

URBAN HOUSING REHABILITATION
A Joint Strategy for Housing Urban Poor

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introduction

URBANIZATION

Urbanization is one of the major concerns of the twentieth century. The issues regarding the increasing influx of the population to the existing urban cores as well as the formation of new urban environments have gained the attention of many disciplines in our modern societies.

Cities are constantly expanding, leading to the formation of metropolises which are well beyond human control and comprehension. The number of such metropolises is constantly increasing.¹

Urban areas have provided a magnet for attracting people from rural areas. The primary incentive for such an exodus from rural areas to urban environments is economic in nature. People come to urban areas with the hope of providing themselves and their families with better job opportunities and of improving their living conditions by maximizing their benefits.

It is also one of the underlying characteristics of human beings to form social gatherings to increase their chances for human contact. We learn from each other, we enjoy each other's company and, most importantly, we can provide better living conditions and extend the domain of our possibilities by pooling our intelligence and diverse capabilities.

Socialization has economic ramification which, in itself, encourages people to take part in social gatherings. Urban environments provide ample opportunities for human social interaction. Throughout history, urban centers have served as environments for economic exchanges and social gatherings. Farmers and other producers brought their goods to urban centers for the purpose of exchange.

Due to such a sizeable congregation of people in relatively small geographic centers, urban places have produced tremendous job opportunities which become powerful magnets for attracting job seeking rural dwellers.

Such ever increasing urbanization, along with other phenomena such as population explosion and facility of means of transportation, has caused a tremendous growth in urban areas.

Traditionally, growth has been considered as a healthy sign of existence. If a person's business grows, his economic benefits will increase considerably, thus the owner justifiably considers himself a successful economic entrepreneur. But, suprisingly enough, the summation of individual growth in urban communities has not always produced a collective and holistic urban success. Based on urban experiences in this country, as well as numerous other European and Asian countries, we have come to believe that there must be a limit to growth and expansion. In the past, uncontrolled and unmonitored growth has facilitated the creation of magalopolices which are obviously oppressive to the human soul, and harmful to human health and well-being. Formation of such colossal urban environments has constantly jeopardized the health of its inhabitants by exposing them to air pollution, water pollution, and numerous physical and social pathologies.

Indeed, these negative aspects of large urbanized areas do not manifest themselves quite as strongly as in smaller urban settlements. But excessive permissiveness, laxity in controlling growth and allowing for over development, ultimately produces negative features which will outweigh the advantages of urban settlement and eventually defeat the initial purpose of creating a healthy and prosperous environment for human interaction and economic well-being and exchange.

It is recognized, that in order to ameliorate the conditions of the urban environments, we must plan for growth and put a stop to inadvertent

development which is plaguing the cities. We must also reduce development substantially when an urban area approaches its full development stage.

The question which has baffled planners as well as other concerned disciplines has remained unanswered: What are the vital signs that an urban area has matured or has reached its full development stage? Indeed, a clear-cut answer to this question cannot be made, but diverse disciplines such as sociology, psychology, ecology and others have made attempts to provide basic guidelines by which growth can be directed and controlled.

From the ecological and physical standpoint, it has been argued that depending on the physical and natural characteristics of a piece of land, a 'carrying capacity' can be determined.² This method of rating the natural characteristics of land will provide some guidelines regarding the nature and the extent of the development that land can carry without being destroyed. If development exceeds this capacity, the natural resources necessary to sustain the development will be consumed at a rate faster than they can naturally be reproduced.³

From the sociological and psychological standpoint, it has been shown that the incidence of physical diseases as well as social and psychological disorders is higher in more concentrated human congregations than in less dense quarters. Constant efforts have been made to reduce the density of crowded housing arrangements (city slums) in order to prevent social conflicts as well as psychological and personality disorders.

What needs to be realized is that if a city reaches the development stage which becomes less conducive to human affairs, causes its inhabitants to lose their sense of identity and human contact, and becomes detrimental to human health and well-being, it can safely be assumed that it has failed to provide what it was initially conceived to provide, thus, it no longer can be

considered as a humane environment which flourished for human existence, and stands as a human achievement.

Some of the twentieth century urban environments have explicitly demonstrated the disadvantages of inadvertently grown cities, among which urban sprawl, inefficient transportation systems, lack of decent housing, and numerous health hazards can be mentioned.

PLANNING

The profession of urban planning has emerged from the concern to increase the utility of urban environments. Planners of our time have generally come to believe that in order to mitigate the major problems of our cities, we must develop our cities according to a well-conceived and controlled development scheme⁴ thus stopping sporadic and inadvertent expansion of our cities. Planning also calls for better and more efficient utilization of the existing corporate areas within our cities. But, unfortunately, the prevailing planning approaches and schemes often employed do not seem to draw sufficient attention to the concept of renewal as a means of increasing the efficiency and usefulness of the existing areas within the urban environment.

Most planners and public officials seem to adhere frantically to the traditional concept of 'solving the old problems with new development'. Such an approach has exacerbated the severe problem of urban sprawl and undesirable proliferation of cities. The majority of these practitioners have not yet come to the realization that continual persistence in the 'single-minded' traditional approach to planning has not only failed to provide acceptable solutions to our urban planning problems, but also has further complicated such difficulties.

Our present city planning approaches and urban development schemes

exhibit some severe imbalances between new development and renewal efforts. Our present approach emphatically underlines new development solutions and does not provide adequate incentive for revitalization and rejuvenation of the existing developments. Such an approach to urban planning is indeed the result of the underlying characteristic of our 'throw away' culture. We seem to be extremely fascinated by the idea of manufacturing less durable and disposable goods which are primarily designed to be used for a short period of time and discarded shortly thereafter.

Such prevailing equanimity has indeed influenced the concepts of environmental planning and design. Often, places are designed to accommodate rapidly changing present uses and are abandoned in the future because of either premature functional or structural obsolescence. The apparent results obtained by such a partial and inequitable approach to planning have been 'disposable environment' which in turn have caused urban obsolescence and decay, and the death of the center of our cities.

Our urban planning approach is imbalanced because the amount of effort given to new development by far surpasses the extent of the effort given to the rejuvenation of the older parts of the cities to help regain their livability and economic vitality.

CITY PLANNING AND NATURAL RESOURCES

The inefficient and inappropriate utilization of natural resources has often been cited by critics as another characteristic of the present urban development scheme. The prevailing profit-seeking economic view of land as a 'commodity' for instance, has been perpetuated to the point that the scarcity of this limited natural resource is becoming more and more apparent.

The Energy Crisis of 1973-1974 can be considered as a blessing in disguise. At least it demonstrated the fact that our cities are wastefully

designed and excessive reliance is placed on the availability and consumption of the natural energy. The Energy Crisis had the environmental designers as well as planners realizing that there is a limit to every consumption and that the prevailing environmental and urban planning schemes must reflect this major concern.

Another apparent characteristic of our culture is the lack of response to early warnings. Small, but persistent, problems are often labeled 'insignificant' and are put aside until they reach the crisis stage. Many times we have witnessed the decline of a certain neighborhood physically as well as economically, but often, efforts to reverse the trends to stop the declines are not made until it becomes practically impossible to restore the economic and physical vitality of the neighborhood. Thus, the only route left would be a total or substantial clearance of the neighborhood, an approach by which not only buildings are razed, but also history as well as established social patterns are utterly destroyed.

CITY AS AN ORGANIC BEING

Cities are the products of human actions. They are the result of organic processes of evolution. Cities evolve in response to the prevailing philosophies as well as the social and physical needs. As environments for man, they are as organic and alive as people.

Architects and urban designers have often been quoted as viewing the cities as organic beings in which numerous but interrelated networks are at play.⁵ This philosophical approach to environmental planning is a more mature one. It attempts to point out the fact that complex entities such as cities and urban environments are more than the summation of their individual components. Equal emphasis is placed on the interrelationships of the constituent elements.

One of the major characteristics of any organic being, which, unfortunately, has not been seriously considered in city planning and architecture and has not been successfully learned from the natural process of organic development, is the phenomenon of revitalization and renewal.

Any organic being rejuvenates itself and renews its exhausted and worn out cells in order to increase its useful life. But, as it was pointed out, we seem to have chosen a direction quite opposite to the natural organic process and development.

The architecture and city planning approaches often employed are the proof of our fascination for less durable and unrenovable products. The centers of our cities, which once played an important role in the formation and development of urban settlements, are now dying as quickly as suburbs are developing. Today, in most large American cities, the center of the city is often labeled as a 'no man's land'. All sorts of social pathologies, as well as physical disorders, are manifesting themselves in such decaying areas.

Sooner or later we must realize that suburban expansion, along with inner city obsolescence, cannot continue indefinitely and permissiveness and lack of control to city development and design must be brought to a halt.

We must reach the realization that regardless of how painful the idea might be, we should put wasteful ideas and arrogance behind us and pool our resources to restore the creditability and the significance of our cities for they, once again, must become the signs of human harmonious existence and collective concern.

PURPOSE AND SCOPE

This research starts with the notion that cities are worth saving. If well-planned and maintained, cities can provide efficient physical environments in which human activities can successfully take place. This writer intends to explore the notion of neighborhood conservation and rejuvenation as a means of extending the physical and economic life of the city at large and to identify and explore the issues which are of importance in any rehabilitation effort.

Specifically, this research will consider the concept of urban housing rehabilitation and attempt to identify the problems which traditionally are associated with such renewal endeavors. It also attempts to examine the concept of urban housing rehabilitation as a means of providing adequate housing facilities for low and moderate income families. It attempts to identify the difficulties traditionally associated with urban housing rehabilitation and to explore some remedial actions devised and used in rehabilitation efforts. Finally, it is the aim of this research to identify future directions by which housing rehabilitation efforts can take place in order to avoid some of the problems and difficulties which, historically, have crippled such operations.

METHODOLOGY

In order to achieve the goals of this research, it has been decided to: 1) conduct a study of the literature on urban housing, in general, and urban housing rehabilitation in particular, and, 2) to identify the nature and the severity of the problems associated with the rehabilitation of houses. This literature search will include an examination of the major roles that the government has played in the past to ameliorate the difficulties of housing rehabilitation. This study also intends to explore the government programs at the federal, state and local levels and to identify major changes which these programs have gone through in making them more responsive to the housing needs.

After the completion of the fact finding research two case studies will be analyzed to study two rehabilitation efforts which differ in scope, intention, and methods, and to identify the elements considered critical to the success of each.

Finally, this research intends to summarize its findings from both literature search and case studies and draw some conclusions regarding: 1) the feasibility and applicability of the concept of housing rehabilitation as a means of providing decent housing for low and moderate income families, and 2) as a strategy to encourage neighborhood conservation for extending the economic and physical life of our cities.

Footnotes

¹Herbert R. Lottman, How Cities are Saved, (New York: Universe Books, 1976), p. 12.

²David R. Godschalk, ed., Management and Control of Growth: Issues, Techniques, Problems, Trends, Vol. 3 (Urban Land Institute), p. 331.

³Ibid.

⁴Andreas-Faludi, A Reader in Planning Theory, (New York: Pergamon Press, 1973), p. 95.

⁵Frank Lloyd Wright, The Living City, (New York: Horizon Press, 1958), p. 145.

Urban Housing Problem

chapter I

The United States and a large number of other countries are facing the serious problem of providing adequate shelter for their economically disadvantaged who, generally, constitute a considerable percentage of the total population. As the result of economic and governmental inabilities to provide adequate housing facilities and services, low income families are forced to live in slums and ghettos where social and physical diseases are manifested in all possible forms.

The housing studies on the living conditions of the people in this country reveal that the number of substandard housing has been substantially reduced during the last ten years.¹ But still, a considerable portion of the population is unable to enjoy adequate shelter facilities.²

Housing the poor adequately, is one of the major issues of urban living. Sociologists, psychologists, anthropologists, and political scientists as well as physical planners and designers have primarily concerned themselves with this particular urban problem.

A large number of families living in urban areas do not have sufficient monthly incomes to provide themselves with adequate housing services. Taking into consideration other vital life sustaining expenses to be paid such as: food, clothing, health and medical care, it is evident that after these expenses are paid the minimal amount left is inadequate to purchase sufficient housing services for the family especially if it is of large size.

The problem of housing is quite acute for the poor. Due to insufficient incomes, poor families usually end up settling for whatever housing services they can get, which, undoubtedly, are insufficient and detrimental to their

general physical health and psychological well-being.

The provision for housing usually appears high on the priority list of poor families.³ After all, housing is an essential part of the life of any human being. It provides shelter against natural forces and hazards and it induces the comfortable psychological feeling of security and permanence. But, unfortunately, the provision for housing in this country is becoming increasingly difficult to achieve. The price of new housing is skyrocketing. Purchasing a decent house is practically out of reach for millions of people. The provision for housing through the open market is virtually impossible for the poor. Every year it becomes even more difficult for middle income families, as well as low income families, to provide themselves with adequate shelter requirements.⁴

The prospects of reducing the cost of new housing in the open market are quite minimal. Land cost, labor, construction cost, building materials, financing and insurance are increasing at alarming rates.

The increasing price of housing requires that a relatively large portion of the families income be allocated for the housing payment. For the middle and higher income families, this arrangement seems to create a very serious problem. But, low and moderate income families, due to insufficient monthly incomes, are normally unable to invest in such inequitable housing arrangements.

The housing problem of low income families is multidimensional in nature. It concerns multitudes of urban disciplines. What needs further explanation is the nature and the degree of interrelatedness between the housing needs and other facets of urban living such as: employment and income, population and income distribution characteristics, family characteristics, cultural composition, political structure and organization, and education and training.

The phenomenon of urban housing cannot, and must not, be considered as a problem in a vacuum. It always occurs in a social context, thus, it must be viewed in the total perspective of the social climate in which the family lives in order to understand the socio-economic limitations and restraints by which families must abide. If a family is forced to allocate a disproportionate amount of its monthly income for food, clothing, health and other necessary services, then it cannot be expected to adequately house itself. It is unreasonable to expect families with diverse cultural origins to seek adequate shelter when a multitude of social prejudices and injustices are rendered.

Due to its multiplicity of dimensions, the problem of low income urban housing has reached a level of complexity that has virtually left concerned urban disciplines helpless. A retrospective view of housing approaches reveals that often what appears to be a sound and reasonable strategy for solving the housing problems of urban poor actually proves to be another insufficient and inadequate strategy.

Housing is one of the most serious social problems of our time. In order to increase the chances of attaining an acceptable solution, housing must be viewed in the context of social, economical, political and physical mosaics. A comprehensive look at the problems of low income housing will provide more hope for ultimately reaching suitable and practical answers to this social problem.

The major, relevant urban problems with housing are numerous. Categorically, these problems can be classified under four major areas of concern:

1. Physical Considerations
2. Social Considerations
3. Economic Considerations
4. Governmental & Political Considerations

PHYSICAL CONSIDERATIONS

Suburbanization: The existing urban centers are dying, as fast as suburban areas are developing. The problem of dying inner city areas in American cities is not a new one. This phenomenon has been occurring during the last two or three decades. It is unfortunate that urban planners, along with other involved disciplines, have not been able to reverse or even slow down this devastating trend.

To provide commercial services to the suburban residential developments, large shopping centers are developed at the outskirts of the cities and close to major transportation routes.

The central business districts and surrounding areas are often negatively affected by the formation of suburban shopping centers and covered shopping malls. Such centers have been quite successful in drawing the customers of the central business districts to these areas. These shopping centers provide ample free parking spaces, year round environmentally controlled and pleasant shopping malls where a wide assortment of shopping goods are available at one locality, whereas in the central business districts these conveniences are missing.

The central business districts in large American cities are often surrounded by low income as well as less mobile families. The influx of lower income families to the urban cores and the concurrent exodus of affluent families to the suburbs has accelerated the physical and economic decay of the central cities.

The problem of inner city housing is indeed a serious one. Due to the fact that these housing units are of lower quality and physical standards, a large portion of the lower income families are normally attracted to them.

Landlords and apartment renters normally lease these rental units to lower income families without making considerable effort to upgrade or make

any substantial improvements on their physical conditions. Because of the continual differed maintenance, these structures, already in substandard conditions, continue to deteriorate at an even faster rate.

The attraction of a large number of low income families to the central residential areas automatically puts a larger demand on the already inflated low rent apartments and houses. Due to this overwhelming demand, landlords start putting more people in rental units, which creates or accelerates the existing problem of overcrowding.

Overcrowding: Overcrowding has been cited as one of the major causes of physical as well as psychological disorders in urban residential areas.⁵ The existing measurement of overcrowding in this country reveals alarming results. Overcrowding, encouraged by lower rent/person, has devastating effects on inhabitants, causing them numerous social as well as physical problems. Overcrowding, coupled with a lack of physical and sanitary facilities, undoubtedly increases the rate of mortality among the poor.

Our present means of measuring overcrowding or other housing characteristics are indeed inadequate and in need of further refinement.⁶ But the results indicated by these insufficient tools point toward the severity of overcrowding problems and the urgency for providing better housing facilities to reduce housing density.

Inadequate City Infrastructure and Services: The concentration of lower income families in one geographic area creates numerous physical problems for the city. Due to the fact that lower rental units often have higher density occupancy, the service demand for the city's infrastructure substantially increases in these areas.

Since these overpopulated neighborhoods are located on already developed areas of the city, quick modifications and upgrading of the city infrastructure is impractical or often impossible. These city services include: streets,

waterlines, sewer lines, telephones, electricity and other vital utilities.

The city's inability to quickly respond to the ever increasing demand of city services further complicated the existing physical problems in highly used residential areas.

Other city services vital to neighborhoods include: fire protection, police protection, trash collection, community facilities such as parks and recreation facilities, schools, libraries and others.

The demand for city fire protection and police protection is substantially increased in highly populated residential areas. The incidence of fire due to inefficient heaters, faulty electrical systems within the housing units or badly maintained kitchen appliances is tremendously high in these areas.

Due to the general economic depression, the high rate of unemployment, the existence of numerous vacant buildings and unlit streets and parking lots, the incidence of crime is also high. A substantial portion of the city police force is normally allocated for maintaining peace in these neighborhoods.

Quality Housing: Due to the fact that most new housing construction usually takes place on undeveloped suburban land, the housing quality in urban areas is often marked by obsolescence and decay. Housing deficiencies can generally be categorized as follows:

1. Structural Deficiencies: These include a large assortment of problems related to the structural characteristics of the housing unit, such as: crack or other defects on the major structural elements of the unit, holes on the roof, leaking of the basement wall, and foundation settlement. On the aggregate basis, the 1970 U.S. Census indicated that 15.2 million units, or twenty-six percent of the housing stock, lacked either adequate plumbing facilities or were structurally deteriorating or dilapidated.⁷

Structural deficiencies are serious defects, thus hazardous to the health of

the occupatns. These defects are seen more in old houses, especially those with a history of deferred maintenance.

2. Plumbing Deficiencies: These deficiencies are those related to the availability of hot and cold water in the housing unit, flushed toilet, other bathroom facilities, such as shower, sewer hookup and others. It has been reported that a large portion of low rent houses in urban areas do not provide sufficient plumbing facilities for the tenants.⁸

3. Natural Light and Ventilation: Most old houses do not provide adequate window areas for direct penetration of sunlight to the housing unit. Basements provide even less natural lighting. They are often damp and unsafe for human habitation. In older houses, either because of lack of windows or the fact that they do not operate, the ventilation rate is substantially reduced. The problem of inadequate light and ventilation can create serious health hazards to the inhabitants.

SOCIAL CONSIDERATIONS

Low income families, either because of religious beliefs or lack of family counseling services, are often of large size, which considerably complicates their housing problem. These families, in order to provide themselves with minimum shelter, are often forced to sacrifice housing quality for quantity, thus renting houses which are considerably larger but quite inferior in quality.

Large family formations contribute to the problem of overcrowding, especially if it is beyond its economic ability to provide itself with a larger housing unit.

Families of large size also require more from social services provided by the city such as: health, education, recreation, transportation and others.

Stigmatization of the Poor, The Problem of Urban Concentration: One of the major problems normally associated with high density low income housing in a relatively small geographic area within the city is the phenomenon of stigmatization or labeling of the poor neighborhood. This social concentration causes more separation between poor and affluent families. In order to solve the housing problem in these areas, it is important to reduce the density of these social formations and to reduce the demand placed on limited city services. High density concentrations of poor families usually causes them low quality in housing, neighborhood facilities, and municipal services. Once an area is marked as ghetto or slum, it becomes increasingly difficult to reverse the downward economic trend and physical deterioration.

The concentration of low income families and minorities in one geographic area is not altogether a negative social phenomenon. There are, indeed, some advantages to such formations and gatherings. These social formations normally

provide the community with strong common denominators and goals, thus facilitating the establishment of strong neighborhood organizations and cohesiveness especially if the neighborhood is predominantly composed of homogenous cultural origins. Organized neighborhood activities normally provide the community with more political lobbying powers, thus having a stronger impact on the political power structure and decision-making of the city as a whole. Many social elites consider neighborhood cohesiveness and organization as a strong advantage to their side. But, in general, it must be recognized that over-concentration of low income families and minorities in one geographic area can have a negative economic and physical effect on the area as a whole.

Housing and Social Services: As indicated earlier, provision for adequate housing facilities for low and moderate income families is a complex social problem requiring the expertise of diverse disciplines to make it work.

The problem of housing urban poor cannot be solved by providing good dwelling units only. The problem of low income housing must be viewed in the context of other social restraints as well as services.

Slums and run-down residential areas are not only marked by inefficient and ugly buildings, but also marked by diverse social pathologies and inadequate services. Wiping out ugly buildings and replacing them with more attractive structures does not necessarily solve the problem of low income housing.

Good housing can only be provided in an atmosphere of social balance and justice. This cannot be achieved unless a comprehensive and coordinated effort is made to attack the problems of employment, health, education, recreation, transportation and other social phenomenon which have direct effects on the living and housing patterns of economically disadvantaged families.

ECONOMIC CONSIDERATIONS

Free Enterprise Economic System: The United States economic system is based primarily on the concept of free enterprise economic philosophies. It is necessary, at this point, to study the fundamental premises upon which this economic system operates.

A. Theoretical Model: This economic model is based on the concept of private ownership and control of the means of production, and free choice of occupation and consumer sovereignty.⁹ This system does not rely on any centrally planned and controlled economic venture. The fundamental characteristics of this economic system are as follows:

1. The factors of productions (labor, land capital) are privately owned, and production takes place at the initiative of private enterprise.
2. Income is received in monetary form through the sale of services, factors of production and from profit of private enterprise.
3. The members of the free market economy have freedom of choice with respect to consumption occupation, saving and investment.
4. The free market economy is not planned, controlled or regulated by the government. The government satisfies collective wants, but does not compete with private firms nor does it tell the people where to work or what to produce.¹⁰

In such a system, private firms constantly analyze the demand and market for goods in order to regulate the production to meet the anticipated future consumer demands. This system fundamentally relies on the judgment of private owners of production goods to estimate market needs and produce accordingly.

Advantages of the free enterprise economic system: The advantages of this economic system are manifold, they include the following:

1. The fact that this economic system is not centrally planned and controlled, it provides ample opportunities and freedom for the producers as well as for the consumers of this economic system. There are no authoritarian influences exerted by the government to dictate the type of products to be

produced or consumed. The selection of the kinds of occupations are totally left to the people.

2. Because of the freedom of occupation and the multiplicity of producing firms, this system promotes the atmosphere of competitions among the individual producers of goods and services, which in itself regulates the prices of production for goods and services.

3. Freedom to save is another advantage of this system. Producers have the freedom to save their production of goods and services in order to increase the value of their goods, thus increasing their benefits by producing in the future.¹¹

Disadvantages of the free enterprise economic system: The disadvantages of this economic system include:

1. In a free enterprise economic system, wealth is unevenly distributed among the members of the society. Once the economy distributes itself unevenly, it becomes extremely difficult and, sometimes impossible, to redistribute wealth among people by the means of taxation or other governmental programs.

This aspect of the free enterprise economic system tends to severely limit the claim of this system; consumer sovereignty and choice. If the members of the private sector of the economy do not have relatively equal purchasing power, then their freedom of choice and sovereignty is limited.

2. The advocates of this economic system claim that it promotes competition among the investors, but due to the unequal economic distribution, this system is apt to become monopolized by larger corporations.

3. Since this system is based on the concept of maximizing individual benefits, often thoughtless and hasty exploration of natural resources are made, which ultimately leads to the wasteful consumption of such resources.¹²

It is depressing to know that a large portion of the population in this country is deprived from decent housing and, unfortunately, they are unable

to improve their living conditions.

What is worth noting is the fact that the free enterprise market economy does not seem to provide a healthy free economic environment in which adequate low income housing can be provided for the poor, and at the same time profit can be made by those who invest in such a housing market. After all, the free enterprise economic system claims the facilitation of competition and meeting the demand of any needed economic commodity and also protection of the consumer's choice and sovereignty. It is estimated that three-fourths of the population in this country is economically unable to purchase a house through a conventional method of financing (non-government subsidy).¹³

Past housing experiences reveal that the free enterprise economic system prevailing in this country is non-conducive to the housing needs of the poor. Contrary to the theoretical assumption of this economic model, the area of low income housing, as a commodity, has not produced adequate interest among the housing investors, even though the need for such a commodity, low income housing, does exist.

New Construction Cost Component: The cost of new housing in urban areas surpasses the economic ability of the poor to purchase them. To demonstrate this point better, it is important to identify, 1) the major construction cost component, and 2) the occupancy expenses that a family must endure.

1. Construction Cost Components

- a. Cost of land
- b. Cost of construction materials
- c. On site labor
- d. Cost of capital
- e. Specialized assistance

- a. The cost of land constitutes a large portion of the total cost. This element is one of the major contributors of the high cost of new housing.

This portion of cost has been raised 319%, from 1949-1969.¹⁴ Land speculation is the major cause of this alarming rate of increase in the price of land. It has been reported that numerous large corporations invest in land speculation for additional annual benefits for their corporations.¹⁵ Practices of land speculation, indeed make purchasing a house quite difficult and often out of reach for lower income families. The cost of land is rising at a rate of approximately twelve to fifteen percent annually.¹⁶

b. The cost of construction materials in comparison to the cost of land is not very high. According to Elsie Evans: "The cost of constructing the house itself, labor and alike has been increasing at a rate less than the general cost of living, as measured by the consumer price index."¹⁷

c. Labor cost: On site labor is another cost element to be considered. Since most houses are built or assembled on the site, a diverse collection of workers is necessary to construct it, which automatically requires hiring contractors and subcontractors to do the job. These labor expenses will inevitably raise the overall cost of the finished work. The concept of industrial housing which prompted 'operation break-through' was basically the result of a concern over minimizing on site construction costs.

d. Cost of capital: The cost of capital and financing is one of the major contributors of the high cost of new housing. This portion of the housing cost has been increasing during the last two or three decades. This portion of housing cost rose 324% from 1949 to 1969, from an average of \$675 for single family houses to \$2860. As a percentage of the selling price, it rose from five to eleven percent over the same period.¹⁸

Even at such high costs, available capital for housing purposes is often limited, "housing production and consumption have been plagued with the twin problems of an inadequate supply of credit and the high cost of that which is available."¹⁹ The housing industry usually finds it hard to compete with

other users, such as big corporations and government.

Due to the fact that investments in housing require involvement for a long period of time, it is less attractive to the investors especially when high risks are involved.

e. Specialized assistance: Specialized assistance consists of architects, engineers, land brokers, lawyers, and planners fees. These fees are usually a small percentage of the total cost.

Housing production requires involvement of diverse disciplines each expecting some degree of overhead profit. The following list indicates the phases of housing production and services and the disciplines involved.

PHASE:

Preparation

- A. land acquisition
- B. planning
- C. zoning amendment

Participants

Developer, landowner, lawyer, real estate appraiser and brokers, title companies, architects and engineers, surveyors, planners and consultants, zoning and planning officials.

Production

- A. site preparation
- B. construction
- C. financing

Developer

Lending institutions (interim and permanent), FHA, VA, or private mortgage insurance companies, contractor, subcontractor, craftsmen and their unions, material manufacturers and distributors, building code officials, insurance companies architects and engineers.

Distribution

- A. sale or rental
- B. subsequent resale or rental
- C. possible refinancing

Developer, real estate broker, lawyers, lending institutions, title companies, FHA, VA, or private mortgage insurance companies.

Service

- | | |
|-------------------------------|---|
| A. maintenance and management | Owner, maintenance firms, employees, property management firms, insurance companies, utility companies, tax assessors, repairmen, craftsmen and their unions, lending institutions, architects and engineers, contractors, subcontractors, material manufacturers and distributors, local zoning officials, local building officials. ²⁰ |
| B. repairs | |
| C. improvements and additions | |

2. Occupancy Costs: In addition to the expenses listed above, there are occupying and maintenance costs which are as follows:

Occupancy Costs:

- a. Local and real estate taxes
- b. Utilities
- c. Maintenance and repair

As listed previously there are numerous housing expenses which must be met in new construction housing arrangements. Unfortunately, this housing strategy does not provide much opportunity for lower income families to improve their living conditions. The cost of new construction is well beyond the economic reach of these families.

Housing through new construction requires a large amount of cash down payment and high monthly installments. Families of lower incomes generally favor minimal or no down payments and long term amortizations to bring the monthly payments down.

It would be of great advantage if lower income families could be given the opportunity to reside in newly constructed houses in less dense areas. But, as far as economic reality is concerned, it is seemingly inconceivable to achieve this distant goal.

New construction is indeed an essential part of a total housing strategy to provide adequate housing services to the increasing urban population, but, in the case of housing low and moderate income families, this housing strategy is ineffective and economically infeasible.

Monthly Housing Expenditure and Income: Different scales have been proposed to roughly estimate the percentage of the family income which should be spent on housing without sacrificing any other necessary services. Many housing specialists believe that no more than twenty percent of the family income should be spent on housing.²¹ But, in reality, poor families, usually those of large size, pay as high as forty-five percent of their monthly income on housing.

For families of extremely low incomes, even twenty percent of the monthly income is too high a price to pay for housing where there is an increasing need for food, clothing, medical care, and other social services. It is inappropriate to earmark a certain percentage of the families income for housing without considering other family needs and the quality of housing needed to accomodate these particular needs.

GOVERNMENT AND POLITICAL CONSIDERATIONS

In order to remedy some of the negative effects of the free enterprise economic system on the poor, and to attempt to redistribute wealth more evenly among the people, the government intervenes in certain aspects of the economy (such as housing) with the hope of establishing a more equitable and just economic balance. This intervention of the government in housing is based primarily on the premise of mitigating the problem of providing adequate shelter for the poor who could not afford to satisfy their housing needs through the open market. The essence of such intervention is to provide better opportunities for the poor and to upgrade their own living environments which, it is assumed, is one of the primary reasons for numerous other social and physical disorders.

Government intervention in a free enterprise economic system is a controversial issue. There are those who view government intervention as a contradiction of the economic principles of this system. They argue that government functions must be restricted to efforts aimed at sustaining peace and reinforcing the law, beyond that, government involvement is unnecessary and uncalled for. This view is endorsed by liberals who maintain that influences of government on economy must be kept to a minimum.

Government Subsidy and Housing: One of the primary means of implementation of the housing programs in this country has been through the process of 'subsidization'. The United States government has implemented numerous housing projects by appropriating large sums of money for localities to carry out needed housing projects.

The governmental subsidy in housing means that the federal government pays for a project, either totally or partially, in order to provide better housing opportunities for the poor.

The nature and the degree of the governmental involvement in housing

varies from program to program. The governmental subsidies have been numerous and diverse in nature. In general, the government has channeled money to the people through seven major programs:

1. Special tax benefits for house owners.
2. FHA mortgage and VA loan guarantees.
3. Low rent public housing.
4. Home ownership and rental assistance.
5. Rent supplement.
6. Below market interest rate loans.
7. Insured loans for the Farmers Home Administration.

There are two major subsidy programs: 1) Production Subsidies, and 2) Direct Consumer Subsidies.

1. Production Subsidies:²² In general, most of the governmental programs mentioned, directly or indirectly promote the construction of the new buildings (Production Subsidies), such as low rent public housing, in which the government builds dwelling units (normally high rise buildings) and rents them to eligible low income families. These families will pay a low percentage of their incomes as rent, thus allocating a larger portion of their income for other family needs.

The 'Production Subsidies' create a number of problems: 1) The site selection for these buildings often becomes political issues. 2) Families living in better residential neighborhoods oppose the construction of the subsidized low income housing by forming demonstrations and lobbying against such proposals. Therefore, these projects end up being constructed within low income neighborhoods which are already characterized by dilapidation and deterioration. Such projects, most often further intensify the problem of congestion and stigmatization of the poor.

The concentration of poor families in certain geographical areas within

the cities has been cited by many critics as one of the major drawbacks of the 'Production Subsidies'.²³

The 'Production Subsidies' have not been quite effective in channeling money to the poor families. The critics of this system point toward two major inequities associated with this system: "Vertical and Horizontal Inequities".²⁴

The 'Vertical Inequity' refers to the fact that poor families are not really the recipients of a substantial portion of the subsidy money initially put into the program. A large portion of every dollar spent in a housing subsidy finds its way to the pockets of bankers, construction workers, contractors, and land speculators. Most of these types of housing subsidies are more attractive to the middle men than the target population (low income families).

Most of the existing housing subsidy programs are quite inequitable in channeling the subsidy money to the poor rather than middle and higher income families.

The table below indicated the amount of subsidy money going to the families of low-middle, and high income in 1971.

Federal Housing Assistance by Income Classes (1971)

	Income Levels		
	Under 3,500	3,500-10,000	Above 10,000
Public Housing	\$413 million	233 million	-
FHA Section 235 and 236	34	103	1
Farmers Home Administration Section 312 and 115	2	18	16
Rehabilitation Loans and Grants	25	18	-
Federal Income Tax Deduction for Mortgage interest, Property taxes, and Depreciation	58	2,552	3,190
Total:	\$532	\$2,929	\$3,207 ²⁵

This table indicates that the total benefit which accrued to low income families in the year 1971, was only nine percent of the benefit received by

by the families in the higher income brackets.

The 'Horizontal Equity' refers to the fact that, even within the target population, the housing benefits are not equitably distributed among the families who legally are considered eligible for Housing Assistance.

Studies in this area indicate that only a small portion of the eligible families actually receive any housing benefits, approximately five out of every one hundred eligible families receive housing benefits.²⁶

The question of equity in housing subsidies is certainly a legitimate one. If a high percentage of the housing subsidy money does not actually reach the poor families and furthermore, the benefits which finally accrue to the target population is not distributed among all eligible families, then the subsidy program in housing cannot be considered equitable and effective.

2. Direct Consumer Subsidies:²⁷ There are some existing but less utilized housing subsidy programs which, instead of promoting construction of new dwelling units, encourage the rehabilitation of the existing housing stock (direct consumer subsidies). Under these programs, the eligible poor families can move into the housing units already in existence and pay a low percentage of their income as rent and the government pays for the gap between the market value of the rent and what was paid by the renter. This subsidy program, although quite promising and practical, has not been fully utilized in the past.

Through the use of the 'Direct Consumer Subsidy', the objective of dispersing poor families throughout the city can be achieved much more easily. It is more conceivable to move only a few low-income families into a neighborhood, predominantly occupied by middle and high income families, than moving hundreds of them at once.

This system of subsidy provides poor families with more freedom to select

their own residences depending on their preference for location, type of dwelling units, and the size or other factors most important to their particular living style.

The governmental housing subsidy programs geared more toward the rehabilitation, maintenance and more efficient utilization of the existing stock of housing, provide more families with better housing faster. These subsidy programs are more conducive to the needs of large families, which for the poor, is normally the case.

Footnotes

¹Charles Abrams, The Future of Housing, (New York: Harper and Row, 1946), p. 47.

²Idem, The City is the Frontier, (New York: Harper and Row, 1965), p. 46.

³University of Illinois, The Aging City, (Dept. of Urban Planning, 1964), p. 9.

⁴Chester Hartman, Housing and Social Policy, (New Jersey: Prentice-Hall, Inc., 1975), p. 50.

⁵Op Cit, Charles Abrams, The City is the Frontier, p. 40.

⁶Op Cit, Chester Hartman, Housing and Social Policy, pp. 5-7.

⁷Ibid., p. 9.

⁸Charles Abrams, Man's Struggle for Shelter in an Urbanized World, (Cambridge: MIT Press, 1964), p. 5.

⁹George Halm, Economic Systems: A Comparative Analysis, (New York: Holt, Rinehart and Winston, 1968), p. 49.

¹⁰Ibid., p. 48.

¹¹Ibid., pp. 49-58.

¹²Ibid., pp. 48-49.

¹³Op Cit, Chester Hartman, Housing and Social Policy, p. 26.

¹⁴Ibid., p. 17.

¹⁵Ibid.

¹⁶Ibid.

¹⁷Ibid.

¹⁸Ibid.

¹⁹Ibid., p. 27.

²⁰U.S. Dept. of Housing and Urban Development: A Report of the President's Committee on Urban Housing, (Washington, D.C.: Government Printing Office, 1970),

²¹Arthur Soloman, Housing the Urban Poor, (Cambridge: MIT Press, 1974), p. 7.

²²Ibid., p. 35.

²³Ibid., p. 9.

²⁴Ibid., pp. 77-78.

²⁵Op Cit, Chester Hartman, pp. 159-163.

²⁶Ibid., p. 160.

²⁷Op Cit, Arthur Soloman, p. 189.

Urban Housing Rehabilitation

chapter II

It has been argued that the concept of conservation and rejuvenation of existing urban areas must receive more serious consideration as a strategy to provide adequate housing services to those urban dwellers who, due to economic limitations, are unable to satisfy their housing needs through new housing strategies.

Existing urban areas contain a large public and private investment in housing. Most of the health of this country lies in its cities, and most of the wealth of the cities is in residential structures and related utilities.¹ It is estimated that the value of dwellings in urban areas exceeds \$300 billion.²

The existing stock of housing in urban areas not only is the result of a large capital investment, but also stands as the only present means of housing for a large percentage of the urban population.

Preservation of old neighborhoods and communities has other social significances. A neighborhood retained, is history preserved. Maintaining neighborhood character and quality provides a sense of coexistence with the past.

Cities and built environments are manifestations of prevailing social values, philosophies and beliefs. Built environments have always played a significant role in communicating cultural and social characteristics of a community, thus preservation of built environments and historical heritage should receive a higher priority in our social attitudes.

New housing provides housing opportunities for higher income families but

low and moderate income families' choice of housing is limited to the existing housing stock. It is estimated that new housing provides only three percent of the urban housing need,³ thus more attention must be paid to maintaining and upkeeping the existing stock of housing and to reducing the rate of obsolescence and decay in urban areas.

REHABILITATION: A THEORETICAL MODEL

The definition of housing rehabilitation varies from person to person or from project to project. Historically, it has encompassed efforts clear from redevelopment to a coat of paint on the building.

Theroetically, rehabilitation is a process of reviewing and extending the useful life of a structure. The extent of rehabilitation indeed can vary, thus requiring different levels of involvement.

Definition: At this point, some major definitions suggested by some housing specialists will be reviewed to clarify what is basically meant by rehabilitation and later what levels of rehabilitation can be attained.

Webster defiens rehabilitation as the "restoration of something damaged or deteriorated to a prior good condition, Improvement to a higher level or greater value."⁴ H.N. Osgood and A.H. Zwerner define rehabilitation as the process of "the elimination of environmental and structural deficiencies which, if not adequately and timely corrected, would result in neighborhood blight."⁵

Rehabilitation can also be defined in terms of the degree of habitability of a structure. As William Hendey defines it, "rehabilitation is a process of making a rundown uninhabitable building habitable."⁶

In terms of physical improvemtns, Charles Abrames defines rehabilitation as "restoration or improvement of deteriorated structures, public facilities, or neighborhoods."⁷

Rehabilitation efforts do not have to be restricted to physical improvements and reconditioning, they may also be a concerted effort to upgrade the economic and social conditions of a decaying area. The Urban Renewal Handbook defines rehabilitation as follows:

. Rehabilitation is the type of renewal treatment which may be appropriate for restoration of the

economic and social values of deteriorating residential, and in some cases non-residential, areas whose existing buildings, public facilities and improvements can be economically repaired and renewed to a long term sound condition.⁸

A look at these definitions points to the frequency of usage of some common words such as: renovation, restoration, preservation, rejuvenation, and renewal. Although these words may convey specific intentions, generally speaking, they describe efforts arrived at extending or prolonging the useful life of an existing being such as buildings or neighborhoods. These renewal efforts primarily intend to provide an equitable means by which premature obsolescence or decay beyond repair can be prevented.

Levels of Rehabilitation: Housing rehabilitation efforts may call for varying levels of involvement. It may call for only minor renewal efforts or it may require major renewal actions. Levels of rehabilitation as defined by the New York State Temporary State Housing Rent Commission are as follows:

1. Code Compliance
2. Minimal Rehabilitation
3. Modernization
4. Remodeling

1. CODE COMPLIANCE: Such work is necessary to restore the structure to safe and sanitary maintenance and repair. In general this means, the building would be in compliance with all building, housing, fire and sanitary codes of the city and the landlord would be providing all customary services in accordance with rent control requirement.

2. MINIMAL REHABILITATION: In addition to all work called for under code compliance, modest measures to upgrade the housing would include improvements with the outside appearance of the building and an increase in electrical capacity within the apartment.

3. MODERNIZATION: In addition to the work for minimal rehabilitation, outmoded mechanical equipment and fixtures would be redecorated. No changes in floor plan is included.

4. REMODELING: Floor layouts would be functionally rearranged to produce a large number of separate apartments than presently exist. Outmoded mechanical equipment would be replaced and the interior and exterior of the building would also be cleaned and painted as with modernization.⁹

Levels of rehabilitation can also be identified as:

1. Minimal
2. Moderate
3. Extensive

1. MINIMAL REHABILITATION: Elimination of code violations and/or minor repairs, improvements of facade of the building, and other cosmetic treatment.

2. MODERATE REHABILITATION: All of the above work plus minor changes in the layout, general interior and exterior repairs, modernization of heating, plumbing and electrical systems, and replacement of outmoded fixtures.

3. EXTENSIVE REHABILITATION: Complete remodeling or redesigning of layout (including gutting and installation of elevators in some cases), major interior and exterior repairs, installation of new heating, plumbing and electrical systems, and replacement of outmoded fixtures.¹⁰

It must be pointed out that rehabilitation efforts, regardless of the degree and levels of involvement, are essentially directed toward improving the conditions of the existing structures. Thus, distinction must be made between housing rehabilitation and clearance efforts which are primarily intended for those buildings marked by extensive decay and unsuited for renewal.

Objectives of Rehabilitation: The real merit of the housing rehabilitation strategy lies in its attempts to preserve the existing social and physical characteristics of a neighborhood as well as preserving the life style of the people. This approach is in contrast with the traditional demolition and construction approach, which utterly destroys established social patterns and neighborhood structures.

The traditional clearance approach to the slum housing problem generates public animosity towards the government which rehabilitation tries to avoid. By salvaging the existing buildings as much as possible, the social structure as well as the neighborhood history can be preserved.

In theory, housing rehabilitation efforts are primarily aimed at providing better housing conditions for the existing owners or tenants of the building, thus efforts to avoid rent increases must be made to minimize relocation of existing tenants.

Other major objectives as listed by the Urban Renewal Handbook are:

1. Renewal of deteriorating areas to a long-term sound condition.
2. Substantial improvement of the quality of individual properties and living conditions so as to justify the provisions of financial assistance for the construction or reconstruction of public facilities and improvements.
3. Establishment of a continuing program to maintain the renewed individual properties, public facilities and improvements.
4. Prevention of the spread or recurrence of blight.
5. Preservation of properties of historic or architectural value.¹¹

Advantages of Housing Rehabilitation: Theoretically, the housing rehabilitation strategy has a number of advantages over the demolition approach.

These advantages are:

1. Rehabilitation minimizes dislocation. Since rehabilitation efforts are aimed at improving the existing structures, tenants will not be relocated for a long period of time, or not relocated at all if rehabilitation is not very extensive.

2. Rehabilitation work can be done in a short period of time. Since rehabilitation is done within the existing shell of the building, a considerable amount of time can be saved.

3. Generally speaking, rehabilitation is less expensive than new

construction. Since deliberate efforts are made to salvage building components as much as possible and only replace those which are defective, some savings can be made in the total cost.

4. Because rehabilitation properties are constantly kept through private ownership, no interruption in collection of property taxes will result. Demolition, on the other hand, does not provide this tax revenue benefit.¹²

5. The concept of housing rehabilitation can effectively contribute to the municipalities efforts aimed at dispersing low income families throughout the city, thus avoiding overcrowding in one geographic area of the city.

6. Since housing rehabilitation takes place in already built-up areas of the cities, municipalities' expenditures on constructing new city infrastructures to service these areas are kept to a minimum. New housing development requires expansion of the city infrastructure and services to these newly developed areas.

The concept of housing rehabilitation is compelling. But, unfortunately, in practice, this housing strategy is marred by numerous unforeseen problems and difficulties which considerably limits its applicability and usefulness. Later in this paper, major difficulties associated with housing rehabilitation efforts will be discussed at length.

Rehabilitation and New Construction: The question often occupying the minds of many urban housing policy makers, as well as economic entrepreneurs and housing specialists, is when housing rehabilitation strategy should be prescribed and demolition avoided or vice versa. It has become increasingly apparent that in many instances the application of both strategies in one project area is necessary to improve the general conditions of the neighborhood. It is unfortunate that these two housing strategies are often regarded as

dichotomies.¹³ It would clearly be more appropriate to consider them as complimentary strategies, for one can very well be used in conjunction with the other. In many instances, it might become necessary to raze those buildings, which are marked by excessive decay and which have passed the stage of economical rehabilitation, to increase the chances for the future success of the adjacent rehabilitated structures.

Neither housing rehabilitation strategy, nor demolition and new construction can provide better urban housing by themselves. But it is a balanced combination of these two strategies which can provide the hope for achieving our urban housing goals.

When to Rehabilitate: Rehabilitation is intended chiefly for those neighborhoods of the city which are beginning to display major signs of physical, social, and economic decline. In order for rehabilitation efforts to be effective and profitable, the area must have a reliable economic base and contain considerable salvagable structures. Rehabilitation strategy may not prove effective where the neighborhood is marked by excessive decay and shaky economic conditions.

The question of when a neighborhood has passed the stage of economical rehabilitation does not have a clear-cut answer. Basically, it depends on numerous factors such as: economic stability, employment opportunities, population and socio-economic characteristics, and the degree of physical obsolescence and decay.

Attempts have been made to establish some guidelines by which a neighborhood can be analyzed for suitability for rehabilitation. Perlof has characterized neighborhood decline as follows:

1. Physical deterioration of properties by reasons of age, inadequate maintenance and use.
2. Increasing obsolescence of houses, community facilities, and street patterns due to changing

patterns of living related to such things as shopping and transportation.

3. Overcrowding of buildings through conversion of existing residences into smaller housing units coupled with a general shortage of educational, recreational, parking and other facilities due to the increase in population density.

4. A general increase of crimes against persons and property related to general neighborhood decline.

5. A breakdown in the enforcement of building and zoning laws and the lowering of standards in the provision of public facilities and services.

6. An accelerated in-migration of lower income families and an exodus of higher income families with a corresponding lowering of building maintenance and general community tone and morale.

7. Frequent boycotting of declining areas by normal sources of financing for the purchase and repair of residential structures.¹⁴

The Urban Renewal Handbook lists the conditions which must exist in a residential area in order to make it feasible for rehabilitation efforts.

These conditions are as follows:

1. All properties to remain in the rehabilitation area are feasible of upgrading to property rehabilitation standards (PRS).

2. The area has residential qualities, desirable location and physical characteristics, and other evidence of vitality assuring that rehabilitation activities will restore the area to a long term sound condition.

3. The street and land use pattern can be adopted to present day needs or objective.¹⁵

Rehabilitation can be considered feasible when advantages clearly exceed those of redevelopment. As stated by Abrams: "Rehabilitation deserves a try only when the projected net income compensates for the project trouble and risk."¹⁶

From the economical standpoint, A.H. Schaaf has suggested that the preferred housing strategy would be when redevelopment costs exceeds the sum of rehabilitation costs plus the present value of the next renewal cost, plus the present value of the annual difference between the maintenance costs for a rehabilitated structure as compared with those for a new property.

Rehabilitation would be preferred if:

$$C > \left[R + M \frac{1 - (1+i)^{-n}}{i} - \frac{C}{(1+i)^n} \right]$$

c = new construction cost

R = rehabilitation cost

M = annual savings in maintenance cost with a new structure rather than a rehabilitated one

i = discount rate

n = life of present structure following rehabilitation¹⁷

It must be realized that this formula considers solely the economic feasibility and does not take into consideration any social value or advantages of rehabilitation.

HOUSING REHABILITATION: A STRATEGY AT WORK

The concept of housing rehabilitation is appealing, but unfortunately, it does not hold an impressive record in practice. The domain of its workability seems to be quite limited. For large scale rehabilitation efforts, problems associated with social acceptance, financial feasibility and political workability seem to severely limit its usefulness.

The controversy over whether to rehabilitate or demolish continues. Those in favor of new construction point to the unsuccessful history of rehabilitation and contend that this housing strategy is destined to failure. On the other hand, advocates of housing rehabilitation, maintain that the traditional 'one-sided' approach to urban housing constantly hampers the success of rehabilitation.

In practice, the housing rehabilitation strategy has not achieved all its theoretical promises. Problems regarding tenant relocation, economic feasibility, and construction procedure seem to persist. Generally speaking, rehabilitation strategy has not often been employed in large scale urban housing projects, even though some housing experts believe that its real advantages can best be achieved on a large scale. Most rehabilitation efforts have been sporadic and uncoordinated. The lack of public support and technical difficulties has discouraged development of the rehabilitation industry which can economically rehabilitate residential districts.

This unimpressive rehabilitation history can be attributed to a host of social and technical issues which have acted against this housing approach. As indicated, rehabilitation deals specifically with existing and well-established social and physical patterns. Thus, any failure to understand the true nature of interacting social phenomena can bring forth social consequences which easily outweigh anticipated advantages of rehabilitation.

In general terms, rehabilitation efforts have been marred by five major

kinds of problems:

1. Financial restraints
2. Acquisition of suitable properties
3. Construction maintenance and management
4. Tenant relocation, and community opposition
5. Lack of adequate rehabilitation industry

1. Financing: The issue of adequate means of financing for housing rehabilitation is often an insurmountable problem. Normally, rehabilitation treatments are prescribed for urban areas on the verge of economic decline and instability as well as characterized by physical obsolescence and decay.

For bankers or other lending institutions, financing rehabilitation projects within these areas presents a high degree of risk, which severely reduces the chances of acquiring a rehabilitation loan.

The act of 'red lining' further intensifies the problem of acquiring any equitable and expeditious means of financing for areas designated as 'urban renewal' or extensive code enforcement areas.

Availability of liberal rehabilitation loans is necessary to implement the project. The high cost of capital, due to competitive use, is prohibitive for rehabilitation efforts.¹⁹ Most often these loans are of a high interest (9%) and a short amortization period, which eventually forces rent increases and tenant dislocation.

Experience in rehabilitation financing, in this country, indicates that the conventional means of financing (non-governmental) is difficult to attain, even though when financial arrangements are made, they are for a short term and have high interest rates.²⁰

Government Financing: Another means of financing rehabilitation projects has been through governmental channels. (For program description and

eligibility requirements see Chapter on "Government and Housing Rehabilitation". Government rehabilitation programs are financed through loans and grants. There are a few problems normally associated with government involvement. First, some statutory limitations placed on government loans limits the amount of profit to be made by lending institutions, thus making these loans noncompetitive.²¹ Lending institutions may hesitate about getting themselves involved in such projects if they can make more profit by investing in open market projects.

Administration of government programs and the usual 'red tape' involved in processing applications is a very lengthy process. It takes somewhere between one to three years to get an FHA insured loan for rehabilitation purposes. The extensive bureaucratic processes and red tape involved discourage a large number of lending institutions from taking part in these government rehabilitation programs.

Normally, government loans or grants are earmarked for rehabilitation within a designated 'urban renewal' or 'code enforcement' area, thus limiting the applicability of these programs. These programs do not recognize the need for city wide housing rehabilitation and improvements to slow down decay in better parts of the cities.

2. Property Acquisition: The attainment of suitable properties for rehabilitation purposes is one of the major problems associated with this housing strategy.²² Housing rehabilitation on a large scale requires expeditious acquisition of properties to accelerate development processes. It has been pointed out, that in order to make rehabilitation more profitable, efforts to enlarge the scope of this housing strategy must be made.²³

Traditionally, rehabilitation properties have been acquired from both open market and governmental agencies. Due to bureaucratic difficulties normally associated with acquiring land through government channels, the

acquisition of land through the open market has been more successful. But, even purchasing rehabilitation properties through the open market has its own disadvantages.

It is often impossible to locate the present owner of the properties suitable for rehabilitation. Often, these land owners, due to tax delinquency, violation of building codes or other reasons, wish to remain anonymous.²⁴

Problems of diverse property ownership and 'absentee landlords' complicate or prolong the process of acquiring suitable properties for rehabilitation.²⁵ Most often, locating the present owners of a property requires a lengthy investigation which adds to the overall cost of the project.

Even when the owner of the property is finally located, there is no assurance that he will be interested in selling. Often, prices asked by landlords for their properties are inflated.

Acquisition of property can also be made through governmental agencies. Local Public Agencies (LPA) can acquire tax delinquent land and auction it off to rehabilitation sponsors. But, unfortunately, most properties attained this way, due to excessive decay, are not suitable for rehabilitation.²⁶

Tax foreclosure laws, in most states, do not allow for the auctioning of the land until taxes are past due; somewhere between one to five years. After this lengthy period of time, most abandoned buildings become so extensively vandalized or deteriorated that rehabilitating them becomes economically unfeasible and extremely unattractive to rehabilitation sponsors.

Acquisition of tax foreclosed properties also creates other problems. New titles issued to purchasers have been questioned for validity.²⁷ In some instances, previous property owners have stepped forward and paid off

back taxes. Thus, through a lengthy litigation process, property had to be given back to the original owner. Because of the questionable title, as well as physical difficulties involved in rehabilitating tax foreclosed properties, this method of obtaining properties for rehabilitation is not popular among rehabilitation sponsors. Experience shows that obtaining properties through tax foreclosure laws, as they are, is a lengthy and expensive method of acquiring rehabilitation properties.

Power of Eminent Domain: The power of eminent domain gives the LPA's the authority to acquire land for public use, if such taking can be justified by the health, safety and welfare of the community at large. Such taking should always be compensated by the market price of the property taken.

The law requires that the power of eminent domain be exercised for only those situations where the welfare of the whole community is at stake. Traditionally, the power of eminent domain and condemnation proceedings have been exercised to acquire land in rundown areas for the purpose of building highways or wiping out slums and related pathologies. Large tracts of land have been assembled by the government for clearance and sold to the private developers at 'written down' prices for building new housing for low and moderate income families. In these cases, the application of the power of eminent domain has been justified by clearing slums and providing better housing for neighborhood inhabitants where, otherwise, their health and safety would be endangered.²⁸

Past experiences indicate that the power of eminent domain has not been widely utilized to acquire rehabilitation properties. Because of the fact that these properties must not be characterized by extensive decay, the justification of slum clearance cannot effectively be made.²⁹ Therefore, under these circumstances, the legality of condemnation and 'written down' procedures to attract rehabilitation sponsors have been questioned.

In some instances, courts have upheld the application of eminent domain for rehabilitation purposes, and the legal justification made has been for the prevention of slums to protect the health and safety of the people. Still, many local public authorities have their own doubts regarding the legality of such land acquisition techniques, thus hesitating to initiate such proceedings.

Acquisition of clear title is often a prerequisite for the attainment of FHA insured loans. The FHA has refused to insure loans in cases where the validity of the land titles has been questioned.

3. Management and Maintenance: Experience in housing rehabilitation indicates that one of the problems often facing rehabilitation sponsors is managing and maintaining rehabilitated units. Cases of rent delinquency and vandalism have been reported after these units are rented. Often, spatial separation of rental units makes good management and maintenance hard to achieve.³⁰

It has been pointed out that, generally, rehabilitated units are often in need of repair even after rehabilitation has been completed. The problem of repair is often compounded by the lack of sufficient skilled repairmen.

4. Tenant Relocation and Community Opposition: Theoretically, rehabilitation does not create much problem regarding relocating tenants but, in practice, difficulties have been reported. Rehabilitation can cause relocation in two major forms: 1) relocation during rehabilitation process and, 2) relocation due to rent increases after rehabilitation.

It has been reported that, in order to facilitate the rehabilitation process, it is desirable to move tenants out of the unit during construction enabling workers to move freely within the unit without being concerned about damaging tenants' furniture or other belongings. Thus, during the rehabilitation process, temporary housing facilities must be provided to avoid any hostility and opposition to the rehabilitation project.

Rehabilitation must not create a substantial increase in rent. One of the criteria used to study the economic feasibility of rehabilitation is that it must not cause rent increases to the point that the existing tenants cannot afford returning to rehabilitated units.³¹ In practice, it has been reported that increases in rent have forced existing tenants to be relocated and higher income tenants have been attracted to the units.

In general, rehabilitation efforts, especially on a large scale, do cause tenant relocation which should be taken into consideration if rehabilitation is to succeed. A relocation plan must be drafted to provide temporary housing for the existing tenants when rehabilitation plans are carried out.

5. Rehabilitation Industry: A need for a streamlined rehabilitation industry is evident. "It is estimated that this country has 36 million single family houses as well as millions of structures with two or more apartments, all in some stage of the aging process from the first year's maintenance to that of hopeless despair."³² In New York City alone, it is estimated that in the late 1960's and early 1970's, 20,000 units were abandoned annually.³³

It is also apparent that the existing stock of housing must be efficiently utilized to house urban families. After all, 97% of the families living in urban areas are housed by the existing stock of housing.

The interesting fact is that, even with this absolute necessity and demand for housing maintenance and rehabilitation, an industry which can undertake rehabilitation on a large and small scale has not yet evolved. There are small local companies that specialize in housing rehabilitation but are, by no means, equipped to undertake large scale rehabilitation. These are normally one or two man operations capable only of handling jobs of small magnitude.

The lack of interest in housing rehabilitation severely hampers progress

in this area. It is important at this point to identify factors which directly, or indirectly, discourage the evolution of a modernized and well-equipped housing rehabilitation industry.

a. Municipalities Disregard for Gray Areas: One of the major contributors to the problem of urban housing rehabilitation in gray areas is the general unwillingness of the municipalities to upgrade public facilities and services.

Gray areas are often marked by municipal service deficiencies, such as: parks, schools, transportation, streets and pedestrian walkways, street lighting, lack of public services and others.

This general municipal disregard does not provide any incentive for rehabilitation sponsors to invest in such forgotten areas. If municipalities are reluctant to provide adequate public services, private investment in these run down areas cannot be expected. 'For the first insurance against blight is municipal housekeeping.'³⁴

A firm commitment from the local government is necessary to attract rehabilitation sponsors to gray areas. Municipal commitment provides the assurance that efforts from private sectors will be enforced by the government, thus, chances of failure are substantially reduced.

b. Confusion over Public Policy and Government Agencies: Engagement in housing rehabilitation efforts necessitates the usage of governmental programs. Usually these programs are ill-defined and confusing.³⁵ Normally, major confusion lies around issues such as: eligibility requirements, kinds of programs available, extent of the program, beneficiaries of the program, and what agency and level of government must be dealt with. The complexity of housing programs administered by the government has reached such a point that their interpretation and application cannot be made without the help of diverse specialists. Due to these difficulties and the administrative delays

involved, rehabilitation has little appeal to developers and sponsors. As stated by Colean: "it is unspectacular in itself and its success requires the doing of a lot of unspectacular things."³⁶

c. Stringent Building and Housing Code and Rehabilitation Standards:

The requirement for rehabilitating old structures according to new construction codes often discourages rehabilitation efforts. A survey of cities with Title I Urban Renewal Programs indicated that 57% of the municipalities replying required full compliance with their building codes before they would issue their building permits for rehabilitation.³⁷

Stringent and inflexible building and housing code requirements severely hamper rehabilitation efforts. Often compliance with new construction building codes makes the project economically unfeasible and the antiquated nature of old structures makes it difficult and sometimes impossible to meet the code requirement.

d. Difficulties in Project Programming and Cost Estimating: Due to the high degree of uncertainty involved in housing rehabilitation, it is extremely difficult to program construction activities. Rehabilitation work does not generally lend itself to present construction management and programming techniques such as: system engineering, PERT or Critical Path Method.³⁸ Often, a number of decisions need to be made on the site. Many times one action leads to another, making predictions utterly impossible.

A good building appearance is often deceiving. It may be discovered that the plumbing and electrical systems of the building need substantial or total change.

A high degree of uncertainty, coupled with a high frequency of chain actions in rehabilitation, makes it tremendously difficult to make fairly accurate cost estimates. In many instances, the cost of actual rehabilitation work exceeds the projected cost made at the planning stage.³⁹

e. Acquiring Insurance for Rehabilitated Structures: The problem of getting insurance for the properties to be rehabilitated, or those already rehabilitated, is another major obstacle in urban housing rehabilitation. Due to the fact that these properties are often located in declining neighborhoods, thus susceptible to fire and vandalism, insurance companies are generally reluctant to sell theft and fire insurance. Even when insurance is granted, the rate at which these policies are sold is unreasonably high, which has ultimate effects on rent.

Fair Plan: (Fair Access to Insurance Requirements): In 1968, the Urban Property Protections Insurance Act reduced the problem of acquiring insurance for rehabilitation properties. Under the fair plan a property cannot be charged a premium rate or denied coverage unless it has failed to pass an inspection to determine its ability to meet reasonable underwriting standards. Insurance companies cannot add a premium surcharge strictly for environmental (neighborhood) reasons.⁴⁰

The FAIR plan has, undoubtedly, reduced the problem of acquiring insurance for rehabilitation properties but, by no means, has it provided a panacea for all rehabilitation insurance problems. Acquisition of insurance, even under the FAIR plan, is lengthy and requires a long period of administrative processes.

f. Neighborhood Opposition and Aggression: Rehabilitation activities within a depressed neighborhood can be slowed down or even brought to a total stop if the project faced neighborhood opposition. These oppositions may have diverse origins, such as: a lack of relocation plan, or a feeling of neighborhood exploitation by the sponsors. If the project does not plan for relocation problems and does not call for providing shelter for displaced tenants, then neighborhood opposition can be expected.

It is quite essential that neighborhoods to be prepared for rehabilitation

by forming neighborhood meetings to disclose the intentions of the project, and try to gain public trust and support.

Neighborhood opposition can also have racial overtones. For instance, a Boston rehabilitation effort faced with neighborhood opposition because residents (predominantly black) felt that they were being exploited by a number of white rehabilitation sponsors.⁴¹

Neighborhood opposition can also have other negative effects on project implementation and construction procedures such as: workers' reluctance to work in these neighborhoods or agreeing to work only in large groups.⁴²

Footnotes

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²¹Ibid., p. 29.

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²³Op Cit, David Listokin, p. 29.

²⁴Op Cit, Carter M. McFarland, p. 177.

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**Government &
Housing Rehabilitation**

chapter III

It has been pointed out, that the free enterprise economic system, because of predominant profit-seeking motives, does not function in favor of poor families to improve their housing conditions. Private sectors of the economy, due to social and economic reasons, do not participate in efforts to provide low income housing. It has increasingly become the role of the government to provide better housing for lower income families. The unresponsiveness of the free market economic system to the basic needs of the poor leaves the government with no alternative other than intervention in order to reduce the burden of housing for the economically disadvantaged.

Government intervention in housing is based primarily on the concept of providing financial help for poor families to house themselves. In order to do so, the government pays a portion of the total cost of housing to make it more accessible to the poor.

In its efforts to house the poor, the government also involves itself in rehabilitating and then renting or selling these units to eligible families. In order to get the private sector of the economy more interested in housing rehabilitation, the government provides economic incentives such as 'land write down', tax shelters and insured loans.

The history of rehabilitation in this country reveals that rehabilitation efforts cannot successfully be completed unless a close cooperation between the governments and private sectors of the economy is achieved. For this reason, the government offers economic incentives for rehabilitation sponsors taking part in urban housing rehabilitation.

Government programs and policies at all three levels can substantially

influence the degree of participation of the private economy in housing rehabilitation. To further clarify the role of government at the federal, state and local levels, a brief history of government involvement in housing rehabilitation is presented.

FEDERAL GOVERNMENT AND HOUSING REHABILITATION

The primary role of the federal government in housing rehabilitation is to provide financial means to localities in order to reduce the burden of rehabilitation cost. Involvement of the federal government in financing new construction and rehabilitation started in 1930, when this country was in the midst of a recession.

The federal government's interest in housing was initially directed toward providing jobs for the people who were suffering from unemployment. The earlier programs were initially conceived as job producing programs which would also help housing problems.

Homeowners Loan Corporation (HOLC): In 1933, the Homeowners Loan Corporation was formed and was authorized to provide a means of refinancing mortgages for those homeowners whose mortgages had been foreclosed. Later, HOLC was authorized to make loans to those homeowners whose residences were in need of some essential repairs.

Housing Act of 1934: The Housing Act of 1934, created the Federal Housing Administration, which, through Title I of this housing act, authorized the FHA to guarantee mortgages made by private institutions to homeowners for the purposes of alterations, improvements, maintenance or other upkeeping activities. Rehabilitation and upkeeping of residential stock was generally encouraged by these two federal institutions (HOLC and FHA). There were no geographic limitations imposed on properties. The only requirement for eligibility was the evidence of financial distress. At this point, no attempt was made by federal authorities to tie these scattered improvements into a more organized total rehabilitation effort.

In proceeding years the spottiness of federal rehabilitation efforts became more noticeable, creating an atmosphere for tying rehabilitation activities to other community and neighborhood programs.

In 1947, the Housing and Home Finance Agency (HHFA) essentially called for recognizing and bringing together the FHA, Public Housing Administrations and the Federal National Mortgage Association (FNMA). The HHFA has a general supervisory authority over the agencies mentioned above.

A number of studies was conducted during the 1940's, which called for better organization of federal programs regarding rehabilitation as well as tying renewal activities to overall community development efforts. These recommendations set the ground for the enactment of the Housing Act of 1949.

Housing Act of 1949: The Housing Act of 1949, was enacted to create decent housing for all Americans. Title I of the 1949 Housing Act started the urban redevelopment program which was essentially intended for slum elimination.

The intent of this program was to improve rundown and unsafe residential areas by acquiring and clearing the land and selling them to developers at a lower cost. One third of the cost was to be absorbed by the sponsor and two thirds by the federal government.

Few drawbacks of this program manifested themselves in later years. Families who were living in redevelopment areas were being relocated, and programs did not make any effort to house these people. This housing act was criticized for creating slums adjacent to the project areas where relocated families congregated.¹

Another major problem was the programs inability to produce as many dwelling units as were razed within the project areas. Later this approach was severely criticized for the general lack of sensitivity to existing social patterns among residents since it relied solely on demolition as the primary means of eliminating slums.

Housing Act of 1954: All accumulated dissatisfaction with the general approach and the results attained by the Housing Act of 1949, resulted in the formation of the President's Advisory Committee on Housing Policies and Programs ordered

by President Eisenhower in 1953.² The outcome of this committee study was the creation of a more elaborate version of the Urban Redevelopment Act which later was referred to as 'Urban Renewal'.

The Housing Act of 1954, requested that the HHFA consider the 'feasibility of achieving slum elimination objectives through rehabilitation' before approving slum clearance operations.

The Housing Act of 1954, recognized the importance of existing housing stock and allowed rehabilitation within designated 'Urban Renewal' areas.

This housing act specifically called for a 'workable program' as a requirement for eligibility in order to encourage planning at local levels.³

The primary intentions of the Housing Act of 1954, were to: 1) provide assistance to help communities attack slum housing and urban decay, 2) provide federal loans and grants to communities for renewal purposes, 3) extend long-term FHA mortgage insurance to older communities to facilitate liberal financing to build or rehabilitate residential units for sale or rent.⁴

The Housing Act of 1954, did not intend to replace clearance with rehabilitation but, it intended to urge LPA and other responsible parties to consider rehabilitation before endorsing clearance operations.

The major innovation introduced by the 1954 Housing Act was the mandatory preparation of a 'workable program' to demonstrate that localities have made reasonable efforts to integrate redevelopment and conservation projects within their overall planning schemes. 'Workable programs' should provide detailed analysis of housing characteristics and the following information:

1. An analysis of housing conditions, with emphasis on:
 - a. The location and extent of blight
 - b. The characteristics of families living in poor housing
2. A survey of the condition of non-residential areas, again emphasis on blight

3. An evaluation of the adequacy of public and private community facilities and services.⁵

The 'workable program' should include:

1. Adequate codes and ordinances for structure and use, adequately enforced.
2. A comprehensive community plan for land use and public capital development.
3. Neighborhood analysis for the determination of blight.
4. Administrative organization adequate to an all-out attack on slums and blight.
5. A responsible program for relocation of displaced families.
6. Citizen participation in the entire program.
7. Adequate financial resources for carrying out (1) through (6) above.⁶

Local communities participating in this program must be certified by housing authorities. Their certificate must be renewed every two years to force communities to move toward their established housing goals.

Housing Act of 1956: This housing act authorized relocation payments to those families and businesses who, as the result of Urban Renewal Projects, were displaced. Among other changes, this housing act made provisions for allocation of federal advances for preparation of General Neighborhood Renewal Plans (GNRP). GNRP is simply a designation of an area for the purposes of rehabilitation, and clearance.⁷ Under GNRP, the private sector of the economy was encouraged to take part in federal efforts to upgrade residential areas.

Housing Act of 1959: The Housing Act of 1959, further liberalized the Title I program and extended the GNRP to the overall community.

Grants and other sources of funds were provided to those communities with a Community Renewal Plan (CRP) integrated in their overall comprehensive plan.

Housing Act of 1961: The Housing Act of 1961, further recognized the need for rehabilitation and conservation of the existing stock of the housing which President Kennedy reaffirmed as the federal governments committment in the fight against slums.⁸

This Housing Act expanded Title I of the 1954 Housing Act and broadened the scope of 'Urban Renewal' to allow for redevelopment of community facilities other than housing. This redevelopment included: space programs, highway planning and mass transportation.

Title I of the 1961 Housing Act was further amended to authorize local Urban Renewal offices to carry out rehabilitation demonstrations within Urban Renewal areas.

At this time the necessity of coordinating housing rehabilitation efforts with other social services was beginning to be realized. The Housing Act of 1961, did not provide a substantial change in the basic pattern of Urban Renewal programs, but some legislative tools were provided to make the achievement of these goals easier. These tools included: 1) liberalization of the FHA programs which were to be used for rehabilitation, 2) authorization of the FHA to insure below market interest rate loans used for rehabilitation carried out by nonprofit, limited dividend or cooperative organizations, 3) insuring supplementary rehabilitation loans under section 220 (h) based on any type of security acceptable to the FHA commissioner and, 4) calculating loan amounts for rehabilitation based on the value of the existing property plus the cost of repair.⁹

Housing Act of 1962: The Housing Act of 1962, did not introduce any substantial changes into the structure and the provisions of the Housing Act of 1961, except that President Kennedy signed an executive order to stop discrimination in housing programs assisted by the federal government.

Housing Act of 1965: The Housing Act of 1965, made important strides toward providing adequate housing for low and moderate income families. Up to this point, most housing programs intended for low and moderate income families were primarily financed under sections 220 and 221. The Housing Act of 1965, provided an additional means for federally financed housing projects. This

Housing Act called for the following: 1) The establishment of the Department of Housing and Urban development to provide additional help in providing housing for low and moderate income families, 2) The extension and liberalization of FHA 221 programs, 3) The authorization of section 115 Rehabilitation grants given to the communities within urban renewal areas. These grants are made up to \$1500 per dwelling for families with an annual income of \$3000 or less and, 4) The establishment of section 312 rehabilitation loans to the property owners in Title I, Urban Renewal areas or section 117 code enforcement areas. These loans are more restrictive in nature and not to exceed \$10,000 per unit and \$4,500 additional in high cost areas.

Under the Housing Act of 1965, an experimental program was initiated (using section 221 (h)) to rehabilitate or build low income housing at three percent interest and sell them to families meeting federal assistance eligibility requirements.

Model City Legislation: In 1966, Congress enacted the model city program. This legislation was designed to solve problems related to a communities poverty as well as housing and urban decay. A number of demonstration projects were undertaken.¹⁰ Unfortunately, this program, even though impressive in scope and interesting in concept, proved to be impractical and hard to implement. It was criticized for lack of citizen participation and other procedural approaches.

Housing Act of 1968: This housing act authorized the Neighborhood Development Program (NDP) to make renewal annual financing for ongoing 'city maintenance'. This housing act (thru the use of section 221 (h), 235 and 236) encouraged home ownership and moderate rental programs.

Rehabilitation was also emphasized. The national housing goal was established to rehabilitate two million houses by 1978, later this was reduced to one million units.

During the late 1960's, and early 1970's, excessive federal involvement in local housing created a national concern over whether the federal government should continue its categorical programs or whether some major changes should be made to reduce them.

The traditional categorical grants were earmarked for specific purposes which meant that the federal government, through federal policies and programs, specifies the use of the money and no other uses would be permitted.

Major problems with traditional grants are: 1) Regardless of the flexibility and the number of the federal housing programs designed to solve local housing problems, there will always be situations which federal programs will fail to effectively address¹¹ 2) These programs, very costly to administer and supervise, will ultimately increase the federal governments' involvement in local affairs, thus decreasing local autonomy.

Because of these major concerns, early in the 1970's, the mode was set to reverse the increasing trends of federal involvement in local affairs, thus providing more opportunities for local governments to solve their own problems.¹²

To achieve this goal, 'Revenue Sharing' was proposed, which provided federal money to the local communities and gave them the authority to spend the money the way the local government felt it should be spent. Undoubtedly, this system puts more decision-making responsibilities on the local authorities.¹³

Community Development Act of 1974: The Community Development Act of 1974, clearly demonstrated the federal government's willingness to relinquish its local decision-making by providing localities with more freedom to solve their own problems.¹⁴

Under this system, the major role of the federal government is to provide the financial means to the local governments through community development

block grants, thus minimizing its supervision on local projects.

STATE GOVERNMENT AND HOUSING REHABILITATION

Under urban renewal programs, the role of the state government in housing rehabilitation is quite limited. The only role that the state government plays is to allow its municipalities to participate in federal programs. After this permission is granted, the rest of the negotiation is made between municipalities and the federal government. The state government is usually bypassed.

The role of the state government is essentially supervisory. Many state provide technical assistance to their localities where such assistance is not locally available.

The most important role of the state government in local housing is the provision of enabling legislation to be passed for local governments to protect the health, safety and welfare of their local residents by devising and enforcing building and housing codes.

Devising and enforcing well-conceived building and housing codes, as well as zoning ordinances, is essential in implementing a city wide rehabilitation effort. Without these, municipal supervision rehabilitation projects cannot be carried out and maintained.

Some cities such as Newark have supplementary housing programs which tend to compliment the federal assistance. Some states have formed Housing Finance Agencies (HFA) which provide financial means for local communities to improve their housing conditions.¹⁵

LOCAL GOVERNMENT AND HOUSING REHABILITATION

The local government can best encourage or facilitate housing rehabilitation. Housing problems can best be diagnosed and solved at the local level by the supervision of those most familiar with local issues, capabilities, and limitations. Local officials and other concerned individuals are often more knowledgeable about local housing problems than those at the state or federal levels of government. Thus, it would be logical to assume that the methods and means of achieving decent housing can best be attained by local concern and involvement.

But, reliance on local officials and the government to solve housing problems has its own shortcomings. Provisions for adequate housing at the local level requires a large expenditure of municipal funds which are most often unavailable. Appropriation of a large portion of municipal tax revenues for housing can cripple other aspects of the local economy.

Financial restrictions often impose a sizeable limitation on the scope of municipal housing programs funded by local resources. This limitation is more severe for smaller municipalities with a limited tax base. The lack of technical knowledge and skilled workers to take part in local rehabilitation projects is another problem that local communities often face.

Due to these major limitations, local governments are often handicapped in devising and implementing rehabilitation programs by which their housing problems can be mitigated. Normally, financial and technical help from the state or federal government is necessary to initiate housing rehabilitation projects. But, even with state and federal help, extensive involvement of local officials in the housing process is essential.

The local government has, at its disposal, few legislative tools by which it can implement its housing rehabilitation programs. These are: 1) police power, 2) eminent domain, 3) municipal property taxation, and

4) growth policies.

1. Police Power: The state government delegates legislative power to the municipal governments to regulate personal conduct or property to protect the health, safety and welfare, and the moral of the community at large.¹⁶ These regulations are imposed on individuals without compensations.

Police power imposes restrictions on development and rehabilitation projects through building codes, housing codes, rehabilitation standards, and zoning and subdivision regulations. The stringency and the extent of the execution of these codes has enormous effects on the overall development pattern of the community.

Building codes essentially address the safety factors in newly constructed or rehabilitated buildings, whereas housing codes fundamentally address the issues of occupancy such as the number of inhabitants per housing unit. Housing rehabilitation standards refer to the issues related to regulations which are not thoroughly covered by building codes. These restrictions are imposed on those rehabilitation projects funded by the government.¹⁷

A general distinction between housing rehabilitation and municipal code enforcement must be made. Rehabilitation is a housing program initiated by the government or private groups to upgrade the conditions of the existing housing units, whereas building and housing codes are the legal means by which these goals can be achieved.¹⁸

The establishment and enforcement of housing and building codes is an essential part of a successful rehabilitation program. Without such municipal policies, no rehabilitation project can be expected to be successfully implemented and maintained. An environment conducive to rehabilitation would be created if municipalities devised and enforced building and housing code provisions.¹⁹

The code enforcement program will increase the chances of progress in

urban housing rehabilitation programs. A President's Committee on Urban Housing concluded that code enforcement would instill confidence among private owners, investors, lenders and that neighborhood quality would improve.²⁰

2. The Power of Eminent Domain: Under the powers of eminent domain, the local, state or federal government has the authority to acquire land from private owners for the purpose of public use. Such acquisition must be made with just compensation to the original owners.²¹ (For further descriptions, see methods of property acquisition).

3. Municipal Taxation: The method by which the local government taxes real estate, by and large, effects the nature and density of development. Through taxation, the government can encourage private investment in different aspects of economy.

In addition to providing revenue, general property tax may be used to guide development. By controlling the amount of taxes to be levied or exemptions to be granted against rights in different types of spatial units, public policy can influence the use of land and effect the distribution of wealth and income.²²

The present tax system, in general, not only fails to encourage residential upkeep, but also provides incentives for the property owners to allow their property to deteriorate in order to receive more reductions in their taxes.

Since rehabilitation causes a general increase in the value of property, taxes are normally increased after rehabilitation has been completed. This general increase in assessment causes increases in property taxes which creates an obstacle for rehabilitation. Property tax shelters or tax abatement on rehabilitated properties have been suggested by a number of housing specialists to encourage rehabilitation.²³ But, for communities which rely heavily on

municipal tax revenues, such tax breaks may cause some adverse economic effects.

4. Municipal Growth Policies: Capital programming and budgeting:

Public policies regarding municipal growth patterns can either encourage or discourage rehabilitation of the existing stock of housing. The amount of importance placed on the development of suburban areas can substantially influence the amount of attention placed on inner city rehabilitation and upkeep programs. Regulations such as annexation laws, and the municipalities willingness to invest substantial portions of its capitals to expand the city infrastructure to serve suburban areas can have a tremendous effect on inner city rehabilitation programs. Whether it calls for outward expansion, inward rehabilitation or the creation of an equitable and necessary balance between the two, municipalities, through capital programming and budgeting, can set the tone for city development and growth.

Footnotes

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Case Studies

chapter IV

This chapter on case studies primarily intends to identify the problems that rehabilitation sponsors as well as municipalities have faced in devising and implementing a reliable rehabilitation program and also to analyze the method by which these problems were mitigated.

For the purposes of this research, it was decided to study two large scale housing rehabilitation efforts with differences in scope, philosophy, methodology and success. This chapter concerns itself with the analysis of two rehabilitation efforts: Camden Housing Improvement Program (CHIP) in New Jersey, and Boston Urban Rehabilitation Program (BURP) in Massachusetts.

These two rehabilitation programs have been chosen for the following reasons: 1) Both efforts have been directed at providing better housing for low and moderate income families at a fairly large scale, 2) There are major differences in philosophies and approaches which are worth exploring in order to assess their effects on the outcome of the projects, and 3) The degree of success reported for these two rehabilitation efforts are different, thus it is worthwhile to search for possible reasons for such a difference.

In this chapter, it is the intention of the writer to study the characteristics of these two major rehabilitation efforts and make some observations regarding their merits as well as their major areas of weakness.

Since these two programs are substantially different in scope and approach, no attempt has been made to make a comparative analysis between the two, but instead, the study has been made to determine the merits and weaknesses of each program.

CAMDEN HOUSING IMPROVEMENT PROGRAM: CHIP

Camden is located on the southwest corner of the state of New Jersey. The Delaware River separates Camden from Philadelphia. In the late 19th century, Camden was considered a fashionable place to live and shop, thus many Philadelphians crossed to river the Camden.¹ In early 1900, industry was growing rapidly in Camden and a number of companies opened their factories in the area.

But, in recent decades, Camden has exhibited increasing signs of decline in both industry and population. Also, the percentage of non-whites residing in the city has constantly increased. (See exhibit 1).

Along with this change in demographic characteristics, the number of low income families living in the city of Camden has constantly increased. It was estimated in 1960, that the number of low income families exceeds one fifth of the total population. This figure also exceeds the state of New Jersey's rate for low income families.²

Due to this shift in the composition of the population, the federal expenditure for the city has been soaring. The fiscal expenditure has risen one hundred and thirty-five percent.³

As the city suffered further from physical and fiscal decline, some important industrial plants started leaving. New York Ships and Easter Brook Pen Company left the city and RCA reduced the extent of its operation in Camden. As a result, the tax base of the city was constantly shrinking. The departure of large industries did a lot of damage to the fiscal stability of the city.

This shrinkage in the tax base in Camden, along with the increasing fiscal expenditure, has forced the city to tax the remaining properties quite heavily.

In addition to these population and physical problems, a number of

**THIS BOOK
CONTAINS
NUMEROUS PAGES
WITH DIAGRAMS
THAT ARE CROOKED
COMPARED TO THE
REST OF THE
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CHANGES IN CAMDEN'S TOTAL AND NONWHITE POPULATION

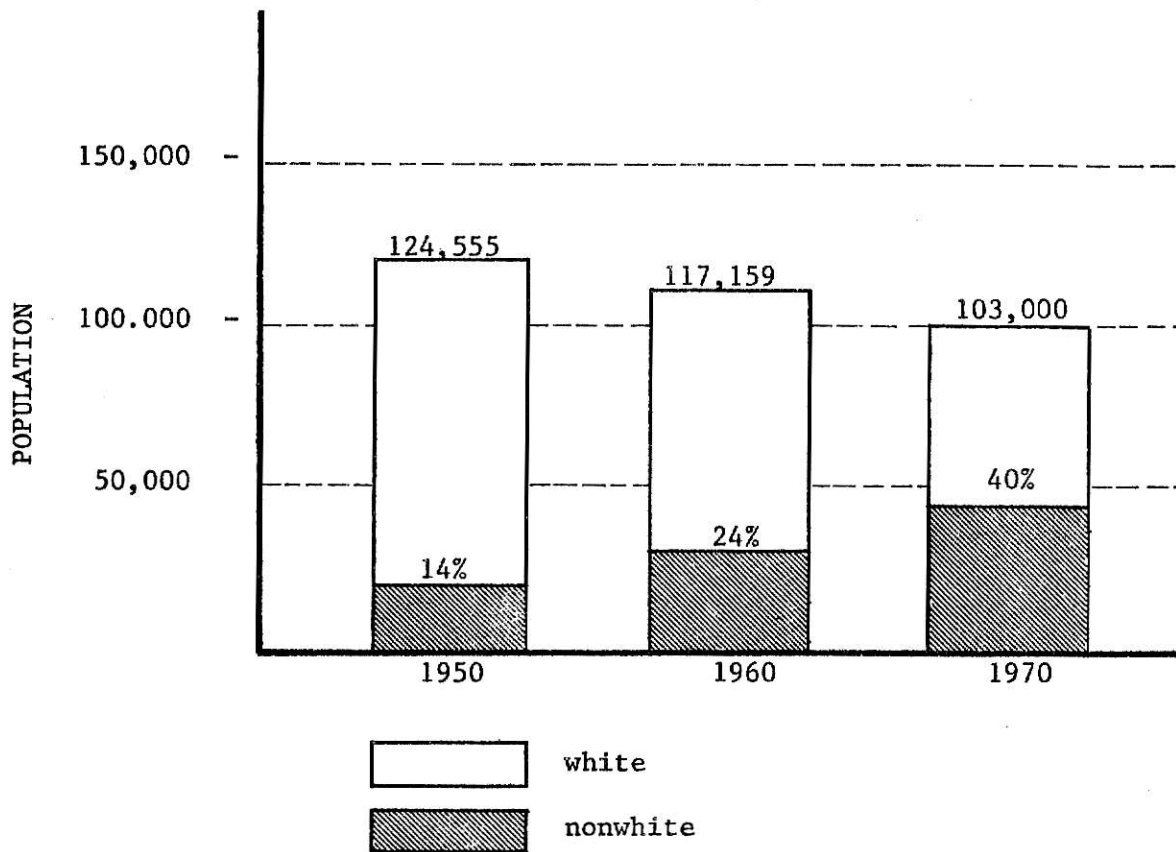


Exhibit #1

Source: Listokin, David. The Dynamics of Housing Rehabilitation: Macro and Micro Analysis.

social problems have emerged. These problems include a high rate of crime, theft, and other social disorders.

Housing Problem: One of the major problems facing the city of Camden is the shortage of housing, especially for low and moderate income families. The U.S. Census for 1960, indicated that one fifth of the existing housing units in Camden are dilapidated or deteriorating. (See exhibit 2).

One problem existing in Camden is that the number of housing units razed annually by far exceeds the number of houses being constructed, thus intensifying the problem of housing in Camden.

A HUD report projected that by 1972, nearly thirty percent of Camden's 1960 rental housing supply and nine percent of its 1960 owner housing supply would have to be demolished.⁴

The rate of deterioration of the housing supply is quite considerable and every year the number of unsound housing units in Camden increases. Between 1960 and 1967, 3,506 or thirteen percent of the 26,936 sound owner and renter dwelling units in Camden became unsound.⁵ (See exhibit 3).

Between 1960 and 1967, new construction in Camden had not been able to keep pace with demolition and deterioration. 1,262 housing units were constructed which is less, by far, than what is needed to provide adequate shelter. (See exhibit 4). Public housing programs in Camden have been unable to provide sufficient housing units for eligible families.

Existing housing conditions in Camden, New Jersey, have caused a number of concerned individuals and corporations to look closer at the housing problems facing the city, and to try to meet the increasing housing needs of the city through other housing strategies such as rehabilitation programs.

The use of the housing rehabilitation strategy has been the result of the city's dissatisfaction with demolition and construction strategy, which, apparently, has failed to provide adequate facilities for those who are in

ILLEGIBLE DOCUMENT

**THE FOLLOWING
MAP(S) / PLAN(S) IS OF
POOR LEGIBILITY IN
THE ORIGINAL**

**THIS IS THE BEST
COPY AVAILABLE**

CONDITIONS OF HOUSING, CAMDEN, NEW JERSEY, 1967

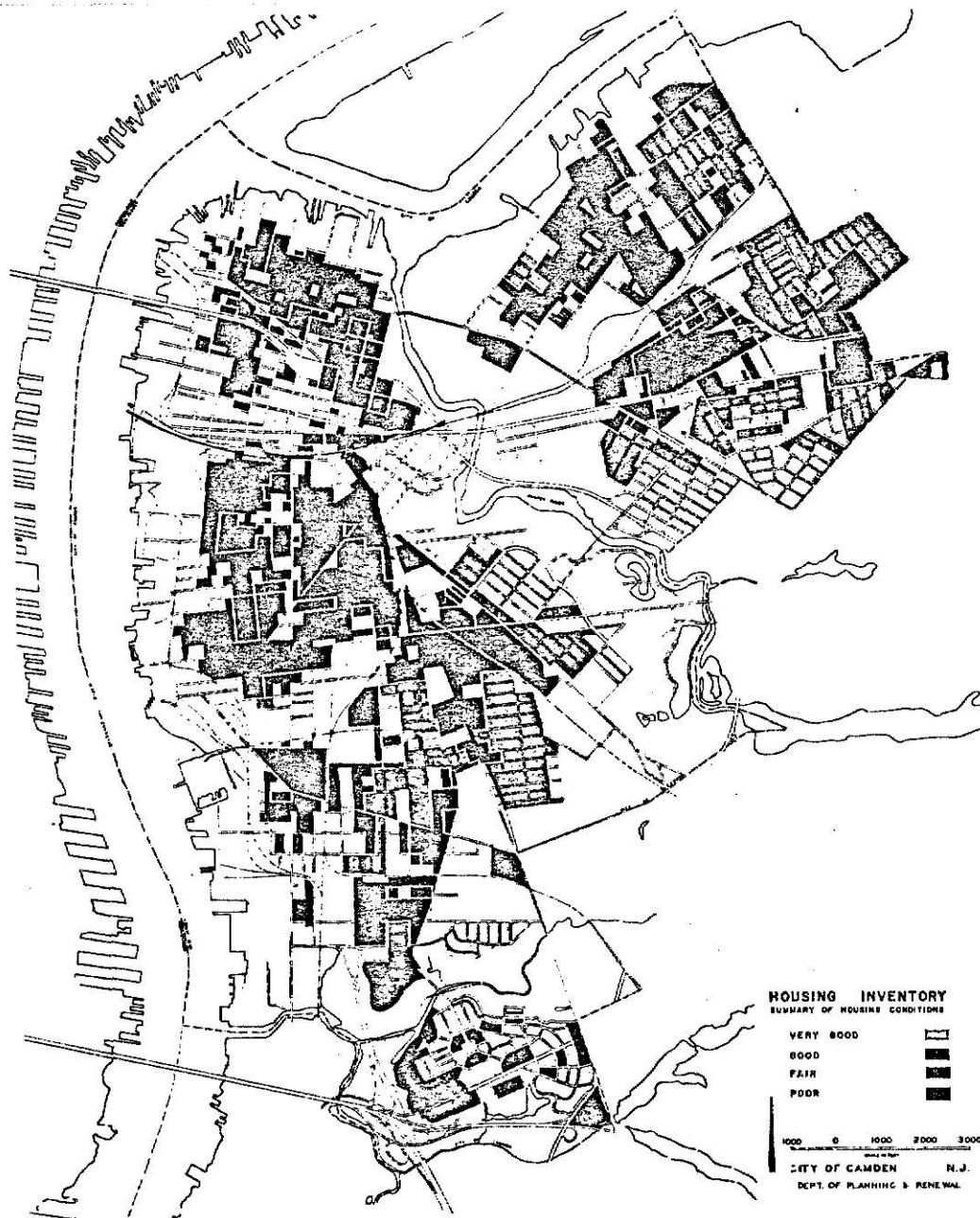


Exhibit #2

Source: Listokin, David. The Dynamics of Housing Rehabilitation: Macro and Micro Analysis.

PERCENT OF SUBSTANDARD HOUSING IN CAMDEN CITY, 1960

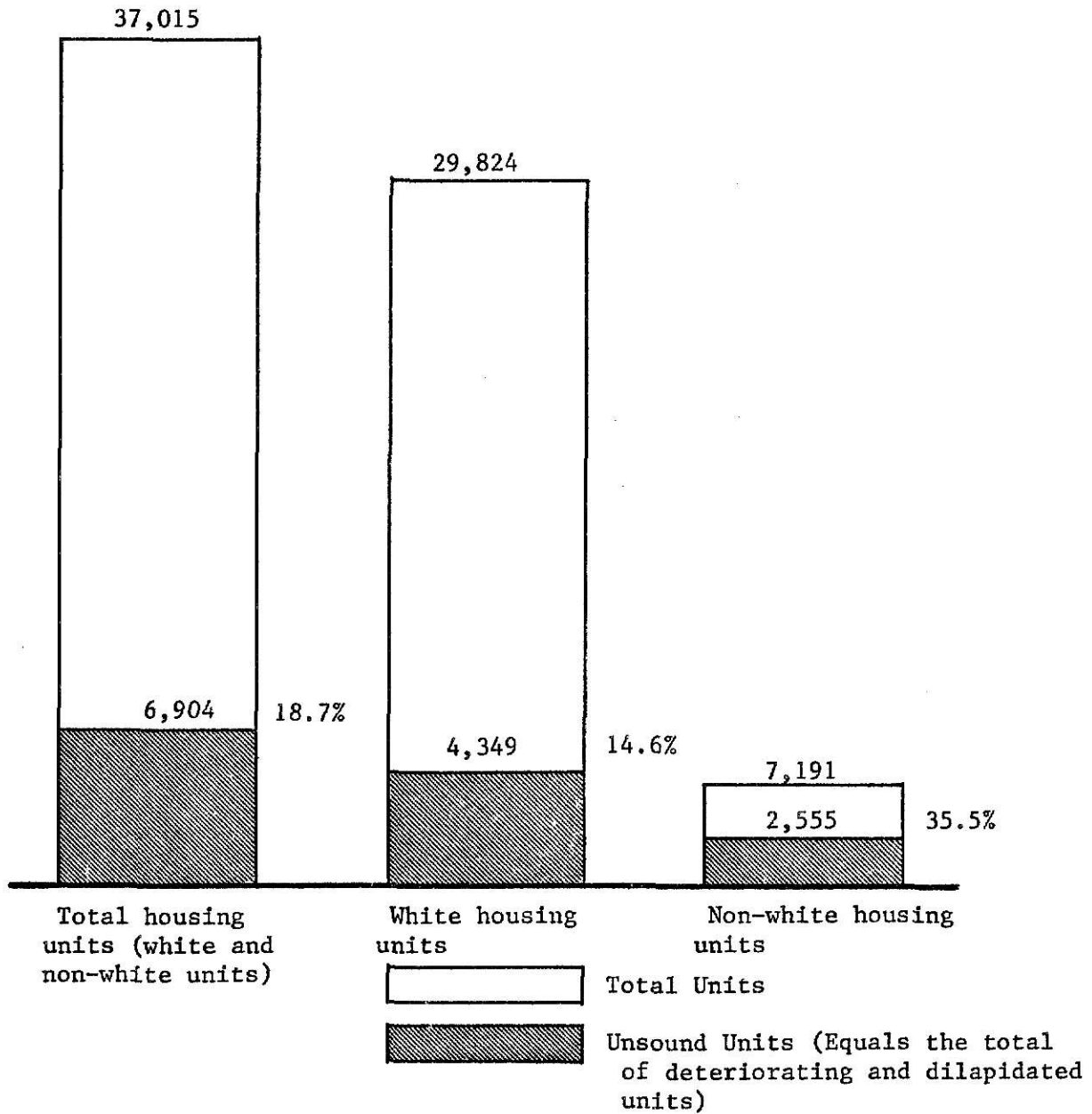


Exhibit #3

Source: Listokin, David. The Dynamics of Housing Rehabilitation: Macro and Micro Analysis.

DISPARITY BETWEEN CAMDEN'S HOUSING CONSTRUCTION AND HOUSING NEED
1960-1967

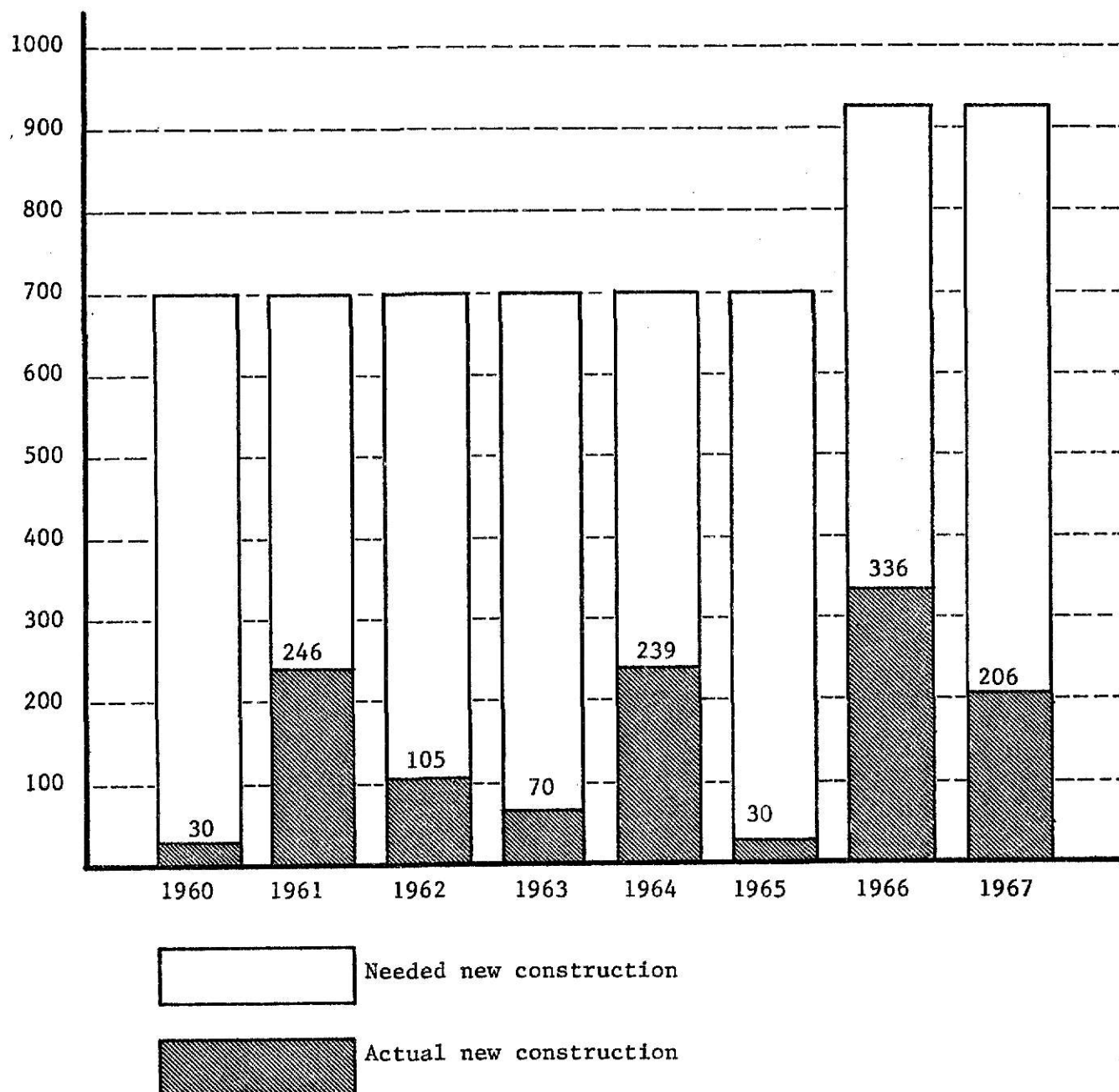


Exhibit #4

Source: Listokin, David. The Dynamics of Housing Rehabilitation: Macro and Micro Analysis.

desperate need of housing.

CHIP Background: In 1967, the severe housing shortage in Camden prompted five local corporations to form a non-profit organization to rehabilitate houses in the city. These five corporations were: Campbell Soup Company, Radio Corporation of America (RCA), Bank of New Jersey, South Jersey National Bank, and the Dorrance Foundation.

Each of these corporations initially contributed \$20,000 which later was increased to \$100,000 which was to be used as a revolving fund to rehabilitate housing units in Camden. The officers of CHIP were elected from businessmen and civic leaders.

The objective of the CHIP organization was to provide houses for economically disadvantaged residents of Camden by rehabilitating and renovating old structures within the gray areas. This objective was believed to be best achieved if rehabilitated houses were sold to the people, thus because of the pride of homeownership, better cooperation from the people is achieved.

Having this philosophy in mind, the CHIP organization limited its activities to rehabilitating houses and selling them to low and moderate income families. This approach automatically discarded any rental housing rehabilitation and no attempt was made to rent the units after rehabilitation had been completed.

Before starting any rehabilitation effort, CHIP sponsors hired a private consultant firm (Stoolman Associates) to do a detailed study of the housing situation in Camden and to identify future housing needs. The result of this study reaffirmed that the rate of housing construction in Camden is much slower than the rate of housing obsolescence and demolition. Stoolman's report indicated that housing rehabilitation programs are needed to meet the housing need. His report indicated that by 1980, 12,000 units needed to be rehabilitated to keep pace with future housing needs.⁶

It was the concensus of the CHIP organization that the selected officers, and an executive director, must have diverse and practical knowledge in numerous urban concerns, such as: real estate, financing, government, social services and others. In 1967, Jerome Weinstein, with extensive housing rehabilitation experiences, was hired as the executive director of CHIP.

CHIP Rehabilitation Strategy and Approach: The CHIP program was devised to provide housing for low and moderate income families without causing any major relocation problems. In order to achieve this objective, the organizers of CHIP decided to rehabilitate vacant houses only. They also considered the possibility of rehabilitating occupied houses by providing temporary housing services for relocated families, but it was argued, that many of these families might not be able to return to the rehabilitated houses because of the federal eligibility requirements.

Because of the fact that CHIP sponsors were solely interested in purchasing inner city vacant properties and also because of the existing high rate of housing decay and abandonment, it was believed that CHIP would not have any difficulties acquiring properties suitable for their purposes.

CHIP started purchasing properties which, due to tax delinquency, had been turned to municipalities and were officially owned by the city. Later this acquisition procedure proved to be of less value because of the following reasons: 1) Excessive structural damage or vandalism, 2) Some structures being occupied, and 3) Inadequate size.

According to the New Jersey law, properties cannot be foreclosed unless the tax delinquency period exceeds two years. This requirement limits the usefulness of the foreclosure laws for the purpose of housing rehabilitation. During these two years, vacant properties often become vandalized, thus less suitable for rehabilitation. In practice, foreclosure laws do not provide much promise for the expeditious acquisition of land in Camden.

Another possible route that CHIP could have taken to acquire properties was through the open market. This approach was more successful but still did not provide CHIP with a fast means of getting the properties it needed. This approach was primarily implemented through realtors and/or directly approaching landlords. This was less effective because the finder's fee paid by CHIP, \$100/property, did not seem to provide adequate incentive for realtors to participate in CHIP. It also had its own disadvantages. In numerous instances CHIP had great difficulty locating the owners of the properties which it wished to rehabilitate. This problem is exacerbated by outdated municipal records, or the fact that land had been sold to new owners.

Even in cases where owners of the properties were located, the amount of back taxes owed to the city were prohibitive. Although New Jersey law delegates authority to municipalities to forget a portion or the whole amount of back taxes, in the case of CHIP, it was not exercised.

The increasing problem of land acquisition for rehabilitation forced CHIP officers to persuade the state of New Jersey to give the local government the authority to acquire land through the process of 'eminent domain'.

Since other land acquisition methods were unsuccessful, this request was granted. The application of the power of eminent domain to acquire rehabilitation properties generally reduced the problem of land acquisition. But, as noted by CHIP, it did not totally solve their land acquisition problem:

The 415 properties we acquired over the past four years have virtually exhausted the backlog of suitable houses available for rehabilitation.

As Jerome Weinstein, the executive director of CHIP states, 'The real headache is not working capital or cost but the difficulty of acquiring a continuous supply of vacant houses for rehabilitation.'⁷

Extent of Rehabilitation: After the properties had been acquired, the next

question to be answered was, to what extent should rehabilitation efforts be carried out. CHIP sponsors believed that CHIP should rehabilitate its properties to 'as new' standards.⁸ As Weinstein states:

Our rehabilitation of individual property is aimed at new again housing not simply an attempt at repair or modernization. Although every property does not require gutting, all obsolete nonbearing walls are removed in order to provide a modern floor plan with ample closet space. Plaster and other surfaces that are in questionable condition are removed.

The primary reasons for higher standard rehabilitation are: 1) to increase owners satisfaction, 2) to reduce the number of after sale repairs, and 3) to reduce owners maintenance cost. It is sounder for these repairs to be made now than to take the chance that homeowners will have an expensive problem to be remedied in three or four years.⁹

Cost and Method of Financing: Comparatively, the selling prices of CHIP houses had been low in 1970-1971. The average selling price of a three bedroom CHIP house was \$12,000. The average selling price for all CHIP housing was \$13,200. Out of this total, \$9,500 is spent on rehabilitation labor and materials, and the price of land, in some instances, was less than \$1,400.

Financing Mechanism: Financing was achieved through 221 (h) and 235 (j) federal programs. Under these programs, CHIP, a non-profit organization, could receive a mortgage from the federal government to purchase and rehabilitate properties and finally sell them to low and moderate income families. Under these arrangements, prospective home buyers must meet the federal eligibility requirements. To meet this requirement the total income had to be one hundred and thirty-five percent of that required for public housing. This program provides a three percent loan to home buyers which, depending on the buyers income, could be amortized anywhere from twenty to forty years. This low finance charge, coupled with long amortization periods, brings monthly housing payments within the accessible range for low and moderate

income families.

CHIP also received additional grant money from the Department of Community Affairs of the state of New Jersey, for staff and technical assistance.

Occupancy Cost: The monthly occupancy cost of CHIP houses has been low. On the average, a house of \$13,200 value costs about \$132 to run monthly. The property of \$12,600 value costs about \$126 to run. The components of the monthly occupancy costs are as follows: interest, property tax, utilities and maintenance, mortgage, fire and theft insurance.

One of the major contributors in keeping the monthly housing cost down was the city's agreement not to reassess the CHIP properties after rehabilitation. Weinstein states that:

To supplement the benefits of FHA's low mortgage interest rate, a realistic property tax was necessary. . . The city's attitude has been very fair in establishing property assessment based on selling prices under normal market conditions as employed in evaluating other properties in the neighborhood.¹⁰

Management and Control: CHIP sponsors believed that a good collection of skilled and experienced officers in diverse pertinent urban concerns was necessary to make a rehabilitation project work. For this reason, a staff of experienced businessmen was selected and authorities were delegated to utilize their expertise.

The success of CHIP in management and maintenance can be attributed to few factors. First, high rehabilitation standards substantially reduced maintenance problems. Secondly, it was believed that the selection of more responsible individuals to purchase CHIP units would reduce the chances of future foreclosure and default. Thirdly, their approach to selling units was more personalized. Diligent efforts were made to inform prospective buyers of their new responsibility.

Weinstein states that:

Our entire process of sale selection and application is aimed at developing a sound relationship with the purchaser. . . We are interested in him and share many of his problems, but we desire to maintain the structure of a normal business relationship and avoid the problem of dependency.¹¹

CHIP has rehabilitated around four hundred units. (See exhibits 5 and 6). The future of CHIP very much depends on the officers' abilities to acquire suitable rehabilitation properties.

CHIP has six local contractors working for them. For each job, bids are made and the contract is awarded to the lowest bidder. To assure good quality rehabilitation projects, CHIP normally works on two to four houses at a time.

APPROXIMATE LOCATIONS OF CHIP HOUSES
(EACH DOT REPRESENTS EIGHT HOUSES)

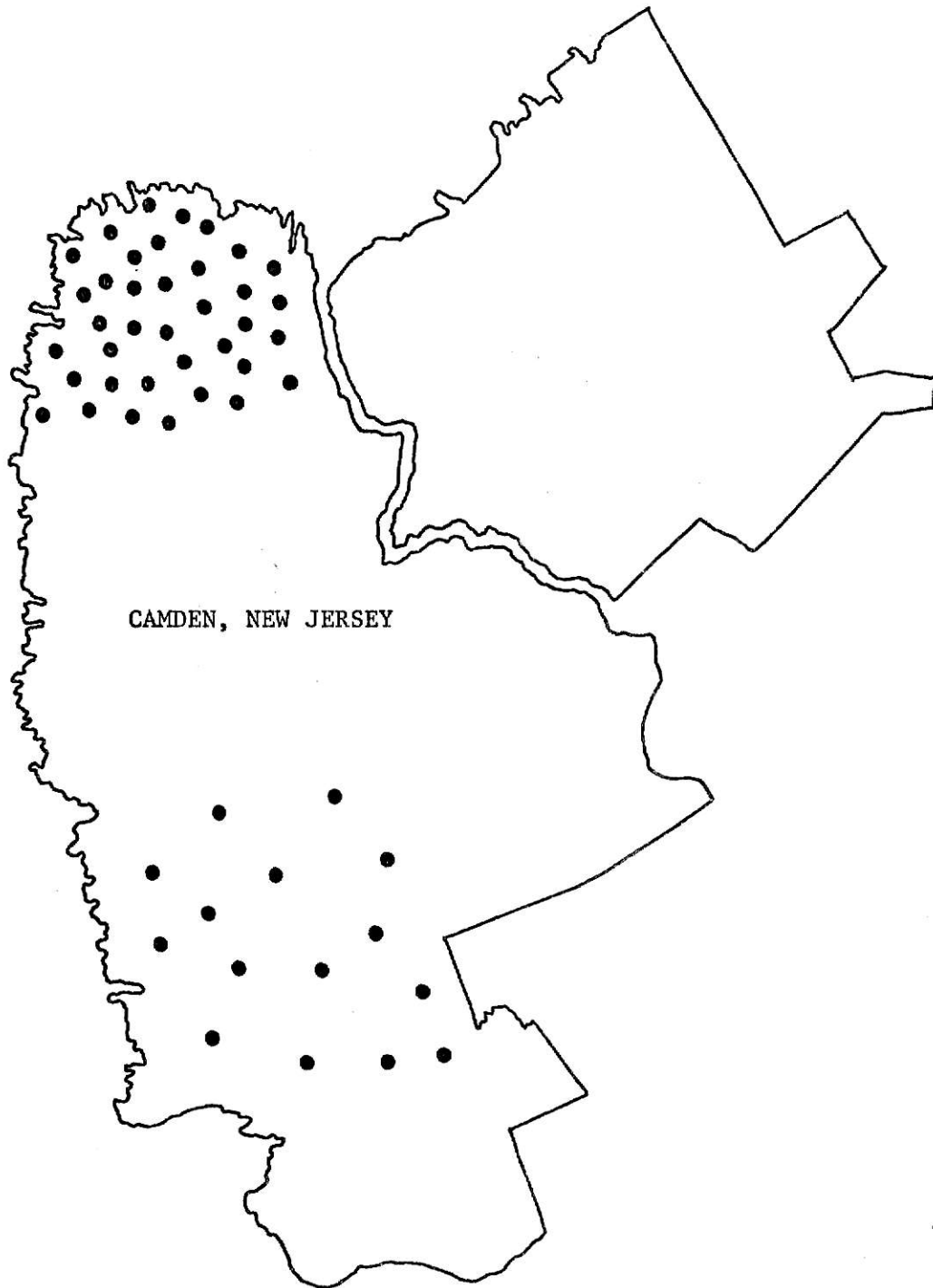


Exhibit #5

Source: Listokin, David. The Dynamics of Housing Rehabilitation: Macro and Micro Analysis.

GROWTH OF THE CHIP PROGRAM

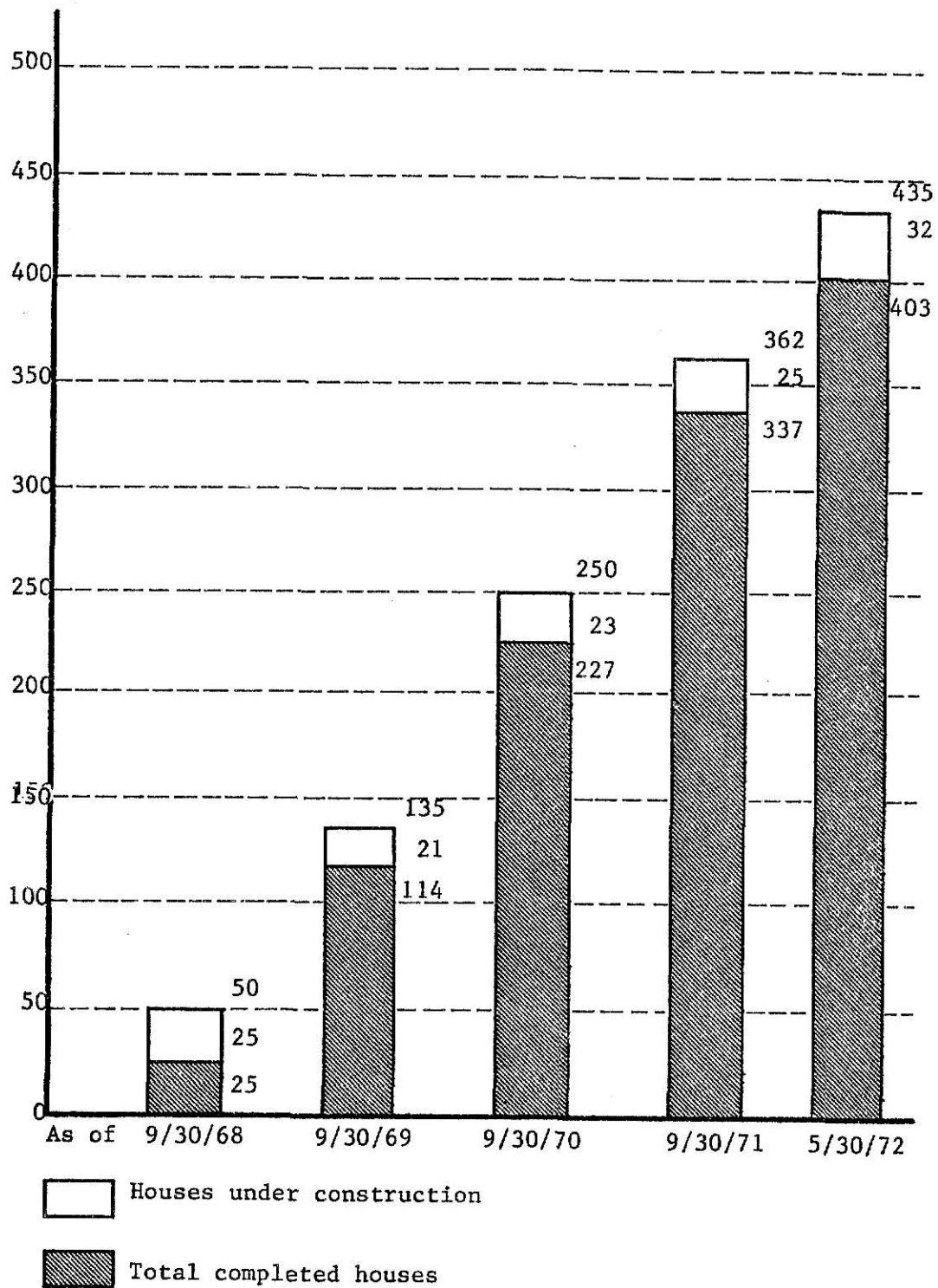


Exhibit #6

Source: Listokin, David. The Dynamics of Housing Rehabilitation: Macro and Micro Analysis.

BOSTON URBAN REHABILITATION PROGRAM (BURP)

BURP is one of the few attempts at large scale inner city housing rehabilitation. This rehabilitation effort was chosen because of the interesting and innovative approaches which were taken to make large scale rehabilitation work, and also to point out the difficulties that sponsors and public officials faced in implementing the program.

The Boston rehabilitation program was conceived in 1967, when Lyndon Johnson was presiding over the nation. The political environment for rehabilitation was quite favorable. Urban housing rehabilitation was generally considered a workable housing strategy to provide shelter for urban poor.

President Johnson had appointed the Kaiser Committee to develop a plan for mobilizing the resources of private industry and labor for a broad attack on city slums, with particular emphasis on rehabilitation.¹²

More and more emphasis was being placed on rehabilitation. The secretary of Housing and Urban Development, Robert Weaver, was advocating the concept of Urban Housing Rehabilitation and was willing to further experiment with rehabilitation in inner city slums.

The office of the Federal Housing Administration (FHA) was also under criticism and attack from numerous public officials for being unresponsive to the basic housing needs of inner city low and moderate income families. Kellinher, the Mayor of Walden, Massachusetts stated that: "The FHA has been accused of operating in a vacuum and they are not fulfilling the functions they should fulfill in the matter of coordinating with the other members of the HUD family."¹³

The FHA was also under continual attack for its lengthy and time consuming application processing which many officials regarded as unnecessary. One of the major critics of the FHA was the newly elected senator from Massachusetts,

He maintained that FHA was not attuned to the demands of the low and moderate income families in central cities.

BURP emerged in response to the increasing attack on the stringency of the FHA requirements and also pressures from the White House. The willingness of the secretary of HUD provided an environment which was ripe for massive housing rehabilitation.

At that time, Brownstein was the FHA commissioner and on his staff was Edwin Callahan, assistant secretary and executive of FHA. Callahan was a lawyer with thirty-three years of experience in FHA offices. He was considered as a "no nonsense, tough minded individual who gets things done."¹⁴ Callahan was working under only two persons; Commissioner Brownstein and Secretary Weaver.

BURP was conceived and carried out by Edwin Callahan, who thought that Boston was ready for his massive rehabilitation experiment. After a long period of analysis and planning, he submitted his plans to Brownstein and Weaver. Both men agreed with his plans and gave their approval for the project.

Geographic and Socio-Economic Characteristics: Historically, Boston has had numerous experiences with federal programs. There have been three major renewal programs implemented in Boston, Charlestown, Southend, and Washington Park. (See exhibit 7). The area Callahan was considering for housing rehabilitation was adjacent to Washington Park, referred to as Roxbury-Dorchester area. (See exhibit 8).

Originally, the Roxbury-Dorchester area was inhabited by a community of white farmers. In early 1900, they were displaced by Irish and middle class Canadian immigrants. Later, the area was taken over by middle class Jewish families. In 1940, as the black population of Boston increased, the Roxbury-Dorchester area absorbed a large portion of the low income black

THREE URBAN RENEWAL NEIGHBORHOODS IN BOSTON

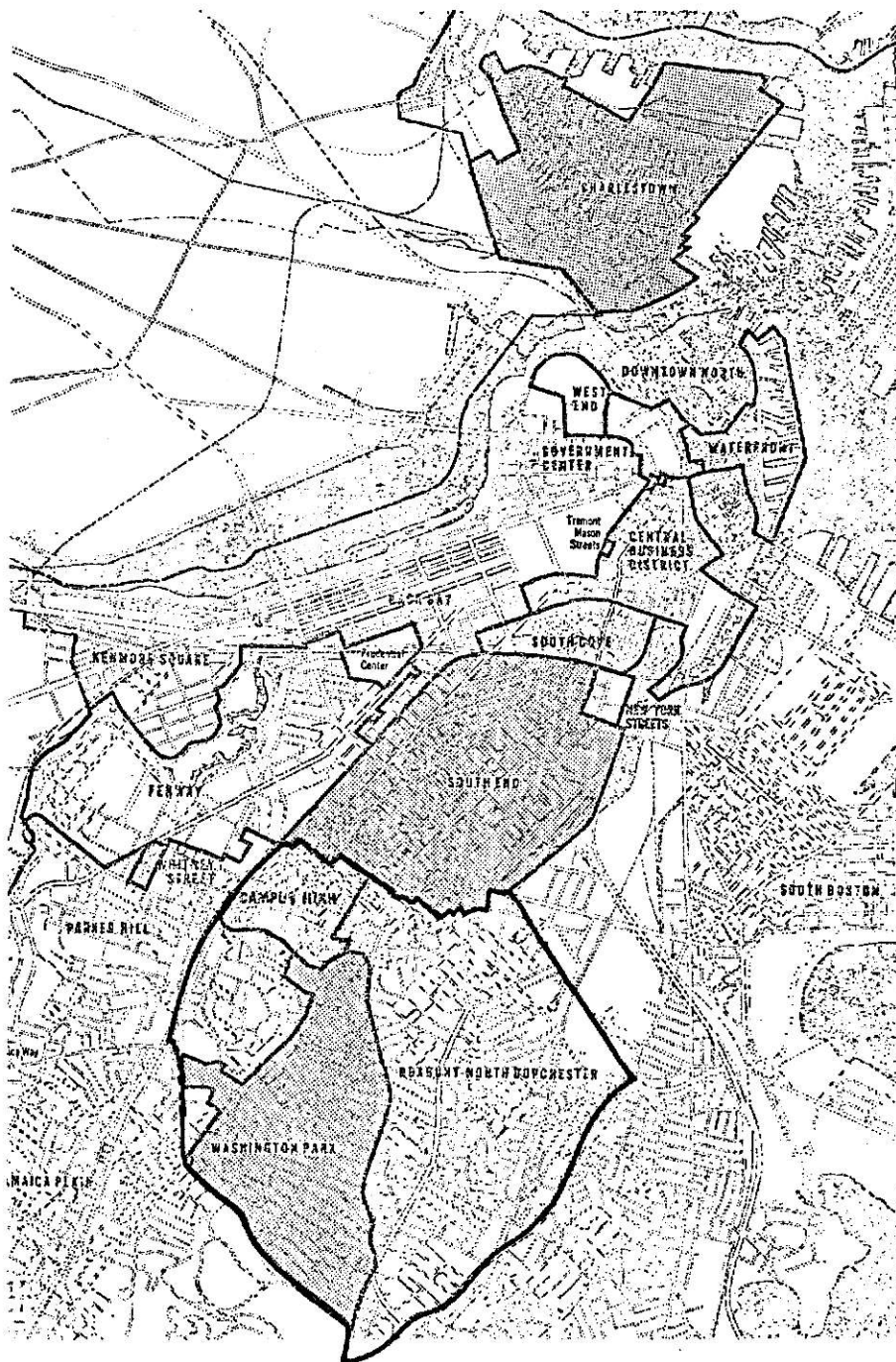


Exhibit #7

Source: Keyes, Langley. The Planning Game In Boston: Three Neighborhoods.

ROXBURY-DORCHESTER



Exhibit #8

families. The increase in population created a shortage in low and moderate income housing in Roxbury.

Callahan's plan called for purchasing structurally sound multifamily structures within the Roxbury-Dorchester area, rehabilitating them to present standards, and renting them to low and moderate income families. Primarily, the Boston Rehabilitation Program was intended for moderate income families with annual earnings somewhere between \$5,000 and \$8,000.

The structures that Callahan's program called for were generally three story, brick apartment houses with entries serving six walk-up units. They were generally built in the 1920's. Some of these structures were built by families who lived in one of the apartments, and, most often, were of good quality construction and well maintained.

The availability of sound and suitable multifamily structures in Roxbury-Dorchester made this area quite attractive for large scale rehabilitation treatment. The apartment houses were of varying sizes, containing anywhere from six to eighty apartments. (See exhibit 9).

Most of the apartments were suitable for rehabilitation because the rooms were of a large size which allowed for 'box within a box' rehabilitation construction which considerably minimizes construction problems.¹⁵

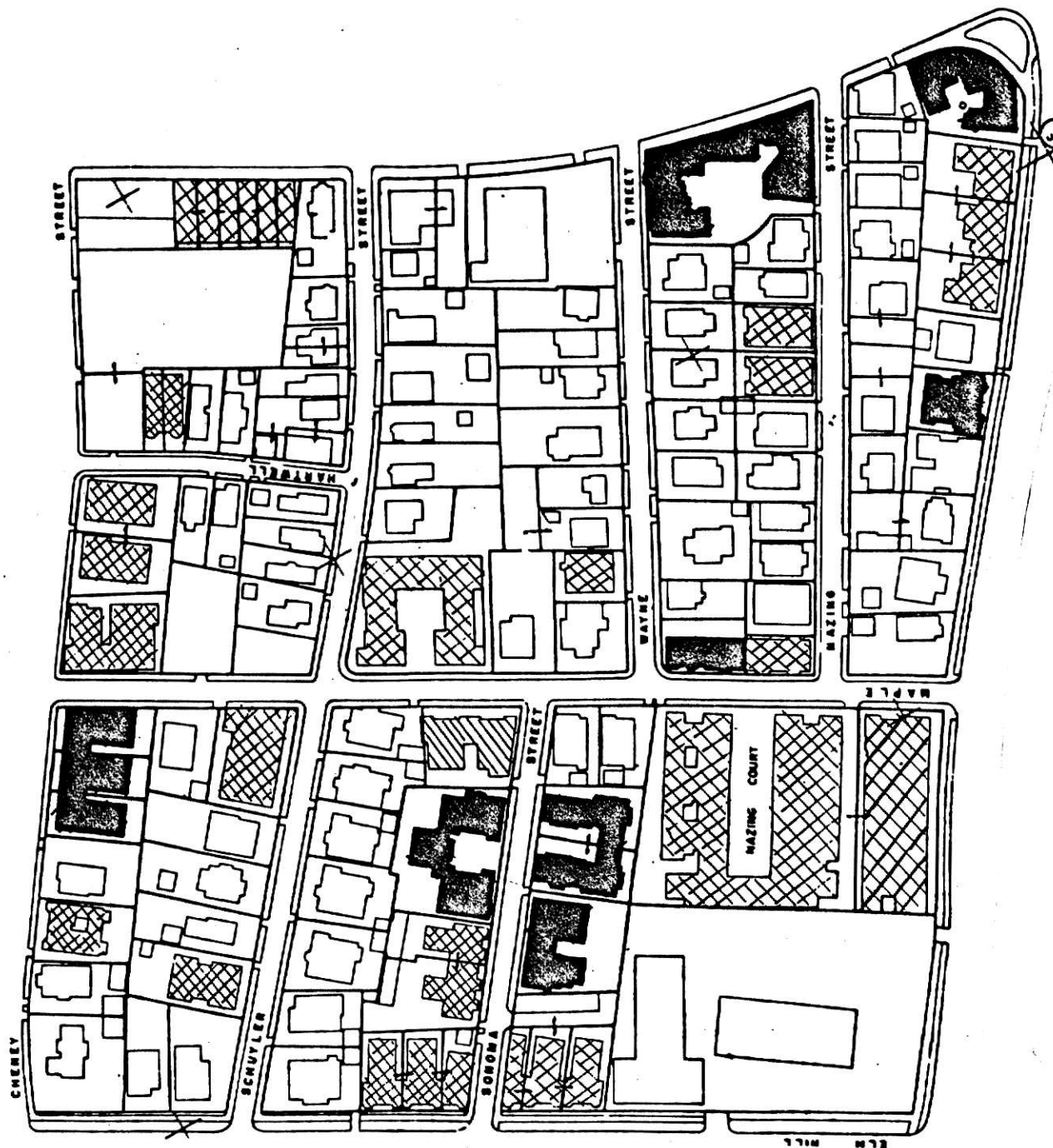
Because of the change in ethnic composition and neighborhood decline, many of the owners were willing to sell their properties at a reasonable price, thus not only were these buildings suitable for rehabilitation but they could also be obtained at cheap prices.

Boston Rehabilitation Modes: Initial Conceptions: In some respects the Boston Rehabilitation Program was unique. It introduced some innovative approaches to accelerate the FHA commitment to urban housing rehabilitation which has been under attack for a long time.

It was believed, that in order to create a considerable impact, the

Source: Keyes, Langley. The Boston Rehabilitation Program: An Independent Analysis.

BURP STRUCTURES





-  BURP structures
-  Other multi-family structures

Exhibit #9

program must be massive in scope. Secretary Weaver believed that the massiveness of the program would have a "total impact. . . beyond the buildings, beyond the neighborhood, and beyond the city."¹⁶

It was one of the principle intentions of this program to demonstrate nation wide, that rehabilitation strategy on a massive scale, is possible and also to draw attention to the fact that the FHA is actively involved in inner city slum housing rehabilitation.

The primary goal of this project was to provide housing on a massive scale in a very short period of time. The goal was set at rehabilitating 2,075 units in a six month period.

In order to achieve this goal, it became evident that some new administrative and procedural means were needed to reduce the FHA's application processing period. Traditionally, the FHA mortgage insurance processing took anywhere from eighteen months to two years.

Because of the fact that the project was initiated in Washington, and had the endorsement of both Secretary Weaver and FHA Commissioner Brownstein, it automatically bypassed the FHA regional office in New York, thus mortgage processing became less of an issue. Callahan stated that he came to Boston with 24.5 million dollars in his back pocket.¹⁷

To accelerate the mortgage operation, the local FHA office, under the direction of Flyn, designated special operation and staff for processing mortgage applications exclusively for BURP.

It was conceived by Callahan that, in order to make the project work, the FHA mortgage processing period should be reduced to six weeks. For those who had previous experience in FHA mortgage processing, this was considered as an innovation which definitely encouraged developers and sponsors to take part in rehabilitation efforts.

The BURP also called for other principle modification changes in FHA

requirements such as: reducing the architectural exhibit requirements and liberal interpretation of building standards and codes.

Since sound structures were originally selected for the project, architectural problems were substantially minimized. The required architectural exhibit was reduced to site plan, basement plan, first floor layout and typical floor plan. To create more flexibility in building codes, the FHA administered performance standards rather than component requirements or work items.

Some other major changes that did take place in BURP were: 1) The FHA agreement to grant fifty-five years of economic life to rehabilitated buildings which extended the mortgage amortization period to forty years. Traditionally, the FHA had never granted more than thirty years economic life to rehabilitated buildings, 2) They allowed BURP developers to group their structures when making application. Traditionally, sponsors were asked to make separate applications for non-contiguous building but, under BURP, sponsors were allowed to apply for non-contiguous structures on one application.

The streamlining of the traditional FHA mortgage insurance processing for the purpose of reducing the time required to reach FHA commitment was truly innovative and unprecedented. The presence of Edwin Callahan and his knowledge of FHA insurance procedures as well as his connections with local and national figures played an important role in getting the project off the ground.

Financing Mechanism: Under section 221 (d) (3) of the Housing Act of 1961, the amount of \$24.5 million of federal money was allocated for this project. Section 221 (d) (3) allows loans up to ninety percent of the total cost of the project, in the case of profit seeking sponsors, and one hundred percent of the total cost for nonprofit organizations to rehabilitate houses as a

three percent interest rate and forty years mortgage amortization period.

BURP Developers: Edwin Callahan came to Boston to look for experienced developers who could get the job done. Due to the speed of the project, experienced and well-prepared developers were needed. Because of the lack of well-equipped and established developers within the Roxbury-Dorchester area, outside developers were sought. This automatically precluded local developers and workers who were generally unskilled and ill-equipped.

After extensive negotiations with twelve outside developers, five were selected and remained as BURP developers. These were companies organized and run by Harold Brown, Joseph Kelly, Irwin Canter, Maurice Simon and Gerald Schuster.

By hiring developers from outside the community and practically precluding the community's labor force because of lack of experience and skill, a general community resentment and hostility was generated.

Project Secrecy: For several months the project was kept secret. Callahan believed that publicity would cause an unnecessary boost in Roxbury real estate business, thus affecting the cost of buildings suited for the BURP purpose. He felt that it would be wise if they kept the project undercover until all necessary rehabilitation properties were purchased. One landlord admitted that he would have asked at least another \$600/unit, had he known what was going on.¹⁸

The project was not only kept from the people, but also from some city officials and departments. For instance, the Boston Redevelopment Authority, or the Boston Housing Authority, was not consulted. This, in itself, caused a lot of problems which later caused some setback for BURP.

Cost/Unit and Selection Criteria: The only requirement placed on developers regarding the cost of units was that the total unit cost, including the cost of rehabilitation, must not exceed \$12,000. There were no requirements as

to how much of this \$12,000 should be spent on acquisition or rehabilitation except that the cost of rehabilitation must not be less than \$3,500.

The figure, \$12,000, was established by Callahan. He determined this figure based on his previous experience with Washington Park and the Roxbury area.

Some critics have noted that this permissive approach does not create incentive for developers to rehabilitate structures that are in need of rehabilitation. Naturally, developers, in order to reduce the degree of uncertainty and risk, spend the maximum amount of money allowed to purchase better rehabilitation structures to minimize rehabilitation work and still meet the \$12,000 ceiling price. As Keyes puts it: . . .the real issue was the absence in the BURP structure of selection criteria; with the result that the dollar spent acquiring property did not necessarily introduce into the program buildings that could most benefit from the rehabilitation dollar.

Relocation Plans: The problem of relocation in any rehabilitation project, especially of large size, requires serious considerations. Secretary Weaver, in his talks with Callahan, was assured that relocation would not pose serious problems for BURP.

It was initially conceived that relocation problems would be solved by the following procedures: 1) Relocation would be phased so as to cycle people from one building to another, using the vacant buildings as the first relocation resource (380 of the 2,074 units were vacant), 2) Each developer would take tenants from other developers thus creating a pool of units, 3) The first phase of the rent supplement program, which included over three hundred units, would be ready just as the BURP program was getting underway and would serve as a resource for low income tenants who could not afford to go back into the 221 (d) (3) units, and 4) The Boston Redevelopment Authority would

help out in those buildings in the Washington Park Urban Renewal area where they were already doing relocation work and where tenants were eligible for such assistance.¹⁹

But, given the size of the project and the secrecy involved in implementing the project, it became clear that most of the initial relocation assumptions were optimistic and misconceived. It was estimated that BURP would dislocate 1700 families. So critics believe that BURP did not really have a practical relocation plan to house this many families.

BURP and Community Opposition: In December, of 1967, when the project was ready to be started and all properties were acquired for rehabilitation, Secretary Weaver came to Boston to announce the allocation of 24.5 million dollars for housing rehabilitation purposes. Not only was he not welcomed by the community, but his speech was also often interrupted by a number of black militant demonstrators who saw the project as a means of providing profit to white landlords and developers by exploiting black communities. Bryant Rollins, a black leader stated that:

The program being dedicated has given no consideration to local developers, non-profit developers, or cooperative ownership for local management. It has been marred by racial discrimination in employment and inadequate relocation procedures.

The FHA has shown that it can move with unprecedented speed to give high profits to developers from outside the community and to establish a huge preserve for exploitation by absentee landlords.

Apparently, Secretary Weaver's development can move quickly only when it is operating against community interest.²⁰

Difficulties regarding the confrontation between the project and the community not only created unenthusiastic responses from the community, but also threats to stop the project altogether unless necessary changes were made to make the project more responsive to the needs of the community.

Melvin King, the executive director of the Boston New Urban League, in a

letter to Secretary Weaver wrote:

. . . black people now are demanding that the equity coming out of programs be put into the hands of the community. . . and even though it may take a little longer to accomplish the goals of physical change, the elimination of the frustrations and the building of a reliable and healthy community will be the result.

The alternative to such an approach, an alternative which you have selected in regards to the new \$24.5 million program represents a continuation of the method of operating which has so badly failed to bring about the needed change.

We intend to see to it that the rehabilitation project does not go forward as you have designed it. We will take whatever steps necessary to prevent the project from going forward as currently planned.²¹

The original BURP Model was criticized on three major grounds: 1) lack of community participation, 2) lack of relocation plan, and 3) lack of communication. Modifications in the original model needed to be made to reduce community opposition.

Involving the Community: A \$24.5 million rehabilitation project could create a large number of job opportunities. Black workers, along with black developers, were asking that they be included in the project to share the benefits.

Due to the fact that the project had collided with black power in Boston, its five developers became concerned about possible discontinuation of the project. Maurice Simon, who had the largest share of the BURP buildings, had Eastern Gas and Fuel Associates as a limited profit partner, with \$300,000 equity. The executive director of Eastern Gas, Eli Goldstone, initially involved Eastern Gas in BURP to extend its gas sale to the rehabilitated buildings. But later, finding its company involved in a controversial and unpopular business deal, Goldstone saw the need for quickly putting together a black sponsor group who could become involved in BURP, not only as a frontman, but as a rehabilitation development organization by itself. This group was organized and referred to as the Sanders Group.

The Sanders Group did not face much problem receiving the FHA insured loans, because Eastern Gas provided them with the endorsement and backing that they needed to be bonded and insured.

Out of the Sanders Group another black rehabilitation sponsor was developed and received FHA insurance. The newly formed group was called the Estate Enterprises.

With the help of Eastern Gas, two black developers were brought into the picture to take part in the BURP. Inclusion of these two developers was well-publicized to let the community know that some major changes had taken place within the BURP structure to bring profit to local developers.

Later, the FHA was encouraging black developers to take part in the project by offering them the same streamlined services that it provided other developers. But, inclusion of black landlords and developers did not considerably reduce the existing problems between landlords and tenants. There were still those tenants who felt that, regardless of the color of the landlord, he was still the slum landlord. As a matter of fact, there were those who believed that black landlords could afford to be less responsive to the demands simply because they were black.

Later, the financial stability and resistance to uncertainty of these two black developers eroded and both went bankrupt. Because their operations were smaller in scale, it became evident that they could not manage the financial fluctuations and administrative tasks.

In regard to hiring a local labor force, again Simon Company, who had the greatest share of BURP structure, faced the most difficulties. First, because of its employment difficulties in the Washington Park project prior to BURP, Simon's Company had suffered from a big confrontation with black leaders. The company had fired forty of its black workers because the employer thought that they were not doing what they were hired to do. This action

from the company had created a considerable labor opposition which lead to a number of unfriendly meetings between balck leaders and Simons Company which finally lead to the reemployment of those forty workers. With this background, the Simons Company further suffered in the BURP project when it found out that it had to hire local labor, often unskilled, and pay them prevailling minimum wages. This requirement was imposed by the FHA. Simons Company suffered a large setback and it cost the company a large sum of money to comply with the FHA requirements, but by employing the local labor force, the community opposition was somewhat reduced.

Modification of Relocation Plan: As mentioned earlier one of the biggest problems in the original BURP model was the lack of adequate relocation plans. The original model called for coordination among the developers to accommodate the relocated families. In practice, however, this plan did not produce satisfactory resluts. Numerous cases of families being forced out of their apartments with no place to go were reported and publicized.

One of the problems which contributed to the severity of the BURP relocation plan was that construction was being carried out during the winter and Boston, during the winter of 1967, was hit by extremely cold weather. This created severe problems regarding the provision of adequate heat as well as leaving families with no shelter.

The biggest setback in BURP's relocation plan was caused by the continuous lack of cooperation between the FHA and BRA. Initially it was conceived by the FHA that BRA would provide some assistance through its relocation department in housing BURP relocatees. But, due to the fact that BRA was not brought into the program at an early stage, it did not provide much help in housing BURP relocated families. The head of BRA maintained that their relocation budget for Washington Park was not even sufficient to provide relocation service to its own seven hundred and fifty families, let alone providing

housing for an additional seventeen hundred BURP families. He maintained that if any help from BRA was expected a sizeable government grant must be allocated to the Boston Redevelopment Authority.

The quarrel between FHA and BRA continued. The FHA felt that BRA was acting unresponsively and was trying to get more federal money for its relocation services. The problem of relocation, however, lingered on and more community hostility was produced and some lawsuits were filed.

Secretary Weaver was trying to put together a grant which could be allocated for the relocation expenses to BURP families. Finally, on January 15th, HUD announced a grant of \$550,000 to BRA. This grant was to be spent in the following manner: \$165,000 for researching the extent of relocation, which was subcontracted to Boston University; \$90,000 for special services by the Roxbury's multifamily center; \$135,000 for the BRA staff; and \$150,000 for payment to families.²²

The original BURP model called for giving the families currently living in BURP buildings the first choice to move back to the rehabilitated units. But, in practice, many neighborhood organizations charged the landlords with selecting the most desirable tenants and allowing them to come back while dumping the so-called 'trouble-makers'. This created a community aggression which forced the developers and landlords to take the matter more seriously and give the tenants a better chance to come back to the rehabilitated units. This lead to agreements between tenants and landlords that no unit would be leased in the open market until all BURP families had been accommodated. BURP relocatees were given the formal right of first return by issuing them a 'Certificate of Eligibility'.²³

In order to insure the return of many of these families to the Roxbury area, it was necessary to administer leased public housing for those families who did not meet the eligibility requirements for public housing. For this

reason, the FHA contacted the Boston Housing Authority about the possibility of such a program.

BHA was holding an allocation to provide 1,000 units and was being pressured from both the White House and the FHA regional office to increase the volume of their leased public housing. It appeared that BURP's need for such a program was an appropriate occasion to spend their 1,000 unit appropriation.

With the issuance of the 'eligibility certificate' and the provision of leased public housing services, the chances for BURP families to return to the rehabilitated housing was extremely increased. In order to accommodate all eligible families, the FHA had to wave its maximum ten percent leased public housing with 221 (d) (3) program. It turned out that eight hundred of the 1,607 families were eligible to use the BURP leased public housing program. The actual demand resulted in 600 of the 2,074 units being leased through BHA to families eligible for public housing.

Leased public housing programs were an essential part of reorganizing the BURP model, and it occurred by chance rather than foresight.²⁴ It served both BHA to allocate its fund and BURP to make its units available to original tenants.

BURP and the Community: It was clear that BURP failed to provide adequate provisions for soliciting the opinions of those who were affected by the program. It also became apparent that Callahan's efforts to keep the project undercover had created forceful community opposition. Later, two major community groups were developed in direct response to BURP: 1) The community committee on BURP, and 2) The Tenant Association of Boston or TAB. Initially, these groups were formed with the intention of stopping the program altogether. But, later, they became a good means of providing better communication among developers, sponsors, and tenants. As one developer said: "These meetings

may not produce positive results, but they certainly reduce the opposition from the community."²⁵

The original BURP model was modified considerably to make it more acceptable to the community. The original model created massive community opposition which was essentially caused by the secrecy of the project. Roxbury reacted by forming strong community groups and by threatening to stop the project altogether. Modifications in the original model reduced community opposition and increased the general utility of the program for the community at large.

The Quality of Rehabilitation Work: The quality of the units produced by BURP was another major issue. Studies done by LPA indicate that portions of the BURP units inspected by the LPA were considerably below the normal standards of the FHA for 221 (d) (3) projects. It charged the FHA with excessive laxity and permissiveness.

The BURP project had two major accomplishments, speed in FHA processing and improvement in a large number of apartments for low and moderate income families. . . over 2,000 units of housing were rehabilitated producing better conditions for some residents of Roxbury. Clearly \$27 million buys a lot of paint. It is abundantly clear, however, that serious damages were done to many tenants in the process of producing an inferior product. Our study has forced us to conclude that BURP failed. After the expenditure of millions of dollars, serious construction defects remain. Some of these conditions were present in the buildings prior to rehabilitation, but many were caused by it. The consequences of defective physical conditions are borne directly and indirectly by the tenants. They are exposed to serious hazards and clearly inferior and incomplete work.²⁶

On the other hand, there are those who consider the BURP as a method of introducing innovating approaches to reduce the FHA processing requirement and also to achieve large scale rehabilitation. As Eli Goldstone states:

BURP may not be the most dignified of acronyms,

but it holds its figurative head up high easily,
as an outstanding example in this country of
rehabilitating, decaying, inner city apartment
structures....

We say our participation in BURP demonstrates
that it is possible to do well by doing good.²⁷

Footnotes

- ¹Courier Post, 4 December, 1968.
- ²David Listokin, The Dynamics of Housing Rehabilitation: Macro and Micro Analysis, (New Jersey: Rutgers University, 1972), p. 97.
- ³Ibid., p. 97.
- ⁴Courier Post, 4 December, 1968.
- ⁵Op Cit, David Listokin, p. 102.
- ⁶Stoolman Associates, "Camden New Jersey Housing Rehabilitation Analysis", October 25, 1967.
- ⁷Op Cit, David Listokin, p. 123.
- ⁸Jerome Weinstein, "Rehabilitation: Up to New Again Standards", Journal of Housing, No. 9, (October, 1968), p. 471.
- ⁹Ibid., p. 471.
- ¹⁰"CHIP Brings New Life to Rundown Homes", HUD Challenge (July-August, 1970), p. 30.
- ¹¹Op Cit, Jerome Weinstein, p. 472.
- ¹²"Housing Legislation of 1967: Hearing Before the Sub-Committee on Housing and Urban Affairs, U.S. Senate, 90th Congress, Part 1, p. 96.
- ¹³Ibid., p. 545.
- ¹⁴Langley C. Keyes, The Boston Rehabilitation Program: An Independent Analysis, (Cambridge: MIT Press, 1969), p. 18.
- ¹⁵Eli Goldstone, "BURP and Make Money", Harvard Business Review (September-October, 1969), p. 89.
- ¹⁶Op Cit, Langley C. Keyes, p. 3.
- ¹⁷Op Cit, Langley C. Keyes, p. 45.
- ¹⁸Op Cit, Langley C. Keyes, p. 41.
- ¹⁹Ibid., pp. 45-46.
- ²⁰Ibid., p. 2.
- ²¹Ibid., p. 49.

²²Ibid., p. 75.

²³Ibid., p. 79.

²⁴Ibid.

²⁵Ibid., p. 83.

²⁶"An Evaluation of the Boston Rehabilitation Program", Urban Planning Aid, September, 1969, p. 60.

²⁷Op Cit, Eli Goldstone, p. 84.

**Urban Housing Rehabilitation:
Public Policy Implications**

chapter V

With an increasing shift from federal control to local autonomy and freedom in the expenditure of federal loans and grants, it has become increasingly necessary for local governments to participate in programs to devise and implement plans for the future development of their communities.

The necessity of planning for municipal development and housing in the 1970's, has become evident. Local governments must develop general development planning goals and objectives for their communities to insure sound and intelligent consumption of their natural and economic resources.

Community planning in general, and planning for housing in particular, must be comprehensive in nature. Such plans should consider diverse but important direct and indirect elements which affect community housing demands and supplies. Through sound planning practices, the community housing needs can best be identified and provided for.

It must be recognized that housing is an integral part of the overall social fabric, and it must be viewed in that social context, otherwise community housing needs cannot be met effectively and efficiently. Comprehensive planning calls for examining diverse social, political and physical elements which ultimately influences housing need and supply. Communities, with overall social and physical development plans, have enhanced chances of providing better housing for their people. Sporadic and uncoordinated development efforts, without overall unified goals, are often inefficient and inadequate.

MAKING REHABILITATION AN INTEGRAL PART OF THE OVERALL MUNICIPAL HOUSING STRATEGY

The existing stock of housing in urban areas, provides housing opportunities for a large portion of the total population. As discussed earlier, new housing development is often well beyond the economic capabilities of a large number of people. The only housing opportunity that new construction provides for the lower bracket of economy is housing through the process of filteration which, unfortunately, is not high enough to compensate for annually dilapidated and razed housing units.

The maintenance and upkeep of the existing housing stock must gain a higher priority in our national and local housing policies. While there is a chronic housing shortage in this country, it is wasteful and unintelligent to allow sound houses to deteriorate and subsequently be razed.

Local planning strategies and programs must call for further allocation of resources for the older parts of the cities to improve and maintain the existing housing facilities, thus reducing the rate at which these houses are annually razed. If well-conceived and carried out, less expensive and faster housing can be achieved through rehabilitation and neighborhood conservation techniques which would supplement new housing construction.

It is not sufficient to solely recognize the importance of existing housing stock in providing decent housing for the people. It is also essential to allocate sufficient portions of the annual municipal budget in upgrading and maintaining these houses.

Municipalities, through the use of police power, eminent domain, taxation, growth policy formation, capital improvement, and budget programming, can substantially encourage or discourage certain types of development.

Traditionally, many municipalities have endorsed the concept of new development much more than renewal strategies. The reason for this approach

is evident. New construction is a more 'straight forward' process and it deals with less cumbersome and complex deeply-rooted social issues. Therefore, new construction often gains a better share of the municipal budget.

Municipal budgeting and expenditure programs must take into consideration the increasing need for housing rehabilitation and renewal efforts, therefore, giving a higher priority to the municipal renewal programs.

MUNICIPAL HOUSING REHABILITATION STRATEGIES

Traditionally, federal and local governments' attitudes towards rehabilitation has been based on the concept of remedial treatment of blighted areas within the city which often is marked by extensive decay and obsolescence.

In the past, government planning agencies have been unsuccessful in detecting urban decay at an early stage, while the rehabilitation approach can be a sound strategy. Such slow response in detection of blight can be of a great disadvantage to city's renewal programs.

An area, in order to become eligible for federal funding, must be located within an urban renewal area designated by the local government. But such designation is not usually made until an area exhibits extensive signs of economic and physical decline and deterioration.

It appears that the existing federal programs are often self-defeating. The government does not appropriate funds for rehabilitation or renewal programs until an area is extensively decayed, and once an area reaches that stage it is often unsuited for rehabilitation, thus clearance and redevelopment are often called for. Even those few buildings which are salvagable will be unsuccessful because of extensive general neighborhood deterioration and economic decline, for rehabilitation is as much a question of neighborhood economic stability as structural soundness.

It is apparent that rehabilitation strategies will be economically feasible and socially acceptable when a neighborhood has not totally declined. Therefore, a faster response mechanism in detecting the signs of neighborhood decline is essential.

The future direction in housing rehabilitation strategies must be broadened to include preventive strategies in addition to remedial ones. In general, efforts must be made to provide two levels of rehabilitation programs:

1) city wide housing maintenance programs (preventive approach), and 2) extensive neighborhood rehabilitation programs (remedial approach).

1. City Wide Housing Maintenance Programs (Preventive Approach): These programs are primarily geared toward encouraging and helping homeowners and landlords to continually maintain and upgrade their housing units. The government program encompasses all city dwellers of all economic levels. To achieve such municipal supervision the following programs and policies are recommended:

A. Devising and implementing a city wide decay monitoring mechanism to detect obsolescence at early stages.

This approach primarily calls for keeping a continual vigilant look at the physical conditions and development of the city at large. This can best be achieved by mapping, and regularly updating, the demographic and physical development characteristics of the city. Periodical mapping of the conditions of the city will automatically identify the direction that a neighborhood is taking. Therefore, it will be much easier to study the physical and economical trends developing in certain areas of the city. Such programs, indeed, require a larger portion of the municipal budget to be spent on information gathering and planning but, in the long run, such spending will be justified by the physical and economic resources saved in achieving balanced physical and economic environments.

B. Carefully drafted and vigorously enforced building and housing codes with adequate sanction against their violations.

Building and housing codes are administered under the police power. The existence of these ordinances is essential for a successful rehabilitation program. These codes must be reasonably devised and vigorously carried out.

The establishment of a well-equipped building code department with knowledgeable and well-trained building inspectors and construction advisors

is essential. Because of the lack of funds or the lack of qualified inspectors, many municipalities are often handicapped in this respect. But with more freedom in the expenditure of their CD funds or revenue sharing, more money can be appropriated in putting together a well-organized building code division.

It has often been pointed out that, due to the lack of sanction against building code violators, it is easier and more economical for the homeowners to pay for violations rather than complying with building codes. This would not be the case if building violations were vigorously fought against, thus forcing violators to comply with the law.

Traditionally, building inspectors only identify building violations in the structure. Unfortunately, building code departments do not provide additional information regarding how such violations can be corrected. The code enforcement division must have qualified members to provide services to the homeowners as to how their houses can be upgraded and building violations corrected.

C. Reform in Municipal Property Taxation and Assessment Laws.

Municipal property taxation can be used to encourage housing rehabilitation but, under the present tax laws, building owners who constantly defer maintenance on their buildings are rewarded annually. If a landlord does not make any substantial improvement on his property, the assessed valuation of his building constantly goes down, subsequently causing a reduction in property taxes. Therefore, deferred maintenance can be considered to be a rewarding tax shelter. But, ideally, municipal tax laws should be structured in such a way as to encourage maintenance.

The proposed 'negative taxation' calls for providing economic incentive in the form of a tax shelter for those who substantially improve their structures.

The present assessed property valuation procedures have direct negative affects on rehabilitation efforts. If a house is substantially rehabilitated, its monetary value rises, subsequently the assessed value will rise, ultimately causing increases in property taxes. Such increases in property tax mean an increase in rent (if the unit is rental) or an increase in monthly payments (if the unit is owner occupied).

To encourage rehabilitation, municipalities may devise a formula by which the assessed value of the rehabilitated structure may be left unchanged or even reduced (if the municipal tax base allows) to provide an incentive for rehabilitation. Such a tax formula may be based on the following: the extent of rehabilitation, work done, income level, neighborhood social and economic character, geographic location and other considerations.

In the case of CHIP, the municipal government agreed upon leaving the assessed value of the rehabilitated building unchanged so that a tax shelter could be provided for developers as an economic incentive. It is important to note that in some municipalities with a limited tax base such an arrangement cannot be worked out, but it may be helpful if some kind of tax relief could be provided to attract rehabilitation sponsors.

D. Reform in tax foreclosure laws to facilitate the acquisition of suitable rehabilitation properties.

A feasible rehabilitation project requires expeditious selection and acquisition of suitable properties. Often rehabilitation efforts are hampered by slow property acquisition. In the case of CHIP, the city of Camden is facing serious problems in acquiring suitable rehabilitation properties.

The tax foreclosure laws in many states prohibit the sale of tax delinquent property until two to three years have passed since the property first became tax delinquent. This delay in taking over the property often causes excessive vandalism and damage to the structure which makes it unfeasible

for rehabilitation. A more expeditious tax foreclosing law can substantially reduce the severity of this problem. This will enable municipalities to possess tax delinquent properties and auction them to rehabilitation sponsors more rapidly while the properties are still suitable for rehabilitation.

In the past, rehabilitation has not been widely accepted as a justifiable reason for the exercise of the power of eminent domain. It must be realized that rehabilitation efforts can prevent the formation or perpetuation of city slums, thus the application of the power of eminent domain to rehabilitate a portion of the city does produce benefits which protect the health, safety and well-being of the community at large.

E. Implementation of Governmentally Subsidized Rehabilitation Demonstration Projects.

Through demonstration projects, a municipal government can first communicate its willingness to consider rehabilitation as an alternative housing strategy and, secondly, can demonstrate that rehabilitation is a valuable housing strategy. To demonstrate their advantages, such projects must be well-publicized.

F. Accelerating the Formation of Better Rehabilitation Industry By Increasing Rehabilitation Volume.

A better rehabilitation industry, with improved capabilities, can be expected if the rehabilitation demand is increased. In order to achieve this objective, more economic incentive must be provided such as: land 'written down' procedures, insured federal loans with low interest rates, reduced property assessment or other tax shelters. The role of the government in expediting rehabilitation work is quite important. The willingness of the local government to try rehabilitation most definitely enhances the chances for this housing strategy.

G. Improving the Conventional (Non-governmental rehabilitation)

Financing Mechanism.

One of the greatest difficulties in city housing rehabilitation projects is the acquisition of a reasonable conventional financing means. Since the investment in rehabilitation usually involves high risks, most banks and lending institutions are unwilling to get their companies involved in such financial arrangements. To reduce the amount of financial risk involved, some cities have formed lending organizations which are composed of a number of banks and businesses. By taking only a portion of the risk, in case of default, the amount of financial loss is considerably reduced. In the case of CHIP a number of corporations formed a larger rehabilitation financing mechanism which substantially reduced the amount of risk involved for individual investors.

Also by forming non-profit organizations, or limited profit organizations, a number of tax shelters will be provided to the investors which, by and large, compensate for the restrictions imposed on annual profits gained.

In the case of the Boston Rehabilitation Program, the Gas Company directed by Goldstone did take advantage of tax laws and other benefits by investing in rehabilitation as a limited profit enterprise.

2. Extensive Neighborhood Rehabilitation Programs (Remedial Approach): To supplement the broad city wide maintenance and decay monitoring programs a more concentrated rehabilitation program at the neighborhood level can be devised to fight more extended decay in urban areas.

These areas are generally those in which signs of neighborhood decline and instability are becoming evident, but the majority of buildings are still in good structural shape, thus, salvageable.

The neighborhood economic stability is one of the major factors in determining the feasibility of any rehabilitation program. If a neighborhood is

marked by extensive physical decay and economic instability, the clearance approach may prove to be more appropriate.

To devise and implement extensive neighborhood rehabilitation programs the following procedures and policies may be adopted.

A. Improving Municipal Housekeeping and Service.

It has been expressed by some housing specialists that municipal disregard for certain urban areas encourages neighborhood decay and obsolescence. In order for rehabilitation projects to become successful, the municipal commitment in improving and updating city services is essential. It cannot be expected that private sectors of the economy invest in areas which have been forsaken by the municipalities. Such improvement and maintenance programs may call for improving utilities, streets, lighting, cutting dead trees, providing parks and recreation services, improving schools, and other services normally provided in better communities.

B. Timed and Gradual Code Enforcement Programs to Avoid Building Abandonment.

The municipal code enforcement in decayed neighborhoods can create a variety of problems. Generally, most municipalities require compliance with 'new construction' code requirements for rehabilitation projects. No considerable attempt has been made to devise equitable and workable building codes for rehabilitation purposes.

The problems of 'new construction' code requirements applied to rehabilitation are numerous: 1) they increase the total project cost which is passed on to the renters, which causes reduced feasibility for rehabilitation, 2) due to the general antiquated design of these houses, the achievement of the 'new construction' building standards are practically impossible, and 3) compliance with 'new construction' building code requirements often causes chain effects such as, if a wall is taken out to improve the floor plan, windows

must be widened to comply with window/floor ratio requirement.

In general, stringent and inflexible 'new construction' code requirements applied to rehabilitation discourage rehabilitation projects by making them excessively expensive and time consuming. The timed and gradual code compliance for deteriorated areas can reduce the problem of code violation. Under this arrangement, stipulations between homeowners and building code departments are made so that homeowners improve their homes by correcting code violations in a gradual and staged manner. This approach reduces the financial burden placed on homeowners. Thus, more homeowner cooperation can be expected.

Technical assistance and advice must also be provided to homeowners to inform them of alternative ways of correcting code violations.

Stringent and inflexible code enforcement is one of the direct causes of housing abandonment. To avoid this, more liberal interpretations of building codes must be made to help homeowners face their problems, otherwise animosity develops between homeowners and building code departments which can only worsen the situation.

C. Early Involvement of the Community in the Planning and Implementation Stages of Rehabilitation to Gain Community Support.

Housing rehabilitation programs affect a large number of people within a community. Therefore, any such endeavor must be made with the community's knowledge of the project and the solicitation of relevant information from the community. Successful rehabilitation projects require the involvement of the community in the planning and implementation stages of the project. Such an approach to rehabilitation prepares the community in advance for all upcoming changes which, otherwise, might produce neighborhood opposition which can halt the project altogether.

The preparation of the community for rehabilitation can be started by first publicizing the project's intention and scope at a very early stage

and give ample time so that the community can analyze it and understand it. Numerous public meetings with neighborhood groups and people directly affected must be arranged and publicized to solicit peoples' opinions and viewpoints. The communities input to the project must be reflected within project goals and objectives.

The involvement of people in the planning and implementation stages of the project provides a better chance of achieving public support of the project which ultimately accelerates its implementation process. In the case of the Boston Rehabilitation Program, the project was intentionally kept undercover to prevent unnecessary property price hikes, but on final analysis they realized the the secrecy did far more damage to the project than it did good. It created animosity between the people and the governmental agencies carrying out the project that by far outweighed the benefits gained in keeping property prices down. It became apparent that principle changes had to be made in the original model to make the project more responsive and useful to the community.

A successful rehabilitation effort necessitates public support of the project. Such support cannot be achieved unless the public is informed of the project's benefits and the sacrifices to be made. This can best be achieved by involving the community in the planning and implementation process.

Involvement of local labor forces, either partially or totally, in implementing the project is also an issue of considerable importance. Any rehabilitation project, especially on a large scale, provides a number of job opportunities. It is understandable that the community should take advantage of this opportunity and gain some of the benefits. Although, in some instances, hiring local workers might cause less efficiency, in the long run, it creates more cooperation from local organizations and the people.

D. Provision for Adequate Relocation Program.

Although it is claimed that housing rehabilitation does not cause family relocation, in practice, rehabilitation efforts, especially on a sizeable scale, does produce family displacement (unless only vacant houses are being rehabilitated such as in CHIP).

A successful rehabilitation program necessitates a sound and well-conceived relocation plan and budget to provide adequate housing facilities for those families who are forced out of their housing units. If relocation provisions are not fully considered in advance, organized community opposition and aggression can be expected overshadowing the benefits received by the program.

To achieve a sound relocation plan, a relocation research must be conducted to determine the demographic and socio-economic characteristics of those being displaced. A reasonably thorough relocation research conducted beforehand can eliminate a host of social problems which might surface later during the project implementation.

If rehabilitation work is expected to be done during a relatively short period of time, temporary housing services, such as mobile homes, may be provided for the families being relocated. But, for more extensive rehabilitation projects, it is always better to move the family and their belongings from the unit to temporary housing units to facilitate rehabilitation operations.

In the case of BURP, relocation difficulties caused a great setback in project implementation. Due to the insufficient and ill-conceived relocation plans, community opposition was induced, which brought the project to an almost complete stop. To remedy that, additional federal funds were allocated to provide temporary housing services for those displaced.

Due to the fact that family relocation can be an expensive operation,

attempts must be made to first, minimize it and second, to allocate sufficient funds at the inception of the project to provide adequate relocation payments to the families temporarily relocated.

E. Coordinating Housing Rehabilitation Projects with Other Government Social Rehabilitation Programs (Counseling Services).

Housing rehabilitation programs are often more successful and meaningful if coordinated with other social rehabilitation programs, such as family counseling and information services. Such social services can provide lower income families with better opportunities to improve their living conditions and habits to better maintain their housing units.

F. Streamlining of the Government Housing Rehabilitation Financing Programs to Reach FHA Commitment More Expeditiously.

One of the problems often associated with inner city housing rehabilitation is the acquisition of expeditious financing to start the project. Rehabilitation projects, on a large scale, often need to be partially or totally financed by the federal government. Getting FHA insured loans for rehabilitation projects is a very lengthy process. Often, it takes years to get a firm commitment from FHA offices. It has been pointed out by numerous housing specialists that, in order to increase housing rehabilitation volume, more expeditious government financing procedures must be devised.

The amount of red tape involved in getting financial assistance for rehabilitation is tremendous, which to a large extent, discourages rehabilitation projects.

In the cases of both BURP and CHIP, the methods devised for achieving government funding considerably reduced the amount of red tape and the waiting period.

In order to achieve a faster rehabilitation process, governmental requirements on acquiring financing must be reduced so that prospective

rehabilitation sponsors can proceed at a faster rate.

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URBAN HOUSING REHABILITATION:
A Joint Strategy for Housing Urban Poor

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Housing is one of the major social issues of our time. Provision of adequate housing facilities for lower income families is becoming more and more difficult to achieve. The United States is facing a chronic housing situation involving lower income families.

The cost of new housing is skyrocketing. The cost of land, construction materials, labor, and financing has risen tremendously in the last two decades. Providing housing facilities through new construction approaches is becoming more and more difficult to achieve.

Because of the prohibitive cost of 'new development', housing the poor through rehabilitation and rejuvenation strategies is becoming more and more feasible. Housing rehabilitation, if well-conceived and implemented, can provide housing services cheaper and faster. This housing strategy recognizes the importance of the existing urban places and social patterns. This not only provides enhanced chances for the poor to house themselves, but it also contributes substantially to the fight against urban blight and obsolescence, which is utterly destroying most American inner city areas.

The history of city development in this country reveals that inner city areas are being destroyed as fast as suburban areas are developing. The exodus of more affluent families to the suburbs and the influx of lower income families to inner city areas has created inner city economic instability which is choking the older urban areas.

It has become increasingly apparent that suburbanization, and inadvertant peripheral city expansion along with the death of inner city areas cannot continue indefinitely. The shortages of natural resources in the 1970's have

clearly pointed to the fact that our cities are not intelligently designed and expanded, and urban sprawl and unplanned city growth cannot continue.

We must come to the realization that more efficient utilization of the inner city land along with the renovation and rejuvenation of the decayed areas must gain a higher priority in our national economic and physical city development goals, to achieve a balance between new development and renovation efforts.

So far as housing is concerned, it must be realized that the existing stock of housing in urban areas provides opportunity for a large percentage of the population to house itself, thus, special attention must be given to the on-going maintenance and rejuvenation of these houses to reduce the rate at which these units are razed and destroyed annually.