Downtown projects in which Stevens has been directly involved include the renovation of the Rice Hotel, the development of the 1,200-room downtown convention center hotel, Minute Maid Park, Reliant Stadium, Toyota Center and Bayou Place, along with Midtown apartment development, the redevelopment of Gulfgate Mall and the demolition and reconstruction of Allen Parkway Village and the related Fourth Ward revitalization.

Stevens also served as the finance vice-chairman of the Harris County-Houston Sports Authority. He was responsible for structuring all financing as well as heading the negotiating team responsible for Minute Maid Park, Reliant Stadium and Toyota Center – projects that made dramatic changes to the face of Houston.

out of the apartment business, that I was only going to build office buildings, that I wasn't going to do any more apartments. One of the people I used to do business with called, wanted me to get back into the apartment business. I said no. Finally, he called and offered me this large amount of money, said we want you back. That's when I said, "OK, I'm in."

ABODE: You're also pretty involved in the political arena. Why is that important to you and why is it important overall?

Stevens: Well, of course, politics in reality drives everything about our lives – the legislatures, the legislation and laws. The argument that you can stay away from it and have no impact on yourself is absolutely incorrect. I think it's an area that affects us all – that affects the tort laws as well as our business. I primarily do it not related to my business – my political involvement isn't driven by the apartment business or the real estate business.

ABODE: You're involved with Texans for Lawsuit Reform. Why has that been important to you?

Stevens: Lawsuit reform is probably the single most critical thing in this country, and I think [Texans for Lawsuit Reform] has been the driving force in lawsuit reform in Texas as well as setting an example for leveling the playing field in tort throughout the United States, so I think it's probably one of the single most influential organizations. In addition to that, my political interests usually coincide with those people that support tort reform. It doesn't create a conflict for me to support people who are supporting tort reform because normally they support the other political views that I share.

ABODE: Tell us about your experiences with Bob Lanier and the City of Houston.

Stevens: When Bob Lanier was mayor he asked me to help figure out what we could do to try and stimulate and maximize the utilization of housing in the funding that the city had. At the time, the city was doing about 250 to 300 units of housing a year. That was really the total amount of newly constructed and/or supported housing. We figured out that we should build about 5,000 units of housing a year, either new or rehabilitated – or support projects that were going to be constructed or rehabilitated. We did about 20,000 to 25,000 housing units during that period of my life.

When Mayor Lanier left I really chose not to continue in that role, but I was involved in the Harris County-Houston Sports Authority at the time, so I had to continue to help with the stadiums. That role has become a little more expanded since last I was involved in it. I was vice chair of finance of the Sports Authority and I negotiated all the transactions with the owners, so that took a couple of years of my life.

ABODE: What kind of vision do you see for the continued revitalization of downtown?

Stevens: Initially, when we originally looked at downtown to revitalize it, we considered three things that needed to be done: the demolition of Allen Parkway Village, the redevelopment of the Rice Hotel, and the redevelopment of the Bayou Place project, which is where the Angelika Theater is today. I don't believe the public sector should drive development. We felt that if we could stimulate those projects and get them going, it was really ripe for redevelopment. That has really happened, and I think that will continue to happen. I don't think this city needs a lot of public sector support. The downtown is on its way: It's a great place, it's supported by the private sector, and I think it will continue to grow and boom.

ABODE: Why did you think the Sports Authority would be important?

Stevens: I was kind of talked into doing the Harris County-Houston Sports Authority. Part of it was the fact that it was redeveloping a section of downtown, but it was really more that Lanier had asked me to do that because they really had enough money to do one stadium in most people's view. He thought that if I would negotiate all the different deals and structure the financing, we could get maybe two or even three stadiums. So that was the purpose for doing that – to help the city end up with more than one venue out of the money that we had been allotted. We ended up with three, so that was my purpose there. It wasn't tied to downtown originally, but it does have, obviously, a lot of downtown implications.

ABODE: That work took you away from this business. When you came back full-time, what kinds of challenges did you face?

Stevens: I've never been totally uninvolved with my business. I've been involved in the real estate business – that has been part of everything I have done from a public perspective – and I've always had my business operations. We've done quite a few projects in the interim period.

In the mid-1990s we acquired a lot of real estate, so my company was being operated but I was probably giving it 10 to 15 percent of my time. I'm actually still involved in quite a few other projects. I finished the downtown hotel after I left the Harris County-Houston Sports Authority, so we did the hotel – the big 1,200-room convention hotel – and then I'm chair of Baylor College of Medicine's building committee, and we have quite a bit of construction going on. I'm still doing a lot of that sort of thing, but I'm also devoted more to my business than I was in the past.

We are building. We're in the process of building apartments. We have a 10-year, \$1 billion development program under way – that's just our apartment program, that doesn't include other types of investments. We're in the middle of starting that off, so we'll be under construction within the next few months on our first project, and we will build two to three a year over the next decade.

ABODE: Why such a big project?

Stevens: Well, that's the way I think. When I devote my time to things I have a tendency to want to establish relatively large transactions – that's what kind of satisfies me.

ABODE: Why do you think now is a good time to be developing in Houston?

Stevens: Over the last decade we have had a reduction in the number of households going into apartments. Homeownership has risen in the last decade from 55 percent to more than 65 percent. During that time the absorption of the apartment market has been diminished, and I believe that is over. The interest rates are higher. We have other items that are driving costs, so I believe the apartment market will be more attractive and, long-term, a stable investment market from our perspective. It has been rather negative the last five to six years.

The economy of Houston will strengthen and I think it's a good investment opportunity. Texas in general is a great place to develop, so while I'm not necessarily committed to any particular location in Houston, in Texas, I believe Houston, since I've been here, is a place that we will always have at least one project going.

ABODE: What do you see as the long-term position for this industry?

Stevens: Texas is growing. The urban areas represent about 16 out of 21 million people in the state population, and 90 percent of all the growth in the next 25 years will be to the urban areas, so I think the urban areas will be challenged for living space.

I think our attractiveness as a community, historically, has been housing cost, and I think that will still be a driving force, to a certain extent, but I think it will be less attractive economically for people to be able to afford housing. I think there is going to be a lot of pressure from everyone, for all aspects of the industry – both single-family as well as multifamily – to provide all the housing we need in the next 15 to 25 years to satisfy all of the people who are going to be moving into these communities, as long as the Texas economy continues to grow.

I think the Texas economy will grow strongly under the current regime. In my view, the political and legal issues – the tort reform issues, as an example – have been resolved, so it's a very attractive place to do business. The political environment is strong to support business, and the economic development efforts of the governor are strong. I think there are a lot of things that will cause, if anything, an increase in the population of the state that may be more aggressive than most people project. It's just going to be an interesting place to do business over the next 10 to 25 years.

The perception of growth, generally, is that I

have an area downtown, it's going to have people stacked on people, and it's going to be like Manhattan, and that's really not the way Houston has ever grown. I think you will see other core areas sprout up like the Galleria and Greenway Plaza. I think those will continue, just like [the energy corridor] here on the west side has grown.

I think housing will continue to be in concentric rings and, as we add a million or two million people, I think it will not be as crowded as people think, but I think it will be critical to have open transportation corridors.

I'm very involved in transportation, as well. The trick is to make sure that we have adequate right of way in the future. For example, Interstate 10: The only reason we have right of way on Interstate 10 today is because we were able to take the railroad corridor.

ABODE: What part do you think that other modes of mass transit are going to play?

Stevens: Inconsequential. Of course, I was in the middle of that fight, but the reality is that mass transit handles less than 5 percent of the work trips in the United States – about 2 percent of the trips. It's lost market share every year for the last 40 years, so it's really not going to be a substantive player.

The key is that the American public likes automobiles. Until Americans change their mind and don't like automobiles, you have got to provide a place where they can drive. There are ways that you can manage transit – I think you should always look at opportunities – but you can't spend 40 percent of your transportation budget on 4 percent of your transportation uses without going broke at some point.

In my business, if I spent 40 percent of my money on 4 percent of my revenues, I'd be belly-up by now. We have to wisely use those monies, and I think there are places for transit, but it really needs to be cost-effectively evaluated.

ABODE: Do you think that multifamily owners and managers would do well to take more of an interest in these things and be more active?

Stevens: Yes. I believe that there is a philosophical view by the Legislature that as they tax the multifamily market more, that they tax the owner instead of the resident. It is critically important that our industry clarify the fact for the Legislature and for others that a tax on our industry is a tax on the people who live in the apartments. It's not a tax on the owners.

There is a history of continuing to tax our

industry disproportionately to the single family industry, and what it does is it makes it more difficult and more expensive for residents to live in apartments as relative to home ownership. That's interesting, except for those who can't afford to go to home ownership are being taxed disproportionately from those who can. I think it is critically important that people in our industry take a very active role. If we don't take a very active role, then we're going to continue to lose ground to other portions of the real estate industry.

ABODE: More than any other real estate business, people are a huge factor in the apartment industry. How do you motivate, retain and get the results that you want out of your staff?

Stevens: The most important thing from my perspective, both in business as well as employees, is we expect integrity and excellence. As an example from the top down,

“Just do what is right. It's really not nearly as complicated. You can have the greatest manual in the world, but you do what is right.”

we take care of our employees. We've had people who have gotten sick, and we take care of them over the years. We treat people as good as or better than anywhere else. We have a great staff. This company doesn't run because of me, it runs because of the people who work for me.

Just do what is right. It's really not nearly as complicated. You can have the greatest manual in the world, but you do what's right. If people need help, you figure out how to help them. We try to do it, period. We do it with residents. We want to be the best place to live, the best place to work, the best place to challenge yourself and grow. As we grow, there are opportunities for the people who work with us to grow.

ABODE: You are very involved with your church. How does your faith inform what you do in business and politics?

Stevens: My faith drives all that. I believe that it is critically important, that this country was founded with the ability to practice your faith, communicate your faith, and talk about your faith, and it has become a place where that isn't necessarily so any longer.

So I think two issues drive my political involvement. First, my religious beliefs, and secondly, my belief that if they destroy our country and if our Constitution falls apart, you

don't have a place to practice religion or your religious beliefs, nor do you have a place to do business or attract others, and I think those are enormously at risk.

I think that ultimately I try to run my business based on the way I believe that God would have me run it. I think I try and treat people that way, that I try to handle things well, and I try to utilize and give back my time as best I can. The Lord has been very good to me and I have been very fortunate. I grew up in this city without anything and I have been very blessed and feel an obligation to do what I can to give back to the church and the community.

ABODE: How has the association been important to you in your business?

Stevens: Well, first is, I think the apartment association is a great place to train and a source of employees and vendors, and just information, both legal as well as others. It's been a key ever since I was in the business to supporting those in

the management business, and I think it has continued to do so and it has expanded over time. We consider it a place where we can train employees, that we can find employees, that we can interact with other employees and get our legislative assistance. It's a great resource for us – it always has been.

I don't commit as much of my personal time there – I never have because I don't use as much of my personal time on my management operation, but it's critical for our management company and our employees, and I think that the more the apartment association does to train the people in this industry, when they leave, when properties are sold, they're better trained on average and it provides a great source of employees.

We've built or owned tens of thousands of apartment units, we have a very active role in this industry, and I do believe over time – I know that over the last 20 years – the industry has become a lot more professional, and I do believe that is attributable to the apartment association. There wasn't a common place to get knowledge, information or education before, and I think that it's made a big difference, and I sincerely think it's a big deal.

I think that the more professional our

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organization has become, the more we can attract people who have college degrees and all the other types of things we used to have a more difficult time attracting. So we got a lot of people who want to be in the industry; it pays well, it's an interesting place to work, and I think that a lot of that has happened because it's just become more and more qualified and more and more professional over time. I think that a lot of people have contributed to that, but I think the apartment association has by far, and that's been a big plus for our organization.

If you take the simplicity of the industry, it basically says that if you provide a good, quality place to live, then people will want to live there, they have a tendency to pay more and they won't move out as frequently. You don't have as high a vacancy rate, and when you don't have people move out and you provide a good place to live, your costs are reduced because you don't have turnover. You have a better quality of resident, they take better care of the property, and there are all sorts of good things that happen as a result of providing good housing.

If there is something wrong with an apartment project, everyone wants to sell it. Instead, you find out what's wrong, you fix it, you make everybody want to live there. If you fix the fundamental problems in real estate, you will ultimately solve your financial problems at the same time. Then, if you want to sell something, fine, but usually you turn around and say, "Wow, why sell it?" 🏠

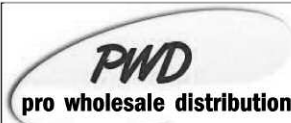
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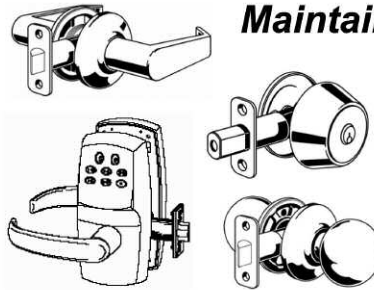
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