AN EVALUATION OF ALTERNATIVE STRATEGIES IN HOUSING REHABILITATION

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ABSTRACT

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By

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The existence of marginal housing in the United States represents both a threat and a potential. If the housing stock continues to decline, this condition will add to the frustration of those that live in such housing and will detract from the vitality of our cities. If corrective programs can be established and implemented, this marginal housing represents a source that can be utilized not only to improve the housing stock but add to the social development of the dwellers and the vitality of the city.

To establish such corrective programs requires an analysis of the causes of marginal housing, the methods of recording the types and degree of this type of housing, and the subsequent framework of evaluation to decide, given predominant value systems, among alternatives which may be applied. The four alternatives are to allow an area of marginal housing to continue to deteriorate, to rehabilitate the residential structure intensively in a short period of time, to rehabilitate the structure incrementally, or to demolish the structure and build anew.

The purpose of this thesis is to examine the causes of the marginal housing and to project a framework of analysis for deciding among the four alternatives. This framework is based on a cost-benefit analysis. There are time categories of short, medium and long term. The units of analysis are in terms of the occupants, the residential structure, the neighborhood,

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If America is sowing her seeds of destruction it is because she is acting today without thinking of tomorrow. A role of the university traditionally has been to allow for the anticipation of the future. Those who criticize the university and scorn its efforts are perhaps to be pitied because of their lack of foresight. To instill the need for tempered reasoning as a way to prepare for tomorrow has been a laudable aim of the School of Urban Planning.

The author is indebted to Professor Sanford Farness, who at the critical points in time, helped spawn new approaches to analyzing the problem of rehabilitation in housing. This study could not have been done without his encompassing sensitivity. Equally important was his rigorous evaluation of the resulting analyses.

The author also wishes to acknowledge the general contributions of Professor Charles Barr for his continuing ability to clearly define fundamental points of analysis, and to Professor Keith Honey for his ability to thoroughly describe planning today and its serious shortcomings. The School's financial assistance was also appreciated.

Finally, the genesis of this study is traced to a spring day in a delightful townhouse backyard, no more than 15 feet by 15 feet, in the heart of Washington, D.C. where two people could be as private and together as they ever would want to be.

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Chapter One: A Summary of the Problem of the Older House in the United States

In the year 1970, an estimated one-third of the country's housing stock will be over forty years old.[1] These older structures range from the Mansard-roofed Victorian homes of Cape May Point, New Jersey, the estate homes of the logging and railroad barons on Summit Street in St. Paul, Minnesota, to the eleven-foot wide row homes in Baltimore and the Spanish homes of Monterey, California. Included are the first automobile oriented suburban houses and numerous homes on the urban fringe and in the small towns across the country.

The economic investment, the historic character and the diversity of these units is obvious. The literature on urban problems is inundated with the phrases of "greying areas and deterioration." The older dwelling unit has been cited repeatedly both as a problem source and as a potential solution.[2]

The purpose of this thesis is to evaluate the mechanisms and goals of various projects of rehabilitating the older house. It will describe the various aging processes, the means of assessing the condition of a house, describe various projects, hypothesize the economic feasibility of rehabilitation, enumerate the federal programs and finally suggest a value and goal testing matrix in determining the desirability of whether to allow continued deterioration, rehabilitate or tear down and start anew.

The aging dwelling is an entity in a dynamic process. A house does not simply grow old. It is subject to numerous pressures, both physical and social. As an "artifact" in a human system it represents a focal point for the expression of various social and economic values.[3] In the physical system it is subject to basic physical science laws. Various terms have been used to describe the aging process. Because of the suggestion that a house physically "wears out" the term deterioration has been used to describe the physical aging. Because social styles change and demand different physical and functional arrangements, the term obsolescence has been used to describe the social aging of a house.

The different categories under which a living unit "ages" include economic, social, administrative, and physical.

The main factors which control the economic life of a unit include:

a. mortgage life

b. tax depreciation

c. tax valuation

Under social pressures the main factors include:

a. the life styles of the inhabitants as they pass through different family stages

b. the life styles of the population as a whole as they evolve in to different living arrangements and requirements, as reflected by changing cultural values.

Physical factors which determine the rate of aging for a structure include:

a. internal aging, that is mainly the weakening of the basic shelter unit over time.

b. external influences such as the climate, pollutants, and percussive effects of traffic.

From time to time, certain administrative decisions are made as to what standards should apply to a house for certain government and private sector action. If these standards are not continually revised or do not reflect a careful analysis of remaining utility of the unit, the effect of these standards is to impose an administrative constraint, which may actually decrease or increase the utility and accelerate the aging process of a living unit.

The inter-relationship of the above factors is complex; any attempt to cite or explain one without relating it to the other is not accurate.

Physical Life

The most obvious factor is that of the actual physical aging. In a study of housing structures built between 1917 and 1938 in San Francisco, Arthur D. Little concluded that the residential structures tended to show pronounced physical aging after the 18th year; the criteria and evaluation of the study were not enumerated.[4] One can hypothesize a list of factors which could alter the 18th year as a significant year, such as quality of initial construction, type of materials and climate.

If a residential structure is divided into two categories, the structure itself consisting of the load bearing elements, walls, and

roof, and then its utilities and equipment, a more logical sequence of aging can be hypothesized. For examples, depending upon climate, the replacement of a roof, a main structural element, will follow one replacement cycle. The replacement of the main heating unit, because of wear, will follow another. Both are replaced because of deterioration.

Different living styles, however, may require the replacement of equipment or modification of the structure, even though they are structurally sound. The building has not deteriorated to the point of needing replacement, but rather has become obsolete. In the various rehabilitation projects to be reviewed in Chapter Three it was not uncommon to strip a house to its main elements to find a structurally sound shell, roof and floors even though it was over eighty years old. These structures, however, only had cold water and a coal furnace, both unacceptable now.

Obviously a physical structure has a basic life, but how it is maintained will appreciably extend or decrease its life. An oak beam which has been sealed by a plaster wall will last longer than one which has been exposed to rain because of a defective roof.

More elusive factors are vibrations from traffic, air traffic, shock waves, exposure to the sun, and humidity, and insects. This list does not intend to be comprehensive. A wooden structure not exposed to light and ventilation in a humid climate is likely to deteriorate faster than one which is. The effects of smog have been shown on house points and sidings; the acid or akaline nature has deterious effects on brick and mortar.

Because of the range of variations in construction and the effect of external factors, it is not possible to predict physical aging. In addition to the Little study, another housing expert has also noted the beginning of pronounced deterioration after the second decade.[5] At best, this two-decade rule can only be used as a guide.

Economic Life

Other pressures which mark the obsolescence and deterioration of a living unit are tax laws and financing. Economically the life of a structure, regardless of its physical characteristics, is established by tax laws and mortgaging. The impact of federal taxation varies with the astuteness of the single home-owner; and it is substantial on those who develop and rent residential complexes. The National Commission on Urban Problems notes that major tax features favoring the real estate investor are as follows:

> Accelerated depreciation formulas: an investment in real estate can be recovered tax free by depreciation deductions which in the case of new construction can be taken at a rate which recovers two-thirds to three-fourths of the depreciable cost in the first half of the useful life of the building and more than 40 percent of the cost in the first quarter of the useful life.
>
> Ability to depreciate the entire building cost, including the part financed by mortgage; since depreciation deductions are computed on the whole building cost although the investor's equity interest is a modest fraction of the total investment, the tax-free capital recovery may be further enhanced relative to the owner's equity investment.....
>
> Gain and loss treatment: When rental real estate is sold at a loss, the loss may be fully deductable as an ordinary loss from ordinary income; when sold at a gain, the gain may qualify for the favorable capital gain treatment.

> Limited recapture rules: Unlike transactions in machinery and equipment, gain on which is taxable as ordinary income to the extent of depreciation previously taken, real estate sales are subject to very limited recapture, so that all gains, regardless of prior depreciation taken, are capital after a 10-year holding period.
>
> Deferment of gain: Tax on the gain arising from sale or exchange of real estate may be postponed by various forms of installment or deferred payment sale...
>
> Repair and maintenance: The owner of real estate may sometimes build up the value of his property by judicious repair and maintenance expenditures which qualify as currently deductible expense although they more than compensate for physical deterioration and obsolescence. (On the other hand, outlays which would hardly be reflected in the value of some slum properties may be treated as nondeductible capital expenditure.)[6]

Through this system of taxation, the "economic" life of a structure is considerable less than that of the physical life. It is most advantageous to sell property no later than ten years after acquiring it.

> One of the most clearly established investment responses, to the federal income tax law is the careful and generally quick timing of the turnover of properties once the investor has skimmed off the cream of depreciation deduction.[7]

The commission further notes:

> ...The rapid turnover syndrome is not limited to luxury apartments or financial district office buildings. A recent description of slum property investment activities indicates that they follow different patterns
> ...[which] include (1) repeated rounds of ownership to restore depreciable basis, (2) preoccupation with the creation of quick capital gains through the conversion of older property for overcrowding, higher revenues and subsequent deterioration, and (3) rapid turnover due to concentration of depreciation allowances in the early years...[8]

For the single home, a general rule is that a house for income tax depreciation benefits last 33 years.[9] This figure nearly corresponds to the second economic factor: the mortgage life. Based on mortgage flows, it has been suggested that a living unit, primarily a house, has several mortgage lives, each decreasing in years, and for successively

lower income dwellers. Hypothetically, the first mortgage is 30 years for an upper middle income family. After this 30 year period, a cluster of factors determine whether the house will be maintained or allowed to deteriorate. The neighborhood, the condition of the house and the second family characteristics will determine the length of the second mortgage. Usually this mortgage is not for the same length of time, but shorter than the first.

Social Life

This cluster of factors incorporates the third set of forces, the social pressures: (1) the phase in a family's life as to its need or certain functional living arrangements, (2) evolving social preferences both as to neighborhood characteristics and internal living styles.[10]

Examples of these include the change of the American family from a three-generation to a two-generation family; the grandparents now live apart. The dining room formality sometimes is replaced by the coziness of the breakfast room. Increased leisure has popularized the den or play room. Increased demands for privacy have altered room arrangements. The changes are numerous. In these cases older structures are rendered obsolete.

In addition to the structural inadequacies, social preference renders a structure obsolete because of location requirements, prestige, neighborhood composition and expected level of neighborhood services. During a two year period, 1958-1959, one out of every five households in the United States moved. Half of these moved within the same metropolitan area.[11] Such moving indicated a change in social preference, and the ability to meet this preference.

Administrative Life

The final view on the aging dwelling is administrative. For each residential structure certain codes, guidelines and administrative processes govern. As a part of an ever-changing regulatory system, these codes and administrative practices are periodic attempts to formalize current standards. A zoning code reflects the desire to maintain or promote certain land uses; a building code prescribes acceptable levels of construction; and a housing code prescribes minimal conditions of size, space and light.

In the effort to foster a higher quality of living, however, these standards may unnecessarily cause older structures to become unacceptable. If these administrative rules are not flexible enough they may discriminate against basically sound structures. The FHA, for example, had rules that a house with an interior room without windows could not be insured for mortgages. The consequence of this ruling was that in certain sections of Brooklyn, New York, structures which were structurally sound would not be financed. Because they could not be financed, owners or prospective owners could not easily maintain them. After much prodding, FHA relaxed its rules and as a consequence monthly mortgage payments for one owner, as an example, dropped from $342 to $202.[12]

These four clusters of factors - economic, social, administrative and physical - are involved in the aging process of a house. The interplay of these forces is difficult to pinpoint and describe in causal relationships. Hypothetical extremes will be used as an example. In the first case all conditions are such that "aging" was kept to a minimum. A case like this may be:

a. a structurally well built unit

b. an interior design that was adaptable to various life styles

c. it was located in a stable neighborhood

d. it was continually well maintained

e. land speculation was not present

In other situations, the aging forces are operating at a maximum. Such a unit may be characterized as:

a. structurally built to minimum standards

b. an interior design that was difficult to modify

c. located in a changing neighborhood subject to speculation

d. occupied by a succession of tenants that did little to maintain the unit

Even though these two houses may have been built in the same year one is older and more deteriorated and less suited for modern living than the other.

An integral set of underlying questions in this study is that, given an aging structure:

a. How are these forces measured, both independently and combined?

b. What is the cumulative effect of the four forces: economic, social, physical, and administrative?

c. Is one of these forces more pronounced than the others?

d. Is it possible to pinpoint specific causes for the aging of the structure?

e. Given that the causes of aging are identified, what are the costs and benefits of:

    1. Allowing a structure to continue to deteriorate?

2. Tearing it down and constructing a new building?

3. Rehabilitating the aging structure gradually (incrementally)?

4. Rehabilitating the aging structure intensively within a short period of time?

To assess housing quality there exists divisions both in criteria and in geographical scale. The table below illustrates housing quality measures:

CATEGORIES OF HOUSING SURVEYS

AGING FORCE	GEOGRAPHICAL AREA		
	NATIONAL	METROPOLITAN	NEIGHBORHOOD
ECONOMIC	Census Repair Rates Construction Data	Assessed Value	Assessed Valuation
SOCIAL	Limited Census Data	Limited Housing Studies	Urban Renewal and Model Cities studies
ADMINISTRATIVE	H.U.D. Standards	Housing Codes Building Codes	Housing Codes Building Codes
PHYSICAL	Census of Housing	Census of Housing	Census of Housing Urban Renewal and Model Cities studies

Figure One

In actuality the only working guides for measuring housing deterioration are the Census of Housing, the local appraisals in Urban Renewal studies and local housing code enforcement surveys.

The Census of Housing

Any attempt to assess the condition of housing in the United States rests on two considerations: the mechanics of collecting such information; and the criteria for assessment, which stems from the ultimate purpose of such data. The United States shares with the majority of western European countries the difficulty in assessing housing quality.[13] Only in the Netherlands and Belgium are local and national criteria one and the same and data flows both ways.[14] Because of the wide geographical climatological and sociological differences the feasibility of one standard appraisal system is unlikely in this country. As it stands now the national system measures only physical structural characteristics.

To determine the substandards conditions which might indicate the need for rehabilitation, the 1940, 1950, and 1960 Census have evolved through three sets of criteria.[15]

In the 1940 Census the working definition of "state of repairs" was split into two categories for all housing: "not needing repairs and needing major repairs." For 1950 and 1960 the working concept was "condition of structure." In 1950 there were two categories: "not dilapadated" and "dilapadated." In 1960 this concept was broadened: "sound," "deteriorating," and "dilapadated." The confusion is apparent in trying to devise consistent criteria among the subsequent definitions:

> 1940 - "needing major repairs": when parts of a structure such as roofs, walls, floors, or foundations required major repairs or replacements. (The enumerator determined that a condition was major if that a defect was neglected it would create a hazard.)
>
> 1950 - "dilapadated": one or more serious deficiencies or was of construction that it provided inadequate shelter or endangered safety; or it had a combination of minor deficiences

such that it did not provide against the elements or was unsafe.

1960 - "deteriorating": needing more repairs than would be provided during the course of regular maintenance.[16]

In 1940 a tarpaper shack could have been classified as a sound dwelling unit. The 1950 Census left no room for counting units that were not completely sound nor completely dilapadated.[17] Environmental quality, (i.e. internal exposure to the sun, ventilation) or suitability, (design of functional areas and their relationship) are not mentioned.

The Census long range objectives are based on criteria evaluating structural conditions and, in addition, the development of measures of "neighborhood quality," i.e. "presence of obnoxious odors, certain types of industry, high traffic density, high land use density, and the average quality of individual units in a given area."[18]

Attention has been devoted to the rate of improvements in housing from 1950 to 1960, especially the rate of improvement in dilapadated housing.

Dilapadated Dwelling Units, 1950, 1960[19]

Year	Total	Urban (1950) In SMSA's (1960)	Rural (1950) Outside SMSA's (1960)
1950	4,339,463	1,853,775	2,485,698
1960	4,001,785	1,300,239	2,701,546

Figure Two

(Dilapadated dwelling units lost between the decade, i.e. demolished or completely unfit for habitation.)

1,035,737 369,771 665,966

(Dwelling units that have become dilapadated since 1950; included 1960 figures.)

1,616,840 479,156 1,137,684

The Bureau of Census appraising the validity of these figures notes the following:

> "The statistics are inaccurate. The 1960 Census evaluation program indicates that dilapadated housing in the United States, as determined by the 1960 Census is understated by at least one-third. Use of the 1960 Census statistics grossly distorts estimates of the trend in dilapadated housing from 1950 to 1960. The statistics for blocks appear to be of very low accuracy. Comparison of the relative quality of structural conditions of housing between cities may be subject to considerable error."[20]

For the quantities of substandard housing, the figures reflect a more realistic appraisal. The Bureau notes, however, that because of the use of the condition of plumbing, a readily observable condition, as a criteria for substandard, but not dilapadated, the general trends are correct.[21] Excluding plumbing characteristics, however, there is evidence that about one-fourth of the units which could be classified as substandard from the findings of one group of enumerators, would have been differently classified according to the findings of another group of enumerators.[22]

Substandard Dwelling Units[23]
(Including Dilapadated)

Year	Total	Urban (1950) In SMSA's (1960)	Rural (1950) Outside SMSA's (1960)
1950	11,695,650 36.9%	6,391,366 22.2%	10,008,348 63.0%
1960	11,407,565 19.5%	3,443,289 9.8%	5,262,730 34.1%

Figure Three

Substandard units are either dilapadated or, in addition to needed major repairs, lacking one or more plumbing facilities. It is not pos-

sible to quantify the number of substandard units because of non-plumbing criteria.

Percentages indicate percentage for particular heading. Hence, for 1950, 11,695,650 represented 36.9 percent of the total housing stock.

The reliability of the category of substandard focuses on how meaningful is the criteria based on plumbing facilities.

> "It has been stated that the standard-substandard classification may have to be abandoned or substantially modified because of the widespread installation of plumbing facilities in housing that in all other respects is of poor quality. The contention is that the classification is no longer a valid indicator of quality of housing."[24]

The Bureau, commenting on the 1950-1960 reduction in substandard housing notes three possible reasons:

1. Net change in inventory, the loss of units through demolition or changes and the additions of the period.

2. Net changes in structural conditions: units upgraded versus units allowed to deteriorate.

3. Net change in plumbing facilities.[25]

The Bureau notes that the installation of plumbing facilities was the "single most important factor in the decline of substandard" units.[26]

With these criticisms the optimism of those who cite improvement is in question. If, in fact, the number of dilapidated units was underestimated by one-third, then there was a significant increase in such units for the decade. The increase becomes even more glaring, when it is noted that approximately one-quarter of dilapidated housing units in 1950 was removed from the housing stock.

Considering the dubious criteria of plumbing, the validity of substandard trends becomes questionable.

Urban Renewal - Model Cities Surveys

One of the main ribs in the umbrella of Urban Renewal programs is that of a detailed physical evaluation of areas under consideration. Although the Department of Housing and Urban Development publishes standards for evaluation and demands compilations for its review, no national summaries have been published. Such an evaluation would appear to be a more definitive statement of housing. There are several guides and publications that are used, but a realistic appraisal guide on rehabilitation suggests a series of standards which could readily be quantified. It would not be difficult to use HUD's guide, Rehabilitation Guide for Residential Properties, as a yardstick for existing properties.[27] It is inclusive, covering not only structural conditions, but environmental factors, and equipment standards. In a sense it is a summation of existing building, housing and fire codes. It attempts to coordinate national standards with local standards. It contains major sections on structure and walls, room sizes and layout, minimum light and ventilation standards, sanitation facilities, fire protection and mechanical equipment (in terms of specifications).

It is an unexplored potential.

Housing Code Surveys

Another source of guides to local housing conditions are local housing codes. The main elements of the codes are the basic sanitary conditions, physical conditions of structures, space and occupancy standards and the provision of services. In an ideal situation, housing codes would reflect minimal standards for the varying climates and social preferences. Because of their comprehensiveness, they would suggest a valid written

definition of housing standards. As noted previously, the national guide by HUD is an attempt to mesh both.

The serious disregard of housing codes is a possible indication of the underestimated proportion of substandard housing. The minimum percentage of housing in non-conformance with a code was thirty-five percent in a selected study of code compliance in concentration code enforcement areas in 1968.

RESIDENTIAL BUILDINGS WITH HOUSING CODE VIOLATIONS IN CONCENTRATED CODE ENFORCEMENT PROGRAM AREAS OF SELECTED U.S. CITIES, TOGETHER WITH YEARS OF WORKABLE PROGRAM CERTIFICATION.[28]

City	Number Units Inspected	Percent Violation Housing Code	Years Workable Program in Effect
	(1)	(2)	(3)
San Francisco	2,210	85	13
Baltimore, Md.	9,063	70	13
Malden, Mass.	1,181	51	9
Cincinnati, Ohio	3,499	82	13
Mansfield, Ohio	580	90	5
Salem, Ore.	201	98	6
Lancaster, Pa.	505	90	10
Philadelphia, Pa.	6,554	81	13
Providence, R.I.	2,691	49	10
Chattanooga, Tenn.	1,536	88	12
Fort Worth, Tex.	1,640	54	12
Grand Prairie, Tex.	1,337	35	11

Figure Four

Sources: Col. 2 and 3 (sic), "Costs and Other Effects on Owners and Tenants of Repairs under Housing Code Enforcement Programs." Prepared for National Commission on Urban Problems by the Boston Research Bureau, 1968; col. 3 (sic), HUD Workable Program Office.

Another, albeit extreme, example of non-compliance with codes and the existence of substandard housing was a specialized study of new-law tenements in New York.[29] Five tenements, built from 1902-1903, were

inspected in 1963, reportedly after the various municipal agencies had confirmed code compliance in 1960. Over half the apartments were in "fairly poor to very poor" condition. In 59 apartments, 1319 violations were reported.[30] The general observation was that in both housekeeping and maintenance, minimal standards were not kept. The structural characteristics indicated a substantial lack of repair, especially for dangerous items as loose and exposed electrical wires and sanitary facilities.

In the city of Philadelphia estimates have been made that the number of dwelling units substantially failing to comply with local codes is twice the number of substandard or dilapidated units reported in certain Census Tracts.[31]

Definition of Rehabilitation

Assume that an evaluation has been made of a residential structure, that the chief causes of its deterioration and obsolesence has been determined, and that plausible remedial steps can be instituted with a reasonable anticipation of success. The four likely alternatives of action are:

a. tear the building down and construct a new one

b. allow the structure to continue to deteriorate without any input

c. repair it

d. rehabilitate it

The first two courses of action are self-explanatory. But what distinguishes repair and rehabilitation?

The terms rehabilitation, residential rehabilitation, modernization, repairs, and maintenance have been used with overlapping meanings. There is confusion between American interpretations and those of Europe.

Modernization is the European term comparable to the American rehabilitation. Their use of the word rehabilitation connotes what is implied by the American term residential rehabilitation.[32]

The variation in the administrative, economic, technical definitions is great. The Department of Housing and Urban Development defines it as:

> "Rehabilitation: The restoration of a reusable single or group of structures which overcomes deterioration and provides a satisfactorily improved condition for residential purposes."[33]

An extensive United Nations seminar of maintenance and modernization in Europe concluded, in economic terms that distinction between repair and rehabilitation:

> "Repair: When an input is made which maintains a structures original value."
>
> "Rehabilitation: When in input is made which raises the value of a structure."[34]

The need for rehabilitation stems, the seminar noted from three causes:

1. There is a noticeable loss of an original function.
2. There is a condition that will cause a deterioration of opportunities for sound economic activity or a satisfactory living condition.
3. It is generally structurally sound, but has deteriorated because of neglect and maintenance.[35]

Cause Two would encompass surrounding external conditions, in effect including a characteristic of residential rehabilitation. While having a significant bearing, the external surroundings do not immediately affect the structure or its inside.

The seminar also noted that timing was an important factor in evaluating the consequences of work completed on a structure. It viewed as

a continuum the range of work from minor repairs to rehabilitation.

There is a basic problem in relying on economic criteria in differentiating repairs versus rehabilitation. In measuring improvements, the Bureau of Census (Residential Alteration and Repairs, series C 50-69), relies basically on dollar categories and does not use the word rehabilitation in identifying any improvements. Based on dollar value it is not possible to say that a repair is any improvement under $500 and any improvement over it is rehabilitation.

It will be assumed that there is basic agreement on the defining concepts of repair and rehabilitation:

a. repair: an input which restores but does not exceed or change the current economic value and uses and livability of a structure.

b. rehabilitation: an input that restores a structure beyond current economic value and improves the livability of a structure.

Examples of repairs would include: painting, patching a roof, repairing a heater, adding an electrical outlet, replacing a stove.

Examples of rehabilitation would include: replacing a roof (patching a roof would not add to the economic value of a structure, a new roof would), replacing a heater (again this would add to the value of the house), changing room sizes, replacing the entire electrical system, altering a kitchen as to both arrangement and appliances.

Rehabilitation would not include additions such as a new porch or room, because that improvement is not a restoration.

The definition of rehabilitation that will guide the thought in this analysis is as follows:

> The modification by construction in conformance with current standards of complete structural elements, layouts, and/or utility equipment existing within a dwelling unit.

This definition does not cover the aspect of time. A series of improvements can occur over time. Each in itself cannot be considered rehabilitation *per se*, but the overall steps lead to an increase in the livability and value of the structure. Self-help rehabilitation projects are characterized by this series of steps or incremental approach.

A further refinement to the definition then would denote that a programmed series of repairs which add to the value of the structure and increases its livability can be considered as rehabilitation.

SUMMARY

To adequately propose a program to improve the living quality of housing in this country, requires an understanding of the pressures and forces which "age" a residential structure. The forces are basically of four categories: economic, social, physical and administrative.

Assessments of housing quality are made on a differentiated basis either evaluating one of the main forces or measuring structures intensively in a small geographic area. Hence, there are gaps in producing a comprehensive picture of the state of housing in this country today.

Given a data base from which to generate corrective programs, the extremes in action are clear: tear down and build anew, or allow a structure to continue to deteriorate. Corrective action between these extremes is not as clearly defined. The difference between repairs and rehabilitation is essentially based on the extent the improvement increases the livability and value of the structure.

The possibility of corrective action depends upon the extent that the various aging forces can be curtailed. The economic force is a main one and has been used by the federal government through various mechanisms to improve the quality of housing. The economic forces at work and federal programs are detailed in the next chapter.

FOOTNOTES

1. The estimate was obtained by using the 1960 base figure of all structures, adding yearly additions, and subtracting the loss of units given for the decade 1950-1960. Sources: Glenn H. Beyer, Housing and Society, MacMillan Co.: New York, 1965, Table 4-15, p. 146: Subcommittee on Housing and Urban Affairs U.S. Senate, Progress Report on Federal Housing and Urban Development. Washington, D.C., 1970, p. 6 (hence cited as Progress Report on Federal Housing, 1970); U.S. Bureau of the Census, Census of Housing, Components of Inventory Change, HC(4), Part 1A-1, Table 3, p. 46.

2. Senator Charles H. Percy of Illinois: "We are alarmed because every day we see side by side with new automobiles and slick skyscrapers block after block of wretched slums where life itself is hollow hopeless...Eventually, we will grow (through the proposed National Home Ownership Foundation Act) to the point where we can make a sizeable impact on the slum dweller. We are confident of that." Source: Subcommittee on Housing and Urban Affairs, Housing Legislation of 1967, Washington, D.C. 1967, part 1, p. 193. Hence cited as Housing Legislation of 1967. Ironically, census figures indicate that absolutely and proportionately in quantity the worst housing is in the rural areas. See Table One and footnote 14.

3. Pitirim Sorokin, Society, Culture and Personality, New York, N.Y.: Cooper Square Publishing Co., 1962. Sorokin presents a framework of analysis for conceptualizing the various meanings given to objects.

4. Harry B. Wolfe, "Models for Condition Aging of Residential Structures," Journal of the American Institute of Planners, vol. xxxiii, no. 3, (May 1967), pp. 192-195.

5. William G. Grigsby, Housing Markets and Public Policy, University of Pennsylvania Press: Philadelphia, Penn., 1963, p. 322.

6. National Commission on Urban Problems, Building the American City, (91st Congress, 1st Session, House Document no. 91-34), Washington, D.C., U.S. Government Printing Office, p. 402.

7. ibid., p. 403.

8. ibid.

9. Glenn H. Beyer, op. cit., p. 125.

10. Glenn H. Beyer, op. cit., "Housing Design", Chapter 8.

11. ibid., p. 67.

12. New York Times, January 12, 1969, p. 73.

13. Economic Commission for Europe, Urban Renewal Symposium, (held at Geneva, June 1961), (United Nations: Geneva) 1962, p. 20.

14. ibid., p. 23.

15. U.S. Bureau of the Census, Measuring the Quality of Housing, Working Paper No. 25, Washington D.C., 1967, p. 1. This monograph summarizes the findings of a conceptual and statistical review of the 1960 Census.

16. ibid.

17. ibid.

18. ibid., p. 3.

19. Census of Housing, 1950, vol. I, part 1, Table 7, p. 1-4. Census of Housing, 1960, Components of Inventory Change, HC (4), Part 1A-1, Table 1, pp. 26-27; Table 3, p. 46. The figures for dwelling units that have been dilapadated are arrived at as follows: The loss of dilapadated units from 1950-60 (such as through demolition) is subtracted from the 1950 figure. This new figure is then substracted from the 1960 figure. The result is the number of new dilapadated units.

20. Measuring the Quality of Housing, op. cit., p. 6.

21. ibid.

22. ibid.

23. The procedure and sources are noted in footnote 14.

24. Measuring the Quality of Housing, op. cit., p. 13. Also as part of the report by the National Commission on Urban Problems, Building the American City, Washington, D.C., 1968, extensive investigation was conducted on standards and compliance. Used as a background paper, but not publicly available at the time, was a paper by Oscar Sutermeister, Assistant Director of the Commission Staff, "Inadequacies and Inconsistencies in the Definition of Substandard Housing." The "Bible" and forerunner of surveys of measuring housing standards in the American Public Health Association, An Appraisal Method for Measuring the Quality of Housing, New York, 1945.

25. Measuring the Quality of Housing, op. cit., p. 13.

26. ibid.

27. U.S. Department of Housing and Urban Development, Rehabilitation Guide for Residential Properties, U.S. Government Printing Office, HUD PG-50: Washington, D.C. 1963.

28. National Commission on Urban Problems, op. cit., p. 283.

29. Women's City Club of New York, Inc., Maintaining Decent Dwellings, New York, 1963.

30. ibid., p. 12.

31. William G. Grigsby, op. cit., p. 253.

32. Economic Commission for Europe, Management, Maintenance and Modernization of Housing, (Seminar Warsaw, Poland, Sept. 1968) (United Nations: New York, 1969). Hence cited as Management, Maintenance.

33. Rehabilitation Guide for Residential Properties, op. cit.

34. Management, Maintenance, op. cit., p. 41.

35. ibid.

Chapter Two: The Economic Constraints and the Federal Assistance Programs

The federal government has tended to rely solely on financial assistance programs to curtail the aging process of residential structures and to improve the quality of housing. Since the bulk of assistance programs for rehabilitation was developed in the mid-1960's it is still too early to comprehensively evaluate the impact of these programs.[1]

One could hypothesize that the success of these programs will depend to a large degree in whether the economic strategies included the channeling of the social and administrative forces. As an example, monies may be available but cannot be spent because FHA may not have redefined or relaxed certain rules. It could be that monies may be available but local housing codes are not structured to allow feasible rehabilitation.

The purpose of this chapter is to isolate the economic framework, to identify the economic factors of rehabilitation and to review various means employed in the federal assistance programs. The economic costs and risks for high-income, middle-income, and low-income rehabilitation will be delineated.

Consider the viewpoint of the non-homeowner who undertakes a rehabilitation project, and whose main goal is to achieve a return equal or larger than the investment. There are six main categories of cost which must be manipulated in order to achieve a saleable product.[2] These include:

a. cost of materials, capital

b. labor

c. interest on the initial funds for the capital and labor

d. land and original structure cost

e. administrative fees, discounts, insurance

f. resulting taxation

These six elements are variously juggled for high-income, middle-income, and lower-income rehabilitation.

The charts illustrate the basic risk-and-profit factor which determines the likelihood of rehabilitation. The horizontal axis represents the investment into a property; the vertical axis represents the "market value" of the property. The slanted line represents when investment equals market value, i.e., price obtained on the market.

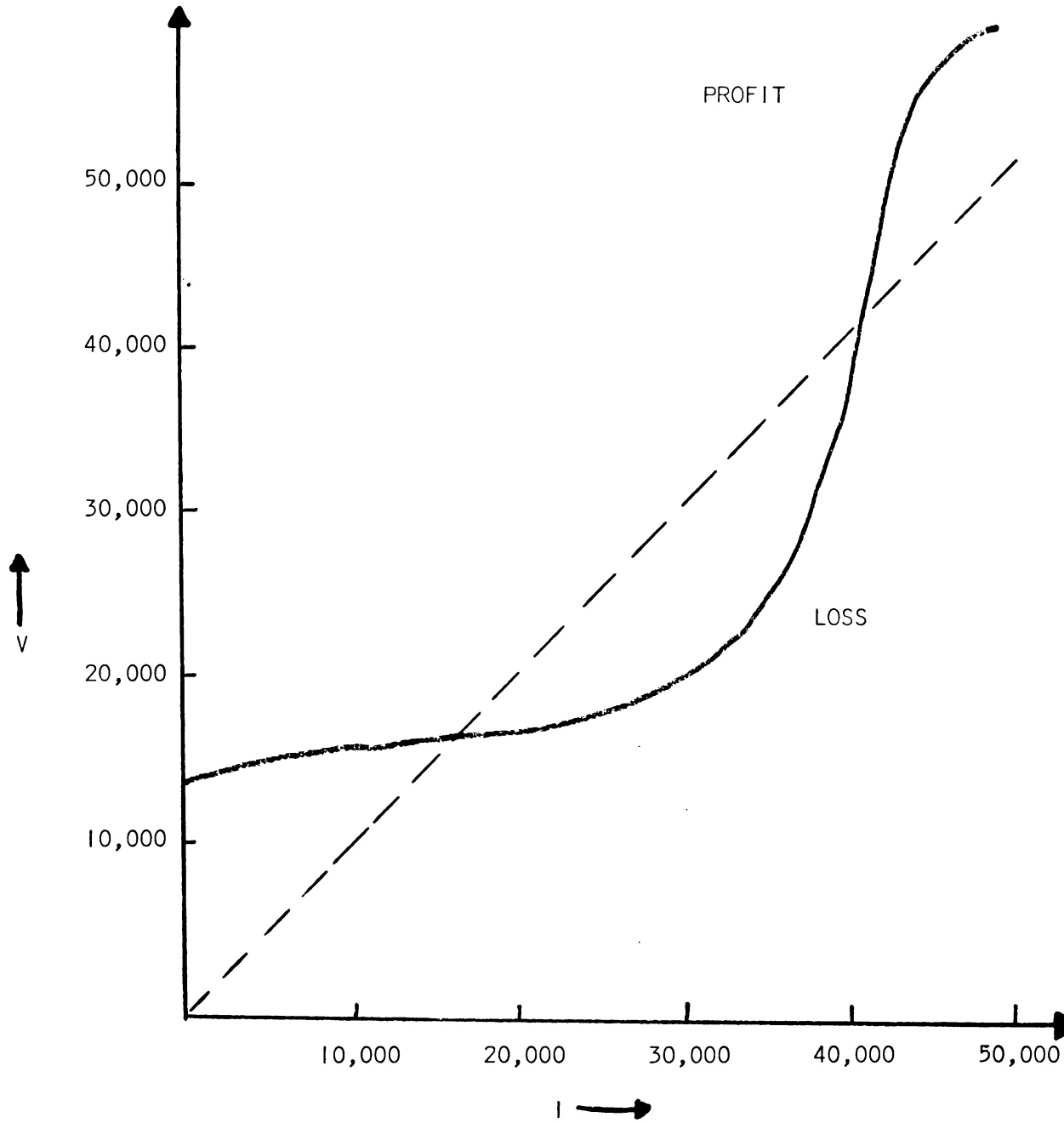
High Income Prestige Rehabilitation

Implicit are the assumptions that the actual site value is high which represents an "anchor of investment"; and that rehabilitation is

done in a group or in a neighborhood characterized by rehabilitation efforts or a potential for rehabilitation. The potential for rehabilitation will be explained later. The important factor for this type is that the marketability of the project does not occur until all improvements are made. The project represents a major capital investment, with the capital tied up for the initial rehabilitation phase until subsequent release on the market.

Although the wise rehabilitation developer would work in areas that would indicate a high degree of success for high-income projects, he is assuming a large risk.[3] The character of his work is that he will invest a large amount in both material and labor to create a unique product. For his effort he will be satisfied with nothing less than an appreciable profit. Because of this attitude none of the six categories of cost will significantly affect his operation. He will pay them and include them in the total amount of the final selling price. His end product is not oriented to a market strictly defined by income levels. In effect, his market is open ended. A subsequent description of the rehabilitation efforts in New York City in Chapter Three will illustrate this point.

HYPOTHETICAL DEVELOPMENT POTENTIAL FOR PRESTIGE,
HIGH INCOME REHABILITATION UNITS



I = Investment overtime

V = Value, market

Figure Five

Middle Income Rehabilitation

In contrast to the high-income rehabilitation project developer, the middle-income rehabilitator must contend with a defined market in terms of income levels and ability to pay for housing. Because the developer must program "backwards" from a selling price the manipulation of the six costs categories becomes critical. This marginal aspect underscores the importance of comparing the alternatives of rehabilitation, new construction on an "old" site, or new construction on a new site.

For the developer building a new home in an outlying area there are not existing negative social problems, simply because a community has not become established. The building of a residential structure can be viewed basically as an economic problem, dependent upon land cost and utilities.

For the rehabilitation developer, an aging neighborhood may represent two sets of conditions.[4] The first is a blighted neighborhood which once may have been a middle-income area but has deteriorated to the point where it may be classified as a slum or marginal neighborhood. Assume it represents a potential for rehabilitation because of its location, or the physical quality of its structures.

The other set of conditions may be reflected in a neighborhood which is basically middle class but because of familial changes and other factors, the neighborhood has deteriorated. The children have left, but the parents stay on; perhaps they even feel trapped. It may be characterized by the lack of in-migration of younger families with children.

The first neighborhood represents a theoretical parallel to high-income rehabilitation. The rehabilitation developer must tie up capital for long periods of time. There is a period when, if the project should stop, he would be subject to loss. The difference between middle-income and high-income rehabilitation is the constraints for middle-income projects. The developer must work these costs in order to achieve a profit. As will be illustrated in Chapter Three the programming of middle-income rehabilitation becomes extremely difficult.

In the second neighborhood, the base of occupants already exists. Rehabilitation may be the replacement of kitchens or electrical systems or altering room layouts. Rehabilitation may be undertaken by an outside developer or by the occupants themselves. The developer will again work in order to achieve his profit, while the owner-occupant will strive to rehabilitate in order to realize not a profit per se, but to add value to his house so that if he were to sell it he would not experience a loss on the improvements. Because these owner-occupant efforts occur in a series of small steps, they are incremental.

This incremental approach presents unique problems:

a. the time lag and segmented approach market value becomes difficult to define.

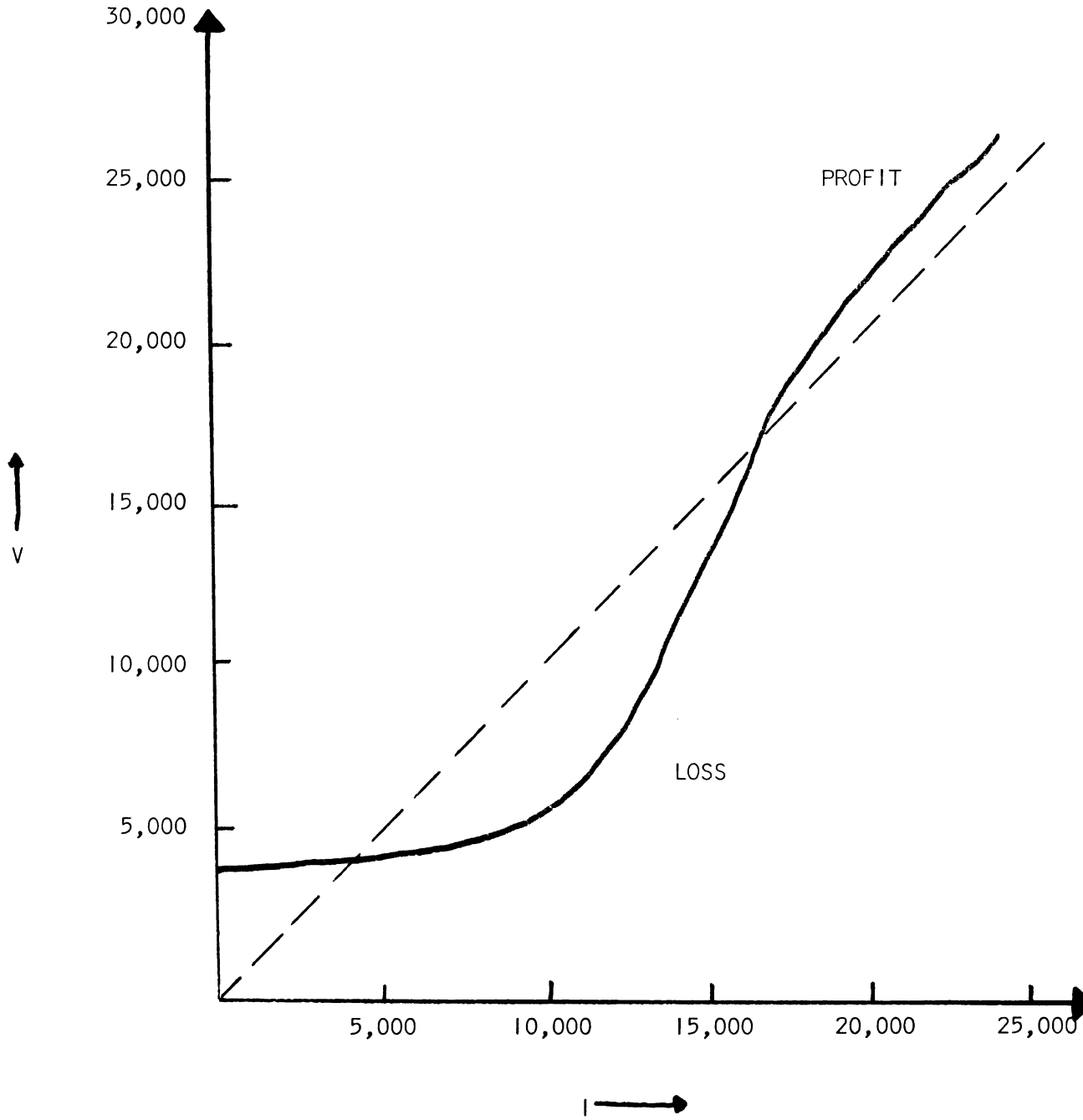
b. in terms of financing, the continual steps of small outlays presents administrative problems.

c. pinpointing increased value for increasing taxes becomes complex.

The impact of Urban Renewal upon middle-income rehabilitation is nebulous.[5] Because of the already stated marginal profitability, the effect of such renewal upon the value of land, and the prospects of in-

creased density under altered zoning may be negative towards rehabilitation. Depending upon the nature of the renewal, also, there may be an attempt, if there are unique characteristics of the neighborhood, to make the rehabilitation of a prestige nature.

HYPOTHETICAL DEVELOPMENT POTENTIAL
FOR MIDDLE-INCOME UNITS

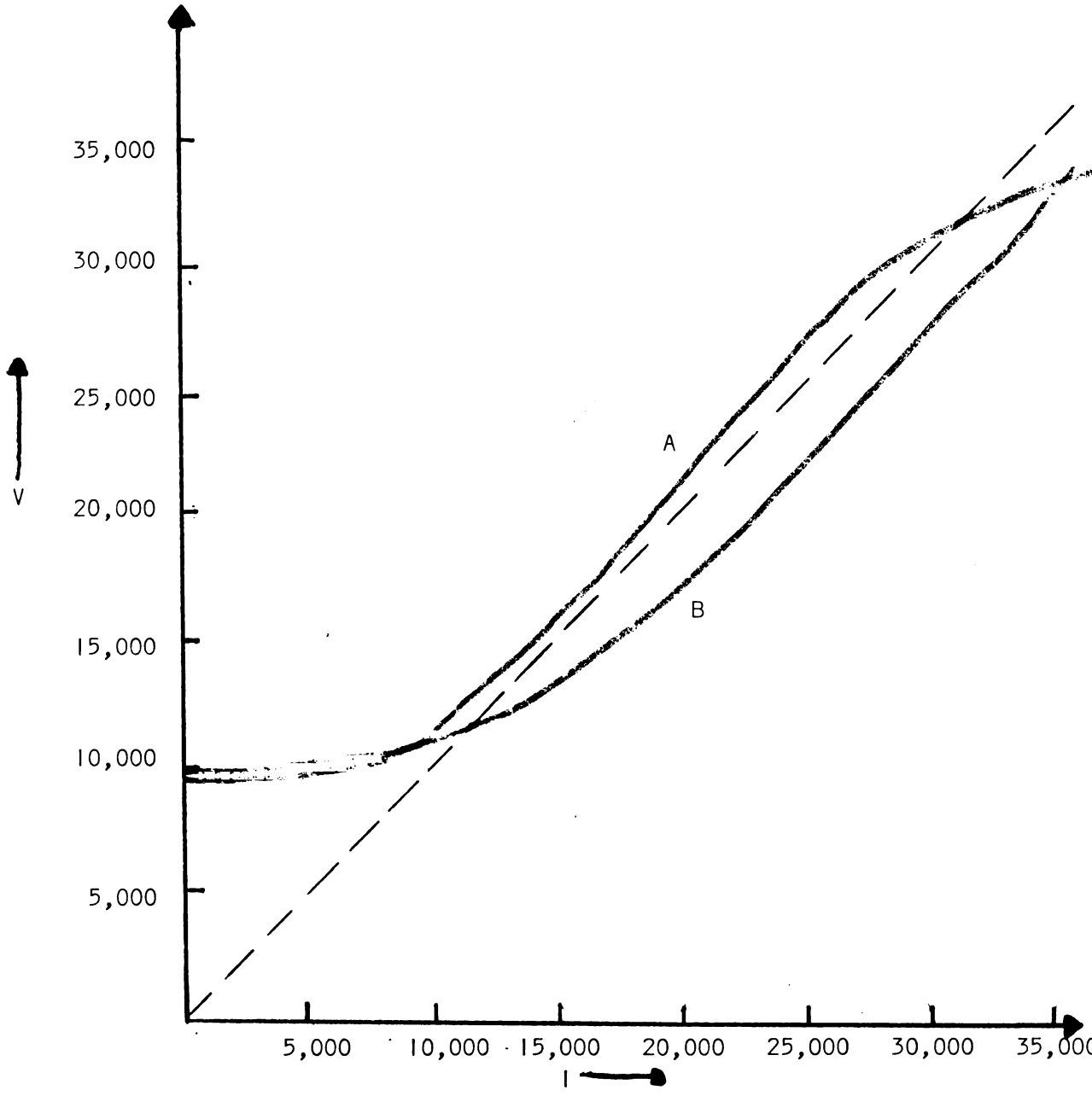


I = Investment over time

V = Value, market

Figure Six

HYPOTHETICAL INCREMENTAL REHABILITATION
MIDDLE-INCOME UNITS



I = Investment over time
V = Value, market

A = Upper limits of investment which could be tolerated increase taxes through increased valuation and lack of depreciation advantages.
B = Lower limits of investment needed in order to sustain value of unit and not suffer too rapid a depreciation.

Figure Seven

Low Income Rehabilitation

The approaches suggested by middle-income rehabilitation become more distinct for low-income work: the rehabilitation developer who undertakes a project in order to achieve a profit; and the occupant (who may be the owner) who rehabilitates on his own.

For the developer, low-income rehabilitation imposes even more severe restraints. The opportunity for profit is less and each of the six cost categories can determine the profit or loss on a project.

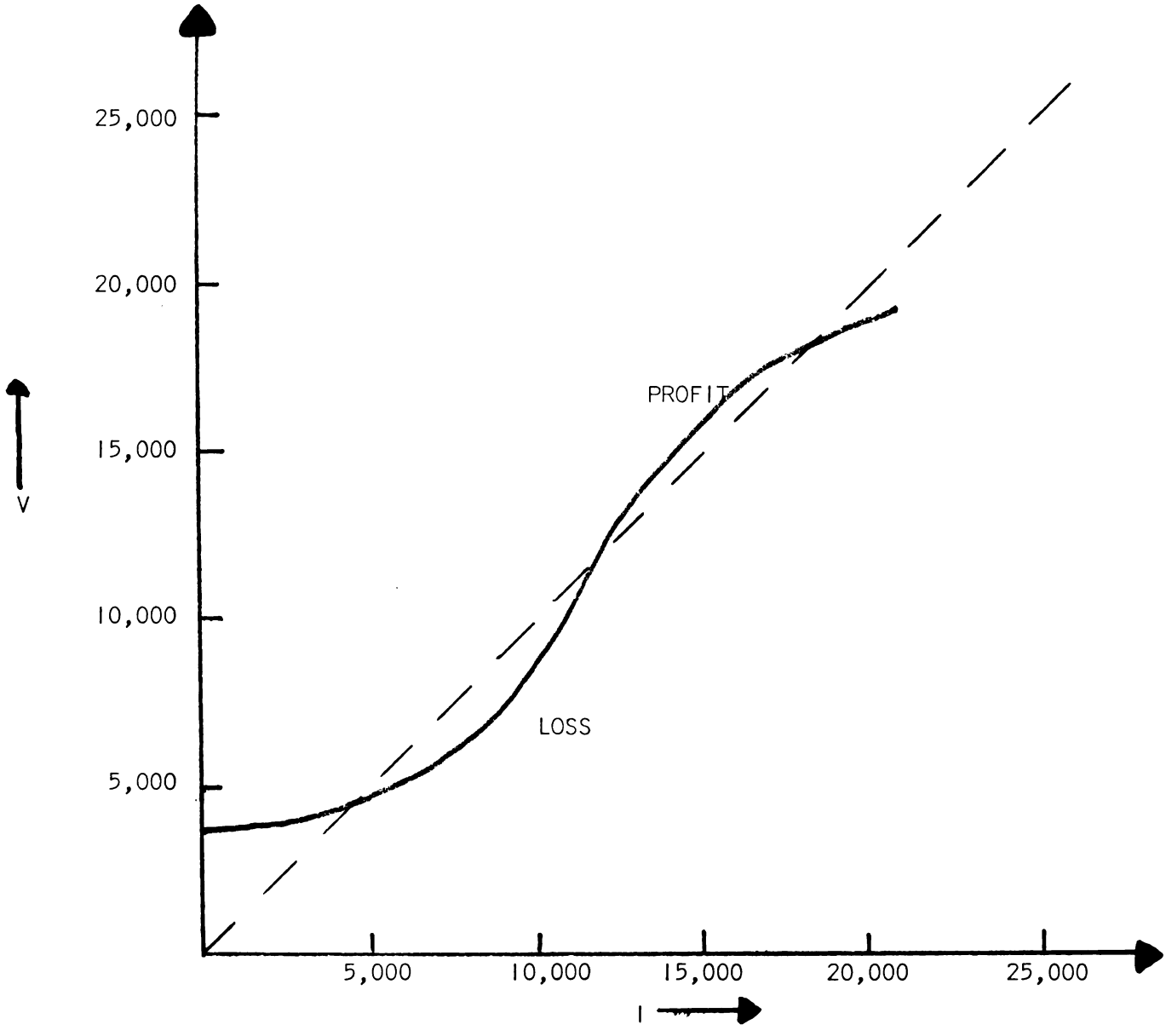
The importance of the involvement of the occupant is underscored by the fact that it has been estimated that there is twice as much labor in a rehabilitation project as there is in a new construction project. The cost of labor has also increased proportionately more than the cost of materials.

Under the program of occupant involvement or self-help, there are two possibilities: the occupant works alone or works with a local organization.

Such organizations are not aimed at increasing the profit potential, but at encouraging possible local ownership. Thus, with the reduction of labor cost, possible financing relief, and tax suspensions, the self-help or incremental rehabilitation becomes a realistic alternative in economic terms.

Implicit in this concept is the realization that there can be successive levels of improvement. The first aim is to provide a structure that is clean and habitable. Then work can proceed to modify and improve sanitary facilities, the kitchen, room design and layout, electrical features, etc. It should be noted that there is no clear

HYPOTHETICAL DEVELOPMENT POTENTIAL FOR
LOW-INCOME UNITS

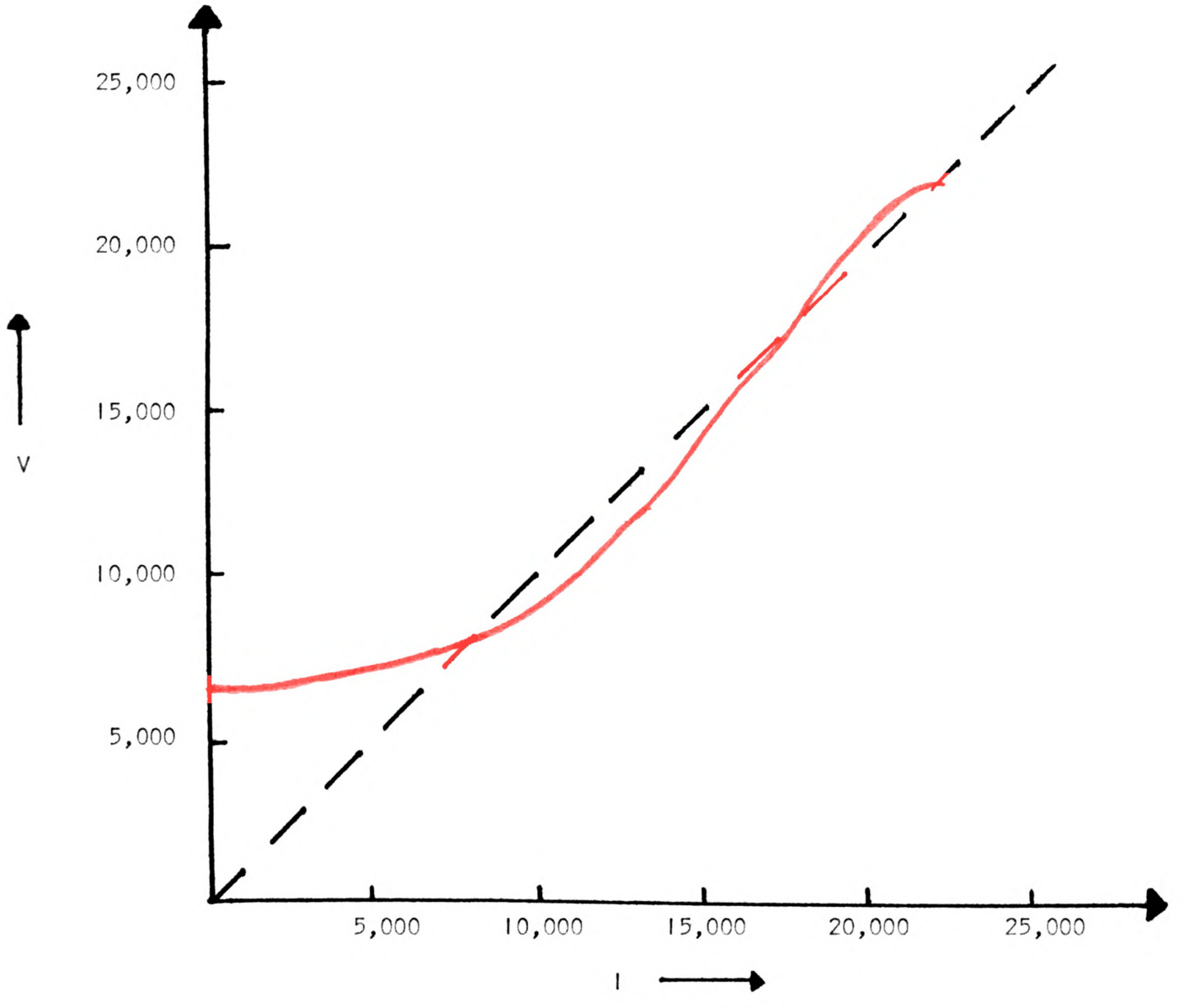


I = Investment over time

V = Value, market

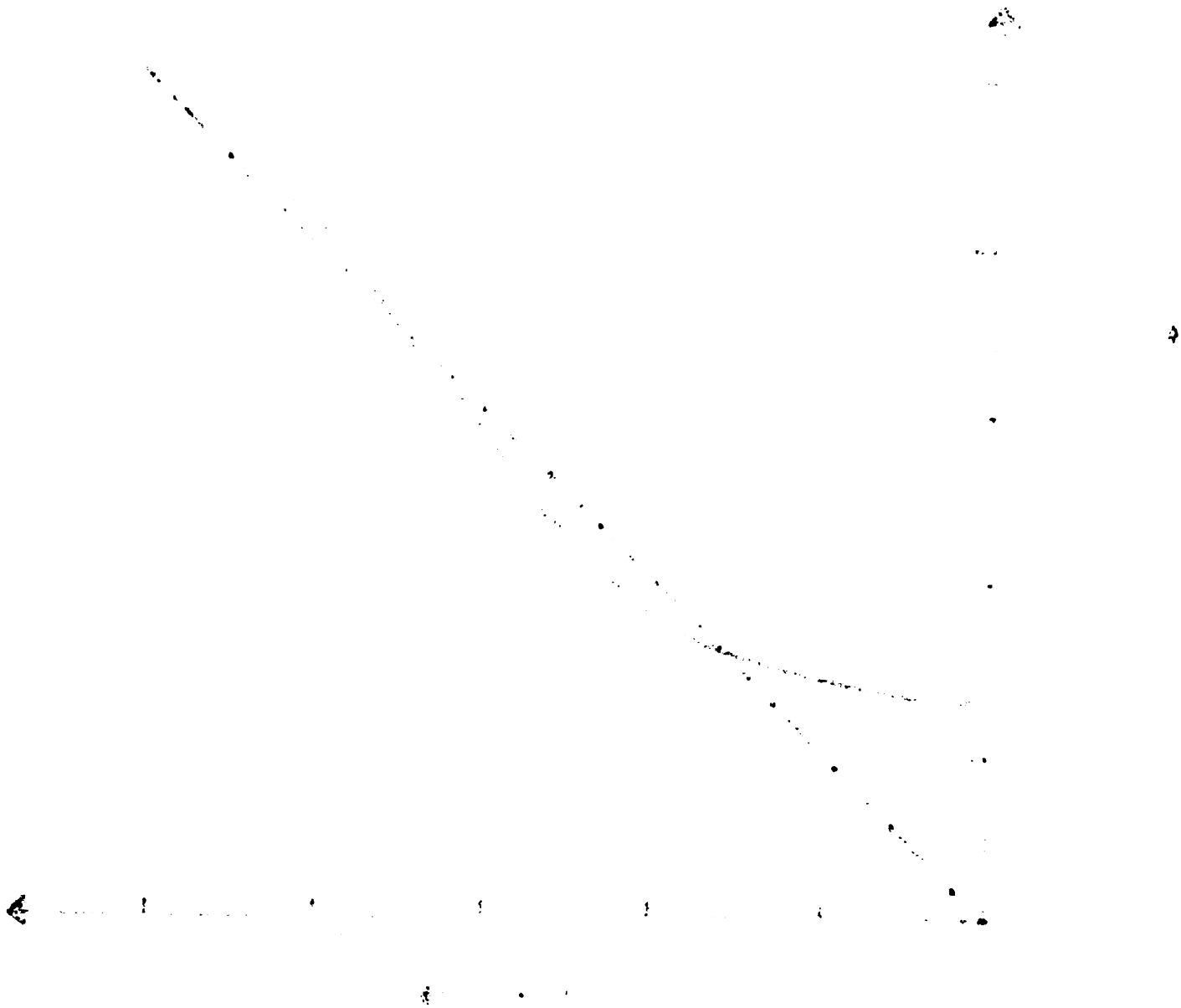
Figure Eight

HYPOTHETICAL INCREMENTAL INVESTMENT BY
LOW * INCOME FAMILY



I = Investment over time
V = Value

Figure Nine



articulation as to the official federal policy.

On the one hand it encourages minimum standards and official procedures by stating conditions for acceptance of monies (whether loans or grants), but then it encourages innovation at the local level through self-help groups. Such innovation may include procedures contrary to administrative procedures.

The contradiction stems from the desire to give money to improve housing and from the fear that it may not be spent wisely. The types of money programs are enumerated in the following.

Federal Programs

Federal programs which can affect rehabilitation fall into two categories: those which encourage the flow of non-governmental capital by government insurance, and those which are direct contributions of government money either in loans or grants to cities and individuals.

The Federal Insurance Programs

The mainstay of the federal programs has been the Title I, Property Improvement Loan, passed as part of the National Housing Act in 1934, and since amended.[6] This program insures property improvement loans up to $3,500 for a maximum of five years. For multi-family units, the maximum is $15,000 for seven years. FHA assumes liability of ninety percent of any one loan, and ten percent of all such loans for any approved financing institution.

These loans are unsecured and are not subject to approval by FHA. Over fifty percent of the loans were for $1,000 or less, another 40 percent were for $1,000 to $3,000.

Before this loan program the three alternatives for property im-

provements were:

1. short-term charge account credit

2. mortgage financing - usually unamortized bank loans due in five years and at a rate of ten percent

3. the cash and savings of the individual

The program reached its peak in 1954 and has since declined. The requirements of the loans became more stringent in 1954, and the number of loans accordingly dropped.[7] The program originally was intended to stimulate activity and employment in the building industry. Because of its maximum loan limits, and the responsibility of private institutions to provide the capital, the property improvement program has had a limited effect on intensive rehabilitation. There is no doubt that it has continually upgraded general housing. It can be considered complimentary rather than as an inducement.

Section 203 Subsection (k)[8]

The provisions of this section are designed primarily "to assist major improvements which are beyond practical reach of title I terms and for which title I interest rates are too high." The basic stipulations are as follows:

1. A lien is required on the improved property. (Title I loans are unsecured)

2. It must be a one-to-four family dwelling outside of an Urban Renewal area.

3. It must be limited to 10,000 for family unit or to forty-five percent of total value of such unit in high cost area.

4. The initial maximum interest rate was six percent, and the FHA insurance premium is one-half

percent. (For Title I loans, through its system of discounting and interest, the final interest on a loan approached ten percent.) There is a statutory limit now.

5. The maximum term for the loan is twenty years.

This program has not reached the level expected. Again this program relies on the willingness of financial institutions to release the capital supported by federal insurance. By requiring a lien, the loan becomes a hybrid; it is not a conventional loan, nor is it a mortgage. The maximum of $10,000 is substantial to apply against an individual yet as a "mortgage" it is rather small. The six percent limit represented a constraint in light of the current money market over the initial years and as of January 1969, the rate was 7-1/2 percent.

Sec. 203(k) Home Improvement, Loans Mortgages Insured.

Year	Dwelling Units	Amount Insured (In Thousands)
1961	8	$ 25
1962	551	2,925
1963	792	3,871
1964	411	2,363
1965	335	1,907
1966	242	1,495
1967	165	1,072
1968	137	917

Figure Ten

From 1961 to 1966, a total of 3,876 applications were received; 2,203 were insured. A total, through 1966, of $11,000 was necessary to cover defaulted loans. The program through 1966 experienced a total operating loss of $425,000 because of administrative expenses and defaulted loans.

Section 220(h)[9]

The structure and aim of this section is similar to that of 203(k). The differences are that loans:

a. apply only to Urban Renewal areas

b. apply to multi-family units

c. are a control measure to see that property improvement was consistent with Urban Renewal plans.

Two administrative programs have been created; one to handle loans for structures from one to eleven units, the other to handle loans for structures over five units.

The same commentary applies here as to 203(k) as to the reasons for its non-acceptance. One might also venture that there is the additional step of coordination with the various Urban Renewal agencies.[10] The paucity also suggests the relative lack of middle-income rehabilitation in Urban Renewal areas.

Sec. 220(h) Redevelopment Loans, to 1968

One to Eleven Units

	Cases	Units	Amount (Full)
Applications received	29	54	
Commitments issued	7	8	$35,650
Mortgages insured	5	6	26,150

(There was a loss of $509,000 for administrative costs: no loans defaulted through 1966.)

Five or More Units

Year	Cases	Units	Amount (000)
1967	21	1,941	$26,907
1968	25	1,362	28,007

Figure Eleven

Direct Federal Financial Assistance Programs

Financial assistance works through either FNMA buying specially programmed mortgages processed through regular private lending institutions or through the direct distribution of funds from the Treasury under various authorizations.

Section 221(d)(3) Below Market Interest Rate Program[11]

The goals are to assist in meeting the need of moderate income families for rental housing through subsidized new construction or rehabilitation; and to provide for the relocation for moderate income families displaced by government action.

The basic mechanism is through the three percent mortgage funds distributed to non-profit, limited dividend or cooperative groups; the mortgages are bought by FNMA.

The requirements are as follows:

1. Economic soundness is not required, but the project must be an acceptable risk.
2. The working group must not be receiving other federal assistance.
3. There must be a workable program in the area.
4. Minimum property standards are relaxed.
5. For non-profit sponsors, the mortgages are backed 100 percent; for limited dividend groups it is 90 percent. The rehabilitation figure is that of the cost of the work, plus the value of the unit before rehabilitation.
6. The statutory limit was and is three percent.
7. The insurance premium can be waived.
8. The maximum mortgage can be spread over forty years.
9. The FNMA purchase fee and marketing fee are waived.

While not designed specifically for rehabilitation, the program has supported a small number of projects. It is not anticipated that it will proportionately increase. By the three percent maximum on the interest, it has been estimated that a final rent reduction of 20 percent is achieved. Obviously the program is designed only for socially oriented groups for a final rental market. Homeownership is excluded.

Status of 221(d)(3) Program (As of Sept. 30, 1966)

	Total All Projects		Rehabilitation Projects	
	#-Projects	#-Units	#-Projects	#-Units
Mortgages Insured	372	49,374	31	2,011
Commitments Outstanding	81	9,281	9	755
Applications in Process	242	30,034	16	466
Total of all Mortgages Insured up to 1968	988	126,787		

Figure Twelve

Section 221(d)(3) Rent Supplement Program[12]

Whereas under the previous program governmental assistance occured by the purchase of special mortgages, governmental assistance occurs in this program first by insuring mortgages at a near market rate and then by a rent supplement provided by FHA after construction.

The goals are specifically to assist low-income families and those:

a. displaced by government action
b. living in substandard housing
c. disabled or handicapped
d. age 62 or over

The housing must be provided by private non-profit or limited dividend or cooperative sponsor. The financing and mortgages are provided by private institutions with government insuring the mortgages at 100 or 90

percent. Tenants pay 25 percent of household income. FHA initially made up the difference to a total of $140 per unit (as of 1966).

There is a lease option feature which provides that a potential homeowner pays his required 25 percent rent and any extra he can pay goes into an escrow fund. When there is sufficient down payment then the tenant has the option of mortgaging at the current market rates and purchasing the unit.

The criteria for the mortgages to be insured are:

1. The project must be an acceptable risk.
2. For non-profit, limited dividend and cooperative sponsors.
3. There must be a workable program in the area.
4. Minimum property standards are relaxed.
5. Non-profit sponsors are backed 100 percent. Limited dividend sponsors are backed 90 percent.
6. The initial interest rate was 6 percent. As of January 1969, the rate was 7-1/2 percent.
7. The insurance premium is 0.5 percent of the balance of the mortgage.
8. The maximum mortgage term is 40 years.

Status of 221(d)(3) Rent Supplement Program (Dec. 1966)

Status	Total All Projects #-Projects	#-Units	Rehabilitation Projects #-Projects	#-Units
Preliminary fund Reservation	123	12,889	11	900
Formal Fund Reservation	25	2,972	4	335
Under Contract	3	345	1	22
Cummulative Total To Dec. 1968	400	44,844		

Figure Thirteen

The lack of rehabilitation projects reflects more the complexity of organization in deteriorating areas than any constraints within the government program. The program below suggests a less complex method for accomplishing the ends of the above program.

Section 221(h), Rehabilitation for Resale

The goals of this program are "to encourage rehabilitation of housing for low income families in stable neighborhoods or to assist in the improvement of a neighborhood through rehabilitation...to create a stable environment." The main mechanism is to provide a project mortgage to a sponsor. The limit of the mortgage is the "as is" value plus the estimated (by FHA) cost of rehabilitation. This mortgage will be at the permissible below-market rate. (It remains at the initial three percent as of April 1969.) As each unit is rehabilitated, then a mortgage at the same below-market interest rate can be released to the prospective owner. A potential mortgagor must have prescribed income, and he must be an acceptable credit risk. In addition, he must be able to pay an initial $200 on account of the property. If the low-income family moves out, and is replaced by a higher income family, mortgage rates are correspondingly increased. For the low-income family no insurance premium is collected; for higher income, there is an insurance premium.

As of 1970, 5,000 units were under consideration for this program.

Sections 221 and 220 revolve around the concept of indirect governmental financing. The integral part is the mortgage and the consequent administrative procedures. Under many sections the role of the private financial institution is an important intermediary.

Section 312 Direct Rehabilitation Loan[13]

This program provides direct federal loans to owners and tenants in federally aided Urban Renewal and concentrated code enforcement areas; or to tenants or owners who meet certain stipulations and are located in an area which will be included in such a code enforcement or Urban Renewal area within a "reasonable time." The criteria for the loans include:

1. Loans are to assist in making the property conform to applicable code and requirements and objectives of the Urban Renewal plan.
2. Funds are not available from other sources.
3. The loan must be an acceptable risk.
4. The maximum term is 20 years and the interest rate is three percent.
5. There are provisions to allow for refinancing an existing debt on a property, provided that the new loan monthly payment does not exceed 20 percent of the applicant's monthly income.
6. The loan may not exceed the limits as provided under Section 220(h). (For single family, $1,000 or 45 percent of value of structure after improvement in high risk area.)

In addition, there are twenty additional steps of coordination between the local public agency, a financing institution, and the applicant.

Principal limitations of the program include the exclusion of many attempts to refinance existing debts under this loan.[14] Administratively, only an owner-dweller can convert existing debt under this loan. There is also the lack of administrative familiarity with the administration of the twenty-step program.

Section 312 Rehabilitation Loan Program			
Date	Number of Loans	Number of Dwelling Units	Amount (In Thousands)
Dec. 1965	13	13	$ 60
Dec. 1966	649	916	3,190
Dec. 1967	2,666	4,196	14,142
Dec. 1968	6,563	11,351	38,220

Figure Fourteen

Section 115 Direct Rehabilitation Grants[15]

The purpose of this program is to provide an outright supplement to cover the difference between available financing and the expected cost to make a structure habitable. The grant is not to exceed $1,500 or the needed sum to cover the full cost, whichever is less. In effect the grant is to insure that available financing repayment does not exceed twenty-five percent of the monthly income of the dweller. The program only covers one or two unit structures. If the difference is too great the grant cannot be authorized.

Again the public agency is intimately involved in the process, including selection of a contractor and in the preparation of bids. The program has been justified by the rationale that every grant made is one less family that has to be relocated because of poor housing and subsequent reconstruction.

Section 115 Rehabilitation Grant Program		
Date	Number of Grants	Amount (In Thousands)
Dec. 1965	9	$ 12
Dec. 1966	1,999	2,784
Dec. 1967	4,514	6,263
Dec. 1968	8,617	13,860

Figure Fifteen

Direct Public Rehabilitation

The various rehabilitation work by housing agencies is not within the scope of this thesis. In 1966 there were approximately 30,000 units in various phases of public housing rehabilitation.

SUMMARY

High-income rehabilitation can be viewed in economic terms as a purely speculative process. If an entrepreneur, that is the rehabilitation developer, wisely pinpoints a project in terms of an area of potential, he can realize a substantial profit. Because of the long period of no return during the rehabilitation project, the possibility of failure and consequent loss, the financing and sponsorship of such rehabilitation is generated solely from the private sector. Federal programs would have no direct impact.

Because of the constraints of a defined market, the rehabilitator for middle-income projects is working within limits as to profit and marketability. If he is to realize a profit, he must program his work such that any of the six categories of costs are minimized. For the owner-occupant in a middle-income rehabilitation effort, the chief goal is to realize at least an increase in the value of his structure such that he does not incur a loss for the improvement, should he sell the structure. Working in smaller steps of improvement, the complexity of administering, financing, and evaluating such "incremental" efforts increases.

The economic constraints of low-income rehabilitation are severe. Any change in the six cost categories could cause a development to be unprofitable. The impact of federal subsidies and interest reduction can significantly alter the economic feasibility of a low-income rehabilitation project. Because rehabilitation requires twice as much labor as a new development, self-help efforts could substantially alter the total cost of a development.

The federal assistance programs have evolved along two tracts:

a. federal prodding of private mortgage and lending money through assurance of federal insurance,

b. outright release of federal monies in the forms of loans or grants.

Federal assistance programs for rehabilitation were developed in the mid-1960's. Statistically it is too early to evaluate the programs. The initial administrative costs and the complexity of coordination for the programs extending either federal loans and grants have been noted.

While federal assistance programs were established rehabilitation projects were occurring throughout the country. A description of these projects in terms of high, middle, and low-income categories is found in the next chapter.

FOOTNOTES

1. Subcommittee on Housing and Urban Affairs, Rehabilitation Programs, Washington, D.C.; U.S. Government Printing Office, 1967, hence cited as Rehabilitation Programs, 1967. In addition, a review of the rehabilitation programs for New York City confirm the general trends included in the federal review. See Measuring the Impact of New York City's Rehabilitation Program, McKinsey and Company, Inc., 1971.

2. Maurice D. Kilbridge, Robert O'Block, and Paul V. Teplitz, Urban Analysis, Boston, Mass.; Division of Research, Graduate School of Business Administration, Harvard University, 1970, Chapter 8, "The Housing Analyzer Model." This writer has basically summarized many of the costs involved.

3. William W. Nash, Residential Rehabilitation: Private Profits and Public Purpose, New York, N.Y.: McGraw Hill Book Co., 1959, pp. 45-46.

4. Bernard J. Frieden, The Future of Old Neighborhoods, Boston, Mass.; M.I.T., Press, 1966, Chapter One, "Community in Decline."

5. Bernard J. Frieden, op. cit., concludes that economically grey areas will improve only through increased densities such as apartment buildings.

6. Title I, Section 2, of the National Housing Act, as amended, public law 73-479; 48 Stat. 1246; 12 U.S.C. 1703. Unless otherwise noted the following sections are substantiated in Subcommittee on Housing and Urban Affairs, Rehabilitation Programs, Washington, D.C.: U.S. Government Printing Office, 1967; hence cited as Rehabilitation Programs, 1967. Figures and information for changes since 1967 come from Subcommittee on Housing and Urban Affairs, Progress Report on Federal Housing and Urban Development Programs, March 1970, Washington, C.D.: U.S. Government Printing Office, 1970; hence cited as Progress Report, 1970.

7. The lack of meaningful guidelines, close supervision and follow-up are noted in a critical review of the program. The program was fostering questionable work and practices. See: Comptroller General, Property Improvement Loan Insurance Program, No. 218, Reports on Audit of Government Corporation and Agencies. (Housing Documents 47-219, 85th Congress, 1st Session) Washington, D.C.: U.S. Government Printing Office, 1957-58.

8. Section 203, subsection (k) of the National Housing Act, as amended, Public Law 73-479; 48 Stat. 1246. This provision was passed in the Housing Act of 1961.

9. Section 220, subsection (h) of the National Housing Act, as amended, Public Law 73-479, 48 Stat. 1246. Provision was passed as part of the Housing Act of 1961.

10. Once the complexities are removed, this provision offers substantial sources for rehabilitation. It has been shown that for an individual carrying a monthly debt charge of $90, he can refinance for an additional $7,600 and still have the same monthly charge. The potential for middle income families is obvious. See Alfred W. Jarchow, op. cit., p. 125.

11. Section 221, subsection (d), paragraph (3) of the National Housing Act as amended. Public Law 73-479, 48 Stat. 1246. Provision was passed as part of the 1961 Housing Act.

12. Section 221, subsection (h) of the National Housing Act as amended. Public Law 73-479, 48 Stat. 1246. "This program was added to the National Housing Act by the Demonstration Cities and Metropolitan Development Act of 1966."

13. Section 312, Housing Act of 1964, as amended, 88-560, 78 Stat. 769, 790; 42 U.S.C. 1452 (b).

14. Compare Footnote 7.

15. Section 115 of Title I, Housing Act of 1949, as amended, Public Law 81-171; 63 Stat. 413, 414, 42 U.S.C. 1450. "This provision was added by section 106(a) of the Housing and Urban Development Act of 1965.

Chapter Three: A Summary of Various Rehabilitation Projects

The examples of housing rehabilitation over the last twenty years are marked by a diversity of physical, economic and social characteristics. There is no standard procedure in rehabilitation.

The purpose of this chapter is to analyze "representative" projects which typify the numerous rehabilitation efforts. To be examined are upper, middle, and low-income projects. The points of focus will be on the:

a. financing

b. organization of the rehabilitator

c. social composition of the new occupants

d. physical characteristics of the structure

e. method of rehabilitation

f. physical characteristics of the neighborhood area

UPPER INCOME, PRESTIGE PROJECTS

The New York City Brownstone Efforts[1]

Located throughout New York City and its boroughs are row homes of three to four stories, commonly known as brownstones, though the building material varies widely. Built in the late 19th century, the brownstone epitomized the stable New York middle class. As the city grew and experienced new influxes, the structures and neighborhoods experienced a gradual succession of tenants and increased diversity. It is difficult to pinpoint what started the inner-city renaissance, but in the mid-1950's there was a slow awakening to the potential of the brownstone as a mode of living. The success of the revival is reflected in the rapid rise in the value of old brownstones. A deteriorated brownstone which was structurally sound, but needed rehabilitation could be bought initially for $15,000.00. Rehabilitated, it will now sell for $100,000.00 and more.[2] In terms of area, it is not a few blocks which are under consideration, but hundreds of blocks.[3] The success could be attributed to two factors: a desire by an element of the population to maintain a certain urban style of life which includes close proximity to the central city; and, an encouraging city policy towards rehabilitation, which may include tax abatement for a period of nine years.[4]

For those who could afford it, the brownstone was an alternative to contemporary buildings. The prestige houses were usually located near major urban features such as Lincoln Center, Central Park, or riverfront sites.[5] For those who did not have the funds, the rehabilitation and conversion of a brownstone represented a challenge.

Middle income families could purchase houses in poor condition in various areas, usually not in the middle of a slum, but on a periphery, near a major traffic artery or topographical features and proceed to rehabilitate.[6] This spirit of being a pioneer cannot be overemphasized. Classes in the art of restoring a brownstone were given at one local YWCA. The news media traced the progress of various projects and numerous commentaries cited the almost cliquish nature of those who restored brownstones.

What usually occurs is that a few "seed" houses are started by a highly motivated entrepreneur or family. If the area is in a favorable location, the idea catches and in discrete steps, blocks are improved up to the upper income, prestige level.[7] There were several small such beginnings in Brooklyn, and in one area along covers 144 square blocks of rehabilitated brownstones.

The cost of rehabilitation is at least equal to the cost of the houses before improvement. The supervision is either by the owner or contracted out. Major repairs or renovations are contracted out. The city has encouraged this process by publishing standards.

The initial seed houses are self-financed. After an area is "underway" then conventional mortgaging will assist and FHA will also assist.[8] Throughout the various projects listed in the accompanying table, FHA refused to assist in seed projects. Since most of this housing is for the upper income, financing does not present a problem. Market conditions will determine the relative availability of funds to be provided by the private sector.

Since the master plan for Manhattan was only published in November

REHABILITATION AREAS
MANHATTAN

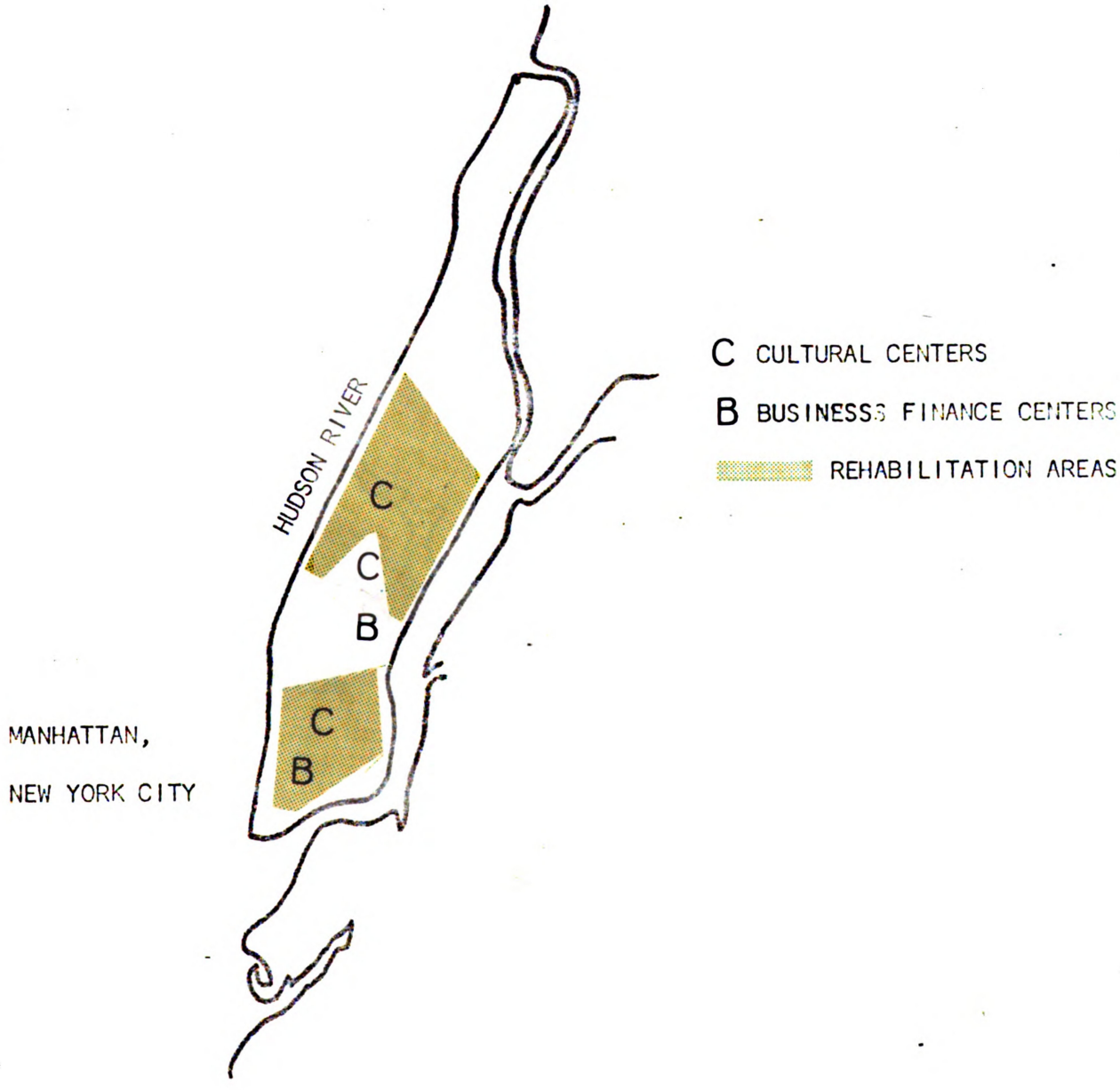
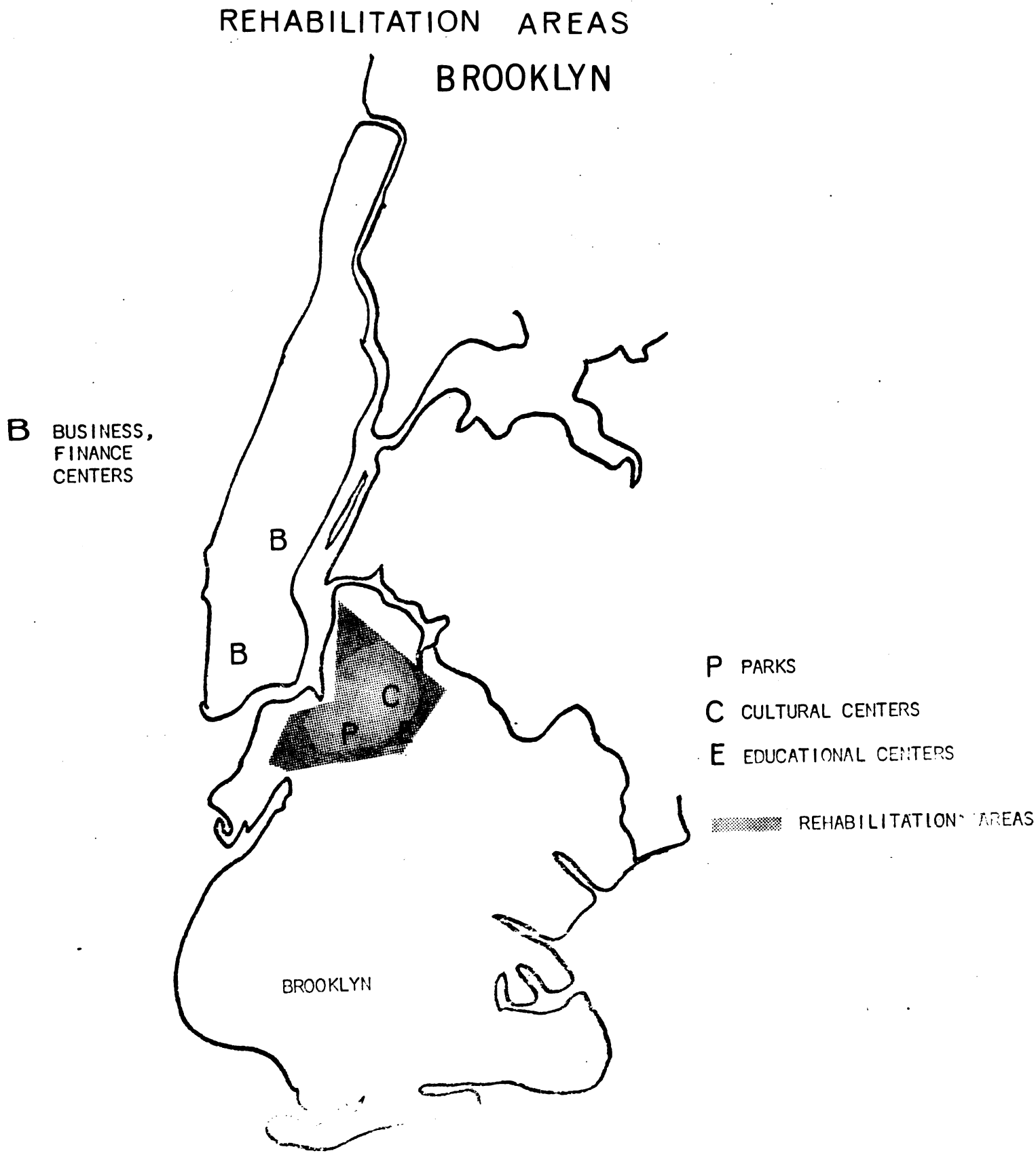


Figure Sixteen



BROOKLYN, NEW YORK CITY, N.Y.

Figure Seventeen

of 1970, it is difficult to assess how the brownstone rehabilitations are completely consistent with overall development proposals. There is extensive rehabilitation work underway in Greenwich Village and Upper Manhattan.

Because of the magnitude of the enthusiasm, one might question the value and place of formal plans. In Manhattan, for example, "brownstoners" have started rallying to insure that zoning will preserve their units and prevent the encouragement of the high-rise luxury units.[9] Again, because the plans are new, they have not had an impact in stabilizing land uses in the changing areas. Obviously, the city has administratively encouraged the process; how the rehabilitation links with physical development is not clear.

There is no systematic rehabilitation. The schemes range from complete restoration of the house to completely gutting it and fitting the shell in an ultra-modern treatment. Although not mentioned in the reviews, there may have been some advantages to restoring the brownstone to override current code requirements. Time for rehabilitation will vary from unit to unit.

Central Philadelphia

In contrast to New York, Philadelphia has had a definite central city plan since the early 1950's. Spurred by Independence Mall, the restoration of Independence Hall and neighboring historical sites, Society Hill and Penn Center, rehabilitation has occurred throughout the central core area.[10]

Near Fitler Square, in the southwest quadrant of the central city, a private developer had rehabilitated, in the late 1950's, about fifty former servants' houses characterized as bandboxes, which were located behind the main executive houses. He bought them at about $5,000.00, invested $8,000.00, and sold them at $10,000.00 to $15,000-$16,000.00. He completely stripped them to the walls and joists of the basic floor and then refinished them. Young and middle-aged couples, usually childless, bought or rented them. The area is characterized by small streets which are not part of the main city traffic and a local one-block park is a community focal point. The main financial and commercial center is less than seven blocks away. The developer experienced initial difficulty in obtaining financing for the houses. But, as the marketability of the houses was shown, he was able to obtain mortgages covering half their value from local savings and loans.

In the southeast quadrant of the central city a large scale realtor, having access to ample funds, created a revolving fund specifically for rehabilitation. He bought, in the late 1950's, houses for $1,500.00 to $4,000.00 and then launched an individualized "rehabilitation sequence" for a prospective dweller. He arranged for the designs, arranged for a contractor, and then provided subsequent financing and mortgaging.

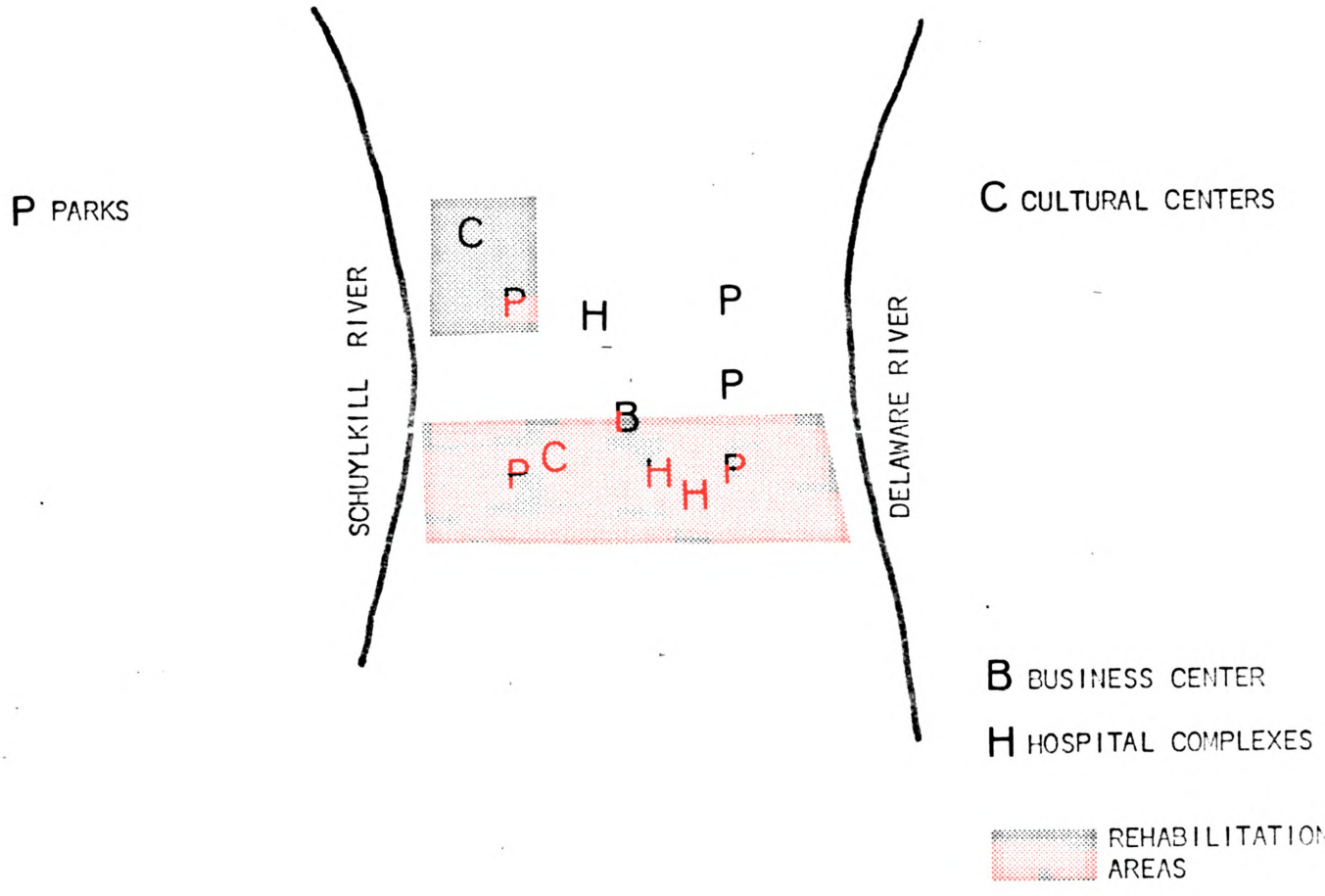
To further protect his investment he concentrated in specific blocks and areas. On his own he bought detrimental land uses such as a lumbar yard and converted them to more harmonious land uses such as retail stores.

In the same area, along Clinton Street, another developer, in conjunction with a contractor-rehabilitator, bought dwellings at about $16,000.00 and spent close to $21,000.00 for improvements. Because of his general reputation, he was able to obtain mortgages initially covering 60 percent of the value from local savings and loans. In his case, the three-story houses are stripped to the walls and basic floors, and then refurbished.

Both of these projects are within twelve blocks of the main commercial center, two hospitals, and Independence Hall.

Within Philadelphia's central city plan there were definite provisions for restored or rehabilitated housing. In this case, the city encouraged, but little else, the rehabilitation of housing. (See following schematic map.)

REHABILITATION AREAS
PHILADELPHIA



CENTRAL CITY, PHILADELPHIA

Figure Eighteen

Foggy Bottom, Washington, D. C.

Whereas a sympathetic government can ease rehabilitation efforts, an indifferent one can jeopardize a private venture.[11]

Two teams, one amateur the other professional, tackled a dilapadated area of housing in Washington, C. D., the Foggy Bottom area. The teams set out to gut the structures and worked with the shell of the two-story row houses. Because a highway had been planned in the general area, the city government repeatedly scoffed at the idea that area housing could be rehabilitated. It was only after the project was successful did the city improve the level of services. The city also caused further ire by raising the valuation of the improved houses for taxing purposes, but did not change those left unimproved. Those unimproved received increased market value because of the area improvements. Local financial institutions did not release funds to assist the rehabilitators. Houses were bought at $2,000-$4,000.00, improved at a cost of $8,000-$9,000.00 and sold for $15,000-$16,000.00 (late 1950's).

They appealed to young childless couples.

Other areas in Washington, D. C. undergoing rehabilitation are the Georgetown, Dupont Circles and South Capital Hill areas.

Prestige rehabilitation is not limited to the improvement of old housing units. A film producer in Greenwich Village bought an old bakery for $95,000.00 and spent $150,000 slowly improving it into a residential unit and working studio. He relied on private financing.

The characteristics of upper-income, prestige rehabilitation are as follows:

a. It is concentrated in areas that are geographically defined whether by topographical features, parks or street patterns. There is a sense of "place".

b. It is in an area that was formerly prestige or stable middle-income neighborhood.

c. It is linked to major urban functions such as the urban core or it is close to major links of transportation.

The dwellers and/or buyers tend to be:

a. Young or middle-aged couples who are childless.

b. Professionals or those active in cultural or artistic activities of the city.

The lack of children and the unavailability of public schools are noted.

In financing the trend seems to be:

a. Complete self-reliance in the initial stages.

b. Once an area has been "typed" as successful, mortgages covering up to 60 percent of the financing are possible.

As to the technique of rehabilitation, there is:

a. A complete stripping of the unit.

b. Emphasis on complete restoration or modern design.

SUMMARY: PRESTIGE PROJECTS

PROJECT NAME AREA - YEAR	SPONSOR	OCCUPANT TYPE INCOME LEVEL	NUMBER OF UNITS MONTHLY RENTAL	ORIGINAL UNIT PRICE COST OF IMPROVEMENTS	TECHNIQUE OF REHAB TYPE OF STRUCTURE
Dupont Circle Washington D.C. 1969	Private	Professional Gov't Employees		$20,000 - $30,000	Phased Victorian Homes
Carroll Gardens Cobble Hill 1965-70 Brooklyn NYC	Private	Young & Middle Aged Profes- sionals	100 square blocks of units	$15,000 - $100,000	Phased Brownstones
West 80's-1968 NYC - near Lincoln Center	Private	Artists	-	$50,000 - $100,000	Phased Brownstones
Telegraph Hill 1958 San Francisco	Private	N.A.	4/$575 Total	$14,000/$20,000	Modification Frame House
E. 66th St 1958 - NYC	New York Life	N.A.	250 units/ 10 structures 87.50 - 185 1958	NA / 9,000	Modified to project new apt. bldg. Brownstone

Figure Nineteen

SUMMARY: PRESTIGE PROJECTS

PROJECT NAME AREA - YEAR	SPONSOR	OCCUPANT TYPE INCOME LEVEL	NUMBER OF UNITS MONTHLY RENTAL	ORIGINAL UNIT PRICE COST OF IMPROVEMENTS	TECHNIQUE OF REHAB TYPE OF STRUCTURE
Bakery-1968 Greenwich Village NYC	Private	Artists	N.A.	95,000/150,000	Phased modification of Bakery into Living Unit, Studio
Greek Revival 1968 Greenwich Village NYC	Private	Lawyer	N.A.	$77,000/$80,000	Phased 1848 Four Story Structure
Foggy Bottom 1958- NW Wash- ington DC Hughes Court Snows Court	Private Both Pro- fessional, Amateur	Young Couples, 8,000	300 N.A.	3,000 4,000/ 8,800 9,000	Gutting - 1-3 yrs. Alley Row Houses
Square Fitler 1958 Philadelphia small park street pattern	Private Profession- al	Young & middle age childless couples	about 50 N.A.	5,000/8-10,000	Modified Gutting Band Boxes Defined "Mannors"
Camae St. Philadelphia 1958	Private Professional Acts as Pri- vate Urban Renewal	N.A.	about 50 $125 monthly	1,500 - 4,000/ N.A.	Rehab done by Prospective dweller. Varied

Figure Nineteen Continued

SUMMARY: PRESTIGE PROJECTS

PROJECT NAME AREA - YEAR	SPONSOR	OCCUPANT TYPE INCOME LEVEL	NUMBER OF UNITS MONTHLY RENTAL	ORIGINAL UNIT PRICE COST OF IMPROVEMENTS	TECHNIQUE OF REHAB TYPE OF STRUCTURE
Clinton St. 1958 Philadelphia	Private team of Realtor Rehabber	Rental - 6,000 - 10,000 Professionals	20 units over $100 monthly	$16,000/$21,000	Team - Selective Replacement Large Row Houses

Figure Nineteen Continued

c. Very rarely is there partial rehabilitation - that is, the structure is completely rehabilitated, not just one or two rooms.

Middle Income

It is difficult from the various reviews of rehabilitation projects in the nation to specifically identify projects which were designed specifically for the middle class. Arbitrarily, the definition of middle income is that of rentals or monthly shelter costs of $125.00 for one-bedroom living units to $300.00 for three-bedroom units. Several of the prestige projects started with units that could be afforded by middle-income units. What occurs is that these units tend to rapidly price upwards, as repeatedly happened in the Brooklyn sections. In other cases, projects originally designed for low income families were priced upwards because of inefficiences, so that only middle income families could afford them.

A demonstration project for middle income rehabilitation was Court Street in the Wooster Square project in New Haven, Connecticut.[12] The project revolved around a design element of closing off a short street into a modified court and accentuating the architectural harmony of the old buildings. The sponsor, the redevelopment agency, coordinated the work, and when necessary, bought buildings and rehabilitated them. The agency issued guidelines under which the remaining owners rehabilitated. The agency bought houses (15 of the 17), the original average selling price was $11,000.00, and they were improved at an average cost of $19,000.00. They were marketed then at an average of $21,000.00. The loss was written off as a "demonstration". Rents in the mid-1960's ranged from $75.00 to $90.00 for one-bedroom apartments to $140.00 to $150.00 for two-bedrooms. The project report notes that is is not known what happened to the transients who formerly lived in the area. The new

population density of that particular street, formerly of boarding houses, was half the original.[13] Its initial success in terms of the new tenants is due to its proximity to the New Haven central area and Yale University.

Brooklyn

Even though much of the rehabilitation in Brooklyn is high income, homes could be bought for a minimum of $15,000.00 to $20,000.00 and improved for a cost of $10,000.00. As an entire process, the Brooklyn rehabilitation experience represents a dramatic reversal of the inner city. Because much of the momentum has been within the 1965-70 span, the full effects are not recorded. Neighborhoods undergoing the change included Clinton Hill, Fort Green, Bedford Stuyvessant, Prospect-Lafayette Gardens and Sunset Park.[14]

These neighborhoods were characterized as ethnic, or minority neighborhoods, but in-migration over the recent period has evenly split the population between the various minorities and the new white middle or upper class to about fifty percent each.

Ironically, it was the riots of the early sixties in these very areas that may have spurred the in-migration because of subsequent city actions. The city offers a nine-year tax abatement to those who improve a brownstone to its specifications.[15] The city has persuaded the banks to lend more money in marginal areas and in certain areas potential and current dwellers can benefit from a $100 million mortgage fund for the Bedford-Stuyvessant area, under the Bedford-Stuyvessant Restoration Corporation. Pressure was also applied to FHA to liberalize its standards. FHA, for example, had refused to insure mortgages for Brooklyn area

brownstones because the central rooms lacked ventilation and light.[16] The structures were otherwise sound and habitable. After a year, the standard was relaxed.

Rehabilitation for the middle income groups has centered in areas close to cultural and recreational facilities such as the Botanical Gardens, the Brooklyn Museum and Pratt Institute. Manhattan is twenty minutes away by subway. In contrast to rehabilitation in Manhattan, the families have children and there have been efforts to improve the local schools.

There is a prevalance of civic spirit in the newer rehabilitated areas. The new middle class families have made initial attempts to improve conditions for the minorities such as pressuring local stores to hire them. The ethnic pride has manifested itself and it increases the sense of neighborhood identification.[17]

The temporal sequence of the process is illustrated by the rates of change in the distinct neighborhoods.[18] Park Slope was in transition for fifteen years. The newer areas, such as Carroll Gardens, it is predicted, will change within four years.

What has not been traced is the displacement of those who resided in the houses before improvement. Many of these units were rooming or boarding houses. With one to three families moving in, there is an apparent reduction in density. Those displaced were of a lower and social and economic scale. In view of the consistently low vacancy rate of dwellings in the city, one can only hypothesize that other areas of the city are experiencing the reaction of the influx of back to the brownstone.

Rehabilitation of an industrial structure to a residential use has occurred in the New York middle income families and dwellers. An electrical engineer is slowly changing an empty factory into a series of

SUMMARY: MIDDLE INCOME PROJECTS

PROJECT NAME AREA - YEAR	SPONSOR	OCCUPANT TYPE INCOME LEVEL	NUMBER OF UNITS MONTHLY RENTAL	ORIGINAL UNIT PRICE COST OF IMPROVEMENTS	TECHNIQUE OF REHAB TYPE OF STRUCTURE
Westbeth-1968 Greenwich Village NYC	J.D. Kaylan Fund-National Council on the Arts	Artists/ $6,350-$11,750	384/$97,163		Selective Modification 11-story laboratory for Bell Telephone
No Name-1968 Edgewater N.J.	Private (Professor or Electrical Engineer)	Artists-Young Professors/N.A.	Not completed. $125-$250		Phased. Various factory buildings.
No Name-1956 Rochester NY - Inner Fringe	Rochester Gas & Electric	N.A./$4,500	N.A.	$4,500/$7,395	Large Scale Single Detached
Woodlawn Ave 1952 Chicago - South Side	Private		6/$122.50	$15,118.69 per unit	Large Scale Conversion Large Brick & Frame
E. 82nd St. 1952 - NYC	Private		33/$121	$75,000/$175,000 all buildings	3 tenements

Figure Twenty

SUMMARY: MIDDLE INCOME PROJECTS

PROJECT NAME AREA - YEAR	SPONSOR	OCCUPANT TYPE INCOME LEVEL	NUMBER OF UNITS MONTHLY RENTAL	ORIGINAL UNIT PRICE COST OF IMPROVEMENTS	TECHNIQUE OF REHAB TYPE OF STRUCTURE
Wooster Square Court St. 1962 New Haven Conn.	Redevelopment Agency		15/$75-90 and $140-150	11,760 19,230	Varied Row Homes
Washington Park - 1970 Boston, Mass.	Redevelopment Authority	80% Negro Professional & Lower Class	407/	N.A./$4,441	3-story frames

Figure Twenty Continued

apartments which overlook the Hudson River.[19] Rents range from $125.00 to $250.00. Artists and young professional types do the renovation, themselves, where possible, under the technical assistance of the professor. He has created a revolving fund to assist the financing of the work.

Reacting to the plight of the artist type, who cannot find the unique structure which combines studio with living space, the National Council of the Arts and the Kaplan Fund have sponsored the conversion of an eleven story, former Bell Telephone laboratory in Greenwich Village to a series of apartment studios.[20]

The project is tagged Westbeth and it was to be initially financed with a $9.5 million dollar mortgage, three (3%) percent mortgage, under Section 221(d)(3) provision. The project is characterized by an inner court, common working areas, and commercial areas. The proposed 384 units were scheduled to rent from $97.00 to $163.00 a month.

Low Income

The following three low income rehabilitation projects were selected because they represent three different approaches. Other rehabilitation projects can be fitted into one of three categories. They include:

a. The case where an organization was operating in a socially unstable area, was operating without established guidelines or experience, and the local government tended to be indifferent;

b. The case where a private organization was organized, sequenced a realistic program, had community and government support, but did not receive financial assistance from the government;

c. The case where the developer acts as entrepreneur and rehabilitates for low income because federal subsidies make it profitable.

The Unstable Project[21]

The Queen Village project in Philadelphia had its beginning in 1963 as members of local neighborhood institutions (religious institutions, music school) organized to improve housing conditions. The neighborhood, southeast of the central business district, was predominantly Polish extraction. Negroes had replaced the Jewish population. The area is bounded by the Delaware River on the east and Broad Street, a major

traffic artery, on the west. North and south boundaries are less distinct.

Under the city's planning program, the area is officially labeled as an area needing gradual reconstruction. Much planning attention has been given to the area north of the area which is known as Society Hill. The Queen Village had been slated for eventual attention, but the city never made any obvert moves.

The goals of the new corporation were:

a. to improve housing by rehabilitating presently unused real estate;

b. to attract new investment into the area; and

c. to bring in new leadership.

When approached, the Planning Commission estimated that it would cost $18 million to remove industrial blight in the area, to extend the greenway system and to construct a "needed" shopping complex, all of which were thought necessary to change the area's undesirable characteristics. An area plan was adopted and zoning amended to reflect the plan.

The new district plan was published, there was no government implementation expenditures. The area remained as it was.

The corporation had intended originally to proceed with a few demonstration projects and then it hoped the idea would spread. The corporation then would establish a revolving fund to continue operation. Its plan of attack was to first solicit seed money and then coax commercial institutions to mortgage the units. Rehabilitation work was to be done by the corporation with its own team. The corporation had intended to become the vehicle for rallying community spirit.

What went wrong was the following:

a. The local white population with its long ties to the area became distrustful of the corporation's activities, which they thought were a way of bringing in more minority groups.

b. The corporation and the Planning Commission did not complement each other with respect to timing, ideas, and methods of operation.

c. It consistently underestimated its expenses and failed to secure even target funds.

d. The Internal Revenue did not decide until halfway through the project that the corporation was a non-profit organization.

e. It originally hired a "committed" work supervisor who was motivated, but lacked the needed expertise to guide and arrange a rehab crew.

f. It misproportioned its funds by tying its funds up in real estate in the beginning.

g. It jeopardized its relations with the community by displacing people before it was necessary from the buildings to be rehabbed.

h. It could not bridge the gap between the technical concepts and drawings prepared by architect and the needed construction guidance. Perhaps the plans were of a higher level than needed, and programmed rehabbed beyond realistic levels.

i. Unexpectedly, several properties which were thought to have been structurally sound, had to have main structural elements replaced, adding excessively to the cost.

j. Financial institutions were apathetic to the need for mortgage funds.

k. Initially, the corporation wanted to avoid relations with FHA. When it finally realized the need for FHA backing, it took eight months before an agreement was reached.

As a consequence, eleven structures were rehabilitated and they were subsequently occupied by people not local to the area, at prices beyond those targeted.

Better Rochester Living, Inc., New York

A year before the Queen Village Corporation was formed an organization was formed in Rochester, New York, to encourage and assist low and medium income families to become homeowners through intensive counseling and the mechanism of "sweat equity".[22]

Organized in the private sector, the program started with eight families and eight homes. In 1967 the program was processing 55 families annually.

The organization started with an industrial grant of $17,500.00 in seed money. Local banks formed a revolving fund of $550,000.00 to provide interim financing and the savings bank formed a mortgage pool of initially $80,000.00, then $550,000.00 annually. A key person in the organization who headed the funding drive was a retired executive from the Kodak Corporation.

The basic steps in the program are as follows:

1. A low income family inquires about the program;
2. They are counseled about their potential incomes and housing costs;
3. If they show a capability (families with incomes of $3,800.00 have been accepted) a home needing repair and rehabilitation is purchased by the corporation;
4. The home may be located in any section of the city. It must offer an economic savings and when rehabilitated, it must be acceptable to FHA for mortgage insuring;
5. The family is instructed in basic repair and cleaning procedures. They are expected to perform labor of at least three (3%) percent of the value of rehabilitated house;
6. During this interim period, they pay rent, which goes into the revolving fund;
7. Major remodeling and rehabilitation is performed by approved contractors with the corporation inspecting the work;
8. After the family has performed sufficient sweat equity, and the house is acceptable to FHA, the mortgage is prepared for the family.

By a combination of the sweat equity, internal financing, and the mortgage pool, monthly mortgage payments can be within the range of low

income families. The corporation tentatively was interested in the rent subsidy which they projected could at least double their processing rate.

Similar in intent and method of operation is the work of the Inter-Faith, Inter-Racial Council of Clergy in Philadelphia.[23] This organization, which was spawned by the urban riots of the mid-1960's, concentrates in the local areas. It stresses local labor. The organization guts the row houses and then rehabilitates them. The counseling and financing are similar to the Rochester program. The stress on self-help is not as great as that of Rochester. The idea of self-help is more of community self-help, than individual self-help. Local labor is pooled for maximum effectiveness among the contractors.

Both of the previous cases were characterized by:

a. use of internal labor and organizations;

b. lack of formal urban renewal rehabilitation designation.

Rehabilitation through Urban Renewal programming raises a series of questions which cannot be answered at this time. Initial evidence suggests that because of the long series of time delays, the necessary land valuation, and the tendency to think in terms of large scale rehabilitation to the most modern standards, rehabilitation under the formal Urban Renewal process may be uneconomical. Various demonstration projects (U.S. Gypsum Project in New York, Armstrong Corporation Project in Philadelphia) have proved to be uneconomical. The Northwest Urban Renewal #1 Project of Washington, D.C. could not reach the lower income limits, unless the mortgages, and income percentages, were relaxed.[24] The cost of improvement $9,000.00 per unit is higher than the two self-help projects. The administrative and financing fees totaled nearly

three thousand dollars ($3,000.00). Under self-help projects, these costs tend to be reduced. Similarly, the Harlem Park, Baltimore, Maryland, experienced rehabilitation costs of an average of $17,000.00 per unit.[25]

SUMMARY: LOW INCOME PROJECTS

PROJECT NAME AREA - YEAR	SPONSOR	OCCUPANT TYPE INCOME LEVEL	NUMBER OF UNITS MONTHLY RENTAL	ORIGINAL UNIT PRICE COST OF IMPROVEMENTS	TECHNIQUE OF REHAB TYPE OF STRUCTURE
City Wide 1962 Journal Philadelphia P.A.	Philadelphia Housing Development Corporation		65/	$0-1,200/$7,500 $8,500	Gutted. 2-3 Story row houses.
Queen Village 1965 Phila, P.A. South Outer Core	Queen Village Inc.	Professional Artists/ $6,000-$16,000	11/5 1/4 - 6 3/4% 20-30 yr mortgages		Modification 2-story row townhouses
Williamsburg 1968 Brooklyn NY	Private-under City Assistance		175 in 5 Bldgs./ $78-125 (5 1/2% - 30-yr mortgages)		Varied. Walk-ups.
1968 NY City	Urban Rehabilitation Corp. (Catholic Archdiocese)		9/$49.54 (Mortgage Payment 30 yr. 1% Down payment $200.	$2,300 - $4,500	Modified. Varied.
1968 Bayonne N.J.	Public Housing Authority	/ 100-225/month	/ $1,222,000 8 1/4% - 23 yrs.		12 tenements.

Figure Twenty-One

SUMMARY: LOW INCOME PROJECTS

PROJECT NAME AREA - YEAR	SPONSOR	OCCUPANT TYPE INCOME LEVEL	NUMBER OF UNITS MONTHLY RENTAL	ORIGINAL UNIT PRICE COST OF IMPROVEMENTS	TECHNIQUE OF REHAB TYPE OF STRUCTURE
N. 22nd St. 1967 Phila, P.A. Urban Jungle	IICC-Inter-faith Inter-racial Council of Churches	$3,444-$8,217	100/6% mortgage 30 yrs. $53 month 250-400 Downpayment		Gutted, modified. Local organization Small row houses.
Better Rochester Living 1967 Rochester NY	Better Rochester Living Industry, churches, banks	/min. 3,800 5,500	96/current interest 6% 3% "sweat" equity		Incremental Self-help Scattered through city
Northwest Urban Renewal #1 1967 Washington, D.C.	Urban Rehab. Corp.	/ 3,600-6,800	9 / 1-3% 20-30 yrs	2,900 / 10,678	Large scale mod. Local labor Neo-Victorian Row Homes
Belvedere 1969 Cleveland, Ohio	HOPE - House Our People Economically	/ 2,000-5,000	21 / 80-107		Modified New Plastic Partitioning 4-Floor Walk-Ups
1967 Baltimore Core	HOPE - Home Ownership Plan Endeavor	/ 3,500-6,000		1,000-6,000 / 500-3,000 /	

Figure Twenty-One Continued

SUMMARY: LOW INCOME PROJECTS

PROJECT NAME AREA - YEAR	SPONSOR	OCCUPANT TYPE INCOME LEVEL	NUMBER OF UNITS MONTHLY RENTAL	ORIGINAL UNIT PRICE COST OF IMPROVEMENTS	TECHNIQUE OF REHAB TYPE OF STRUCTURE
Cora Street 1965 Pittsburg	AHRCO - Allegheny Housing Rehab. Corp.		22 / 86-95/mo.	4,000 / 6,000	Modified Two-Story Row
Near North Side 1967 St. Louis	Bi-Centinnial Corp. - Union Electric	/ 2,500-	/ 6% - 15 years - $250 downpayment	1,500 (2 Units) / 5,000	Modified Second Level Row Houses
Diamond Street Philadelphia, Penn. Core	Armstrong		3	$1 / 11,500 unit	Extensive Three-Story Row
East 102nd St 1969 Harlem NYC	U. S. Gypsum		118 / 76-85	1,600,000	Extensive 6 Tenements
Just-A-Start Boston South End					Young Couple 16-22 did construction Row Houses

Figure Twenty-One Continued

FOOTNOTES

1. Source material for the New York brownstone descriptions is from the New York Times, 1968-1970, hence abbreviated NYT, followed by date, section if applicable, page, and column.

2. NYT, 21 September 1969, section viii, 1:2.

3. NYT, 27 April 1968, 24:4.

4. NYT, 22 September 1968, section viii, 1:1.

5. NYT, 4 February 1968, section viii, 1:1, and 11 August 1968, section viii, 1:7.

6. NYT, 27 April 1968, 24:4; and 11 August 1968, section viii, 1:7.

7. NYT, 5 May 1968, section viii, 1:1.

8. As an example, NYT, 14 April 1968, section viii, 1:1.

9. NYT, 11 August 1968, section viii, 1:7.

10. William W. Nash, Residential Rehabilitation: Private Profits and Public Purpose, New York, New York: McGraw Hill Book Co., 1959, Chapter Three.

11. ibid.

12. Mary Hommann, Wooster Square Design, New Haven: New Haven Redevelopment Agency, 1965.

13. op. cit., p. 49.

14. NYT, 5 May 1968, section viii, 1:1.

15. NYT, 22 September 1968, section viii, 1:1; and 4 January 1970, section viii, 1:1.

16. NYT, 12 January 1969, 71:1.

17. NYT, 18 August 1968, 43:3.

18. NYT, 5 May 1968, section viii, 1:1.

19. NYT, 13 April 1969, section viii, 1:4.

20. "Westbeth's Rehabilitation Project, A Clue to Improving Our Cities," Architectural Record, vol. 147, no. 3 (March 1970), pp. 103-106.

21. Paul L. Niebank and John B. Pope, Residential Rehabilitation Philadelphia, Pa.: University of Pennsylvania, Institute for Environmental Studies, 1968.

22. Subcommittee on Housing and Urban Affairs, Housing Legislation of 1967, Washington, D.C.: Government Printing Office, 1967, pp. 957-965.

23. ibid., pp. 735-740.

24. "Washington, D.C.", Journal of Housing, no. 6 (June 1969), pp. 292-293.

25. Harlem Park, Baltimore, Md.: Baltimore Urban Renewal and Housing Agency, 1968.

Chapter Four: Four Alternatives

The review of various projects in the last chapter has indicated that the economic consideration has not necessarily been a motivating nor constraining factor. Rehabilitation has been accomplished for other reasons than "just making a profit," and questionable economic projects have succeeded because of the input of self-help.

The success of these projects depends on other considerations, namely the social characteristics of the existing or future occupants. The planner, in programming a plan of action for a blighted area, can choose from four basic alternatives:

a. allow the area to continue to deteriorate

b. tear buildings down and build anew

c. rehab slowly or incrementally

d. rehab intensively in short period of time

It will be the purpose of this chapter to analyze these four alternatives by socio-economic cost/benefit analysis with time and

geographic categories.

A strict economic analysis may lead to one decision. A consideration of social factors may lead to another. Why the difference? The beginning of the answer stems from a summary view of the reasons for a slum or substandard housing.

The existence of housing that does not conform to minimal accepted societal norms can be attributed to two sets of conditions:

a. Certain segments in the population do not desire such housing nor desire to put forth the effort to maintain housing in accordance with accepted norms.

b. There are factors which prevent certain segments from fulfilling their desire to have acceptable housing, and they must be content with substandard housing.

How can it be that people desire to live in a slum? Some social scientists speak of the psychological need for slums, some enumerate a list of factors as to the inevitability of a slum.[1]

The social dynamics and the psychology of the slum are complex, and any attempt to explain it simplistically would not be accurate.[2] It is assumed that given present social science methodologies, certain elements of the population are "residual" slum dwellers which defy practical social reform. To ignore reality only invites continued frustration.[3]

The other condition, based on preventive factors, has been alluded to in Chapter Three. The unavailability of capital, the lack of

training and counseling, restrictive real estate practices, and the disintegrative effects of renewal all have had their effect.[4] If the desire then is to ameliorate the problems of the substandard housing for the latter group, two areas of evaluation must be considered; the technical problems of providing such housing, and the overall goal orientation of the society which must be changed to allow such technical solutions to work. Against what goal scheme should remedial programs be evaluated?

Much of the discussion on rehabilitation and slum removal has been couched in economic terms; much of the criticism has likewise been in economic terms.[5] The social costs have been summarized, but attempts to meaningfully develop broader programs of housing and social improvement have been noted by their paucity.[6] It is a paradox that while rehabilitation has been emphasized as a main element in renewal, *and* that such rehabilitation may imply the involvement of the occupants, there have been few programs to link specifically the rehabilitation of a house along with the "rehabilitation" of the occupants.[7]

That a house needs rehabilitation, however, may be indicative of the frustrations of the occupants.[8]

These frustrations naturally cost the individuals in terms of an inability to cope with their environment and to successfully develop. The frustrations can also cost the community in terms of social costs: police protection, health costs, remedial training programs, etc. In addition, one can project the loss of productivity and manpower because of the inability of these individuals to contribute to society in an economic sense.[9]

The following analyses will attempt to hypothesize categories of cost to the individual, the builder or rehabilitator, and the city.

As indices of evaluation, there will be the following three levels of criteria:

a. Short term, economic interpretations of financial and social costs; that is, any action which can readily be evaluated in "dollars and cents". This "cost" will be symbolized by the symbol S indicating a concept of service charge.

b. Longer term economic interpretations of financial and social costs; this concept is most akin to the economic term of capital. Because a person or object accumulates or loses value because of certain attributes, the concept of attributes symbolized by A will be used.

c. The overriding value system of a society, which almost imperceptibly determines what is of significance; from time to time these determinants have results which can be economically measured. The abstractions of justice, freedom and integrity are the foundation of this value system: a hypothetical unit for measuring such abstractions will be used, hence the term kiles symbolized by K.

The rationale for the various time spans are as follows:

a. Short term - no more than two years; this is the usual maximum time for the actual rehabilitation or reconstruction within an area. Instant rehabilitation has taken only 48 hours, and there have been cases where conventional rehabilitation of a large scale nature has taken a minimum of

forty (40) days.[10]

b. Medium term - five years - the time limit for a neighborhood to undergo a noticeable change in its composition and physical character.[11]

c. Long term - 20 years - the time in the cycle of a house when its deterioration accelerates and the end of an amortization period of a mortgage; realistically, this time span can be considered an average of 25 years. It also indicates a generation in a family.[12]

The economic considerations are cogent parameters once the social costs are determined; however, it may be wiser to implement perhaps what may appear more costly projects in the short-term for long-term benefits.

The purpose is to structure a hierarchy of values and to imply the causal relationships or repercussive effects. It is assumed that the paramount values would include freedom, integrity of the individual, and efficiency in allocating resources.[13] Such values are "measured" by criteria and consequently illustrated by various design or planning principles. The following is illustrative of the three-step sequence:

Value	Criteria	Planning Principle
Freedom	Accessibility	Housing located within main transportation corridors
	Interactivity	Housing planned in discrete blocks of income levels
	Organization	Housing planned in relationship to community services
Man has meaning	Imageability	Historical and Architectural preservation when economically feasible, or desired

The following cost-benefit analysis of the alternatives are intended to enumerate the main parameters. The four specific action alternatives represent "pure" examples although realistically, any area considered for improvement has varying combinations. The analysis represents the trade-offs between three viewpoints: the economics of the unit, the social considerations of the occupant, and the overall vitality of the city. In essence the questions arising from the analysis ask that for any specific building or group of buildings:

a. To what extent is the building of a unique character (presents an image) which maintains the "fabric" or sense of continuity within a city?

b. To what extent can the occupants contribute to or be involved in the process to increase the vitality of the city?

c. To what extent can rehabilitation occur economically?

In varying degrees each of the alternatives concentrates on the goals which are assumed in the above questions.

Continued Deterioration

Under alternative one there are the following assumptions:

a. That there are two main groups existing within the slum. Occupants (I) are indicative of the "dead-enders" who, for various reasons are beyond the range of help which can produce observable results within a periof of measured time. There is the other group, which represent the "new migrants", the young who are still capable of being assisted to reach an independent, self-assisting stature, or older persons who feel "trapped."[14] This is the open-end group.

b. That there is a tacit recognition by the municipality to allow the area to continue to deteriorate. This policy may even be a practical result of the city's inability to maintain and enforce code enforcement and health assistance.

c. There is tacit encouragement of real estate speculation.

Summary

Under this alternative the following consequences and costs occ ur.

I. Short Term:

A. OCCUPANTS. Initial short term benefits to the occupants because of the change in milieu and the sense of anticipated improvement. This alternative is not necessarily

	OCCUPANT 1 Dead End	OCCUPANT 2 Open End	UNIT	NEIGHBORHOOD	CITY
SHORT TERM	+ S LABOR + S MENTAL KINSHIP - S RENT + S SHELTER + K FREEDOM + K INTEGRITY SUM: POSITIVE	+ S LABOR + S MENTAL KINSHIP - S RENT + S SHELTER + K FREEDOM + K INTEGRITY SUM: POSITIVE	+ S NO REPAIRS + S INC. RENTS - A VALUE OF STRUCTURE 0 A VALUE OF SITE SUM: POSITIVE	HAS SAME CHARAC. OF UNIT; IN AGGREGATE SUM: POSITIVE	+ S INCREASED LABOR SUPPLY + S LESS TRANS-PORTATION + S LESS CODE ENFORC. SUM: POSITIVE
MEDIUM TERM	0 S LABOR + S MENTAL KINSHIP - S RENT + S SHELTER + K FREEDOM (SECURITY) + INTEGRITY SUM: POSITIVE	0 S LABOR 0 S MENTAL KINSHIP - S RENT - A ADAPTABILITY 0 S SHELTER 0 K FREEDOM 0 K INTEGRITY SUM: NEGATIVE	+ S NO REPAIRS + S INC. RENTS + S FEES CHANGE IN PROPERTY + S DECREASE TAX. + A DEPRECIATION - A RIOT LOSS SUM: POSITIVE	+ A RETAIL FNC - A RETAIL FNC + S SCHOOL + S PARK - S FIRE - S HEALTH - A DECREASE ASSESSMENT SUM: NEGATIVE	- S CRIME - S HEALTH - S WELFARE + S NO DISPERSIONS OF MARGINAL PERSONS 0 K FREEDOM 0 K INTEGRITY 0 K EFFICIENCY SUM: NEGATIVE
LONG TERM	0 S LABOR + S MENTAL KINSHIP - S RENT + S SHELTER + U FREEDOM + U INTEGRITY SUM: POSITIVE	- S LABOR - S MENTAL KINSHIP - S RENT - A ADAPTABILITY - A "FAMILY" COSTS - S SHELTER - K FREEDOM - K INTEGRITY SUM: NEGATIVE	+ A DEPRECIATION + S NO REPAIRS + S INC. RENTS + S FEES CHANGE IN PROPERTY - A RIOT LOSS SUM: POSITIVE	0 A RETAIL FNC - A SCHOOL - A PARKS + S SERVICES + S SCHOOL + S PARK + S FIRE SUM: POSITIVE	- S LABOR LOSS - S HEALTH + S NO DISPERSION OF MARGINAL ELEMENTS - K FREEDOM - K INTEGRITY - K IMAGEABILITY - K EFFICIENTY SUM: MINUS

ALTERNATIVE: CONTINUED SLUM

S - SERVICE CHARGES
A - ATTRIBUTES
K - KILES (ABSTRACT QUALITIES

Figure Twenty-Two

restricted to slum dwellers as such. Two other groups fit into this category: a neighborhood characterized by an older population which has raised its children, or a neighborhood characterized by certain ethnic bonds or kinship.

B. NEIGHBORHOOD-CITY: Initial short term benefits to the city because of an increase in low labor supply. There is also less cost because of lower code enforcement and services.

2. Medium Term:

A. OCCUPANTS: The divergence between those that are satisfied with minimal shelter and those that aspire to higher levels becomes distinct. For the former, there is continued satisfaction and for the city it represents the least cost because they are localized. For the latter, the immediate costs are mounting and the costs in terms of their ability to adapt, an attribute, becomes real. The resulting frustrations, accompanied by various mental neuroses, and the disintegration of the kinship bonds preclude positive action.

B. UNIT: The positive benefits of allowing a unit to deteriorate accrue especially in the forms of depreciation and real estate speculation.[15]

C. NEIGHBORHOOD: The effects on the neighborhood begin to spread. What is true for one unit is compounded in the aggregate for the neighborhood.

D. CITY: The city is encumbered with service costs and the loss of capital attributed reflected in decreased valuations. In some areas there may be fewer costs, such as in providing certain levels in schools, but overall costs counteract such savings.

3. Long Term:

A. OCCUPANTS: The residual slum dweller finds continued satisfaction and for the city this alternative may be the most efficient in handling him. For the dweller who once wanted to aspire to a higher level, the effects of the slum are becoming irreversible and all positive attributes are lost.

B. UNIT: The unit, having reached its minimal value, continues to provide economic rewards through the process of continued ownership changes or mortgage changing. Tax advantages still continue.

C. NEIGHBORHOOD-CITY: There is continued services charges for the city and in the long run, because of the disenfranchisement of the latter slum dwellers; the level of freedom and integrity has been reduced. The continued existence of the slum is a minus factor in the city's imageability.

Incremental Rehabilitation

Under alternative two, there are the following assumptions:

a. That the group which aspires to reach higher levels has been identified and rallied to their improvement.

b. That a strategy of having them input some of their own labor in small steps which have been systematically outlined in the improvement of their home has been devised.

c. That they are required to leave their unit only for short periods of time to replace major structural elements.

d. That there is a high degree of before and after occupancy of the same sets of dwelling units.

Summary

I. Short Term:

A. OCCUPANTS: The occupants of the unit are intimately involved in the improvement of the structure. By this sense of participation they begin to develop positive attributes about themselves and their city. There must be a developed and consistent frame of assistance.

B. UNIT: Because of the existing financial system, there are difficulties in obtaining financing. Current tax laws favor larger scale depreciation and thus do not favor "small steps of improvement." Although certain administrative features are locked into the system which do not favor this type of rehabilitation, overall the initial capital investment is less.[16]

C. CITY: Although it may cost more in terms of assistance and counseling, this alternative suggests an initial cost much less to the city than the others. Also

because the tenants are not required to move out of the unit for more than a week or so there is no "doubling" of facilities.

2. Medium Term:

   A. OCCUPANTS: Depending upon the level of assistance and the receptiveness of the occupants, there will be a continued sense of improvement and self-esteem.

   B. STRUCTURE-NEIGHBORHOOD: There is a leveling off of the costs and benefits of the economic rehabilitation. There continues a positive accumulation of attributes, for the structure and the neighborhood.

   C. CITY: There is a reduction in service charges for welfare and control measures. Because no relocation was necessary, the city benefits because there was no dispersion of the population which requires assistance.

3. Long Term:

   A. OCCUPANTS: There is a leveling off of the benefits from the involvement in improving the structure for the occupants, though by their continued sense of esteem and pride they may consider themselves and their children capable of improvement and responsibility.

   B. UNIT: The deteriorating effects are beginning which must be offset by continued code enforcement and repairs.[17]

   C. CITY: While this alternative may have assisted the occupants to become responsible citizens, if in effect the attempt was to restrict them to certain areas, then

	OCCUPANT	UNIT	NEIGHBORHOOD	CITY
SHORT TERM	+ S TRAINING + S LABOR OPPTY. + S MENTAL KINSHIP 0 S RENT + S SHELTER + S ACCESS + K INTEGRITY SUM: POSITIVE	- S LABOR + S MATERIALS + A LOWER CAPITAL - S FINANCING 0 K IMAGEABILITY 0 S NO UTILITY INVEST. SUM: NEUTRAL	+ S RETAIL SUM: POSITIVE	+ S LABOR + S NO "DOUBLE USE" OF STRUCTURE + K INTEGRITY - S TRAINING ASSIST COUNSELING + K EFFICIENCY SUM: POSITIVE
MEDIUM TERM	+ S LABOR + A SELF ESTEEM + A ADAPTABILITY + S KINSHIP + A OWNERSHIP(?) + K INTEGRITY + K IMAGEABILITY SUM: POSITIVE	- S TAXES + A VALUE OF STRUC. + A VALUE OF LAND + S INCREASE RENT SUM: POSITIVE	- S SCHOOL - S PARKS + A SCHOOL + A PARKS + S FIRE + K IMAGEABILITY SUM: POSITIVE	+ A SECONDARY EFFECTS TO TANGENTIAL AREA + A LESS TRANSPORTATION COSTS + S NO DISPERSION OF ASSISTANCE + A NO DISPERSION OF MARGINAL POP. + K INTEGRITY + K IMAGFABILITY SUM: POSITIVE
LONG TERM	0 S LABOR 0 A ADAPTABILITY + A SELF ESTEEM 0 S KINSHIP + K INTEGRITY + K IMAGEABILITY SUM: POSITIVE	0 S TAXES 0 S INCREASE RENT - S REPAIRS - K VAL. OF STRUC. 0 K VAL. OF LAND SUM: MINUS	0 S SERVICES 0 S SCHOOL 0 S PARK 0 S FIRE 0 A SCHOOL 0 A PARK + K IMAGEABILITY SUM: POSITIVE	(CONTINUED BFNEFITS) - S CODE ENFORCE. 0 K FREEDOM + K IMAGEABILITY SUM: NEUTRAL

ALTERNATIVE: INCREMENTAL REHABILITATION

S - SERVICE CHARGE
A - ATTRIBUTES
K - Kiles

Figure Twenty-Three

there has been no gain in the overall freedom of the city. The city still benefits from improved image-ability.

Large Scale Rehabilitation

Under alternative three there are the following assumptions:

a. That a group which aspires to reach higher levels has been identified and that they are willing to assume the responsibilities of owning or renting a unit properly.

b. That for periods of time, at a minimum of forty days, the structures will not be habitable.

c. That there is not necessarily a high degree of before and after occupancy of the same sets of dwelling units.

d. That a program of responsible home ownership and maintenance has not been an integral part of the program. (Therefore the long term consequences have been omitted. Such consequences depend on, basically, the "stake" that the occupants have in their structure.)[18]

Summary

I. Short Term:

A. OCCUPANTS: There is a disruption in the life-style of the occupants caused by relocation. Again positive attributes are zeroed out as they are forced to relocate, even though they may return to the same

set of dwellings. There is the cost of relocation which must be borne by the city.

B. UNIT: There still is no summary conclusions as to the cost of large scale rehabilitation versus reconstruction. Evidence tends to suggest that such rehabilitation is less costly. The difficulty is that the economic system of financing is oriented to reconstruction.[19]

C. CITY: The city must bear the costs of relocation, the disruptive effects of reconstruction, in essence the doubling of facilities, and the secondary effects of dispersion.

2. Medium Term:

A. OCCUPANTS: The chief advantage of rehabilitation, likewise reconstruction, is that there is the immediate perceptible difference in environment. This environmental impact, if followed by successive counseling and assistance programs, can increase the attributes of the occupants.

B. LIMIT-NEIGHBORHOOD: There is immediate effects for the structure and the neighborhood. The imageability is significantly increased, if the rehabilitation emphasized architectural or historical qualities.

C. CITY: There is immediate benefits for the city in reduced social control costs, and in its imageability.

	OCCUPANT	UNIT	NEIGHBORHOOD	CITY
HORT ERM	- S MENTAL KINSHIP - S SHELTER - S INC. RENT - S ASSISTANCE - S RELOCATION - K INTEGRITY SUM: NEGATIVE	- S LABOR + S MATERIALS - S FINANCING + S INC. RENT SUM: NEUTRAL	- S RETAIL FNC + S LOWER SCHOOL PARK + K IMAGEABILITY SUM: POSITIVE	- S LOSS OF LABOR - S LOSS OF RETAIL - S DISPERSION OF ASSISTANCE, WELFARE, HEALTH - A DISPERSION EFFECTS + K IMAGEABILITY SUM: NEGATIVE
MEDIUM	+ S HEALTH + A STABILITY + A ADAPTABILITY SUM: POSITIVE	+ S REPAIRS + A DEPRECIATION - S TAXES + S INC. RENT SUM: POSITIVE	+ S RETAIL FNC - S SCHOOL - S PARK + S FIRE + A TAX VALUATION + K IMAGEABILITY SUM: POSITIVE	+ A SECONDARY EFFECT + A LESS TRANSPORTATION COSTS - S INCREASED - A UTILITY COSTS + K IMAGEABILITY SUM: POSITIVE
ONG	0 S LABOR 0 A ADAPTABILITY + A SELF ESTEEM 0 S KINSHIP + K INTEGRITY + K IMAGEABILITY	0 S TAXES 0 S INCREASE RENT - S REPAIRS - A VAL. OF STRUC. 0 A VAL. OF LAND	0 S SERVICES 0 S SCHOOL 0 S PARK 0 S FIRE 0 A SCHOOL 0 A PARK + K IMAGEABILITY	CONTINUED BENEFITS - S CODE ENFORCE. 0 K FREEDOM + K IMAGEABILITY

ALTERNATIVE: LARGE SCALE REHABILITATION

S - SERVICE CHARGES
A - ATTRIBUTES
K - KILES

Figure Twenty-Four

3. Long Term:

   A. OCCUPANTS: Depending upon the conditions cited above, there will be a continued accumulation of attributes or a decline.

   B. LIMIT-NEIGHBORHOOD: The deteriorating effects will not be as noticeable as under incremental rehabilitation.

   C. CITY: The same reasoning applies for the city as found under incremental rehabilitation. The exception would be that of rehabilitation for historical or architectural reasons. There the assets under imageability would offset the negative factors under freedom.

Reconstruction

Under alternative four there are the following assumptions:

a. That a group which aspires to reach higher levels has been identified, and that they are willing to assume the responsibilities of owning or renting a unit properly.

b. That there will be relocation while the sites are cleared and reconstructed.

c. That there is not necessarily a high degree of before and after occupancy of the same structures.

d. That a program of responsible home ownership and maintenance has not been an integral part of the program. (See Point d. under large scale rehabilitation.)

Summary

The main costs and benefits for reconstruction are the same that

apply to large-scale rehabilitation, with the following exceptions:

A. LIMIT: There may be an initial lower cost in reconstruction.

B. NEIGHBORHOOD: The advantages of imageability depend upon the character and style of the new structures.

C. CITY: The city may face increased service costs and later attribute costs through increased utilities and services through increased densities.

RE: CONSTRU-CTION	OCCUPANTS	UNIT	NEIGHBORHOOD	CITY
SHORT TERM	- S RELOCATION - S INCR. RENT - S KINSHIP - A STABILITY - K FREEDOM - K INTEGRITY SUM: NEGATIVE	+ S INC. RENT 0 S CONSTRUCTION 0 A COST 0 S FINANCING 0 A ZONING SUM: POSITIVE	- S RETAIL FNC SUM: NEGATIVE	- S LOSS OF LABOR - S LOSS OF RETAIL - S DISPERSION OF ASSISTANCE - A DISPERSION EFFECTS - S "DOUBLE USE" OF FACILITIES SUM: NEGATIVE
MEDIUM	- S INC. RENT + S HEALTH + S ACCESS + A STABILITY + A ADAPTABILITY + K INTEGRITY SUM: POSITIVE	+ S REPAIRS + A DEPRECIATION (TAX) - S TAXES + S INCR. RENT SUM: POSITIVE	+ S RETAIL FNC - S SCHOOL - S PARK + S FIRE + A VALUATION + S TAX INCREASE + K IMAGEABILITY SUM: POSITIVE	+ A SECONDARY EFFECTS + S NO INCR. TRANSP. - A UTILITY COST + K FREEDOM + K IMAGEABILITY + K INTEGRITY SUM: POSITIVE
LONG		0 S REPAIRS + S INC. RENT SUM: POSITIVE		

ALTERNATIVE: RECONSTRUCTION

S - SERVICE CHARGES
A - ATTRIBUTES
K - KILES

Figure Twenty-Five

SUMMARY

In preparing a strategy program to cope with marginal and sub-standard housing in a neighborhood, the private-public groups can choose from four alternatives:

a. allow structures to continue to deteriorate.

b. rehabilitate them slowly or incrementally.

c. rehabilitate them extensively in a short period of time.

d. tear them down and build anew.

The decision rests upon how inclusive and for what period of time the planner is scheduling his program. Finally, the decision rests upon either his own or a consensual value system Will the economics rule or will rehabilitation be used also to assist the occupants and also improve the character (imageability) of the city.

This chapter was an attempt to outline the main elements of the costs and benefits of the various alternatives. It did not attempt to document the actual costs. The costs of cities, both on the micro and macro level, are becoming more documented. There may be the possibility that one day the planner can argue that it may be wiser to undertake an uneconomical approach to rehab from the standpoint of the builder because it will save the city more money than trying to relocate a family and administer additional assistance programs.

Or, conversely, the planner may capitalize on the high profit factor of prestige rehabilitation by creating a snob area through capital improvements such as boundary highways, a park and a cultural center and then allow the private builder to go into action.

Given the American value system based on economic value interpretations, the planner may be more effective if he can translate social values into economic costs and benefits.

FOOTNOTES

1. Several typologies of the lower classes have been advanced. Each suggests that there is a residue beyond the practical assistance of current programs. See S. M. Miller, "The American Lower Classes, A Typological Approach," New Perspectives on Poverty, Englewood Cliffs, N.J.: Prentice Hall, 1965, pp. 22-39. The concept has laso been advanced by Herbert Gans in his various discussions of the "open end" and "dead-end" slums. Note also Marc Fried and Peggy Gleicher, "Some Sources of Residential Satisfaction in an Urban Slum," Journal of the American Institute of Planners, vol. 24, November 1961, pp. 305-315.

2. The complexity of the problem is illustrated by Gordon E. Brown, ed. The Multi-Problem Dilemma, Metchuen, N.J.: The Scarecrow Press, 1968: Alvin L. Schorr, Slums and Social Security, Department of Health, Education and Welfare, Washington, D.C.: Government Printing Office, 1963.

3. Jewel Bellush and Murray Hausknecht, (also ed.) "Public Housing, The Contexts of Failure," Urban Renewal: People, Politics, and Planning, Garden City, N.Y.: Anchor Books, 1967.

4. Theodore L. Cross, "Present Conditions of Banking in the Ghetto," Committee on Banking and Currency, Financial Institutions and the Urban Crisis, Washington, D.C.: Government Printing Office, 1968, pp. 396-401; Committee on Banking and Currency, Financing of Inner City Housing, Washington, D.C.: Government Printing Office, 1969; note statement by Preston Martin (Chairman, Federal Home Loan Board) pp. 237-241. Note the administrative stipulations for prospective mortgagers in Ernest M. Fisher and Charles Rapkin, Mutual Mortgage Insurance Fund, New York, N.Y.: Columbia University Press, 1956, p. 9. See also Anne M. Turner and Susan G. Beetle, A Citizens Guide to Housing Programs in Philadelphia, Philadelphia, Pa.: Philadelphia Housing Association, 1968, p. 72.; Martin Anderson, The Federal Bulldozer, Cambridge, Mass.: M.I.T. Press, 1964, Chapter Four, "The Consequences"; Chester W. Hartmann, "A Rejoinder: Omissions in Evaluating Relocation Effectiveness Cited," in Urban Renewal: People, Politics and Planning, op. cit., pp. 361-365.

5. A. H. Schaaf, op. cit.; also A. H. Schaaf, "Economic Feasibility Analysis for Urban Renewal Housing Rehabilitation," Journal of the American Institute of Planners, vol. xxxv, no. 6 (Nov. 1961), pp. 399-404; Martin Anderson, op. cit., Chapter Nine; U.S. Dept. of Housing and Urban Development, Cost, Time Associated with Tenement Rehabilitation in Manhattan, New York City, 1968.

6. Jerome Rothenberg, Economic Evaluation of Urban Renewal, Washington, D.C.: Brookings Institution, 1967, pp. 32-45; James C. T. Mao, "Efficiency in Public Urban Renewal Expenditures through Benefit-Cost Analysis," Journal of the American Institute of Planners, vol. xxxii, no. 2 (March 1966), pp. 95-107.

7. Victor De Grazia, "Rehabilitation is Not Working as a Resource for Community Development," Journal of Housing, no. 11, December 1969, pp. 622-625.

8. In an analysis of an area considered for rehabilitation, some of the reasons for not improving the exteriors of the units was the "dislike of the neighbors" and noise and traffic. It should be noted that the residents were obviously contented and the researcher was unsettled by what appeared to be deteriorating conditions. Albert Rose, Prospects for Rehabilitation of Housing in Central Toronto, Toronto, Ontario: University of Toronto, 1966. In another area, dissatisfaction was expressed with the level of service and appearance of the neighborhood and the citizens welcomed the prospect of assistance; Lippett Hill Rehabilitation Area, Providence, R.I.: Providence Redevelopment Agency, 1962.

9. See Jerome Rothernberg, op. cit.; also Sidney Hook, ed., Human Values and Economic Policy, New York, N.Y.: New York University Press, 1967; K. William Kapp, The Social Costs of Private Enterprise, Cambridge, Mass.: Harvard University Press, 1950. The main elements of a cost-benefit analysis and bibliography are found in A. R. Prest and R. Turvey, "Cost Benefit Analysis: A Survey," Economic Journal, vol. 75 (December 1963), pp. 683-731.

10. Paul L. Niebanck and John B. Pope, Residential Rehabilitation, Philadelphia, Pa.: University of Pennsylvania, 1968, p. 43; Cost and Time Associated with Tenement Rehabilitation...op. cit., p. vii and p. viii.

11. Changes over a five year period were recorded in Chester Rapkin and William G. Grigsby, The Demand for Housing and in Racially Mixed Areas, A Study of the Nature of Neighborhood Change, Berkley Calif.; University of California Press, 1960. This dealt specifically with racial changes and its applications to other migration changes is questionable.

12. Harry B. Wolfe, "Models for Condition Aging of Residential Structure," Journal of the American Institute of Planners, vol. xxxiii, no. 3 (May 1967), pp. 192-195; William G. Grigsby, Housing Markets ...op. cit., pp. 103-110.

13. Adapted from Downtown Lansing Plan, U.P. 801-A, Fall 1966, School of Urban Planning and Landscape Architecture, Michigan State University.

14. A neighborhood which epitomizes such an ethnic condition is Charlestown, Boston, Mass., which reacted negatively at first to rehabilitating plans. See Langley Carleton Keyes, Jr., The Rehabilitation Planning Game, Cambridge, Mass.: M.I.T. Press. A similar neighborhood which reacted favorably to the first stages of planning was that of Grays Ferry, Philadelphia. See "Citizen Participation in Urban Renewal," Columbia Law Review, vol. 66 (March 1966), pp. 505-610.

15. Jerome Rothernberg, op. cit., p. 49.

16. Paul L. Niebanck, op. cit.

17. A. H. Schaaf, "Economic Feasibility Analysis...", op. cit.

18. The ramification of this assumption involves the question of rent versus ownership and the growing suggestions for home ownership for the lower incomes.

19. The McKinsey study on the New York City Rehabilitation program indicates that after a certain point in extensive rehabilitation, it is more economical to build anew than rehabilitate. McKinsey and Co., Inc., op. cit., section two. The report also confirms general impressions that the rehabilitation industry as such is not organized and current financing procedures are not oriented for rehabilitation.

Chapter Five: The Potential for Successful Rehabilitation Programs

With the focus on employing rehabilitation as a means of coping with the marginal house, the problem of housing in the United States represents a series of current deficiencies:

a. defining and identifying the state of the housing stock.

b. the lack of a comprehensive framework of analysis linking economic and social factors in corrective strategies.

c. the ineffectiveness of federal assistance programs which rely solely on economic leverages, and the failure to clearly define treatment of housing either as an economic marketing problem or as a welfare problem, or specific ratios thereof.

d. the fragmented administrative procedures and policies on the local and national level.

In trying to remedy these deficiencies, the planner must account for the four main-stream forces which age the house:

a. physical aging

b. economic

c. social

d. administrative

As noted in the first chapter various groups through rules, legislation or other controls affect these aging forces. The accompanying chart, INSTITUTIONS IN HOUSING REHABILITATION, enumerates the basic groups which affect the state of housing. To institute a program of rehabilitation requires the following:

a. an awareness of the potential for success given the "system" as it is now.

b. an appreciation of the potential for success if existing control groups and controls can be altered.

c. a consideration of how likely can these control groups and controls be altered.

Assume for example, that current depreciation schedules for taxation purposes have been documented as a cause for significantly increasing the deterioration of housing. If this is so, the question then becomes how much does present deterioration increase, and subsequently, what is the possibility of changing this depreciation schedule. If, in fact, it appears that the likelihood of changing this schedule is nil, what other

factors are present and what are the possibilities of their effects being altered?

In contrast to the previous analytical frameworks in the previous chapter, the accompanying chart is not based on a time perspective. This author is assuming that the majority of these groups are working within a short to medium term perspective and the consequences of their actions are viewed only as to immediate effects.

These control groups are viewed two ways: in terms of their geographical area of influence and in terms of their operation within the system. The chart is rudimentary. One could hypothesize a complex subsystem by which a councilman reacts to and inputs into. A union can be viewed as a complex organization with local, regional and national control and influence. Tax legislation perhaps epitomizes the compromise of numerous economic pressure groups working both in Washington and throughout the country.

Finally, one can suggest that the resulting procedures and allocation of benefits reflects the current value system. To suggest a change in values and change in priorities is perhaps the ultimate solution, but a solution which requires a level of understanding and organization which may not exist now.

By designating the various control groups by geographic area, there is no attempt to suggest a one-to-one relationship. Local groups not only influence their neighborhood but also the city. Conversely, national tax legislation not only affects the national economy as an aggregate, but also affects the occupant in the slum or rehabilitation dwelling unit.

Emerging both in private and public sectors are techniques for evaluating and recommending changes in the total systems, that is systems

CONTROL GROUPS IN HOUSING

	OCCUPANT	UNIT	NEIGHBORHOOD	CITY	STATE-NATION
ADMINISTRATIVE		Planning Commission-Zoning Building Codes Health Codes	Planning Commission-Zoning Local School Churches	Building Codes School Board Fire Police	H.U.D. Standards for accepting mortgage insurance
ECONOMIC		Real Estate Brokers Sales Savings and Loans Commercial Banks Contractors Unions	Same as for Unit	Tax Assessor Levels of Capital Improvements	Congress: Tax Legislation H.U.D. Funding H.U.D. Insurance, Loans Mortgage Co. Real Estate Syndicates
SOCIAL-POLITICAL	Community Population	Courts	Councilman	Councilman: Fair Housing Legislation	Fair Housing Legislation Referendums

Figure Twenty-Six

analysis. As the society evolves with an awareness of the continuing interplay of forces within it, perhaps the chances of understanding and interpreting and consequently changing it will improve. But, always in the interim, decisions must be made and risks taken.

Given these considerations, the possibility of rehabilitation within the current system is described in the following.

This writer predicts that the following types of rehabilitation have a higher probability of success.

a. Prestige rehabilitation, intensive
    1. housing of a unique character (either historical or style significance).
    2. in physically defined areas (by highways, parks, cliffs, rivers).
    3. located near major urban business and cultural activities.
    4. administrative recognition of the importance of such rehab.

b. Middle-income rehabilitation, incremental
    1. housing that was formerly middle class.
    2. in physically defined areas near major transportation arteries.
    3. based near major educational institutions.
    4. local administrative assistance through formal programs of neighborhood school improvements and tax relief.

c. Low-income rehabilitation, short-term, intensive

1. housing that is characterized by high vacancy rates.
2. efficient coupling of subsidies.
3. medium term program of counseling and assistance such that housing rehabilitation is coupled with occupant training.
4. an area with favorable union attitudes.
5. a geographic area that can be expanded in distinct steps with initial input on periphery of such an area.
6. local administrative acceptance, coupled with necessary capital improvements.

d. Low-income rehabilitation, incremental self-help

1. viable and motivated community organization.
2. union acceptance and assistance.
3. the input of managerial expertise.
4. local administrative acceptance and endorsement through capital improvements and tax relief.
5. acceptance by local financing institutions.
6. housing stock that is not so deteriorated that occupants cannot live in the structures from the beginning.
7. a realistic scheduling of improvements based on improvements financed according to the concept of a revolving fund.

8. (the geographic area is dependent upon the strength and expertise of the community organization.)

Given these "predictions" the planner must then test these blighted areas against an overall comprehension of and plan for the city. Foggy Bottom, Washington, D.C., and Greenwich Village, N.Y.C. were two areas not administratively endorsed, but because of local enthusiams the rehabilitation efforts initially succeeded. In contrast, the official plan for Los Angeles calls for the major change to a "luxury-marina area" in the semi-slum area of Venice. In this area the residents are beginning to protest because they do not want to move and desire rehabilitation assistance. Charlestown in Boston, Massachusetts, is an area where the desires of the local residents and the official policy meshed and the area is undergoing a successful rehabilitation and renewal program.

In summary, plans have called for rehabilitation in many areas, but there have been few attempts to differentiate the types and levels of rehabilitation against the social and physical characteristics of the area. A meaningful rehabilitation program must be based on such factors and viewed within a time perspective.

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