

URBAN HOMESTEADING PROGRAMS IN THE UNITED STATES

by

PAUL DAVID CHAFFEE

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Approved by:



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INTRODUCTION

The need to provide adequate housing for each American still exists. Abandoned homes, which are in good condition, are prime targets for rehabilitation. The rehabilitation of these homes had become the target of a federal housing demonstration program, Urban Homesteading, which became a full-fledged program in October, 1978. The objectives of the program are to reduce the number of abandoned homes in our cities owned by the Department of Housing and Urban Development, and to provide homeownership to low and moderate income families. Twenty-three cities became involved in the demonstration program in 1975-1976, and thirteen cities were added in 1977.

Homes are made available to low and moderate income families, who are not homeowners, for a price of less than \$100.00, to rehabilitate and use as their principal place of residence. In return, the new homeowner receives a conditional title to the property. After rehabilitation has been completed, and the family resides in the home for a specified amount of time, a fee simple title is conveyed to the new homeowner. There has been a need for this type of revitalization program for a number of years. The reversal of the housing abandonment process is important to the future viability of the city.

This report examines the urban homesteading program in eight of the

urban homesteading demonstration cities: Baltimore, Columbus, Dallas, Detroit; Kansas City, Missouri; Oakland, Philadelphia, and Wilmington. The trends in the development of the urban homesteading program, as well as the rationale and legislation for the program are presented. The changes in the program *emphasis* are noted. Since the amount of information on the urban homesteading program is scarce, this report will provide the basis for future research on urban homesteading as outlined in the final chapter.

Chapter 1

URBAN HOMESTEADING

American housing policy over the past two centuries has, at times, been controversial. Despite the heralded reviews given to the presentation of a new housing program being the means to attack or rural and urban housing crisis, often these programs fail to satisfy the needs of individuals purported to benefit from the program. This paper is an attempt to bring together the fragmented information on a housing program developed in the middle and late 1970's - urban homesteading.

Urban homesteading is a federal housing program which has been devised to recycle abandoned or repossessed housing back into the housing supply system. It is a response to the growing presence of abandoned residential structures, which have appeared in many urban neighborhoods.

Title to the structure must be obtained by the municipality before a property may become a homestead. In some cases, this may include declaring the structure abandoned. It may be said that urban homesteading brings together people who need homes and homes that need people. Maintaining the existing housing stock, while appearing under the guise of a regenerative system, is homesteading's task. Homesteading hopes to direct a trend toward neighborhood stabilization and conservation rather than

renewal of badly deteriorated neighborhoods through clearance.¹

Abandoned housing has infested many of the neighborhoods in our cities. Abandonment has been shown to be a process. Homesteading appears to be a means to stop the process in its early stages. The abandonment of housing units in the American city is nearly as old as the city itself. Housing abandonment is related to the formation of slums, and the continued decay of the neighborhood structure. Webster defines abandonment in the following manner: "to give up with the intent of never again claiming a right or interest in." Abandonment is both a cumulative and self-generating process which knows no neighborhood boundaries. Underlying the abandonment process are the changing economic functions of the central city. Immediately following World War II, a pattern can be traced which indicated the dispersion and weakening of the central city's economic base. At the same time, a racial change occurred in the surrounding neighborhoods.

Housing abandonment in a neighborhood occurs over a period of years. Homes, which fall into disrepair, are eventually deserted by their tenants. When this occurs, the structure does not provide the owner with the necessary funds to keep up the property, so he completely neglects it. Final abandonment occurs when the owner of the property no longer pays taxes on the parcel and has no intention of making the necessary repairs. The National Urban League, through various studies, has observed what is called the, "tipping point phenomenon." When three to six percent of the structures in an area are abandoned, the trend becomes irreversible without outside intervention.²

There are two views related to the stimulus for abandonment. The first

is the economic abandonment process. The effects of the exploitation of the housing market by real estate speculators have been disastrous in many neighborhoods. Various methods are used to bring about change in a community. These methods include blockbusting and red lining. The blockbusting procedure progresses with a real estate agent encouraging persons to sell their homes at a lower price to enable them to flee the wave of minority groups that are moving into the neighborhood. Supposedly, these new residents will lead to the reduction of property values in the area. Homes are then sold at an inflated rate to minority families. Often, after a few months, these persons are unable to finance the costs of homeownership and abandon the property. As time progresses, the owner will disinvest himself of the property as the upkeep cost exceeds the amount which may be gained by selling it.³

The red lining of a neighborhood occurs when the capital market has determined that an area of marginal maintenance is too risky for investment. Conventional loans for home improvements become unobtainable. As a result, the owner discontinues maintenance of the property. The disinvestment process continues until the structure becomes abandoned. As prices increase, the process repeats itself over and over again on structure after structure.⁴

The second view on abandonment is the social view. This embraces the combination of racially inspired social change and discriminatory behavior by urban institutions. The notion that a different racial composition of the neighborhood will harm the schools, provision of services, and other social amenities tends to discourage any improvements to the structures as the residents begin to look elsewhere for homes. Once again, the abandonment

process takes over. Many banks will refuse to commit funds in any neighborhood that seems even remotely threatened by racial change.⁵

Solutions to the abandonment problem should be multi-faceted as it is a problem which is social, political, and economic. A realistic approach to housing abandonment should be of sufficient scale to touch upon each of these elements. The policy, adopted by a city, should restore confidence in the strength of the central city investment market and remove the possibilities for future housing exploitation. The policy should deal directly with the economic and social views of abandonment previously discussed.

Urban homesteading is a commitment by the federal government to arrest the abandonment process in our cities. The rationale for the program was conceived in Philadelphia. The first city to implement its own homesteading program was Wilmington, Delaware, in 1973. Baltimore, Maryland; Newark, New Jersey; and Washington, D.C. soon followed in developing local urban homesteading programs to meet their individual needs. The concept of the program became attractive, but providing adequate financing for the rehabilitation became troublesome for the cities. Private sources of funds became available in these cities. Finally, Section 312 funds from the federal government were made available to homesteaders under the demonstration program.

Historically, the urban homesteading program is an extension of the ideas in the National Homestead Act of 1862. The National Homestead Act encouraged the development of the west. The homesteader was given approximately 160 acres of land for a nominal fee. In return, the homesteader agreed to live on the land and farm it. After he lived there for three

years, the property became his own. The program was very successful and, as a result, a similar approach is being used to attract persons back into a wilderness, our central cities.

This form of homesteading established the principle of a free grant of land by the government, rather than through the real estate market. The process brought together three factors necessary to stimulate development: land, labor, and capital.

The next homesteading scheme was the subsistence homesteading movement. These new subsistence towns were developed in the 1930's; mainly, to aid in the redistribution of the population away from the industrialized areas of New York and New Jersey. The lots in the new towns ranged in size from one to five acres, leaving enough space to permit subsistence agricultural activity. Twenty-five million dollars was made available from the federal government to make loans for the purchase of property in the subsistence homesteads. The plan did not work as well as had been intended. The towns never grew, and the population seemed reluctant to move into such an environment. In large part, this was due to the controversy which centered on local control of the homestead versus federal control.

The end result was the complete federalization of the program under the Subsistence Homesteads Program. The most noted subsistence homestead is Jersey Homesteads, near Hightstown, New Jersey.⁶

Federal housing policy then shifted to the Model Cities and Urban Renewal Programs. Many of the nation's cities were able to impressively rebuild their urban cores under these programs. Despite the new economic and cultural developments, the graying residential neighborhoods encircling the

business districts continue at best to pale. The concentration of commerce and shopping areas can make the downtown residential districts attractive to those who have the resource to rehabilitate them, as well as to speculators hoping to convert residential properties to a different land use.

The need to bring citizens back to the city, and reverse the out-migration from the central city, is an underlying response of the urban homesteading program. George Sternlieb, of the Center for Policy Research at Rutgers University, is convinced that urban homesteading may be the last and best chance for our cities to survive.⁷ He feels that urban homesteading has an obvious appeal to the middle class who have become disgruntled with the housing available to them at increasingly inflated prices.

Urban homesteading has received a large amount of publicity about its revitalization capabilities since the inception of the program. The program is sensible and appeals to American values. Give an individual a piece of land or, in urban homesteading's case, a vacant home that nobody would buy, and let them use their ingenuity and hard labor to become homeowners.⁸

The revitalization of neighborhoods takes money. The enactment of federal urban homesteading legislation in the 1974 Housing and Community Development Act, provided funding authorization for the urban homesteading demonstration program. In 1975, Housing and Urban Development Secretary, Carla Anderson Hills, began planning and implementing "demonstration" urban homesteading programs in 23 of the 60 cities which had applied for participation. Since that time, an additional 13 cities were added to

the demonstration program. In October of 1978, urban homesteading became a full-fledged housing rehabilitation program with national application.

There are approximately 4,100,000 abandoned housing units in the United States. Of these, the United States Department of Housing and Urban Development has title and mortgages to 250,000 homes and apartments valued at 2.7 billion dollars. The cities may obtain abandoned homes, not owned by HUD, through foreclosure proceedings. Homesteading was attractive to HUD because it enabled the department to rid itself of its abandoned buildings that could be rehabilitated. Homes, included in the available inventory, were vacant and boarded, and had been foreclosed by the Federal Housing Administration. Cities participating in the program saw urban homesteading as a means to place families into homes that had been taken off the tax rolls. The Department of Housing and Urban Development had little to lose as money was granted to the cities to purchase homes listed on its inventory. The money was then paid back to HUD, less the costs of program administration. After the initial homes were made available to the public, the results were phenomenal. The number of applicants averaged ten to twenty-five times the number of homes which had been made available.⁹

The Department of Housing and Urban Development has also made available Section 312 loans to the homestead cities in order to provide rehabilitation funds to the homesteaders that need financial assistance. This assistance has proven to be a vital factor in neighborhood preservation and housing rehabilitation strategies. The Section 312 program began in 1964 to provide direct loans at below-market interest rates to property owners in urban

renewal or community development neighborhood strategy areas.

Loans are generally made at a three percent interest rate to property owners and homesteaders who qualify. Loans may not exceed the costs of rehabilitation. The maximum loan amount is set at \$27,000.00 per unit. The term of the loan does not exceed 20 years or three-fourths of the remaining economic life of the property, whichever is less. A mortgage is required if the loan amount exceeds \$3,500.00. Otherwise, a promissory note is all that is necessary. Provisions have been established for the refinancing of a Section 312 loan.¹⁰

The demonstration program is designed to verify the belief that home-ownership is the strongest link in the stabilization of neighborhoods. It has been shown that, traditionally, there is more money put into a home that is owner-occupied, than one which is a rental unit. The program is also to be integrated into a comprehensive plan providing technical assistance and community services.

The cities chosen to participate in the demonstration program identified neighborhoods in which they would coordinate their conservation efforts. At the same time, the public services and amenities necessary to arrest decline and encourage public investment were provided to the neighborhoods. The cities were also to use Community Development Block Grant Funds, or other local funds, to upgrade roads, schools, parks, police and fire protection, and other services to these homestead areas. From the planner's viewpoint, the goal is to achieve an immediate positive impact upon the neighborhoods and cities that were participating in the demonstration program.¹¹ The enthusiasm generated by the program amongst the public

has made the program highly visible through the participating cities. Warren C. Ditch, former Administrator of the Urban Homesteading Program at a national level, stated, "Homesteading is just one of the best programs we could have."¹² These feelings have been echoed by local homestead program administrators.

All too often, the worst slums in the city receive the most attention from the news media and city policymakers. However, it is the moderate-income neighborhoods with vacant and abandoned homes, that many of the homesteading cities view as the key to reversing the abandonment process.

The urban homesteading approach to the revitalization of our neighborhoods represents a change from previous policy. Instead of clearing abandoned and deteriorated housing to make way for new housing projects in their place, homesteading represents a means to save our existing housing stock while upgrading neighborhood services. The institutional feeling of many urban renewal projects has given way to a more personalized approach to housing rehabilitation. The non-institutional image of homesteading has contributed greatly to its appeal to the middle and lower-income homeowner.

Homesteading has proven to be more than a personal approach to housing. Many of the neighborhoods in the program were once very fashionable or historic; thus, lending themselves to rehabilitation. With energy problems confronting our cities, homesteading provides a means to revitalize neighborhoods near the downtown core. The availability of loans to homeowners in these neighborhoods have, once again, made them attractive for investment.

In addition to the revitalization of neighborhoods, the urban homestead-

ing process is returning homes, which had not been economically viable, back to the housing stock. The return of these homes has cost the city funds to provide assistance or loans, and the homeowner the cost of rehabilitation. Although not stated, the policy implies that the new residents in the homestead neighborhoods will be young, upwardly mobile families, whose present income does not reflect their future potential.¹³ Ideally, the program should draw those persons, who are willing to become homeowners, back into the city where, through hard work and a large amount of "sweat equity," (work put into the home by the homesteader to save rehabilitation costs), the homesteaders will rebuild old abandoned homes; the result being that entire neighborhoods which had decayed will once again become viable. The program seeks to attract persons with low or moderate incomes and of mixed racial and ethnic backgrounds. The following chapter provides an insight to the program legislation required to carry out the urban homestead program.

Chapter 2

URBAN HOMESTEADING LEGISLATION

Urban homesteading legislation has been developed at two levels: local and federal. Local legislation for the homesteading program had been passed in Baltimore, Newark, Philadelphia, and Wilmington, prior to the federal legislation in 1974. All demonstration cities passed local legislation authorizing the urban homestead program in their city prior to the receipt of any funds to administer the program. The early legislation set stipulations on the age, financial capabilities, and citizenship of the applicant. The purchase price of the homes in the Department of Housing and Urban Development's inventory were determined by taking the assessed valuation of the home and subtracting the rehabilitation costs. Contractual agreements were made with the homesteader, requiring them to live in the home for a specified period of time. A timetable for the rehabilitation of the structure was provided for each homestead.

Another policy set forth in the early legislation was to establish Homestead Boards to administer the program at a local level. Rigid qualifications were set for the membership of these boards. Composition was to include: councilmen, business leaders, community leaders, and the citizenry-at-large. Members of the Homestead Board were to be appointed by either the Mayor or the City Manager.

The early success of the urban homesteading program in these four cities provided the impetus for federal legislation. The urban homesteading demonstration legislation was not sponsored by representatives from one of the four original homesteading cities, but rather was co-sponsored by former Congressmen Victor Veysay (R-California), Andrew Young (D-Georgia), and Congresswoman Margorie Holt (R-Maryland). Legislation was considered by the subcommittee on Banking and Currency under the title, "A Bill to Establish a National Homestead Program." The original format for the program was developed in this bill and adopted in an altered form in the Housing and Community Development Act of 1974. The demonstration program was extended under the Housing and Community Development Act of 1977.

The proposed National Homestead Program directed the Secretary of Housing and Urban Development to compile a listing of all unoccupied single family dwellings in urban, and other areas of the United States, owned by either the Department of Housing and Urban Development or the Federal Housing Authority which had the potential for rehabilitation. After compiling the list the Secretary shall take the necessary steps to inform residents of each community, or area, in which any dwelling is located as to the existence, nature and location of such dwelling.¹ Input by local groups was immediately requested to aid the participating cities in deciding which neighborhoods and homes should be used in such a program.

Stipulations were set for the qualifications for applicants to participate in the program. The qualifications were that the applicant:

- 1) is eighteen years of age or older;
- 2) is the head of their household;

- 3) is a citizen of the United States;
- 4) has not previously participated in the urban homesteading program;
- 5) is not the owner of any other real property, and
- 6) possesses the financial, technical, and other resources necessary to rehabilitate the building.

In addition to these requirements, the National Homestead Program requires each applicant to enter into an agreement that he or she will reside in the dwelling for a period of five years (later revised to three years), and will, during such period, rehabilitate and maintain the homestead to meet all safety and housing code requirements of state and local law.

The conveyance of any dwelling to the applicant under the act was to be made on a conditional basis. In return for the cost of one dollar, and the execution of an agreement to fulfill the rehabilitation and residency requirements, the property was conveyed to the new owner. Any failure by the applicant to carry out the agreement resulted in the conditional conveyance being revoked. When the applicant fulfilled all requirements, the homeowner was granted fee simple title to the property.² If the conditional conveyance to the property was revoked, the homestead was made available to another individual or family. The new family carried out the agreement between the city and the original homesteader unless all rehabilitation had been completed. If all rehabilitation had been completed, yet the owner failed to meet all other criteria, the home could be sold with the proceeds from the sale going back into the urban homestead program development or loan funds.

Congressman Young added to the bill a process for the transfer of

of property from the Department of Housing and Urban Development to local governments. He also provided for a means to evaluate the urban homestead program upon completion of the demonstration program. A continuing evaluation of the program was to be made during the demonstration phase. Commencing with the third fiscal year (1978), the evaluation was to be made available to Congress in an annual report form a summary of the program progress and recommendations for future conduct of the program.

The bill established criteria for the acceptance of a program in the urban homestead demonstration project which provides for:

- 1) the conveyance of residential property for the designated authority to qualified applicants on a conditional basis, in return for a fee not to exceed one hundred dollars; and
- 2) an agreement, whereby the applicant agrees to occupy such property as a principle residence for a period of not less than three years and to rehabilitate such property to meet state and local codes.

Properties which may be made available by the Secretary of Housing and Urban Development for transfer to local units of government are those:

- 1) which may be improved as a single family dwelling;
- 2) which the Secretary holds title;
- 3) which is not occupied and is suitable for use in the local homestead program.

The policies included in the "Bill to Establish a National Urban Homestead Program," were added to the Housing and Urban Development Act of 1974 by Senator Joseph B. Biden, Jr. (D-Delaware). The result of his advocacy was the inclusion of urban homesteading under Chapter VIII of the Act.

Section 801 of the Housing and Community Development Act of 1974 states:

"Policies, designated to contribute to the achievement of the national housing goal, have not directed sufficient attention and resources to the preservation of existing neighborhoods, and that the deterioration and abandonment of housing for the nation's lower income families has accelerated over the past decade, and that this acceleration has contributed to neighborhood disintegration. If the national housing goal is to be achieved, a greater effort must be made to encourage the preservation of existing housing through such measures as preservation, moderate rehabilitation, and improvements in housing management and maintenance, in conjunction with the provision of adequate municipal services."

Section 802 of the Act is important to the urban homesteading movement. This section encourages the formation of effective state housing finance and development agencies. These agencies shall have the authority to finance, to assist in carrying out, or to carry out activities designed to provide housing for low and moderate income persons and families. Methods to develop programs may include financing for land acquisition, construction, and rehabilitation. Hopefully, programs utilizing these funds will promote sound growth and development through the revitalization of slums and blighted conditions.

Section 810 of the Housing and Community Development Act of 1974 provides for many of the guidelines established in the National Homestead Act. This section authorizes the Secretary of Housing and Urban Development to transfer, without payment, any real property which meets the aforementioned requirements to local units of government.³

This section also provides the Secretary with guidelines in determining the suitability of a property for use in an urban homesteading program.

The guidelines to be considered are:

- a) the difficulty and delays which would be involved in the

sale of the property;

- b) the value of any repairs and improvements required by the program;
- c) the benefits to the community, and the reduced administrative costs to the federal government, which would accrue from the expedited occupancy of the unoccupied property, and
- d) the possible financial loss which may result from the transfer of property without payment.

These guidelines assist in requiring the agency administering the homestead program to provide a coordinated approach toward neighborhood improvement. This approach will, hopefully, lead to an upgrading of community services and facilities in the homestead neighborhoods.

To reimburse the housing loan fund for the properties transferred under this Act, Congress has appropriated amounts not to exceed five million dollars for fiscal year 1975, and similar amounts for fiscal years 1976 and 1977.

Section 811 of the housing and Community Development Act of 1974 provides supporting services and loans for the rehabilitation of homesteads. Financial resources were made available to provide counseling for the homesteaders in the areas of homeownership, property maintenance, and other home improvement matters. The Secretary may provide these funds to public or private organizations. Funding for such services to low and moderate income families shall be in sums deemed necessary. Section 312 and other loan financing mechanisms may be obtained by local governments through the federal government.

The passage of this Act prompted Senator Biden to remark, "Even though this legislation may not make a significant dent in the growing stock of abandoned homes, the program may bring about a change in attitude about the

deterioration of urban neighborhoods."⁴

The success of the program may not only be measured in terms of public acceptance and the number of homes rehabilitated, but also by whether continued funding is made available. As will be noted later in this report, the program has become very popular with the public. In response to the desire for more homesteads, the Housing Authorization Act of 1976 included an additional funding allocation not to exceed five million dollars for urban homesteading in fiscal years 1977 and 1978. Further appropriations have been made by Congress to continue funding the urban homesteading program through fiscal year 1981. The urban homesteading program was granted twenty million dollars for fiscal years 1979, 1980, and 1981. No additional requests were made for the program in the preparation of the 1980 budget, as existing authority will be used to continue the program for at least two years. The large increase in allocations indicated the expansion of urban homesteading from a demonstration program to a nationwide strategy.

Under the regulations set forth in the broadened urban homestead program neighborhoods should be located in areas where a comprehensive and coordinated strategy has been developed to stabilize and upgrade the area. These programs should:

- 1) provide for a combination of physical improvements, necessary public service and facilities, housing programs, private investment, and citizen self-help activities appropriated to the needs of the neighborhood;
- 2) coordinate public and private development efforts;
- 3) provide sufficient resources to produce substantial long-term improvements in the area within a reasonable period of time. In determining the size of the area, the applicant shall take into account the severity of its problems and

the amount of resources to be provided, and the amount of resources necessary to complete the project.⁵

The minimum requirements for the development of a local urban homesteading program shall include:

- 1) an equitable procedure for selecting homesteaders which gives special consideration to their need for housing, and their capacity to make, or cause to be made, housing repairs. The term "need for housing" shall be determined by the community;
- 2) the execution of an agreement between the homesteader and the urban homesteading agency addressing the repair, residency, and inspection of the homestead property;
- 3) provisions for a conditional conveyance of the property title for a nominal fee with fee simple conveyance upon satisfactory completion of the agreement, and
- 4) a coordinated neighborhood improvement plan which provides for the upgrading of public services and facilities, and encourages private investment in the homesteading neighborhood.⁶

The Department of Housing and Urban Development will transfer the property for homesteading if the "as-is condition" fair market value does not exceed \$15,000.00 for a single family residence, or an additional \$5,000.00 for each unit of two to four-family residences to be converted into a single family residence, and the total cost of repairs does not exceed \$27,000.00. Local governments are obligated to provide HUD with necessary data to enable that agency to complete its annual evaluation of the urban homesteading program.

The following table represents funding amounts for the urban homesteading program since its inception. The number of homes transferred to the cities is also shown. Funding amounts include administrative costs,

loan grants (except Section 312), and property transfer costs.⁷

TABLE 2.1

URBAN HOMESTEAD PROGRAM FUNDING

<u>Year</u>	<u>Amount Allocated</u>	<u>Total Units Conveyed</u>
1975	\$ 4,890,557	619
1976	3,535,000	426
1977	5,000,000	955
1978	5,800,000	850
1979	20,000,000	3,200 (anticipated)
1980	20,000,000	-----
1981	20,000,000	-----

Source: Compiled by the author.

Chapter 3

DATA COLLECTION TECHNIQUES

Literature, obtained for this report, has come from four major sources: books, articles from magazines and professional journals, correspondence with urban homestead program coordinators, and personal contacts. The reliance upon information from local sources was great. There are a limited number of articles which have been written on urban homesteading, many dating from the early days of the program. Newsbank was used to provide updated information from local newspapers on the progress being made in the implementation of the urban homesteading program.

In October of 1976, identical letters were mailed to those cities which had expressed to the Department of Housing and Urban Development an interest in participating in the urban homesteading demonstration program. The letter requested the number of homesteads and their location, characteristics of the homesteaders, legislation required to implement the program, financial and supportive services provided, the major proponents and opponents of the program, and the unique features of their homesteading program. Materials, recieved by February 1, 1977, were the major determinants in the decision as to which programs would be developed into case studies.

The cities which recieved the letters were: Altanta, Baltimore,

Boston; Chicago, Cincinnati; Cleveland; Columbus, Ohio; Detroit; Houston; Indianapolis; Jersey City; Kansas City, Missouri; Milwaukee; Minneapolis; Newark; New York City; Oakland; Philadelphia; Phoenix; Pittsburgh; Providence; Rockford, Illinois; Saint Louis; Seattle; South Bend; Washington, D.C.; and Wilmington, Delaware.

In their questionnaire response, the cities of Cleveland, Houston, Pittsburgh, and Seattle indicated that they would not participate in the urban homestead demonstration program.

In May, 1978, an additional letter was mailed to the eight cities chosen for case studies.

The eight case study cities featured in this report are varied in population and geographic location. Each of the programs were at different stages of development. Unique features of their respective urban homesteading demonstration programs singled out these cities from the original list. The eight cities included: Baltimore; Wilmington, Delaware; Philadelphia; Kansas City, Missouri; Detroit; Columbus, Ohio; Dallas; and Oakland.

The case studies are meant to provide information on program development undertaken during the urban homesteading demonstration program. Even though the urban homesteading programs have been implemented three to six years, little information is available to the public. Final evaluation can be undertaken as the residency requirements are completed by the homesteaders.

This report is a consolidation of material obtained through the aforementioned sources. The report provides a basis for future study on the

urban homesteading program as it moves from the demonstration phase into nationwide implementation. The eight case studies also provide for further comparison with other demonstration programs and new homesteading programs which may be developed.

Chapter 4

HOMESTEADING IN WILMINGTON

Urban homesteading's roots are in Wilmington, Delaware. The first homesteads were awarded here. Urban homesteading was conceived as a means to provide an impetus toward rehabilitation of Wilmington's deteriorating housing stock. Legislation for the program was passed on August 24, 1973, and the first ten homesteads were awarded shortly thereafter. Mayor Thomas C. Maloney had become an outspoken advocate of the urban homesteading process. Wilmington suffered some problems during the program development process which provided lessons for the other seven programs featured in this report. Mayor Maloney believed that homesteading would be a means to uplift the civic pride of a town which had experienced rapid population loss and a deterioration of its living conditions.

Wilmington is among the smallest of the homestead cities. The 1970 population was 80,386, compared to 110,356 residents in 1960. The 1978 population estimates a further decline to 73,000. Minority population has continued to grow and, in 1978, the minority population accounted for 48 percent of the total. Efforts to lure persons back into the city had lead to an increase in the housing stock since 1960.

Eighty-two percent of Wilmington's 29,800 homes were constructed prior to 1950. There were 2,390 vacant homes in 1970 representing eight

percent of the housing stock.¹ The number of these homes considered abandoned was 1,434. A little over half of the occupied residences are owner occupied.²

Wilmington is the center of America's chemical manufacturing industry. Despite its size, Wilmington shares the same problems of large metropolitan areas; the movement of commerce to the suburbs, a loss of population; a declining business district, and an increased crime rate. Wilmington's former image as a corporation city has declined markedly in the past twenty years. Remaining industries have aided in the revitalization of the downtown area, and the reluctance of du Pont, Hercules, Inc., and International Chemical Industries to move out of the downtown has maintained faith in the community.

Mayor Maloney, during his campaign in 1973, proposed that Wilmington take the urban homesteading process being developed in Philadelphia, and implement that process in Wilmington. There was a lot of work to be accomplished to improve Wilmington's housing stock as forty-five percent of the privately owned homes were below building code levels. The relatively small number of homes suitable for homesteading set the stage for an individualistic approach to the homesteading concept.

Three neighborhoods with a high number of homes suitable for homesteading were identified. These neighborhoods were Bayard Boulevard, Prices Run, and Hilltop. Homesteading of scattered sites was permitted if the property was determined suitable for homesteading.

Bayard Boulevard was a relatively stable residential neighborhood with some sections in transition. The white population was one hundred

percent in 1960, dropping to sixty-five percent by 1970. This neighborhood was selected because the environment was considered to be stable enough to utilize urban homesteading as an effective tool in combating abandonment. City officials believed homesteading would have a positive effect upon the neighborhood before community development funds were spent in the area.

Prices Run and Hilltop neighborhoods represent a different situation. The Prices Run neighborhood has a population which was eighty percent black. The housing stock was rapidly deteriorating. The neighborhood contained a large portion of the available public housing. Homesteading, in conjunction with the city's rehabilitation program, would hopefully have a significant impact on the neighborhood by reducing the number of vacant structures. Hilltop was a former Model Cities neighborhood. City officials felt homesteading, and other housing rehabilitation projects, would stabilize the neighborhood.³

Ordinance 73-047 established the organizational framework for the homesteading program. The Homesteading Board was the agency responsible for the implementation of the program. The Board's membership was composed of city officials named by the Mayor. This agency also selected the homesteaders.⁴

Title to the units made available to the homesteading program were received through tax sale proceedings. This process allowed the city to obtain title to selected properties through the foreclosure of these properties delinquent on taxes. The city received two hundred homes for the homesteading program by this means. The Department of Housing and

Urban Development made available to the city an additional three hundred twenty HUD-owned homes.

A member of the Wilmington Department of Licenses and Inspections made a list of all rehabilitation work which needed to be completed on each structure. Cost estimates were made for the prospective homesteaders, giving them an indication of the actual rehabilitation costs. The average rehabilitation cost was \$9,700.00.⁵

The first time the city offered homes to the public to homestead, there were seventy inquiries for the ten homes. These ten homesteads are now occupied. The second group of sixty homesteads was offered in February, 1974. Forty-five were occupied, and the remainder were in various stages of rehabilitation after the second year. Through December, 1979, an additional one hundred twenty-five homes were rehabilitated or are being rehabilitated.

There have been approximately fifty persons who have dropped out of the program since its inception. In most cases, the property they were to rehabilitate has not been offered to other homesteaders, remaining vacant. The reasons for leaving the program were: the burdens of homeownership, and the increasing costs of rehabilitation. Despite initial delays and failure of some of the homesteaders to move into their homes, Mayor Maloney stressed the importance of homesteading to the city stating, "We are not trying to provide people for housing; we are trying to provide housing for people."⁶ The screening process for potential homesteaders was revised to set the prime criteria as the ability to finance the rehabilitation of the home. There is no income limit applied in making the final homesteader selection.⁷

As of 1979, the background of the homesteaders was diverse. Seventy-five percent were black, twenty percent were white, and five percent were hispanic. Incomes of the homesteaders ranged from \$7,000 to \$22,500 annually. Early experiences of the large number of homesteaders leaving the program led to the indication that without the infusion of supplemental rehabilitation funds the homesteading concept may not serve low income residents as well as intended. The ability of the homeowner to secure financing on his own for the rehabilitation work seemed to assure the success of the homesteader in completing the program. Applicants from the immediate neighborhood were given preference to homestead in that area.

A problem which faced Wilmington homesteaders was that more financial resources were spent on the rehabilitation process than the resale value of the structure. The result has been the use of less-deteriorated structures for the homesteading program, while those in need of major repair are cleared.

The homesteader agreed to rehabilitate the home and bring it up to minimum code standards within eighteen months. The homesteader also agreed to live in the home at least three years. A conditional deed is given to the homesteader when the requirements are fulfilled. Thus the initial one dollar purchase price, and the rehabilitation costs become the purchase price of the home.

The procedure followed by the city and the homesteader in the homesteading process in Wilmington is shown in Table 4.1.

Table 4.1

Homesteader Path in Wilmington

Event	Actor	Time
Application filed	Homesteader	
Interview held	Homesteader/Member of Homestead Board	
Property conveyance signed (conditional deed)	Homesteader/City	
Financial assistance (conventional or city assisted)	Homesteader	
Select contractor	Homesteader	
Inspections	Department of Licences and Inspections	As needed
Approval for occupancy	Department of Code Enforcement	By 18 months after conveyance
Occupy residence	Homesteader	By 18 months after conveyance
Complete rehabilitation	Homesteader	
Complete occupancy requirement	Homesteader	Three years after approval for occupancy
Acquire clear title	Homesteader/City	Same

Source: Anne Clark and Zelma Rivin, Homesteading in Urban U.S.A.,
(New York: Praeger Publishers, 1977), page 101.

Early homesteaders had some difficulty in obtaining adequate financing at a low cost. The city could not directly furnish financial assistance according to Delaware law which prohibits the use of public funds by municipalities to improve private property.⁸ To allieviate this problem, the city made an agreement with eight local banks to allow a reduction in homestead loan interest rates, assuring the homesteader of a limited amount of capital. Each bank originally agreed to carry at least three homestead mortgage loans per year. The limit placed on each loan was \$10,000. The city pledged to cover forty percent of any loan which went into default. This money was received from a local philanthropic organization, the Sachen Fund.⁹

A procedure was developed by the city enabling homesteaders that made improvements to their home by bringing it up to code standards, eligible for a local assessment roll back. The procedure allows the owner, for the first five years after the improvement is made, to deduct thirty percent of the cost of the improvement each year from the added value of the improvement from the previous assessment. The end result is the lowering the original assessment and the local tax on the property.¹⁰ Instead of being punished for making an improvement to the home, homesteaders are encouraged to make the necessary improvements.

The city is undertaking additional neighborhood conservation efforts in the homestead areas, as well as other depressed neighborhoods. Each of the three homestead neighborhoods has been designated as community development neighborhood strategy areas. The city uses a combination of community development block grant funds from the Department of Housing and Urban

Development and funds from a corporate Rehabilitation Acquisition Program to repair vacant and abandoned homes. Three hundred thousand to three hundred and fifty thousand dollars have been spent in each of the three homestead neighborhoods for rehabilitation, property acquisition, street and sewerline improvements, free trash pick up during rehabilitation and waterline construction.¹¹

Several private non-profit groups have rehabilitated additional homes in the homestead neighborhoods. The activities of these groups are coordinated with the Wilmington Planning and Development Office. Sixty-five homes have been repaired by these groups.

The homesteading program in Wilmington has provided the same impact about the rehabilitation process borne out in other cities. Homesteading is providing homeownership opportunities to lower and middle class families. This program is succeeding in bringing families back into the city, as seventy percent of the homesteaders previously lived outside the city limits.

The use of community development block grant funds and private financing have relieved the financial constraints placed upon the city by the Delaware Constitution. A shift in the priorities for selecting homesteaders has lowered the number of families dropping out of the program. The Bayard Boulevard neighborhood has remained stable, while improvements made in Prices Run and Hilltop neighborhoods have made those areas more desirable. Mayor William McLaughlin has continued administrative support for the program despite expectations falling short for the number of homes to be rehabilitated. However, as part of an integrated rehabilitation and improvement pro-

gram, homesteading still provides a popular means to rehabilitate an older abandoned home in Wilmington, Delaware.



Map 1: Wilmington Homestead Neighborhoods

1. Hilltop
2. Price's Run
3. Bayard Boulevard

Map Source: Delaware Highway Department

Chapter 5

HOMESTEADING IN PHILADELPHIA

Although Wilmington, Delaware was the first city to implement an urban homesteading program, the concept of urban homesteading was developed in Philadelphia. In 1968, Councilman Joesph E. Coleman foresaw a means to return some of Philadelphia's abandoned homes to the city's housing stock. At that time, Coleman realized the city would be forced to create its own program when the Department of Housing and Urban Development placed a moritorium on funding new housing programs for local governments. To other councilmembers and community leaders the urban homesteading concept appereared to be viable. Ordinance 543 was passed on July 20, 1973, becoming the first piece of urban homesteading legislation.¹

Philadelphia was the nation's fourth largest city in 1970. The population that year was 1,949,996. Philadelphia's 1978 population estimate was 1,800,000. This represents a loss of 4,000 residents from a 1976 estimate. The minority population made up 34.2 percent of the total. There has been continued increase in the number of residences in the housing stock. Most of the homes are old, three story rowhouses, more commonly called brownstones. Seventy-eight percent of the homes were constructed proir to 1950, and twelve percent have been constructed since 1960. The city has estimated that there were 31,200 vacant and abandoned

homes in Philadelphia. This represented 4.6 percent of the total housing stock. Three and one-half percent of all housing units were considered abandoned. There is a high rate of homeownership in Philadelphia, (59.7%).²

Philadelphia officials have always been innovative in their style of urban development. The city has rejected some of the more modern methods of inner city redevelopment, and as a result, the downtown remains very pedestrian oriented. Officials have not followed the trend of other cities in constructing circumferential freeways around the downtown which has lead to growth at the city's perimeter at the expense of downtown. Philadelphia may have the most economically viable downtown area of the sample homestead cities. In addition to the rehabilitation of its downtown housing stock, other improvements include: continued development in the Penn Center office building complex; a \$260,000,000 reconstruction of the Market East commercial area; Franklin Town, a privately financed \$280 million redevelopment project providing four thousand housing units in a downtown neighborhood and employment opportunities for 20,000 persons; and Penns Landing, a \$210 million waterfront development.³

The rich historical heritage of Philadelphia has made the city fertile ground for the homesteading program. City Ordinance 543 created the Urban Homestead Board. The Board has eleven members from the following groups; architects, contractors, the Building Trade Council, clergymen, representatives from savings and loan institutions, two City Councilmen, and the remainder from the general public.⁴ The selection of membership for three-year terms are made by the City Council. Three names are submitted for each position to the Mayor who makes the final selection and appoints a chairman.

The ordinance is specific in granting administrative authority to the Homestead Board. Assistance from other city agencies is required, and the Board may obtain vacant properties by recommending foreclosure proceedings by the City Law Department against usable abandoned properties.

Unlike all other homestead programs in the sample, the homesteading program is carried out city-wide rather than concentrating the rehabilitation effort in a few neighborhoods. Under City Ordinance 909-A, privately owned vacant homes may be deeded to the city in lieu of past due taxes. Other delinquent properties may be acquired through a sheriff's sale.⁵ The United States Department of Housing and Urban Development has made an additional 3,260 homes from its inventory available for use in the urban homestead program. The Philadelphia Urban Homestead Board has been provided with members of the city staff to serve as technical coordinators.

Unlike most urban homesteading programs, Philadelphia's program has not received priority treatment from the chief elected official. The mayor or city manager has usually played an activist role in the program's implementation, and has been politically identified with the program. Former Mayor Rizzo, however, had been accused of obstructionism and of employing tactics to thwart the program by city councilmembers and the public. One of these tactics was the delaying of the funding necessary to fill the mandated staff positions.

The city originally allocated 1.5 million dollars for mortgage guarantees as the homesteading program began to function. Despite the continued publicity of homesteading's virtues, that initial funding was not released during the first year. In 1974, \$500,000 was allocated to the

homesteading program. Similar amounts have been allocated since that time on a yearly basis to purchase homes and for loan guarantees.⁶

The homesteading program in Philadelphia has attempted to be comprehensive in its approach to community and block rehabilitation. The properties selected for homesteading are located throughout the city in neighborhoods where homeownership is high, vacancy rates are low, and there is evidence of community pride and stability. Philadelphia's homesteading program places a great deal of reliance for success in strong neighborhood associations. The associations are consulted by the Homesteading Board in determining the adverse conditions which may exist in the neighborhood. Decisions are then made as to whether to accept a homestead property in the area. Local property owners in areas where homesteading has occurred have responded by cleaning up their properties and vacant lots.

When the program was initially implemented, it was assumed that the program would result in providing three hundred rehabilitated homes per year. This goal had yet to be met in 1979. One hundred fifty homes were offered between October 1973 and December 1975. Three hundred additional properties have been offered since then at a rate of fifty homes every six months. There had been over seven thousand inquiries about the program as of December, 1979. One thousand applications were received by the Homestead Board for the first group of twenty homes. Applications are made to the Homestead Board for a specific property.⁷

Each property has a written guide prepared listing the items to be replaced, repaired or removed. Counseling is provided to the homesteader to determine the amount of "sweat equity," which may be accomplished on the

home. "Sweat equity," is the amount of labor and materials purchased by the homesteader that is used to determine which prospective homeowner will be awarded the property. For work that needs to be completed beyond the ability of the homesteader, a list of contractors approved by the Homestead Board is provided. The rehabilitation work begins immediately following the deed transfer from the city to the homesteader. In Philadelphia, most rehabilitation work has been completed within three months. The Homestead Board staff conducts informal monitoring visits while the renovation is being completed.

The selection of homesteaders in Philadelphia is a delicate process, as is the selection of homesteads. Special consideration is given to those currently living in overcrowded or substandard housing, families living within one mile of the homestead property, (an effort to reinforce confidence in the neighborhood), and to those who have the ability to do a large portion of the work themselves or to finance a loan. The Homestead Board has opened the application process to persons of all income levels. Homesteaders have been accepted with incomes as low as \$5,200, although most have incomes between ten and fifteen thousand dollars per year. The costs of rehabilitation have been comparable with, or below the market value of comparable homes in the area, making the rehabilitated properties a good investment. The homesteader agrees to live in the property for a period of five years after paying one dollar and receiving a conditional conveyance of the title to the property. To encourage participation in the program, the first year property taxes are reduced to twenty percent of the assessed value. Property taxes increase by twenty percent increments, so by the fifth

year the homesteader pays the total assessment for the first time.⁸

The procedure followed by the city and the homesteader in the homesteading process in Philadelphia is shown in Table 5.1.

Table 5.1
Homesteader Path in Philadelphia

Event	Actor	Time
Application filed	Homesteader	
Interview held	Homestead Staff/ Homesteader	
Property conveyance	Homestead Board	
Major rehabilitation work	Homesteader/ Contractor	2 months after conveyance
Approval for occupancy	Department of Licenses and Inspections	4 months after conveyance
Occupy property	Homesteader	4 months after conveyance
Complete rehabilitation	Homesteader/ Contractor	24 months after conveyance
Final Inspection	Department of Licenses and Inspections	24 months after conveyance
Completion of residency requirements	Homesteader	5 years after conveyance

Source: Anne Clark and Zelma Rivin, Homesteading in Urban U.S.A., (New York: Praeger Publishers, 1977), page 76.

For families who need financial assistance, it is available through several programs. The homesteader may cover his initial renovation costs by borrowing from the Urban Homestead Board's short-term construction loan fund.

The loan is available during the first four months of rehabilitation work. It is approved only for repairs required by the program. A grant from the Pennsylvania Housing Finance Agency has been arranged with the city providing low-interest mortgages to meet the needs of lower income homesteaders. A loan pool from this source has been created in the amount of \$250,000. Interest rates varied from three to nine percent in 1979, with terms ranging from five to fifteen years. The amount awarded to the homesteader depends on the family's income. For families whose income exceeds the Pennsylvania Housing Finance Agency standards, conventional financing through local banks and savings and loan institutions was available.

For the cost of one dollar, and rehabilitation costs, four hundred fifty homes have been made available for rehabilitation. In December, 1979 approximately 250 homes were occupied. If a homesteader drops out of the program, a new family from the pool of applicants is chosen to homestead the property.

The program has overcome the lack of support from City Hall through the popularity of the program with local citizens and through community development funds from the U.S. Department of Housing and Urban Development. An additional program has provided an average of \$475.00 per unit for lead based paint removal, and the cleaning of the properties. The city also carries out a number of city-wide programs to complement the urban homesteading program.⁹ One of these is the Vital Repairs Program. Money remaining in the city's capital budget since 1975 is used to provide emergency home repairs for low income residents. A rehabilitation loan program

has been set up to provide the difference between the cost of repairs and the appraised value of the home. A one million dollar loan guarantee fund has been established utilizing \$500,000 in community development block grant funds and \$500,000 from private foundations.¹⁰

Thirteen Philadelphia area banks, which are committed to preserving older ethnic neighborhoods, have formed a special mortgage plan. The plan represents a cooperative effort by local financial institutions to adjust lending policies to meet current residential needs. The goal of this plan is to improve housing conditions throughout the city and lower the vacancy rate. The banks more specifically seek to make mortgage funds available to credit worthy purchasers of residential properties in those potentially healthy neighborhoods which are beginning to show deterioration and likely disinvestment. Under this plan, total family income is taken into account. Any welfare payments are considered income. The maximum loan made available in 1979 was \$15,000, and the maximum sale price of the property was \$17,000.

Additional services are provided in neighborhood strategy areas, where many homesteads are located. Community development block grant funds have been targeted to provide exterior paint to homeowners and to trim dead and diseased trees. Also provided are: the removal of abandoned automobiles, adequate street lighting, cleaning alleys, and planting street trees. Vacant lots are cleared and are subsequently converted into neighborhood "tot-lot" parks or side yards for adjacent landowners.¹¹ Community organizations are able to purchase vacant commercial properties to renovate and provide headquarters for neighborhood services.

The scattered housing concept is different from that of other

homesteading programs. The popularity of the program by the public has overcome the lack of support from high level administrative officials. Fifty homes were made available in July, 1978, and one thousand inquiries were received. This represented a continued interest in the program and provided encouragement for the Homestead Board in furthering the development of the program.



Map 2: Homesteading in Philadelphia takes place throughout the city.
Map Source: Pennsylvania Department of Transportation

Chapter 6

HOMESTEADING IN BALTIMORE

The homesteaders of Baltimore have been called the "well directed pioneers."¹ The reason for this will become apparent in this chapter. The urban homesteading program was developed in November, 1973, as an effort to encourage homeownership in the city. Baltimore officials attempted to bring together the best ideas from the Philadelphia and Wilmington homesteading programs and adapt them to meet housing needs in Baltimore.

Baltimore is a financial center located midway between Washington, D.C. and Philadelphia. The 1976 population was 905,787. Forty-nine percent of the 1978 estimated population was black, hispanic, or another minority. There was a 5.3 percent increase in the housing stock during the 1960's. Row houses, on narrow streets, dominate the inner city housing stock, with 74.6 percent of the homes in the city built before 1950. There were an estimated 17,000 vacant homes in Baltimore, representing 5.3 percent of the total housing stock in 1970. Thirteen thousand of these were considered abandoned. However, many of these homes have deteriorated beyond the point of rehabilitation. Forty-two percent of the total housing stock were owner-occupied.²

Baltimore's housing style is a mixture of north and south, cobblestone streets with colonial red brick row houses, blending into the stately

mansions on the fringes of the city. It is not surprising that Baltimore officials would view homesteading as a means to rehabilitate its decaying inner city housing stock. The city's housing resources serve as a large pool of structures for the implementation of a strong homesteading program. The list of homes which are available for homesteading is updated every three weeks. The prospective homesteader is not limited in his choice of homesteads from these properties. An individual may obtain any abandoned home in the city with the approval of the Baltimore Department of Housing and Community Development, by paying back taxes on the property. The city is in a unique position to utilize this existing department as it provided all housing and related services to the citizens of Baltimore.

Four neighborhoods have provided the bulk of the homesteads. Otterbein, Barre Circle, and Stirling Street neighborhoods, located in the inner city, have provided two hundred and fifty homes for urban homesteading. The Park Heights neighborhood, at the fringe of the city, provided fourteen homes for homesteading. In many cases, two adjacent rowhouses have been combined into one residence.

The Otterbein and Barre Circle neighborhoods are located adjacent to downtown. Most of the residences were constructed between 1820 and 1870. The areas were originally slated for clearance, but homesteading provided the city with a viable alternative. Rehabilitation costs in the neighborhoods have ranged from \$14,500 to \$50,000.³

Stirling Street is located in east Baltimore, and was part of an urban renewal area. This area was also slated for demolition until homesteading became a popular means for the preservation of the neighborhood. The cost

of rehabilitation in this neighborhood have ranged from \$10,000 to \$32,000. The Park Hill neighborhood is the newest area for urban homesteading. It is located in the northwest portion of the city, and is characterized by a great deal of FHA Section 235 housing undertaken in the late 1960's. The process of homesteading entire neighborhoods, as opposed to the scattered site approach in Philadelphia, has been adopted by other homesteading programs presented in this report.

Several options are available to the City of Baltimore to acquire additional properties. One option is the immediate assumption of the property from former urban renewal sites. A second option is the receipt of title from the U.S. Department of Housing and Urban Development. A third option, which requires foresight and planning, is the acquisition through a sheriff's sale. The City of Baltimore may put a lien on an abandoned property which has been in that condition for eighteen months. The sale does not assure that city that a structure, which it has purchased, will remain in its possession. The owner may redeem his property by paying back taxes within one year from its purchase date. In effect, the city may have to wait one year from its purchase date to the time rehabilitation due to this procedure.⁴

The program operates without a legislatively mandated homestead board. The arrangement was developed by Robert Embry, who in 1977 headed the Community Development Division of the U.S. Department of Housing and Urban Development. The final approval of the projects undertaken by the homestead program rests with a six person board, which includes the Chief of City Owned Properties, Homestead Manager, the Homestead Counseling Manager,

Supervisor of Construction, and the Head of the Real Property Sales.

This method of approval works well in Baltimore.

The procedure followed by the city and the homesteader in the homesteading process in Baltimore is shown in Table 6.1.

In 1975, the City of Baltimore received \$120,000 in HUD-held homes (Park Heights), and a like amount in rehabilitation loans.⁵ The rehabilitation of older homes often means that pleasing architectural details from the past will be preserved. The city originally established a two million dollar housing loan fund, which was expanded to three million dollars in 1977. This amount was financed through the sale of city tax supported bonds.

The homesteader may elect to rehabilitate his homestead using his own financial resources, or through loans available from the city. Those who make loans from the city are asked to complete part of the rehabilitation work themselves to keep costs down. There are two city loan programs available: the City R.E.A.L. (Rehabilitation Environmental Assistance Loan) Program, and the C.H.A.P. (City Housing Assistance Program). The REAL program is available citywide and had an interest rate of nine percent in 1978, with a maximum amount of \$1,500 for a term of twenty years. The program is used to supplement the Federal Section 115 grants, which provide up to \$16,000 per dwelling unit. The funds awarded through this program are given to homeowners in exchange for an easement on the exterior of the property. After five years, the city releases the easement. One hundred eighteen grants, totaling 164,000, had been awarded through 1977.⁶

Table 6.1
Homesteader Path in Baltimore

Event	Actor	Time
Application filed	Homesteader	
Interview held	Homestead Board	
Applicant certified	Housing Commissioners	
Selection of Contractor	DHCD/Homesteader	
Financial arrangements	Homesteader	
Property conveyance (lease purchase arrangements)	City	
Major rehabilitation	Contractor/Homesteader	
Inspection	DHCD	
Code approval	Department of Code Enforcement	6 months from title conveyance
Occupy property	Homesteader	6 months from title conveyance
Complete rehabilitation	Homesteader	24 months from title conveyance
Complete occupancy	Homesteader	18 months after initial occupancy
Acquire clear title	Homesteader/City	18 months after initial occupancy

Source: Anne Clark and Zelma Rivin, Homesteading in Urban U.S.A.,
(New York: Praeger Publishers, 1977), pages 54-55.

The maximum limit for CHAP loans is \$17,000. The amount granted depends upon the applicant's ability to repay the loan. The interest rate is based on the family's size and its income. The 1978 interest rate ranged from three percent to nine percent. The maximum term of the loan was twenty years.

Initial repairs are to be made during the first six months, enabling the homesteader to move into his home as soon as possible. The homesteader is required to live in the home at least eighteen months before receiving clear title. At the time clear title is conveyed, the homeowner begins to pay local tax assessments on the property. Resale value of the rehabilitated structures have exceeded the rehabilitation costs.⁷

As of December 13, 1978, 715 units had been homesteaded, representing the largest number of homesteads in any community. Three federal programs are offered for housing rehabilitation in the City of Baltimore. The Title 3 Hardship Program is funded through the Older Americans Act. These loans provide funds for emergency repairs to homes owned and occupied by the elderly to meet fire and safety codes. This program provides extra financial resources to elderly persons who would like to homestead. Section 115 grants are available to low-income owner-occupants in old urban renewal areas and federally assisted code enforcement areas. Individuals are eligible for grants up to \$3,500. A total amount of \$3,915,000 has been awarded under this program.⁸

Section 312 loans were available to homestead, urban renewal, and federal assistance areas. Loans, in excess of ten million dollars, have been made to 1,215 homeowners. Baltimore was the first city to receive Section

312 loans to provide for a "shopsteading" project in conjunction with urban homesteading. Loans totaling \$300,000 were approved to businesses in the Old Town Urban Renewal Area, which abuts the Stirling Street homestead neighborhood.

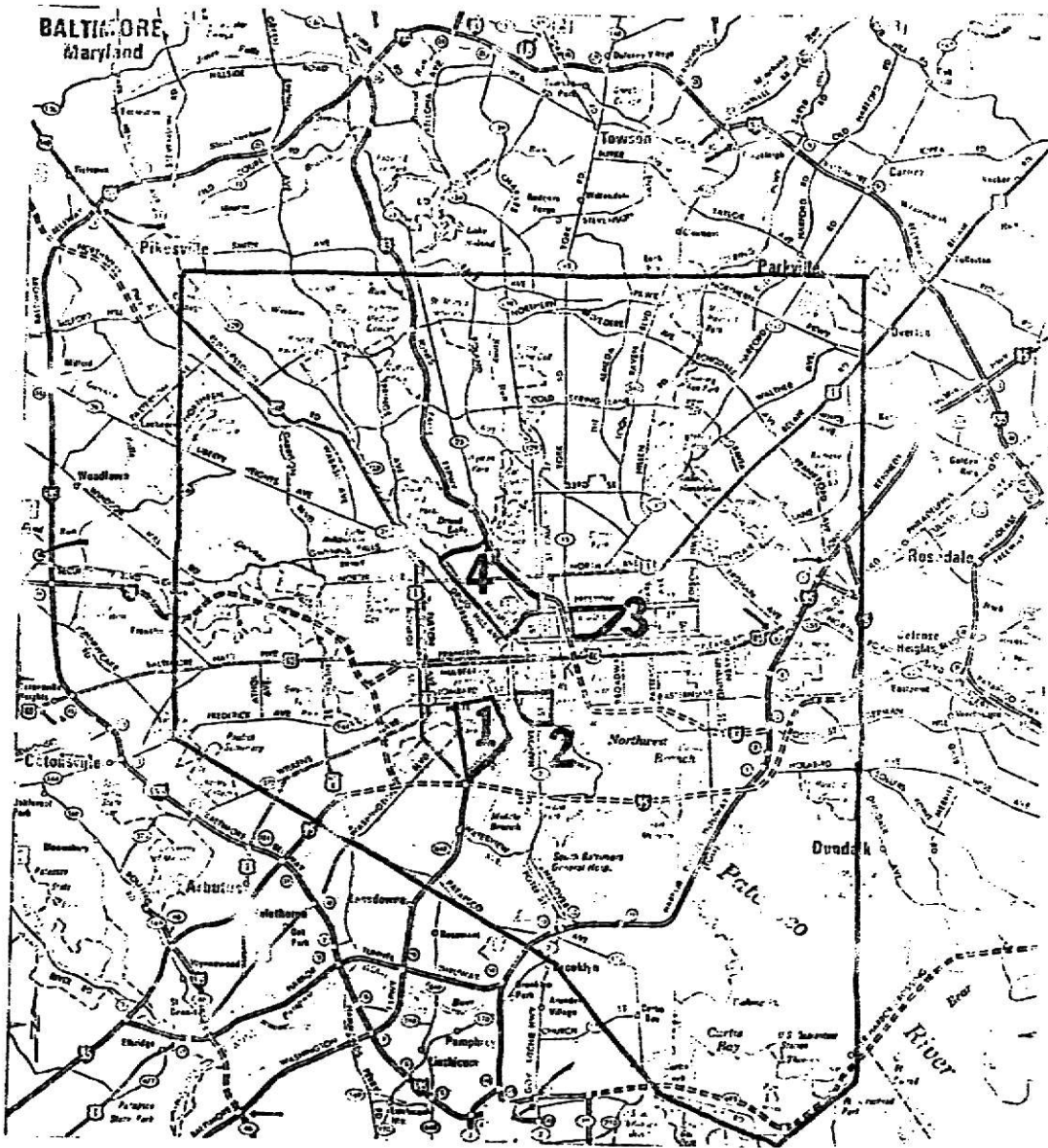
Four hundred and twelve of the 715 homesteads were permanently occupied in 1979. If a homesteader drops out of the program, he or she is replaced. Over six thousand applications were received for the 715 properties. Forty-seven percent of those who dropped out of the program did so because they could not receive financing. Another fifteen percent cited personal reasons.⁹

The annual income of the homesteaders ranged from \$100,000 to \$6,000. Each homesteader is assigned a housing counselor, who provides assistance to the homeowner. Baltimore officials felt that higher-income individuals should be given the opportunity to participate in the program illustrating support from the entire community. The income of the majority of the homesteaders is between \$10,000 and \$17,000.¹⁰ The homesteaders were relatively young, averaging thirty-two years old. Thirteen percent of the homesteads are being rehabilitated by households headed by women. Fifty-five percent of the homesteaders are black. Nearly all were previously renters. This carries out one of the objectives of the program by providing homes for those who rent.¹¹ Another important objective of the program was to attract families back into the city. The program has been successful in doing so by attracting one-third of the homesteaders from outside the city.

By the end of 1980, four million additional dollars will have been spent in the four homesteading areas. Street and sewerline work was

expected to have been completed. Additional funds will be spent on facility construction and rehabilitation activities. Due to the success of the urban homesteading program, the urban shopsteading program has gained momentum.¹²

The urban homesteading experience in Baltimore may be looked upon as being among the most successful. This may be due to the historic preservation activity being undertaken in conjunction with housing rehabilitation. The administration of the program, by the Department of Housing and Community Development, aided in the coordinated rehabilitation effort and community development activities. Continuous monitoring of vacant structures can signal, in advance, neighborhoods which may be experiencing increased levels of abandonment. The concept of homesteading entire blocks has been used by nearly all later urban homesteading programs. Given the success of the program, it appears the City of Baltimore will soon meet its goal of homesteading 800 units. Finally, the financial commitment has been adequate in providing the sums of money necessary to develop the program.



Map 3: Baltimore Homesteading Neighborhoods

1. Barre Circle
2. Otterbein
3. Stirling Street
4. Park Heights

Map Source: Maryland Department of Transportation

Chapter 7

HOMESTEADING IN DALLAS

Interest in the urban homesteading program in Dallas was generated by the City Council. The expressed goal of the program is to provide low and moderate income families with homes to rehabilitate.¹ The South Oak Cliff neighborhood was initially chosen for the urban homesteading demonstration project. Interest in homesteading had not spread to other neighborhoods, as the program had progressed slowly in this neighborhood. Steps have been taken to try and create additional interest throughout Dallas by offering homes scattered throughout the city, as well as in the East Dallas neighborhood.

The high population growth rates experienced by the city of Dallas since the Second World War appears to be slowing. The 1970 population was 844,401, and the 1978 Bureau of the Census estimate was 869,500. Dallas is a banking and insurance center for the southwest. One quarter of the population was a member of a minority group in 1970.² The increase in the number of homes in the housing stock, since 1950, has been phenomenal. Thrity-five percent of the homes in Dallas were constructed prior to 1950. The same number were built during the 1960's. The Bureau of the Census estimated that seven percent, or 22,300 housing units, were vacant in 1970. The number considered abandoned was 17,000. Nearly fifty percent of the

homes were owner-occupied.³

Initially, one hundred and seven homes were awarded to the City of Dallas by the Department of Housing and Urban Development. An additional forty-five homes have been awarded in the East Dallas neighborhood. At the time of conveyance to the city, these one hundred fifty-four homes had a total assessed value of \$259,000.00.⁴ In Dallas, the City Manager oversees the administration of the program.

The South Oak Cliff neighborhood is relatively stable with an ethnically mixed population. The neighborhood contains a large number of HUD-owned housing. Families in the neighborhood have moderate incomes. The assessed value of the homes in 1975 ranged from \$2,000 to \$10,000. The neighborhood has undergone a significant shift in population during the past twenty years. The shift was not in numbers, but rather a racial shift. In 1958, the population was 100% white; by 1978, the area had a white population of 2%. Accompanying the change in population patterns, a withdrawal of private mortgage credit occurred.⁵

The East Dallas neighborhood has traditionally been a minority neighborhood. The area has a large Hispanic population. Some of the housing stock is severely deteriorated. This neighborhood has an urban renewal area.

The City of Dallas received a grant for \$250,000 from the Section 312 loan program. The City Auditor has placed \$66,667 from the Dallas city budget in the Rehabilitation Loan Guarantee Fund. This fund will pay, to any of the participating banks, the amount of any loan default by a homesteader. The City of Dallas has made contracts with private lending institutions for assisting in the financing of home repairs for homesteads

and privately owned structures. This contract was authorized by City Ordinance 15099.⁶

The purpose of the Rehabilitation Loan Guarantee Fund is to provide rehabilitation loan assistance to certain owner-occupants in moderate income neighborhoods (including the two homestead neighborhoods), in order to promote stabilization and upgrading the services in the neighborhood. The program enables persons, who may not otherwise risk the chance to own a home, to become a homeowner. The financial commitment by the seven banks involved is \$500,000. The average term of a rehabilitation loan is ten years. Loan valued range from \$2,000 to \$5,000.

The homestead properties have been offered in six groups. The largest group contained forty homes, and the smallest offered six. Rehabilitation costs for the homes have been lower compared to other cities. The highest estimated rehabilitation cost in 1976 was \$6,000, and the lowest \$600.00.⁷ Area radio stations and newspapers have given the program a great deal of publicity. One of the aims of the urban homesteading program had been to break up segregated housing patterns. As a result, by 1978, seventy of the homesteaders were black, forty-one were white, and one was hispanic. This represents some success in bringing together racial groups in the black-populated South Oak Cliff neighborhood. The "typical homestead household" in Dallas contains two children and two adults.⁸ The homesteaders fulfilled the goals of the Dallas Planning Department in that the families, who move back to the city, are young, upwardly mobile, and have a family. The mean income of the homesteaders in 1976 was \$9,500.

All of the homesteaders have indicated that they possessed some of the technical skills which would aid in making the necessary repairs. This was more significant in the selection process than the income factor, since money could be saved through sweat equity. An applicant is not eligible to obtain a homestead if the monthly housing expenses (including pro-rated taxes, insurance, utilities, and payments on repair loans) would exceed twenty-five percent of the family's gross monthly income.

An innovative program, adopted by the Dallas Urban Homesteading Program, is the Homesteader Association. The Homesteader Association provides a means for the homesteader to play an active role in the development of the program. In addition to the ten dollar fee to purchase the home, the homesteader agrees to pay fifteen dollars a month until he completed the three-year residency requirement as a member of the association. The association uses the collected funds to develop a program, which provides small home-maintenance loans to members. The administrators of the Homesteader Association are from the Dallas Housing Department, and provide training in home maintenance and repair. The group purchases building materials collectively, adding to the savings in rehabilitation costs. The major repairs are to be made in ninety days. The homesteader receives clear title to the property after three years of residency.

The procedure followed by the city and the homesteader in the homesteading process in Dallas is shown in Table 7.1.

Table 7.1
Homesteader Path in Dallas

Event	Actor	Time
Open House	Department of Housing and Urban Rehabilitation	
Application submitted	Homesteader	
Drawing for properties	Urban Renewal Program Staff	2 months after application
Conditional title conveyance	Department of Housing and Urban Rehabilitation	2 months after application
Join Homesteader Association	Homesteader	3 months after application
Major repairs complete	Homesteader	5 months after conveyance
Move into home	Homesteader	5 months after conveyance
Finish all necessary rehabilitation	Homesteader/Contractor	20 months after conveyance
Residency by occupant	Homesteader	36 months after occupancy
Conveyance of fee simple title	Department of Housing and Urban Rehabilitation	36 months after occupancy

Source: Compiled by the author.

Applications are made for a specific home toured during an open house by the homesteader. Three homesteaders are chosen by the Urban Renewal Staff for each property based on eligibility factors, with the winner for

for each home chosen in a public lottery.

The Department of Housing and Urban Development extended the length of Dallas' homestead demonstration program in order to expand urban homesteading in other neighborhoods. HUD issued no additional homes in the South Oak Cliff neighborhood in the program expansion; but forty-five homes were obtained in the East Dallas neighborhood. The amount of Section 312 funding was lowered and, as a result, the city lowered its expectations as to the number of homes which could be homesteaded. Pink A. Voss, Chief of Field Operations for the City of Dallas Department of Housing and Urban Rehabilitation, stated, "the City of Dallas has deliberately sought homesteaders with the ability and desire to do the rehabilitation work themselves. This has kept the costs of homesteading low, enabling low and moderate-income persons the opportunity to become homeowners." Voss noted that these features were integral parts of the original homestead program, but had been discarded by many homesteading demonstration cities in the rush to rehabilitate structures.⁹

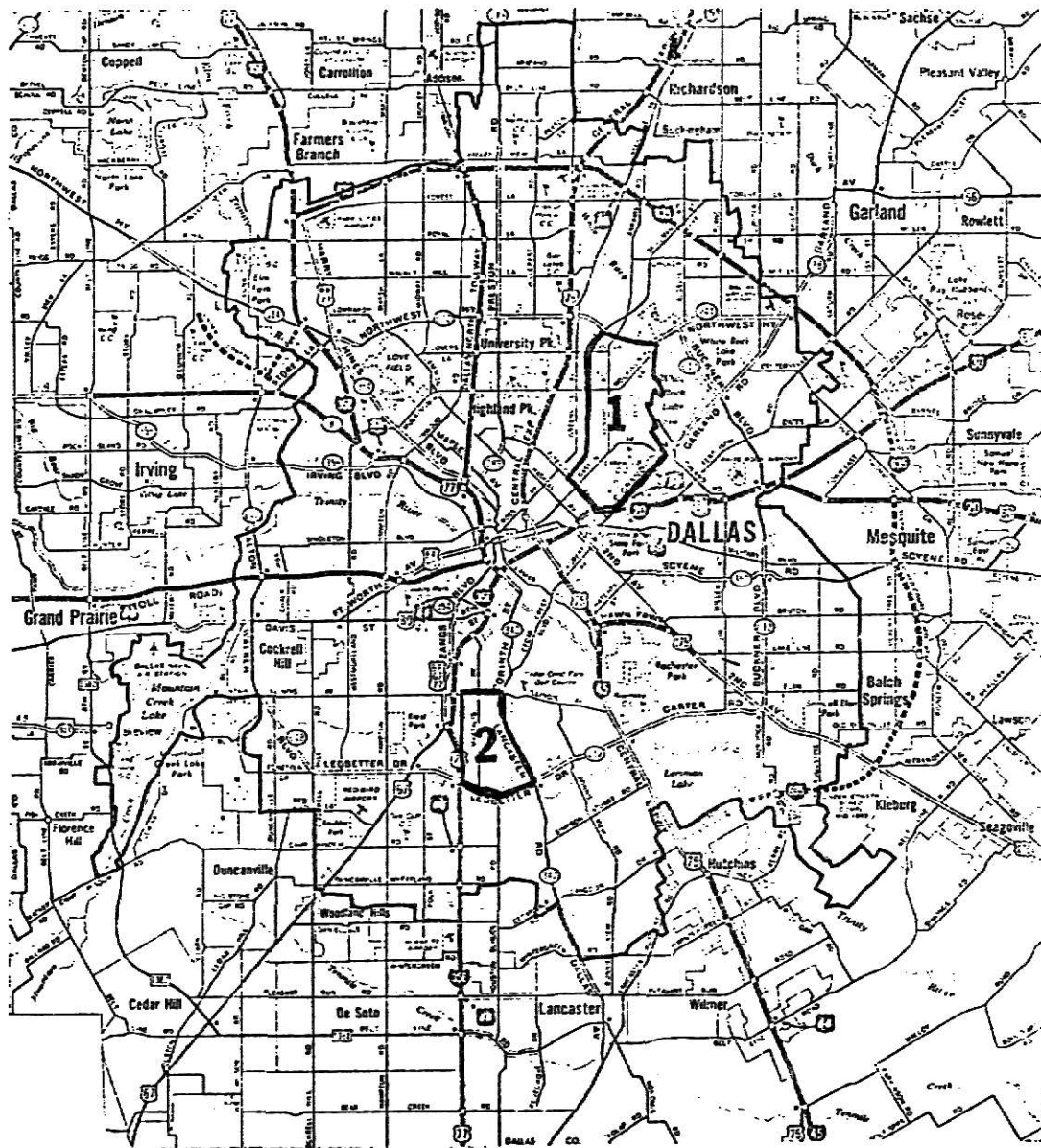
The innovative lending system provided by seven area banks, ~~and~~ provided additional financial resources needed to provide for the success of the program. The Homesteader Association is a unique feature of the program, which allows homesteaders to work together to reach their goal of becoming a homeowner. The Association provides a line of communication throughout the community as well as with city officials. The rehabilitation costs have made the program responsive to providing housing for low income persons. The addition of the East Dallas neighborhood into the program may provide the impetus to expand the program into other

neighborhoods and to increase awareness in the program.

The City of Dallas had allocated \$910,000 in community development block grant funds over the 1976-1978 period for inspection and cleanup efforts in its neighborhood strategy areas, which include East Dallas and South Oak Cliff. The Urban Rehabilitation Loan Program is operated in East Dallas by six neighborhood banks. One million dollars had been made available to homesteaders and homeowners to improve their homes with interest rates two percent below the prime rate. The loans had a ten-year term and a \$5,000 ceiling.¹⁰

All the streets in South Oak Cliff were included in the city's five year street improvement program. Municipal and social service programs will continue to be provided, with the overall objective to equalizing service levels across the city. Eventually, no special programs will be provided to any one neighborhood.¹¹

The City of Dallas is committed to the urban homestead program at high administrative levels and by area banks. Attempts to homestead other neighborhoods, where HUD-owned homes are located, may find success. These sections of the city are viewed as areas where adequate housing can be provided for the future growth of the city.



Map 4: Dallas Homesteading Neighborhoods

1. East Dallas
2. South Oak Cliff

Map Source: Texas Department of Transportation

Chapter 8

HOMESTEADING IN DETROIT

An early attempt by the United States Department of Housing and Urban Development to include Detroit in the urban homesteading demonstration program was rejected by city officials. Efforts were already being undertaken by the State of Michigan to improve housing in selected neighborhoods. When efforts by the state began to falter, Governor William Milliken and Mayor Coleman Young applied to the Department of Housing and Urban Development to allow Detroit to begin a homesteading program in 1966. These men hoped the program would have a "snowballing" effect upon the State of Michigan project and demonstrate how government housing projects can complement each other.¹

Detroit is among the world's largest industrial centers. There is a large working class population in the city. At sixty percent, Detroit has one of the nation's highest homeownership rates. Most of the existing housing stock was built during the 1920's and 1930's to accommodate the large migration to the city by workers to staff manufacturing plants. Eighty percent of the homes in Detroit were built prior to 1950. Only four percent of the housing stock was constructed during the 1960's. There has been an overall decline in the number of housing units in the city since that time.² The city became racially divided during the mid and

late 1960's. Some of the nation's worst riots were in Detroit. As a result, blocks of abandoned and deteriorated housing were destroyed by fire.

The effect of the riots was to spark private and public reinvestment in the inner city. There are 30,000 vacant homes in Detroit. Approximately 25,000 of these are considered abandoned. The largest number of vacant HUD-owned homes in one city are in Detroit. The 1970 population was recorded as 1,514,063. Population loss continued, and is reflected in the 1978 population estimate of 1,400,000.³

Until recently, most revedevelopment in Detroit had occurred along the waterfront. A five hundred million dollar private development, Renaissance Center and Civic Center Plaza, has created a rebirth of construction activity downtown. These facilities have combined commercial, office, residential, and recreational uses. Until 1978, no large unsubsidized residential housing had been constructed in the downtown area; Huntington Place condominiums provided additional housing. The increased attention focused on downtown led to the neglect of keeping the housing stock in stable condition. That result had been that some neighborhoods had become virtual ghost towns. The urban homesteading program was viewed by city officials as a means to arrest the continued abandonment problem in selected neighborhoods. The areas chosen for homesteading are at the outer fringes of the city, where the homes have not been abandoned for very long, and the rehabilitation costs may be relatively low.

On August 6, 1975, the City Council authorized Mayor Young to appoint an Urban Homestead Board to administer the program, which would begin the following year. This act represented a change in attitude by the City

Council, which had earlier rejected the opportunity to participate in the program. The City of Detroit chose three hundred homes from HUD's inventory in two neighborhoods. These neighborhoods are near a housing rehabilitation project developed by the State of Michigan. The abandoned homes, given to the City of Detroit at no cost, had an average value of \$5,000. The Department of Housing and Urban Development also announced in 1976, that the City of Detroit would receive five million dollars in Section 312 rehabilitation loans to back up the homestead project. The number of homes transferred at one time, and the financial resources committed by HUD to Detroit, represent the largest total grant to any city at that time for urban homesteading purposes.⁴

The Mayor was granted full authority to appoint members of the Urban Homestead Board. The purpose of the Board is to act as a trustee for the benefit of the homesteader, and to administer the urban homesteading program. The Board consists of nine members. Three members are city department heads; two represent the architecture and construction fields, and the remaining four are citizens-at-large. The appointments are confirmed by the City Council, and a member may be removed from the Board, at any time, by the Mayor.⁵

A permanent supporting staff was drawn from the Detroit Housing Reclamation Unit. The staff provides an updated catalog of properties suitable for homesteading. The staff also undertakes the initial screening of potential homesteaders and provides counseling services to those selected. The Detroit Building Department inspects the potential homesteads for structural soundness. In addition, this department gives a detailed

description of the corrections necessary to bring each property up to minimum code standards.

The city learned from existing homestead programs that, when an announcement is made about the availability of the program, a large number of inquiries are received by the administrative agency. City officials had undertaken an information campaign to inform the public of the program's purpose, operation, and goals. The city conducted a series of meetings to explain the homesteading process and to quiet any rumors about the program. This activity coincided with the Building Department's structural inspection and the choice of the homesteads. Information sheets included the location, necessary repairs, estimated rehabilitation costs, and eligibility requirements for the program were prepared.

Mayor Young states, "at the beginning of the program in order to make the homestead program a success, the City of Detroit needs an army of homesteaders filling up the entire block."⁶ An additional one hundred homes were acquired from the Department of Housing and Urban Development in 1977.

Urban Homesteading Neighborhood Number One is fairly stable, ethnically diversified, and has a better than average housing stock. There are 29,350 homes in the neighborhood, and seventy-five percent of the homes are owner-occupied. The housing valued remained stable between 1967 and 1977. Community leaders viewed the vacant HUD-owned properties as the threat to continued stability. One reason this neighborhood was chosen was its proximity to the Michigan State Fairground. City officials feel upgrading this neighborhood will impress tourists who drive through the area, and thus

leave with a good impression of Detroit. The neighborhood also has a strong neighborhood association. These two features have led to the continued maintenance of homes in the area. The goals of the program were developed by the neighborhood association. Goals established were to make the neighborhood attractive to new families, and retain the existing housing stock. Restoration, through the urban homesteading program, was expected to take two years.⁷

In contrast, the second neighborhood is an area which has had a rebirth from a once deteriorating condition to a stabilized neighborhood. The only major pockets of vacant housing, either for sale or rent, were HUD-owned properties. The area is a black neighborhood having an average family income of \$13,000 in 1970. Eighty-five percent of the homes are owner-occupied. Crime, both street and property, has been on the increase and is a major concern of the residents.

The area has a number of strong and extremely active neighborhood organizations. The area is directly north of the parcel the Michigan Housing Authority controls. The Authority was having difficulty repairing and selling one thousand homes out of HUD's inventory. The test for urban homesteading, in the second neighborhood, was to reinforce the attractiveness of the Michigan Housing Authority's project.

The income of the residents in the area was modest, between \$8,000 and \$15,000 annually. The neighborhood organization was seeking moderate income families who needed decent housing. The neighborhood group provides counseling for the new homesteaders in the neighborhood, and will provide technical assistance when necessary.⁸

The major funding source for the urban homesteading program is the five million dollar Section 312 loan granted to the city. The homes in Detroit's homestead neighborhoods are in fairly good condition, enabling a large number of homes to be rehabilitated at a relatively low cost to the homesteader. Local lending institutions have been optimistic about the program and have provided additional home improvement financing. Additional funds were made available from the community development block grant program to hire additional staff as the program expanded.

The homesteads were awarded in groups of fifty homes every ninety days. The homesteaders are chosen by the Urban Homestead Board, based on their age, household status, income, and need for housing. Those persons with the lowest income, who the Board feels are able to finance the cost of repairs, are given preferential treatment. The low income factor was chosen to be the priority item, since this factor aids in fulfilling the stated objectives of the program, to provide housing for low and moderate-income families.⁹

The homesteader agrees to live in the property for a period of not less than three years. The repairs and improvements, necessary to bring the homestead up to standards, are to have been completed within eighteen months after the receipt of conditional title to the property. The homesteader pays the City of Detroit one dollar at the time the homestead is awarded. The city retains title to the homestead until all rehabilitation and occupancy requirements have been met by the homesteader. Members of the Homestead Board and staff make periodic visits to each homestead offering necessary counseling.

Thirty-five homesteaders cited disillusionment with the program or financial pressures as reasons for leaving the urban homestead program. The cost of rehabilitation and responsibility of homeownership became overbearing.

Supportive services are offered to the homesteaders and all homeowners in the area. Neighborhood city halls were established in both areas providing an array of services. Among those services are recreation centers, summer recreation activities, and counseling for high school students. The Detroit Chapter of the National Education Association awarded a grant to provide social services to high school dropouts to encourage them to finish their degree. Day care centers are also available to the residents. A tool loan program provides the homesteaders with access to equipment necessary to make repairs whose rental costs otherwise may have been prohibitive. Both areas have neighborhood newspapers, and one neighborhood organization has its own radio program on a local station.¹⁰

In 1978, the City of Detroit developed the Property Release Option Program (PROP), through the Department of Housing and Urban Development. The program transferred to the city vacant HUD-owned homes at a nominal cost, which were subsequently transferred to community organizations for rehabilitation and resale to low and moderate-income persons. Problems arose with the program, and in May, 1979, the program was being investigated for possible windfall profits to ostensibly non-profit firms, which were supposed to sell homes for no more than recovery of rehabilitation and administrative costs. The qualifications of the non-profit groups, and the quality of repairs were also being probed. This could be significant as many other

homestead cities use similar means to supplement the homestead program.¹¹

The procedure followed by the city and the homesteader in the homesteading process in Detroit is shown in Table 8.1.

Table 8.1
Homesteader Path in Detroit

Event	Actor	Time
Application filed	Homesteader	
Inspection of homes	Building Department	
Open house	Urban Homestead Board	Every 90 days
Applications reviewed	Housing Reclamation unit	
Non-eligible applicants notified	Urban Homestead Board	2 months after application
Personal interview and credit search	HRU/Homesteader	
Homesteader accepted	Homestead Board	3 months after application
Conveyance of conditional title	Homestead Board	Upon acceptance
Required rehabilitation	Homesteader	18 months after conveyance
Required residency	Homesteader	3 years after conveyance
Conveyance of fee simple title	Urban Homestead Board/ Homesteader	3 years after conveyance

Source: Compiled by the author.

The homesteading program in Detroit has been promising. Nearly all vacant homes in Neighborhood One are occupied. This is in contrast to the failure of Section 235 housing provided in the city. The initial rejection by the City Council to participate in the program in 1975, reveals the hesitancy to rush into any new housing program. Homesteading is occurring in neighborhoods which are still stable. The strength of the neighborhood organizations, and the help of the local community in providing services, have aided the success of the program. It is interesting that homesteading has been used to provide stimulus for another housing project which has had difficulty in achieving success. The spillover effects of the homesteading program, and better management practices, have increased the occupancy rate in the Michigan State Housing Development Authority's project. Homesteading is only a partial solution in reducing HUD's inventory in Detroit. It represents a commitment by the City of Detroit, and its residents, to revitalize its housing stock.



Map 5. Detroit Homesteading Neighborhoods are numbered.
Map Source: Michigan Department of Transportation

Chapter 9

HOMESTEADING IN OAKLAND

Successful experience in rehabilitation, and the encouragement of citizen action groups, provided the impetus for the City of Oakland to undertake an urban homesteading program. Rehabilitation, in seven Oakland neighborhoods, has been going on for several years. The opportunity to rehabilitate deteriorating structures, at a small cost, was appealing to citizen groups. Aid, provided by neighborhood groups described later in this chapter, helped in the continued development of the program in Oakland.

Oakland has lived in the shadow of San Francisco. The city is a manufacturing center with the shipping industry having a major role in the economy. The 1970 population for the City of Oakland was 361,661. Continued population decrease has occurred, as indicated by the 1978 population estimate of 330,000. The minority population in 1970 represented forty-five percent of the total. Three fourths of the homes were constructed prior to 1950, and thirteen percent were built between 1960 and 1970. There were 7,800 vacant housing units in 1970, and 5,800 of these were considered abandoned. Forty-two percent of the homes in the city are owner-occupied.¹

There has been a history of community involvement in the rehabilitation projects undertaken by the City of Oakland. Oakland City Center, with its

office buildings for federal and local agencies, was made possible through a combination of local and federal support. The environmental awareness program has been successful city-wide and has provided impetus for local citizen action groups in their quest to become a demonstration city for the urban homesteading demonstration program. The Oakland City Commission passed a resolution in 1974 to indicate an interest to participate in the new urban homestead program. The goals of the program were to aid in the elimination of blight, help conserve and renew older urban areas, improve the living conditions of low and moderate-income families, and help develop new centers of population growth and economic activity.²

Three criteria were used by the Oakland Redevelopment Authority, and the Oakland City Commission, in selecting the seven homesteading neighborhoods. These criteria were: the location of homes currently on the Department of Housing and Urban Development's inventory, the location of existing neighborhood development programs, and an appropriate political distribution.

Five neighborhoods were targeted for extensive participation in the urban homesteading program. Two areas were designated to receive limited homesteading funds. A west Oakland neighborhood was given this designation because it did not contain a large number of abandoned homes. One north Oakland neighborhood received limited funding since there were few homes included on HUD's inventory. The five others are concentrated in the East Oakland Community Development District. The areas selected are blue collar neighborhoods, which have traditionally occupied the bulk of the city's low and moderately priced housing.³ The percentage of owner-occupied housing

in the neighborhoods range from thirty-seven to fifty-eight percent.⁴

As a result of the high levels of owner occupied housing, most of the homes are not deteriorated to a great degree. The selected neighborhoods are in a transitional stage with older families moving out and no one moving into the vacant structure. Most of the overcrowded housing in the city is located in these areas. Unemployment in the areas has reached as high as fifteen percent.⁵

Immediately following the Department of Housing and Urban Development's acceptance of the City of Oakland's urban homesteading proposal, a question was raised as to whether the program would violate the state constitution's prohibition against the gift of public funds or property to private individuals. A court ruled that, if a municipal purpose is served by the expenditure of public funds, the state constitution is not violated, even though there may be incidental benefits to the owner of the homestead.⁶

The administration of the Oakland urban homestead program is by the Oakland Redevelopment Agency. The City Manager, however, has the overall responsibility for the program. The Redevelopment Agency serves the city as an "umbrella agency" for all community development functions. The homesteading program was placed under this agency, since it complemented existing rehabilitation, code enforcement, and recreational development activities being carried out by the city.

Initially, one hundred homes from HUD's inventory were chosen for the homesteading program. An additional one hundred eighty homes were chosen to be included in the program through 1978. The major consideration, in the property selection was the estimated rehabilitation cost. If the estimated

rehabilitation cost is under \$12,000, the home was included in the program, provided it could be rehabilitated. This figure was chosen so low-income persons would be able to participate in the program. In Oakland, a single abandoned home in a block was a prime target for homesteading. The city has found that the renovation of a single home in a block has been important in thwarting future abandonment.⁷

Preference is given to Oakland residents with a low income (those with an income below \$8,000), with the ability to perform rehabilitation work themselves, or to pay for a loan. Maximum income levels were set according to family size. For example, the maximum income for a family of two is \$12,000; for a family of four, \$15,000; and for a family of eight or more, \$19,500. A potential homesteader has an interview with a member of the Redevelopment Agency staff prior to the selection of a specific homestead. Cost estimates are provided for each home, and an open house is held. Upon acceptance into the homestead program, the applicant pays one dollar and selects one parcel to homestead. All those selecting a specific property have their names placed into a lottery. Three names are chosen for each property by this method, and the Redevelopment Agency makes the decision as to which of these three applicants is most qualified. This is based on the current residence of the selected homesteaders, their income, the ability to do a portion of the work on their own, and the ability to finance any loan which may be necessary.

The procedure followed by the city and the homesteader in the homesteading process in Oakland is shown in Table 9.1.

Table 9.1
Homesteader Path in Oakland

Event	Actor	Time
Application and acceptance into program	Homesteader/City	One to four months
Visit and select property	Homesteader	Two to four months
Counseling homesteader	City	Third through seventh month
Execute grant deed	Homesteader/City	Sixth month
Rehabilitation work (health and safety)	Homesteader	Seventh through fifteenth month
Occupy property	Homesteader	Seventh through fifteenth month
Perform other rehabilitation work	Homesteader	Eighth to twenty-fourth month
Inspect work	City	Eighth to twenty-fourth month
Consult with family	City	Next four years
Convey fee simple title	City	After six years

Source: Compiled by the author.

The title transfer is made within ninety days of the receipt of the property from the Department of Housing and Urban Development to the city. The conveyance of the property is accomplished by the execution of a grant deed. This transfer is made from the City of Oakland to the selected

homesteader, without payment. The deed requires the homesteader to bring the property up to health and safety standards prior to occupancy. All other minimum building and housing code standards are to be met within eighteen months. The new homesteader agrees to live in his home for a period of five years. Upon completion of the requirements, a fee simple title is given to the homesteader. The Redevelopment Agency staff appoints a housing counselor to make visits, during the five years, to observe the progress of the family in becoming homeowners.⁸

Half of the original one hundred homesteads were occupied by the end of the first year. Over one hundred and fifty homesteads were occupied by 1978. Lending institutions have been making loans to the homesteaders, even though there are no contractual arrangements with the city, should default occur.⁹ If a homesteader withdraws from the program, the home is made available to another potential homesteader.

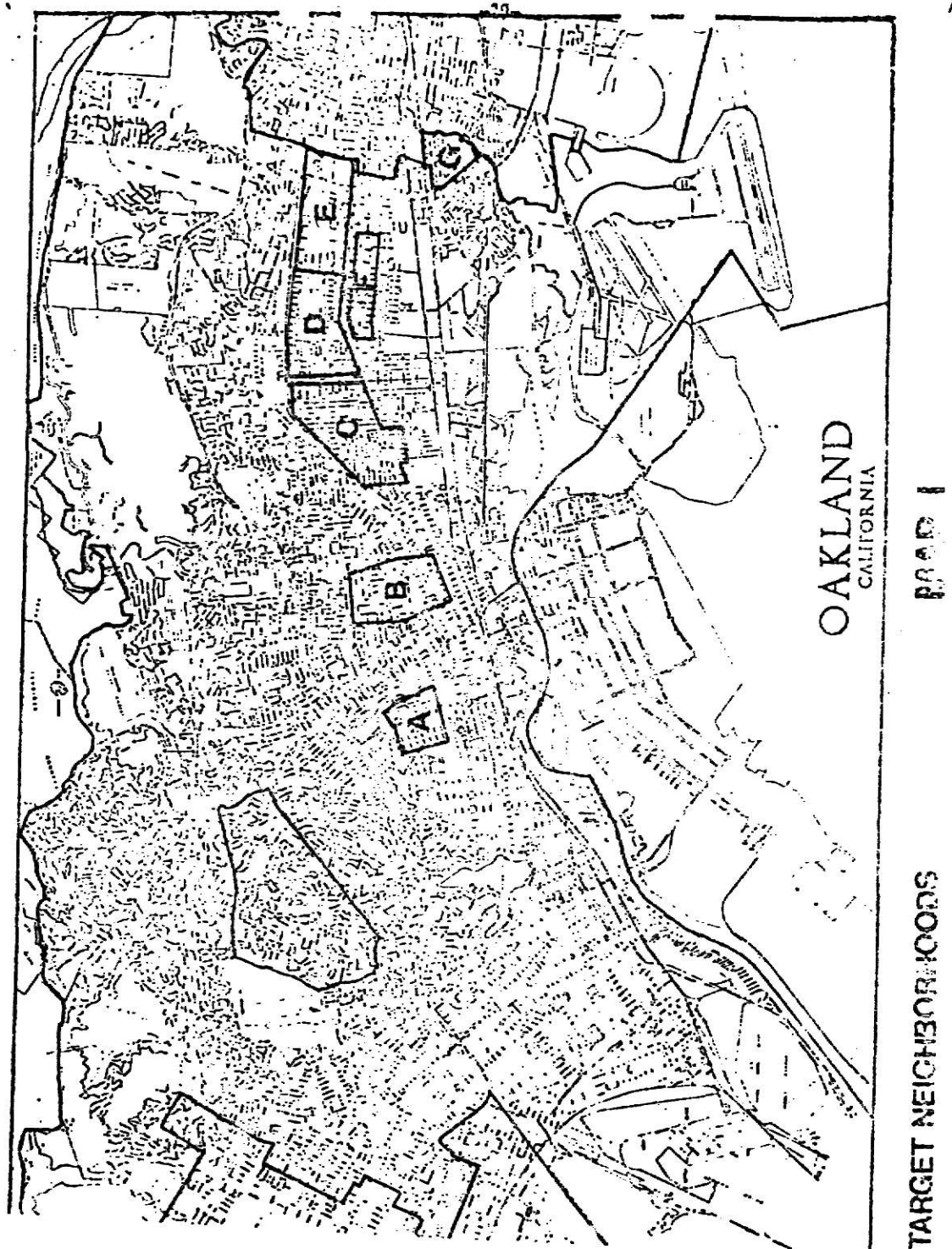
The city has developed city-wide neighborhood conservation programs which are available in homestead neighborhoods. One of these is the vacant housing program. The City of Oakland contacts the owner of a vacant, or abandoned structure, to see if the owner will perform rehabilitation work on the structure. In instances where the owner will not rehabilitate the structure, the city condemns it, rehabilitates the structure, and sells the property allowing the new owner the use of Section 235 funding, conventional financing, or the city's loan program. The city's loan program is funded by 3.2 million dollars from the community development block grant program for home maintenance and improvements. The program has also received broad support from the neighborhood based task forces. Fourteen

additional homes have been rehabilitated under this program. Loans to homesteaders are made from the proceeds of this program.¹⁰

The City of Oakland will make below-market-rate loans to homeowners for rehabilitation. The loans run for a maximum of fifteen years, with a variable interest rate. The minimum rate was 3% in 1977, and the maximum rate is 1% below the market rate. The amount of interest is charged to the homeowner, based upon his income.

The homesteading program has proceeded on schedule in Oakland. City officials have taken a positive attitude toward the program. The enthusiastic support and participation by the East Oakland citizen group has been an important factor in the program's success, as the residents of the neighborhood receive the direct benefits of the program.

The combination of rehabilitation programs has enabled the City of Oakland to reduce the number of abandoned structures located in the city. The urban homesteading program has prevented additional abandonment in the city's neighborhood by making additional homes available under the homestead program. As a result, few homes remain vacant for an extended period of time. The scattering of homesteads throughout the seven neighborhoods has not had a detrimental effect upon the program. In fact, the choice of neighborhoods enhanced the desirability of the program, since a prospective homeowner is given a choice of location in which to live.



Map 6: Oakland Homesteading Neighborhoods are lettered.
Map Source: Oakland Urban Renewal Agency

Chapter 10

HOMESTEADING IN KANSAS CITY

Homesteading in Kansas City is viewed as a supportive service for other community development programs being implemented in mid-town neighborhoods. As in other homesteading cities, the homesteading process has been integrated into the entire neighborhood development program. The city has developed an integrated computer system to monitor the progress made on each homestead and to keep track of other community development activities in the city.

The population in Kansas City has slightly declined over the past thirty years. The 1960 population was 475,539. The 1970 census was revised upward from 490,000 to 507,333, and the 1978 estimate declined to 472,529.¹ The minority population represents twenty-three percent of the total and is concentrated in the downtown and southeast mid-town sections of the city. Sixty-three percent of the homes were constructed prior to 1950, and seventeen percent were constructed between 1960 and 1970. There are approximately 16,000 vacant homes in the city; 12,000 of these are considered abandoned. Fifty-eight percent of the homes in Kansas City are owner-occupied.²

Redevelopment in and near the downtown have encouraged further efforts to revive residential neighborhoods. A new convention center, sports arena,

thirty-story office tower, and the private Ctown Center development have spurred redevelopment efforts downtown. Three blocks of deteriorated and abandoned residences were cleared southeast of downtown to provide land for the new Martin Luther King Hospital in the black community. Homesteading is occurring in the neighborhoods which are on the outer fringe of blighted housing conditions.³

The goals of the urban homesteading program in Kansas City are similar to those throughout the nation; the return of abandoned housing to the total housing stock, the provision of homeownership to low and moderate income families, and an attempt to fight the growth of blighted housing conditions. The homesteading program is broken down among several administrative departments and appears to be working well, using this arrangement.

There were two original homestead neighborhoods and, in 1977, Town Fork Creek and Vineyard neighborhoods were added to the program. These neighborhoods were chosen because they had a significant concentration of HUD-owned homes, which could be rehabilitated. A variety of physical and social-support programs, which will be discussed later in this chapter were provided. Blue Hills, Eastern 49-63, and Town Fork Creek neighborhoods are located southeast of downtown. The Vineyard neighborhood is largely an industrial area, east of downtown. Vineyard and Eastern 49-63 neighborhoods are primarily black neighborhoods. Blue Hills and Town Fork Creek are undergoing a transition from an overwhelmingly white neighborhood to a racially mixed community.⁴

The Blue Hills neighborhood had begun to see abandonment of residences over the past several years. The homesteading program is being used as a tool to rehabilitate the ten vacant homes in the neighborhood. The Blue Hills Homes, Inc., neighborhood organization received a contract from HUD to aid in the partial rehabilitation of vacant homes in the area, which were not HUD-owned.

The Eastern 49-63 neighborhood has a coalition of persons working in the area to stabilize and improve living conditions. The neighborhood organization supplements the urban homesteading program by purchasing vacant homes, rehabilitating them, and reselling the homes. The Neighborhood Housing Services Corporation works with local banks in encouraging the provision of private mortgage and rehabilitation financing funds for the area. The addition of the homesteading program has led to increased financial support by savings and loan institutions which want to become part of the rehabilitation efforts.

The Missouri Urban Homestead Authority is a city-related and city-controlled public agency which received the HUD-owned properties for the city.⁵ This Authority is responsible for the implementation of the urban homesteading program. The Homestead Authority sets the program policy and adopts overall program standards and objectives. The Board of the Urban Homestead Authority is composed of three members, whose departments are involved in the day-to-day operations of the program. The three members are the Assistant City Manager, the Director of City Development, and the Director of Urban Affairs.

The Housing Development Corporation and Information Center (HDCIC) provides the working staff for the Urban Homestead Authority. The staff members are from the Urban Affairs Department, and the funding for the program passes through the City Development Director.

Kansas City was originally allocated fifty homes, valued at \$250,000. These homes were made available to the homesteaders for the cost of one dollar. The city was also allocated \$200,000, in Section 312 loans, for use in the urban homestead program.⁶ In 1977, an additional \$50,000 was allocated by HUD to purchase twelve homes, and an additional \$100,000 in Section 312 rehabilitation loan funding was also made available at the time the program expanded to include the Town Fork Creek and Vineyard neighborhoods. The city acquired an additional fifty homes in 1978 as well as receiving an additional \$250,000 in Section 312 loans.⁷

The mechanism used to select homes from HUD's inventory to utilize in Kansas City's urban homesteading program is called, "Programmed Disposition." A set of conditions, about each available home, is fed into a computer, and a list of properties which fulfill the requirements is produced. The conditions included are: a structurally sound home, a property which is economically feasible to rehabilitate to meet code standards, and the location of the home in a block which does not contain more than twenty percent vacant structures. A listing is then produced from the information furnished to the computer providing the information to give to the homesteader outlining the work to be completed. The information is further broken down to provide the estimated labor and material costs. This has enabled standardized estimates to be made for all city jobs.

The selection of homesteaders in Kansas City is determined by the annual income of the family and, finally, a lottery. The homes are open to the public for one day, during the weekend, for inspection by prospective homesteaders. A listing of the estimated rehabilitation costs is on display at each home. The prospective homesteader selects one home he would like to homestead. A local independent CPA firm, Ralph C. Johnson and Associates, conducts a drawing open to the public, to select the name of the homesteader for each property to be homesteaded. The average rehabilitation cost has been \$10,200.⁸

Within one week, the homesteader meets with one of the HDCIC rehabilitation advisors to receive program counseling. The homesteader agrees to live in the home for a period of five years. No taxes accrue on the property until the parcel is conditionally conveyed to the homesteader. The conditional title is conveyed when the necessary improvements have been made, which enable the homesteader to move into his home. A fee simple title is conveyed to the homeowner upon completion of the residency requirement.

An insurance program pool has been developed for the participants in the homestead program. This maintenance reserve program provides funds which finance loans for major repairs after rehabilitation. All homesteaders are required to belong during their five-year residency. The cost to the homesteader was eight dollars per month. Additional funds are provided under HUD's innovative project program.⁹

The procedure followed by the city and the homesteader in the homesteading process in Kansas City is shown in Table 10.1.

Table 10.1
Homesteader Path in Kansas City

Event	Actor	Time
Selection of homes	UHA	
Advertise availability	HDCIC	
Open house	HDCIC	One month after advertise- ment
Screening and selection of applicants	HDCIC	
Award of homes	UHA	One month after open house
Conveyance of conditional title	UHA	Upon award and minimum rehabilitation
Loan approval	Private sector	Up to two months after award
Receive bid on construction work	HDCIC	Upon loan approval
Start construction	Homesteader/Contractor	Three months after award
Occupy residence	Homesteader	Upon rehabilitation completion
Residency completed	Homesteader	
Conveyance of fee simple title		5 years after occupancy

Source: Compiled by the author.

Each month, a project status report is prepared. This lists all homestead properties, with a progress report on the rehabilitation work and months of residency completed. As of December 31, 1978, seventy-five of the

homesteads were occupied, with the other thrity-seven in various stages of rehabilitation. Five homesteaders had withdrawn from the program, citing the additional financial burden as the reason. These homes were then offered to the public to select a new homesteader.

Personal visits and telephone conversations have provided much of the information provided in this chapter. The HDCIC is enthusiastic about the program, as they have been from the beginning. Homesteading has been completed in the Blue Hills neighborhood. An extension of the program into the Ivanhoe neighborhood, directly north of Blue Hills, was being considered in 1979. The number of applications for each group of homes made available has not decreased. This indicated a continued popularity in the program as it moves closer to the downtown neighborhoods. The staff feels that the program is proceeding at a rate which has insured success. The city intends to continue to request additional funds under the homesteading and Section 312 programs.

The City of Kansas City has developed a Neighborhood Conservation Demonstration Program, which operates in each homestead neighborhood. Each program is run by a committee of neighborhood citizens, councilmen, and city officials. Inspection and neighborhood beautification efforts are undertaken by these committees.

Additional community development block grant funds have been made available to homeowners in community development neighborhood strategy areas to rehabilitate their homes by paying three percent interest on their loan, and the city paying the remainder on interest payments. The neighborhood

committees have received community development funds for fix-up/paint-up programs in these neighborhoods.¹⁰

Five Kansas City homesteaders were interviewed to receive their impressions on the urban homestead program. Four of the homesteaders were living in their new homes. One family withdrew from the program. Marvin and Grace Nichols had withdrawn from the program six months after they received their homestead in the Blue Hills neighborhood. They had received approval of the work to be completed and had received loan approval. However, the Nichols decided not to sign the contract to begin construction and receive conditional title to the property. The Nichols chose not to remain involved with the homesteading program due to the additional financial burdens which would have been placed upon the family.

William Graham, James Hubbard, Dorothy Alexander, and Constance Dodson have moved into their homes. Graham and Hubbard live in the Eastern 49-63 neighborhood; Alexander and Dodson live in the Blue Hills neighborhood. The Grahams rehabilitated their home on Tracy Street with a loan of seven thousand dollars. The work was done by a local contractor. Their home was the only vacant structure on the block. The urban homesteading process moved quickly for the Grahams, with the rehabilitation completed eight months after the receipt of the home. The loan on the home has been paid off. The Grahams did not have any objections to the program, were pleased that they were able to move into a larger home, and were pleased to become homeowners.

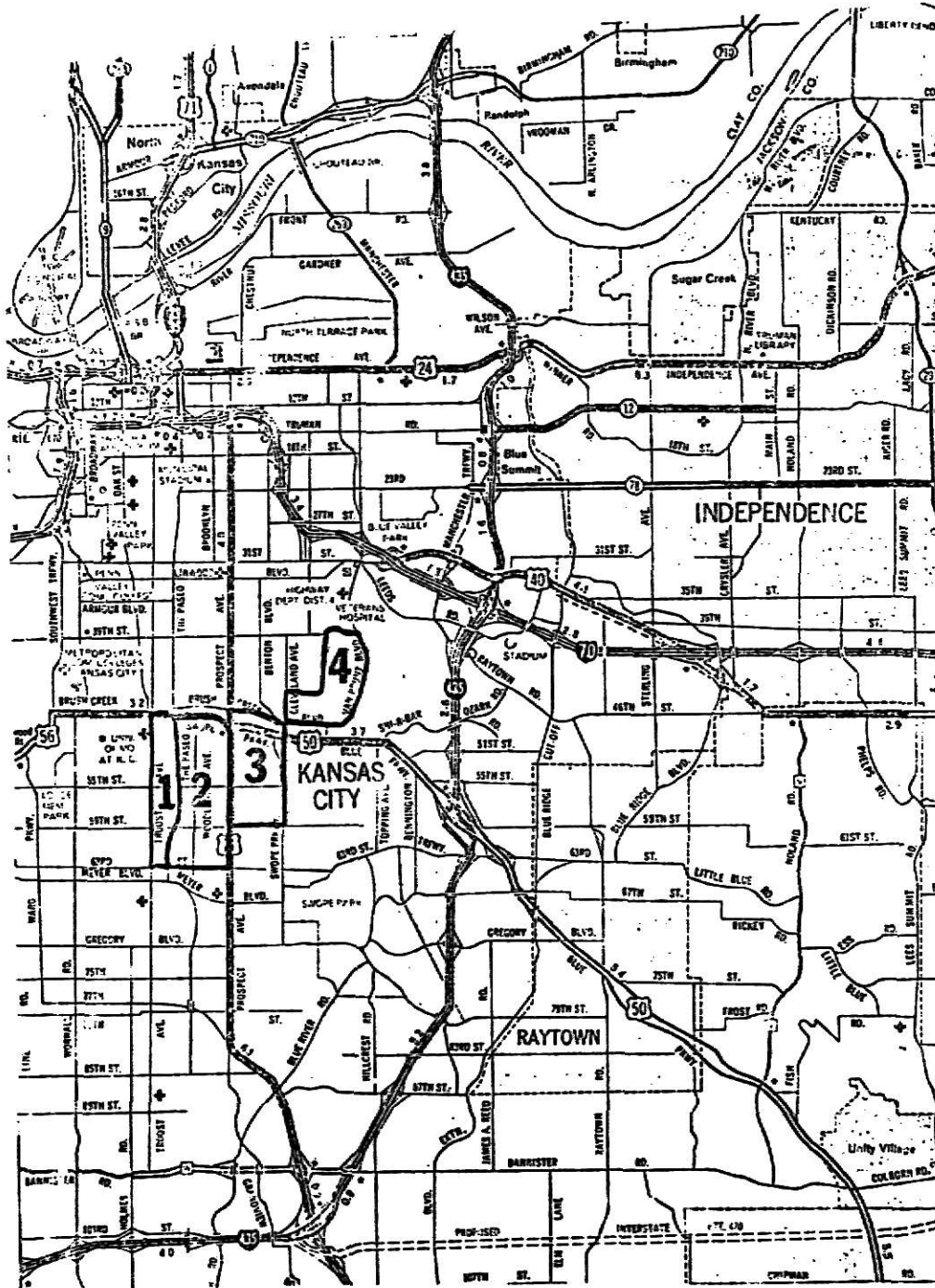
James Hubbard has taken longer to rehabilitate his home. He was doing the work himself and completed the jobs in the work specifications in ten months. He was able to purchase the materials he wanted and rehabilitated the

as a hobby. The Hubbards had always wanted to fix up an old house and move into it. At first, persons in the neighborhood were skeptical about the method under which the Hubbards became homeowners. After the home had been fixed up, the questions harbored by neighbors about the urban homesteading program were answered, and an eyesore to the neighborhood became a beautiful home.

The Blue Hills neighborhood was once one of the most exclusive neighborhoods in Kansas City. During the mid and late 1960's a racial change was taking place in the neighborhood. As white families moved out of the neighborhood, black families move in. In some cases, homes stood vacant. The Blue Hills Association was a stabilizing force in the neighborhood. The area is now racially mixed, and homes placed on the market were rarely for sale for an extended period of time. Dorothy Alexander and the Dodson's are now residents of the Blue Hills neighborhood. The home on Brookwood Mrs. Alexander received, cost twelve thousand three hundred dollars to rehabilitate. The home on 59th, homesteaded by the Dodsons, cost \$9,850.00 to rehabilitate. Both families were pleased with the homestead program. Neither homesteader had problems in receiving a loan for the rehabilitation. Both are proud of their new home. The rehabilitation work was completed on the Dodson's home in three months; Mrs. Alexander's home took five months to rehabilitate. The Dodson's has a third of their loan paid off in the three months between being selected as homesteaders and the beginning of construction.¹¹

Problems with the Kansas City program have been the misunderstanding on behalf of the homeowners that they would not immediately be able to move into

their homes. In some cases, the rehabilitation work has taken nine months to complete. The availability of Section 312 rehabilitation loan funds has made financing available to those families which in the past have not been able to receive loans from savings and loan institutions. The program has also led to the availability of loans to residents in these areas which, at one time, were considered high risks. As previously mentioned, all HUD-owned vacant homes have been homesteaded in the Blue Hills neighborhood. Attention is now being focused from the original neighborhoods into others.



Map 7: Kansas City Homestead Neighborhoods

1. Eastern 49-63 2. Blue Hills

3. Town Fork Creek 4. Vineyard

Map Source: Missouri Department of Transportation

Chapter 11

HOMESTEADING IN COLUMBUS

The homesteading programs in Columbus, Ohio, and Baltimore, Maryland, are viewed by the U.S. Department of Housing and Urban Development as being the success stories for urban homesteading. Most future urban homesteading programs are to be modeled after these examples. Philadelphia, Baltimore, and Wilmington had been operating city-run programs, using abandoned homes purchased by the city, before the City of Columbus become an urban homestead demonstration city. The city was the first to receive homes from the inventory of the Department of Housing and Urban Development. Many of the homes offered are located in or near the German Village area, which is listed as a National Historic District. Rehabilitation has been a way of life in Columbus. Large areas of the downtown and surrounding neighborhoods have been redeveloped, and the core of the city is once again the center of activity.

While other cities in the State of Ohio have stabilized or declined in their population, Columbus has continued to grow. The expansion of the governmental services function and the warehousing sector have led to this growth. The 1970 United States Census listed the Columbus population at 540,025; the 1978 estimated population was 605,200.¹ Much of this population growth has occurred through annexation, as Columbus is one of the few large cities which has not been surrounded by suburbs. This has

enabled the city to expand its tax base by promoting light industry and warehousing uses along a circumferential freeway within the city limits. The minority population consists of seventeen percent of the total. This population is concentrated in the downtown and near east side neighborhoods. The housing stock has continued to expand, with thirty- two percent of the total being constructed between 1960 and 1970. Only five percent of the homes in the City of Coulmbus are considered abandoned. This represents 17,000 homes. The concentration of abandonment is near the downtown area.²

The redevelopment of downtown has been going on for the past ten years. Many old, abandoned structures have been cleared, and new state offices and retail establishments have been built in their place. The location of Columbus, serving a large retail market, has enabled the city to become the home for several headquarters for corporations, which also have constructed new buildings downtown.

Redevelopment has also become a way of life for downtown residential neighborhoods. There are several strong historic preservation groups which operate in the city. Under their guidance, neighborhood residents have formed associations to attract new homeowners, commercial and industrial uses, and to find means of financial support from the city and local foundations to renovate their neighborhoods.³ The most popular historic areas are German Village and Thurber Village. Homesteaders, in these neighborhoods, have renovated all the abandoned residential sturcutres made available by the Department of Housing and Urban Development and the City

of Columbus.

The Ohio State University is located near the homestead neighborhoods. Projects by student groups have resulted in the formation of neighborhood associations across the town to promote awareness of local problems. Utilizing expertise from the community, technical and practical assistance has been given to homesteaders. The University, however, has not undertaken a study on the results of the homesteading program in Columbus.

In many of the other homesteading communities, the presence of strong neighborhood associations and the backing of the Mayor's office in the development of the program, have enabled the program to prosper within the community. Mayors Sensenbrenner and Moody have been very positive about the homesteading program and its growth.

The Columbus case study was dependent upon personal interviews to obtain much of the information in this chapter. The Urban Homesteading Department is an independent agency within the Columbus Community Development Department. Department Director, Jack Huddle, has been helpful in providing resource information. When asked why the city was undertaking a program to save the old sections of the city instead of tearing down old deteriorating structures, former Director Mike White quoted an answer from the German Village Visitors Guide. the quote summed up his feelings and, no doubt, those of many homesteaders throughout the country. He stated, "We save it because we love it; because it says this is our basis, our beginning. It is here that our forefathers lived, worked, and worshipped. We save it because of our need to learn from the past, to remember our ancestors, and to be proud of our heritage."⁴ With this feeling, the urban

homesteading program in Columbus has grown.

Homesteading began at scattered sites, but a greater impact was achieved in entire neighborhoods. The program shifted its attention to those neighborhoods which were within walking distance of downtown, even though other homes remained available for homesteading. The two neighborhoods which were first slated for the urban homesteading program were German Village, and the Near East Side neighborhoods. Both neighborhoods are adjacent to old model cities projects downtown. The areas are near the industrial and commercial centers which employ many of the area's residents. The housing conditions in the neighborhoods ranged from solid, well maintained homes to completely deteriorated housing. When all the HUD-owned homes through 1975 were occupied, an additional allocation of homes which had become abandoned in 1976 and 1977, were made available in the Near East Side neighborhood. In 1977, two other neighborhoods, Franklinton and Near North, were added to the program.⁵

The homesteading program began in April of 1975, with fifty homesteads made available. The homes all had a HUD value of less than \$2,000. The value of the homes were determined by taking the dollar value of the homes and subtracting rehabilitation costs. There were over 400 applications for the first group of homesteads. In October of 1975, thirty-two additional homes, with a HUD value of \$132,000.00, were made available to the city. As of April 16, 1976, the program had renovated more than \$500,000 worth of real estate, and \$180,000 in rehabilitation work had been completed. The initial results of the program were closely monitored by the Department of Housing and Urban Development. On September 19, 1976, then

Secretary of Housing and Urban Development, Carla Anderson Hills, praised the progress being made by the homesteading program in Columbus. She termed the program a complete success.⁶ The City of Columbus purchases the properties from the Department of Housing and Urban Development through grants made by that department. Excess financial resources go into a rehabilitation loan fund. In 1976, \$200,000 in Section 312 loans were made available to the City of Columbus to establish a loan fund for the homesteaders to obtain three percent, 20-year term housing rehabilitation loans.⁷ These loans were also made available to other homeowners in the neighborhood to rehabilitate their homes. Also, a mobile tool loan program was developed.⁸

In march of 1977, 250 homes which had been abandoned during 1976 and 1977 were made available to the city from HUD. An additional \$500,000 in Section 312 loans was also made available.⁹

Personnel at the Ohio Federal Bank and Huntington National Bank had allocated \$300,000, in 1976 to be made available to upgrade overall housing conditions in the homestead neighborhoods. Remarkably, there have been no loan defaults on the part of the homesteaders. This trend has led to a change in attitude by local banks toward rehabilitation loans. Financing is now available in areas where investment would not have been undertaken five years ago. Renovation costs have ranged from \$3,500 to \$22,000.¹⁰

Homesteader selection for the program is a four-stage process. The first stage is the filing of an application by a potential homesteader to indicate his interest in the program. The city conducts an open house

each time the homes are made available, so the general public may view the the homesteads. The second step is for each potential homesteader to select a homestead. The Urban Homestead Department then holds an interview with each prospective homesteader. All applicants who will be able to obtain financing are placed into a lottery for the property. The third stage is a three day "cooling off" period, when the accepted homesteaders may once again view the home selected in the lottery and decide to participate in the program. The new homeowner pays one dollar and receives a conditional title to the property. Those not chosen may enter another lottery. The homesteader agrees to make the major repairs within eighteen months. The homesteaders are expected to repair the properties to the extent of their capabilities. A series of seminars are held on subjects ranging from how to do minor repairs to the responsibility of homeownership. The homesteader receives full title after residing in the homestead for four years.

The German Village and Thurber Village neighborhoods contain many homesteads. Daniel Johnson and John Grotta are two homesteaders, who have helped in the renovation of the German Village neighborhood. The area is characterized by its brick-row houses and two-story wooden homes. Until the late 1960's the area went unnoticed, although it retained its ethnic German population. With the historic preservation movement in Columbus, the German Village neighborhood became a popular attraction for the residents of the metropolitan area. Merchants formed an association and festivals were held in the area. The commercial sector in the neighborhood became

viable, but the residences were vacant and neglected.

The procedure followed by the city and the homesteader in the homesteading process in Columbus is shown in Table 11.1.

Table 11.1
Homesteader Path in Columbus

Event	Actor	Time
Application filed	Homesteader	
Open house	UHD	Every six months
Applicant interview	Homesteader/UHD	
Lottery	UHD	Two weeks after open house
Conveyance of conditional title	UHD	At lottery
Major rehabilitation work completed	Homesteader	Eighteen months
Occupy homestead	Homesteader	Upon completion of major work
Receive clear title	UHD/Homesteader	After four years of occupancy

Source: Compiled by the author.

Urban homesteading became a means for the Johnsons and Grottas to become homeowners and also part of the revitalization of the historic district. Home loans are once again available in the area, and the City of Columbus immediately responded by repairing streets, replacing broken windows, and cleaning up abandoned lots. The Johnson home has been

completely remodeled inside to provide for modern day amenities. The exterior of the home was sound, but window sashes and wood trim had deteriorated to the degree that replacement was necessary.

Both families were proud of the rehabilitation in the area. German Village has become a fashionable in-town address. Residents and merchants in the area were given added incentive under the Tax Reform Act of 1976 to rehabilitate their property to coincide with the historic architecture of the era. Both homesteaders have been pleased with the program, but expressed concern about the viability of the program where no incentive such as historic preservation existed.

The urban homesteading program has provided a means for the immediate rehabilitation of vacant, deteriorated housing. The reinvestment in the neighborhood has led to the "rebirth" of the neighborhood, which has developed a strong neighborhood association determined to continue the progressive attitude of the past ten years.

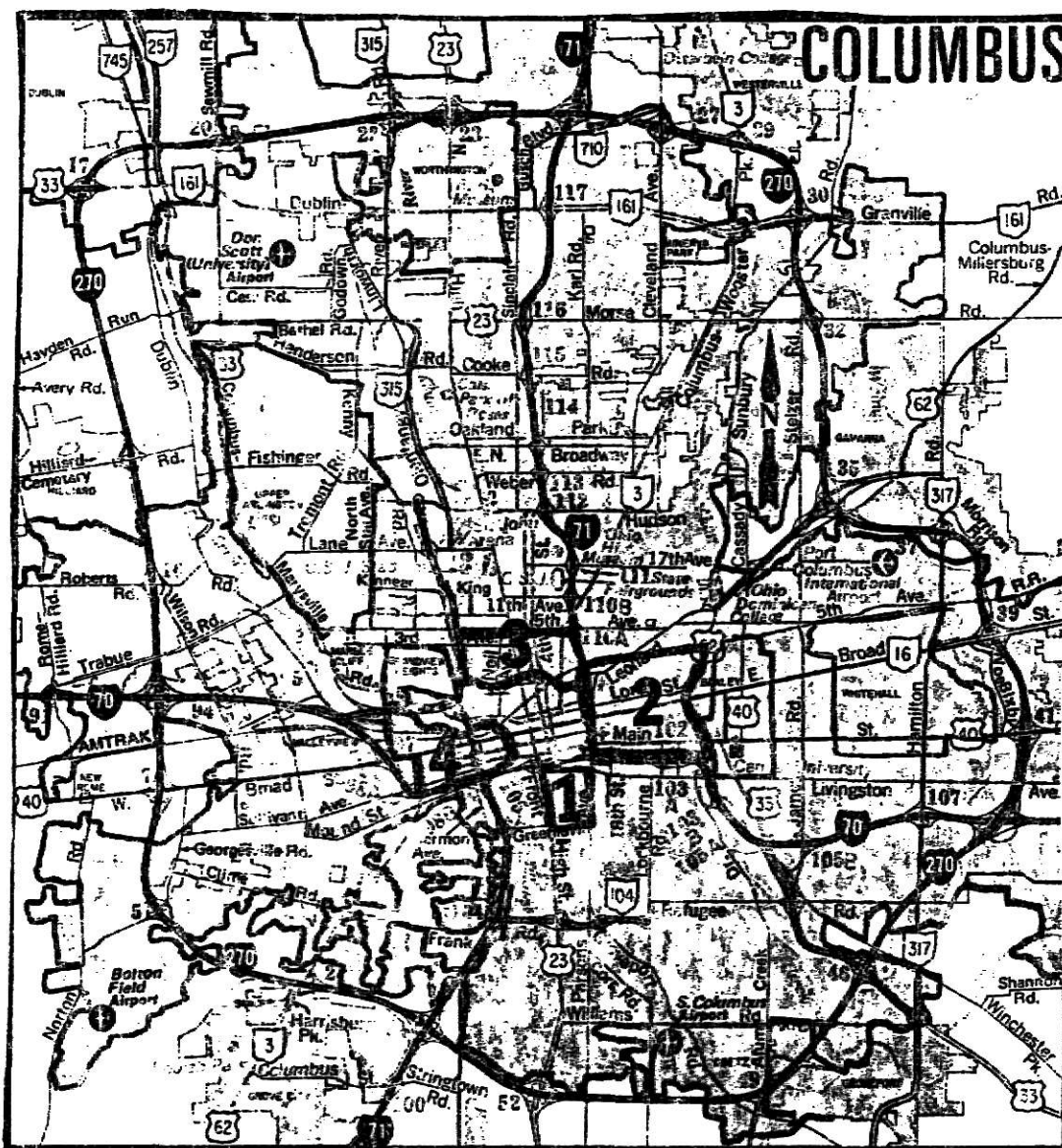
German Village and Thurber Village are not the only neighborhoods in Columbus to have the urban homestead program implemented. The Near East Side neighborhood has also received attention. The neighborhood is bounded on the west and south by interstate highways; the north by railroad lines; and on the east by Aulm Creek. The area has a large black population, and a high concentration of HUD-owned properties. J.M. Lester and Dorothy Reed are two homesteaders in this neighborhood. Like most homesteaders interviewed, these families were pleased with the program, and the benefits to the neighborhood that it had offered. Ms. Reed relocated

her family into a homestead property in the same neighborhood. The essential plumbing, woodwork, and electrical work was completed, utilizing a loan from one of the participating banks. A three thousand dollar loan, at three percent interest, was obtained from the city to complete rehabilitation work and painting. The Reeds cited the complementary "paint-up/fix-up" program as valuable. The Lesters have rehabilitated their home in eighteen months and view the project as being good for the neighborhood as a whole. Both families, however, have been reminded by other homeowners, that they received the home for one dollar. Both new homesteaders remind these individuals that they have made a substantial personal investment in the property, and have returned the property to the tax rolls, as well as removing an eyesore from the neighborhood. As in the German Village neighborhood, all available properties had been homesteaded as of December, 1977.

The City of Columbus has developed a home rehabilitation plan to restore abandoned and/or vacant housing, which was not HUD-owned. By homesteading all the available HUD-owned homes, the city is able to provide on a yearly basis, homesteads which have recently been abandoned. This enables the homesteaders to rehabilitate homes, which are often only in the early stages of deterioration.

The commitment, made by local banks, neighborhood associations, historical societies, and the upgrading of services by the city show how all the different parts can fall into place in the whole rehabilitation scheme. A staff member in the Community Development Department stated

that the urban homesteading program fits into the total redevelopment of the city, because the future of the whole city depends on its ability to enhance the neighborhoods already within its boundaries.



Map 8: Columbus' Homestead Neighborhoods

1. German Village
2. Near East
3. Near North
4. Franklinton

Map Source: Ohio Department of Transportation

Chapter 12

TRENDS IN PROGRAM DEVELOPMENT AND CONCLUSIONS

There are several trends in the urban homestead program development which can be detected from the case studies and from information obtained in the original survey. With the exception of Islip, New York; Freeport, New York; and Wilmington, Delaware, all the homestead demonstration cities have a population over 100,000. This indicates that large cities tend to have the largest share of HUD-owned properties which have become vacant, abandoned or deteriorated. In addition, with the exception of Baltimore, the urban homesteading neighborhoods are in areas where the abandonment and deterioration of the housing stock has occurred since the late 1950's. The homesteading program has resulted in either a reduction or elimination of abandoned homes within the urban homestead demonstration neighborhoods. All demonstration program cities have decided to continue the urban homesteading program, as it has become a tool to reduce the number of vacant and abandoned homes in selected neighborhoods. Also, the Baltimore homesteading project gives promise to other cities which are combating an abandonment problem in historic areas near downtown.

The urban homestead demonstration cities have provided various supplemental improvements to their homestead neighborhoods. All the urban

homestead neighborhoods are located in community development neighborhood strategy areas, making them eligible to receive benefits from the Community Development Block Grant Program. Dallas and Kansas City have developed "self-help" associations; whereby the homesteaders pay into a fund to create an emergency loan fund for rehabilitation work. The City of Baltimore and Kansas City have developed computerized systems, which keep track of the progress being made on each homestead, and a list of vacant and abandoned properties within the city.

Among other activities being carried out in urban homestead neighborhoods are: home rehabilitation grants and loans to homeowners who are not homesteaders, park and recreation development, city code enforcement activities, street paving, and clearance of structures which are too deteriorated to be rehabilitated. The City of Columbus has developed a mobile tool program, which allows persons who are rehabilitating their home to borrow the tools necessary as opposed to renting them from a commercial venture. Due to the variety of supplemental services in each city, the size of the city does not have a proportionate influence on the provision of supplemental services. For example, Dallas (pop. 869,500) and Wilmington, Delaware (pop. 73,000), both offer five supplemental programs.

Input, by neighborhood groups and city administration, plays a large role in the success of the urban homesteading program. The city administration decides the future of the homesteading program and its funding request program determined the extent to which the program may be carried out. Neighborhood organizations have taken an active interest in

the program, with the exception of Dallas. Even though there has been little citizen support for the program in Dallas, the city has used this tool in more than one neighborhood. Lack of citizen support may be the reason homesteading has not been as popular in Dallas as in other cities. Neighborhood organizations have purchased homes in homestead areas in Kansas City and Wilmington which have been rehabilitated and resold. The Department of Housing and Urban Development rejected the original application by the City of Phoenix, due to lack of citizen input in the program development.

Many state constitutions prohibit the use of public funds to be awarded to private individuals. This has led to the creation of Urban Homestead Authorities, and local lending programs; such as C.H.A.P. in Baltimore.

The City of Atlanta provided the test case in devising a legal structure for the city to distribute homes to its citizens. The homesteading program was delayed, despite the adoption of an urban homestead ordinance by the city council. Georgia's Attorney General rendered an opinion that municipalities and counties could not make loans and grants like Section 312 loans. This opinion was challenged by the Department of Housing and Urban Development. The final result was naming the Atlanta Housing Authority as an agent for HUD in the homesteading and Section 312 program, since the operating staff would be paid from federal community development block grant funds, rather than general city revenues.¹ The success of Atlanta's procedure has established Urban Homestead Authorities

which have become autonomous divisions in the administrative structure of a city, where city staff are relied upon to carry out the homestead functions.

One of the original goals of the urban homesteading program was to provide low and moderate income residents a home to rehabilitate at a nominal fee, provide loans for rehabilitation, and allow the individual to become a homeowner. Evidence indicates, despite efforts by some project cities to include low income families in the urban homestead program, the moderate and upper income population are the families which can handle the financial costs related to homeownership.

The thirty-nine demonstration cities have averaged two homesteading neighborhoods per city. The population characteristics of these neighborhoods are: Two-thirds black households, two-thirds of the families are homeowners, the average annual income in 1977 was \$10,700, and have an average population of 17,850.²

Fifty-seven percent of the homesteaders were black, the average age is 35 years, and the homesteaders income averaged slightly over \$12,000.³

There were over 22,000 applications received by all the demonstration cities for the first 1,045 properties conveyed under the program. Thirty-two of the cities held lotteries to select the homesteaders. The remaining seven use an interview process.

Demonstration cities have paid an average of \$5,000 per home to the Department of Housing and Urban Development in order to obtain homes from its inventory. The average rehabilitation cost was \$8,400 per structure.

Nearly fifty percent of the homesteaders have not needed governmental assistance to finance the rehabilitation of their homestead. Local rehabilitation funds have been set up through the Section 312 loan program to provide the principle financial assistance source to those requesting funds. Through 1977, \$1,800,000 in Section 312 funds have been allocated to urban homestead demonstration cities. An additional sixteen million dollars from this source has been set aside for homesteading through fiscal year 1981.⁴ Funds to purchase homes from HUD's inventory became available in October of 1978 through the community development block grant program. This coincides with the date the demonstration program ended, and urban homesteading became a full-fledged rehabilitation program.

Homesteading is apparently is meeting the goals in the case study cities. Neighborhoods which have become deteriorated and suffer from abandonment problems are again becoming viable. Community development funds are being used to complement homesteading activities to attack these problems.

The end result of the demonstration program can not be determined until 1980, when the first homesteaders have completed their residency requirements. One deterrent to selling the homestead property would be to make the homesteader ineligible for further homestead purchases.

At the time of this writing, the future of the homesteading program is bright. The program was opened to all cities participating in the Community Development Block Grant Program in 1978. The Department of Housing and Urban Development has allocated funds to complete the homestead activi-

ties in the demonstration neighborhoods. Local financial institutions are once again making loans in the homestead neighborhoods, where previously loans were not being made.

This report provides information on urban homesteading demonstration programs in eight cities. Future studies may include: comparisons with other demonstration programs, effects of homesteading on property values, a study of other rehabilitation programs for housing, and an update on the urban homestead program as presented in this report. The legislation and rationale for the program are presented in the first chapters of this report.

Urban homesteading is a step toward making declining neighborhoods viable. The coordination of services, whether it has been street paving, improved police and fire protection, additional street lighting, or other physical or social services, coupled with housing rehabilitation, has enabled entire neighborhoods to achieve a rebirth of activity. Finally, the reliance on the working relationship between the city administration and the residents of the city has provided the impetus for this success.

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A P P E N D I X I

POPULATION AND HOUSING CHARACTERISTICS

Table 1
POPULATION CHARACTERISTICS 1950- 1978 estimate

	<u>1950</u>	<u>1960</u>	<u>1970</u>	<u>1975 (est.)</u>	<u>1978(est.)</u>
Baltimore	949,708	939,024	905,787	851,698	807,800
Columbus	375,901	471,316	540,025	535,610	605,200
Dallas	434,462	679,684	844,621	822,745	826,000
Detroit	1,849,568	1,670,144	1,514,063	1,335,085	1,335,085
Kansas City	456,622	475,539	507,033	472,529	460,700
Oakland	384,575	367,548	361,561	330,651	328,188
Philadelphia	2,071,605	2,002,512	1,949,996	1,815,808	1,800,000
Wilmington	110,356	110,763	95,827	80,386	79,000

Sources: World Almanac and Book of Facts, 1957; 1976; and 1979.

Table 2
HOUSING CHARACTERISTICS

	<u>Total Housing Units</u>	<u>Median Value (\$)</u>	<u>Vacancy Rate (%)</u>	<u>Homeowner Occupied (%)</u>
Baltimore	305,190	9,976	1.0	44.4
Columbus	182,357	17,248	0.9	51.0
Dallas	303,223	16,668	1.5	52.6
Detroit	529,012	15,603	1.5	60.0
Kansas City	192,276	14,114	1.8	58.1
Oakland	146,603	21,401	1.3	42.5
Philadelphia	673,356	10,703	1.1	59.7
Wilmington	29,959	11,244	3.2	51.9

Source: City and County Data Book, 1972

Table 3
HOUSING CONSTRUCTION CHARACTERISTICS

	<u>Homes built since 1960 (%)</u>	<u>Homes built prior to 1959 (%)</u>	<u>Change in Housing Stock 1960-1970 (%)</u>
Baltimore	10.2	74.6	+ 5.3
Columbus	28.7	51.7	+20.2
Dallas	34.5	35.0	+31.4
Detroit	4.1	84.3	- 4.2
Kansas City	17.7	63.7	+ 7.9
Oakland	17.1	69.6	+ 3.7
Philadelphia	10.4	78.5	+ 3.9
Wilmington	8.3	82.7	- 9.6

Source: City and County Data Book, 1972

A P P E N D I X I I

PROPERTY TAX RATES AND PAYMENTS ASSESSED AT VARIOUS ASSESSED VALUES FOR 1979

	City Mill Levy	<u>\$2,500</u>	<u>\$5,000</u>	<u>\$7,500</u>	<u>\$10,000</u>	<u>\$12,500</u>
Baltimore	59.700	\$149.25	\$298.50	\$447.75	\$597.00	\$746.25
Columbus	10.000	25.00	50.00	75.00	100.00	125.00
Dallas	13.500	33.75	67.50	101.25	135.00	168.75
Detroit	32.869	82.17	164.34	246.51	328.69	410.86
Kansas City	15.200	38.00	76.00	114.00	152.00	190.00
Oakland	29.403	73.50	147.01	220.52	294.03	367.53
Philadelphia	32.750	81.87	163.75	245.62	327.50	409.37
Wilmington	41.000	102.50	205.00	307.50	410.00	512.50

Source: Moody's Municipal and Government Manual, 1979

A P P E N D I X I I I

Sample Inquiry Letter

October 12, 1976

Dear Sir,

I am a student at Kansas Stste University, and am wirting a report on the urban homesteading program. I would be interested in receiving information on this program in your city. The information I am seeking includes; the application procedure, selection of homesteaders, requirements of the program, and information on the homestead neighborhoods and the homesteaders. I would like to thank you in advance for this information.

Sincerely yours,

Paul D. Chaffee

Paul D. Chaffee
1606 Fairchild Avenue
Manhattan, Kansas
66502

A P P E N D I X I V

Selected Sample Letter

Mr. C.C. Morris
Urban Homesteading Office
1500 West Mockingbird Lane
Room 303
Dallas, Texas 75235

May 28, 1978

Dear Mr. Morris,

Approximately eighteen months ago I received information from your agency regarding the urban homesteading program in Dallas. Initially, I had used the information gathered for a report in socail planning, and ultimately chose the subject for my master's report. At the present time I am updating the information I received in 1976. I would like information on the urban homesteading program as it now exists in Dallas. Among the information I would like includes; statistics on the homesteading neighborhoods, information on the homesteaders, refinements which have been made to the program since its inception, and the financial supplements to the program. Thank you in advance for providing this information.

Sincerely yours,

Paul D. Chaffee

Paul D. Chaffee
1211 North 13th
Dodge City, Kansas
67801

URBAN HOMESTEADING PROGRAMS IN THE UNITED STATES

by

PAUL DAVID CHAFFEE

B.S., Kansas State University, 1975

AN ABSTRACT OF A MASTER'S REPORT

submitted in partial fulfillment of the

requirements for the degree

MASTER OF REGIONAL AND COMMUNITY PLANNING

Department of Regional and Community Planning

KANSAS STATE UNIVERSITY
Manhattan, Kansas

1982

Urban homesteading is a federally financed housing rehabilitation program. The theory for this type of rehabilitation was developed in Philadelphia, Pennsylvania in 1969, and was first implemented at the local level during 1973, in Wilmington, Delaware. The United States Department of Housing and Urban Development began a demonstration urban homesteading program in 1975.

The theory is simple: give an individual the chance to become a homeowner by offering an abandoned house at a low cost, usually for one dollar, and require the purchaser to "fix-up" the residence. Additionally, the purchaser agrees to live in the residence for a specified number of years. The city, in turn, agrees to upgrade services and maintenance in the selected homesteading neighborhood. Technical and financial assistance is also made available to the purchaser.

The goal of the demonstration program is to homestead 1,240 residences by the end of fiscal year 1981. To accomplish this task, seventy nine million dollars has been allocated between fiscal years 1975 and 1981 to provide the funds to purchase these abandoned homes from the existing HUD-owned housing stock. The success of the demonstration project led to the program's application to all cities beginning in 1979. Funding levels and authorization for the program was made in Section 8 of the Housing and Community Development Acts of 1974 and 1977.

Eight urban homesteading demonstration programs are used as case studies in this report. An overview of each program is presented, along with a homesteader path, goals, and results. Unique features and supporting services are presented for each program.

Urban homesteading provides a means to attack housing abandonment and neighborhood disinvestment in declining areas of our cities. Additional support systems and financial resources supplementing the urban homesteading program, and its popular acceptance, provide the impetus toward rebuilding these declining neighborhoods. The report concludes that urban homesteading administered on the local level can best provide the necessary functions and assistance to provide a comprehensive effort to revitalize our nation's neighborhoods which have been neglected.