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# **Working Papers on Identifying and Addressing Severely Distressed Public Housing**

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*of the National Commission on Severely Distressed Public Housing*

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**Working  
Papers**

*of the National Commission on  
Severely Distressed Public Housing*

December 1992  
Washington, D. C.

The following documents have been prepared by the NCSDPH and are available through the Government Printing Office (GPO):

<i>Final Report</i>	August, 1992
<i>Case Studies and Site Examination Reports</i>	December, 1992
<i>Working Papers</i>	December, 1992

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*Chapter 1*

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*Overview*

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**CHAPTER ONE**

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*Chapter One:***Overview****I. INTRODUCTION**

This Report presents the working papers which have been prepared by the National Commission on Severely Distressed Public Housing (NCSDPH) to introduce to the United States Congress its findings and evaluation of severely distressed public housing. This chapter serves as an introductory chapter to the other chapters which follow.

Congress established the National Commission on Severely Distressed Public Housing through the 1989 National Affordable Housing Act (Public Law 101-235). The Commission was assigned the following tasks:

1. To identify those public housing developments in the Nation that are in a severe state of distress;
2. To assess the most promising strategies to improve the conditions of severe distress that have been implemented by public housing authorities and other government agencies; and
3. To develop a National Action Plan to eliminate the conditions that contribute to unfit living conditions in public housing developments determined by the year 2000.

While devising the plan, this bipartisan, diverse group of Commissioners was charged with identifying the causes of severe distress as well as effective methods of treatment.

The Commission conducted an extensive survey of conditions at severely distressed developments across the country. Its evaluation of severely distressed public housing involved several forms of research:

- analysis of physical needs databases;
- collecting data on the resident population from the U.S. Department of Housing and Urban Development (HUD);
- examining HUD's treatment of troubled PHAs and developments in need of rehabilitation;
- soliciting comments and examples of severely distressed public housing from industry trade groups;
- conducting case studies of 14 developments at 12 public housing agencies around the country which examined conditions at both distressed and revitalized developments.

In the course of conducting their research, Commissioners visited 25 cities, held over 20 public hearings, talked to numerous public housing residents and interviewed PHA staff.

Using this research, a series of working papers on several aspects of managing severely distressed public housing were written. Several consultants participated in this

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effort, so that specialists in public housing design, maintenance and financial management all contributed to developing these detailed working papers. To accompany the frequent references to industry-specific terms, a list of terms commonly used in the public housing program is provided in Exhibit 1 of this volume.

Congress directed the NCSDPH to develop proposals for undertaking rehabilitation strategies to address not only the capital improvement needs of severely distressed public housing developments, but also their management and operations systems. The NCSDPH believes that its recommended physical rehabilitation and management strategies must be viewed in conjunction with the support services and other needs of the households that reside in severely distressed public housing, since it is the residents of these housing developments that public housing was created to serve.

Congress instructed the NCSDPH to assess the most promising strategies which include:

- measures to correct management deficiencies;
- provision of support services to residents, and if necessary, the redesign of buildings to accommodate such services;
- redesign of projects to reduce density and otherwise eliminate harmful design elements;
- conversion of projects to mixed income housing developments; and
- total or partial demolition or disposition of projects. Evaluation of such strategies includes efforts to provide for replacement of public housing dwelling units that were demolished, disposed of or otherwise removed from use by low-income persons.

A successful approach to addressing the needs of severely distressed public housing will consist of many components integrated into a program that encompasses management, capital improvements, support services and resident initiatives. The strategy must involve a wide range of participants including local governments, the private sector, federal agencies and, of course, public housing residents. These working papers contain numerous recommendations for addressing conditions in severely distressed public housing and are the basis for the National Action Plan (NAP) which can be found in the Final Report of the NCSDPH (August, 1992). The NAP contains the actual action plan and programs being proposed by the NCSDPH for correcting distressed conditions. A brief outline of each working paper follows.

*Chapter Two*, "Defining Severely Distressed Public Housing", offers the Commission's definition of "severely distressed public housing" and the methodology used to establish the definition. Categories of distress and a rating system for measuring distress are also discussed in this chapter.

*Chapter Three*, entitled "Resident Initiatives and Support Services," provides a discussion of the social and support services available to residents, as well as resident initiatives that promote resident involvement and participation in the process of revitalizing public housing. Often the human conditions in severely distressed public housing are ignored in order to concentrate on physical needs, causing the people who live in severely distressed public housing to also become distressed. This population has be-

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come increasingly poorer and has extensive social service needs. This chapter examines the need to coordinate both existing services and provide additional services to residents, as well as resident initiatives that promote self-sufficiency and empowerment such as economic development activities, homeownership programs and Resident Management Corporations.

**Chapter Four, "Management and Operation,"** discusses the importance of effective on-site management in running efficient public housing programs. A PHA that is experiencing management difficulties and fails to provide decent, safe and sanitary housing to its residents often loses control of its developments, resulting in severely distressed public housing. Indicative of such a failure is the inability of PHAs to control access to the developments, high vacancy rates that result in lower rental income, and high crime rates. The NCSDPH believes that the management of public housing must not only include traditional services such as maintenance and lease enforcement, but also the delivery of social services as a part of the overall full-service housing management approach. This chapter highlights the need to focus on the management operations of public housing and the necessity of providing PHAs with the tools to do this.

**Chapter Five, "Capital Improvement Programs and Physical Conditions,"** focuses on one particular aspect of severely distressed public housing, the underfunding of modernization needs. Severely distressed public housing receives a disproportionately low share of funding appropriations, thus perpetuating and enlarging the circle of distress. This chapter includes a discussion of capital improvement programs, modernization funding requirements, design approaches and planning issues that must be addressed in order to recreate viable public housing communities. The NCSDPH quantifies the portion of the public housing program that is severely distressed and recommends interventions described in this and other sections of the report.

**Chapter Six, entitled "Assessing Housing Viability,"** discusses HUDs viability process which is currently the only method for determining "severe distress" and the non-viability or obsolescence of a housing development. In this chapter, criteria for determining the feasibility of rehabilitating or replacing a severely distressed public housing development are described in detail.

**Chapter Seven, "Regulatory and Statutory Barriers,"** was written because Congress asked the Commission to review those regulations and statutes that should be modified in order to improve the operations of public housing for staff and residents. This chapter contains a discussion and analysis of regulations and statutes that may create barriers to effective public housing operations, including rent regulations, operating subsidy, total development costs, and other HUD regulations that limit PHAs' and RMCs' ability to manage their housing.

**Chapter Eight, "Evaluation and Performance Standards,"** discusses the importance of evaluation and performance standards for determining whether essential operating services are being provided. Methods of assessing performance and issues pertaining to the evaluation of operations of individual housing agencies are discussed in this section of the report. The NCSDPH believes that it is important to consider both the methods and the process for evaluating the performance of those who manage public housing. It ultimately proposes implementation of a national accreditation system with the purpose of evaluating PHAs based on their performance rather than on compliance with HUD regulations. This method of assessing performance would be done by an objective third party and would provide technical assistance based on weaknesses uncovered in the performance review.

*Chapter Nine*, entitled "Non-traditional Strategies," argues that, since not all PHAs are alike in needs, goals and objectives, they should not be governed by a uniform set of regulations. The Congress indicated that it was interested in strategies pursued by public housing agencies. A discussion of how the public housing program can be modified to allow high-performing PHAs more flexibility, to encourage alternative management entities and to allow PHAs to participate in other types of housing programs is included in this chapter.

*Chapter Ten*, Conclusion: Summary of National Action Plan," summarizes the Commission's main policy recommendations. These were developed based on the research conducted through the case studies and the working papers in this volume.

*Appendix A*, "Occupancy Issues in Distressed Public Housing," provides an overview of the demographic changes in public housing occupancy over the past 20 years. It also identifies a broad range of design, management and service delivery issues which arise as PHAs attempt to meet the current and future needs of the public housing population.

*Appendix B*, "The Modernization Needs of Severely Distressed Public Housing," examines the modernization needs of the distressed housing stock and provides an estimate of the number and characteristics of these severely distressed developments. An estimate of the funding required to meet the physical needs of these severely distressed developments is also discussed.

Each section of the report presents research that has been conducted by the NCSDPH and offers strategies to resolve problems presented by severely distressed public housing developments. Of particular interest is the discussion of management standards and evaluation of the operating performance of housing organizations in which the NCSDPH recommends a new approach for public housing that can in fact be followed by all large housing organizations.

A number of new approaches to improve the conditions of severely distressed public housing recommended by the NCSDPH were enacted into law by Congress. Some of the recommendations are in legislation entitled "The Revitalization of Severely Distressed Public Housing", which is contained in the Housing and Community Development Act of 1992 and in the Veterans' Administration, Department of Housing and Urban Development and Independent Agencies Appropriations Act for FY 1993. The Revitalization program provides grants to PHAs to develop and implement revitalization programs for their severely distressed public housing developments. Severely distressed public housing requires major modernization in conjunction with economic development and self-sufficiency programs in order to be turned around. Some developments may need to consider redesign issues as part of their modernization program. All of these activities appear to be eligible for funding under this new competitive grant program.

## **II. PUBLIC HOUSING OPERATIONS AND SEVERELY DISTRESSED PUBLIC HOUSING**

In discussing severely distressed public housing it is important to consider the environment in which many of the larger PHAs operate. Many severely distressed public housing developments are located in large urban areas and in blighted neighborhoods.

PHAs are, in most cases, providing housing services for households which are not served to an significant degree by the private sector. These PHAs experience problems not commonly encountered by other housing providers. While much of the public housing stock is in good condition, or can be treated through conventional programs that have been implemented by Congress and HUD, the condition and problems of severely distressed public housing are of concern in the NCSDPH's review.

Severely distressed housing developments can place an enormous strain on the overall operation of a PHA and can have an adverse impact on a PHAs ability to provide services to its other sites. Unless these conditions are addressed, severely distressed developments will continue to strain a PHA's ability to direct modernization funds to other sites and impair its management of non-distressed complexes. In fact, the number of "high modernization needs" housing developments have increased over the past few years, and this gives every indication that the number of severely distressed public housing developments may be increasing. Based on research conducted by the NCSDPH an estimated *six percent of the public housing program can be considered severely distressed*. This is important, since it means that approximately ninety-four (94) percent of the public housing program does not appear to be severely distressed. Therefore, some of the programs and approaches for treating severely distressed public housing should not be confused with or woven into the programs and approaches for addressing the needs of the remaining portion of the public housing stock that does not require such treatment.

During the past two decades, the public housing program has become more complex as the requirements for the programs have increased. PHAs span a wide range of organizational types in terms of the programs and types of housing that they manage. There are more than 3,000 PHAs nation-wide, *but fewer than 800 own and operate more than 250 units of conventional low-rent public housing*. Severely distressed public housing is not found in a majority of PHAs, but tends to be found in PHAs that operate a larger number of housing units. The conditions found in severely distressed public housing often appear to be related to conditions found in distressed urban communities. Problems in urban locations that are found throughout various regions of the country can be reflected in conditions found in severely distressed public housing. The NCSDPH has noted that conditions in severely distressed public housing relate not only to distressed physical conditions at the housing developments, but also to the households residing in these developments. These conditions of distress are characterized by: poverty brought on by high unemployment, unstable family structure, high incidence of crime, lack of education, and a lack of support services. PHAs find it increasingly difficult to address the capital improvement, support services and management needs of severely distressed public housing. Therefore, the *NCSDPH believes there is a clear need to develop a separate program to treat severely distressed public housing*.

While most PHAs consider their basic mission to be providers of decent, safe and sanitary housing, the complex regulatory and social environment of public housing calls for PHAs to ensure that essential on-site operating services are provided at the housing development level in order to meet other regulatory and statutory requirements. Essential on-site operating services include collecting rents, maintaining housing, lease and occupancy management, and management of basic services. There is no definition of appropriate operating services, but PHAs are expected to develop programs and activities that meet the needs of the housing they operate and the residents they serve. PHAs are to operate in a manner consistent with local needs, but must follow nationally established rules based on Congressional legislation and regulations promulgated by

HUD. Laws and regulations governing PHA operations have increased substantially over the past 25 years to include rules ranging from the establishment of rent levels and selection of households, to the manner in which funds can be obtained to cover operating and modernization costs. Many of the rules governing PHAs must be applied universally to all public housing regardless of location or type. The flexibility afforded PHAs is considered to be quite limited based on the information and testimony given to the Commission. The environment in which PHAs operate impedes their ability to address conditions in severely distressed public housing.

Larger urban PHAs are considered to be some of the largest real estate operations in the areas where they are located. The level and complexity of PHA operations are quite important to consider when determining the management systems and controls that are necessary for the effective operation of public housing. The activities of these organizations must be supported by management information systems, sufficient internal controls and sound financial management practices. Attention needs to be given to the organizational health of the agency, to ensure that systems are in place to support the delivery of essential on-site operating services. PHAs, like any real estate operation, must balance the organization-wide need to maintain sound management systems with the need to provide services at specific public housing developments. This balance becomes increasingly difficult when the housing portfolio contains severely distressed public housing.

There has been significant effort and attention given at the national level to public housing resident initiative programs. All of these initiatives are designed to empower public housing residents by increasing opportunities, choices, and major participation in shaping their own destiny. For example, Resident Management Corporations (RMCs) have been established to affect the operation of public housing developments by undertaking oversight responsibility for managing public housing units. Further, resident initiatives embody a "self help process" to assist residents in making the transition from being recipients of public assistance to becoming actively involved in addressing the needs of their communities. Part of the work of the NCSDPH has involved reviewing successful resident-owned businesses which have been developed to enhance employment and entrepreneurial skills of public housing household members. Although some self-help efforts have been exemplary, there remains a need to create support service delivery systems that are comprehensive, well-coordinated and designed to impact each family member residing in public housing developments, especially those developments that are considered to be severely distressed.

The operation of severely distressed public housing is affected by many factors that must be taken into account when determining appropriate treatment for a such a public housing development. Any program must address the physical conditions of the housing, resident services, manageability of the housing, and programs to complement improvements in a distressed neighborhood where a housing development is located. The program for treating severely distressed public housing must allow for greater flexibility in the conventional public housing program. Proposed changes and new approaches required to treat severely distressed public housing form the basis for the subsequent chapters in this report.

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### III. FINANCIAL SUPPORT FOR THE OPERATION AND MODERNIZATION OF PUBLIC HOUSING

PHAs are required to give preference to public housing applicants that have the greatest need for housing. The significance of this practice is that higher percentages of residents on public assistance are occupying public housing units across the country. One issue resulting from the policy of housing large numbers of poverty impacted households is the reduced amount of rental income PHAs can obtain to cover the cost of operations. Developments with very low rental income combined with large numbers of uninhabitable vacant units increase the percentage of operating subsidy required to manage public housing. For most PHAs, operating subsidy is provided through a formula established under the Performance Funding System (PFS).

The PFS was created in response to language in the Housing and Community Development Act of 1974 and was based on a study of PHAs in the early 1970s. The formula was based on the operating services supported by PHAs that were included in the study. Since the early 1970s there have been many changes to the public housing program. The enactment of new laws and the establishment of new regulations have resulted in changes to the public housing program. There have also been significant changes to the level and type of operating services considered appropriate for PHAs to provide. As indicated earlier in these working papers, no firm definition of operating services exists for public housing or for derived PFS funding levels.

The operating service needs of severely distressed public housing do not seem to be adequately funded under the current method of setting expense levels for PHAs. Under PFS, an expense level is established to support the operations of a PHA's entire public housing program. This does not account for the changing needs for operating services and funding of a particular (severely distressed) public housing development. In fact, the operating costs of a severely distressed public housing development can drain the resources of a PHA and result in a lower level of service being provided to other housing developments. This problem can also result in PHAs limiting the services available to address conditions in a severely distressed public housing development in order to address the needs in other public housing developments. Neither situation is desirable or appropriate for meeting the essential operating service needs of public housing. Since currently there is no required system for reporting operating costs by public housing development, it is difficult to determine the extent to which operating costs of severely distressed public housing developments impact the overall level of funding provided to other housing developments within a particular PHA.

In 1987 the Congress required that HUD establish a system for enabling PHAs to appeal the Allowable Expense Level (AEL) set under the PFS. HUD has recently issued regulations providing for PHAs to appeal AELs but there is no evidence that this system will enable PHAs to adequately address the funding needs of severely distressed public housing throughout the country. Many PHAs and housing organizations have raised concerns over the level of funding provided to support public housing operations under the PFS. However, the NCSDPH is concerned with the level of funding for severely distressed public housing and is recommending a process for setting expense levels separately for these housing developments. This approach is designed to help assure that the programs and other initiatives proposed to treat severely distressed public housing developments can be implemented and sustained.

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While the 1990 National Affordable Housing Act authorized two studies of funding for public housing to be undertaken, neither of these studies have been completed. Major public housing organizations have collaborated to undertake their own study of public housing operating funding provided under the PFS. Preliminary reports from this study have been reviewed by the NCSDPH.

The other major source of public housing funding is modernization funding. Until recently, all PHAs received modernization funding under the Comprehensive Improvement Assistance Program (CIAP). For PHAs with 500 or more units (250 or more beginning in Fiscal Year 1993) a new program called the Comprehensive Grant Program (CGP) is being used which provides funding through a new formula. This program is designed to provide a higher degree of flexibility for PHAs by providing them with more consistent funding levels from year-to-year to support the modernization needs of public housing developments. The NCSDPH's review indicates that the funding amount to be provided to PHAs under the CGP formula in a number of cases is substantially below the amount needed to address the amounts indicated in PHA capital improvement plans. This is of concern to the NCSDPH since it may result in a lack of funding for severely distressed public housing developments which usually have high modernization needs.

In a study conducted by the NCSDPH, units with a relatively low level of rehabilitation needs in 1985 have received a disproportionate share of CIAP funding over the past five years. For example, units with needs below 20 percent of total development cost (TDC) received roughly 40 percent of all CIAP allocations. In contrast, units with needs in excess of 60 percent of TDC accounted for roughly 19 percent of aggregate needs, yet these same units received only 8 percent of available funding. Available funding for the modernization program has fallen far short of existing needs. Apparently, the majority of PHAs have concentrated their limited resources on those segments of the public housing stock where available funds can make a difference. One of the apparent outcomes of this targeting was an increase in the number of units whose modernization needs were relatively high.

Congress has provided funding for a program designed to address the needs of certain public housing developments with high modernization needs, known as the Major Reconstruction of Obsolete Properties (MROP) Program. For Fiscal Year 1992, \$200 million was appropriated for this program, however the Administration has proposed that these funds be rescinded. The MROP program offers a separate source of funds to support the major rehabilitation of what the NCSDPH would consider severely distressed public housing with high modernization needs. The NCSDPH has reviewed this program and is recommending that it be modified and expanded to support the rehabilitation of severely distressed public housing. One such modification should be the allowing of funds for construction of replacement housing, as an alternative to rehabilitation of existing units, depending on the comprehensive treatment considered most appropriate for a particular severely distressed development.

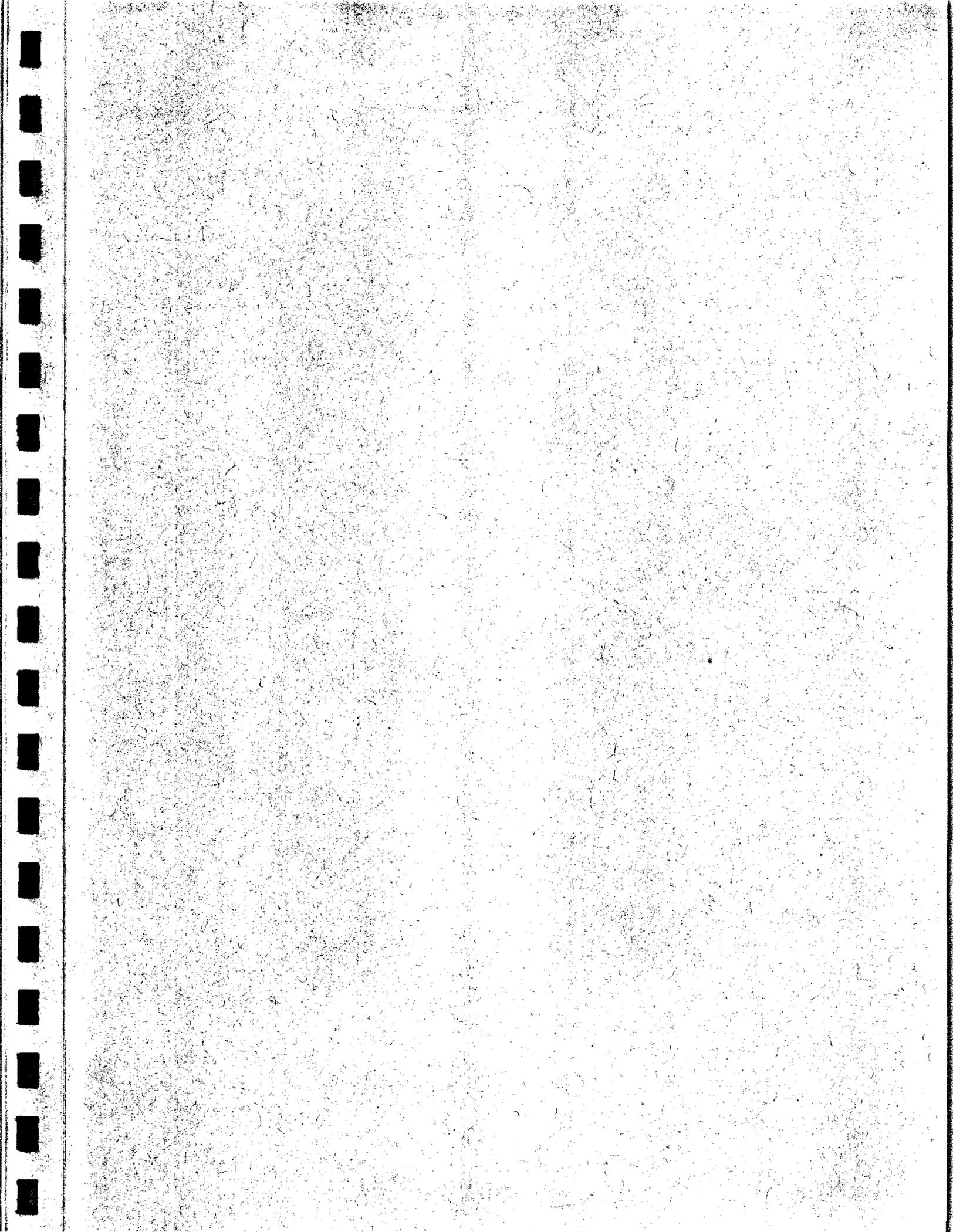
The review of existing HUD funding programs for public housing has been conducted with the objective of determining how these programs address the needs of severely distressed public housing developments. Special grant programs, such as the Public Housing Drug Elimination Program (PHDEP), have also been reviewed. In the working papers the NCSDPH examines ways in which existing funding programs can be used or adapted to meet the needs of severely distressed public housing. In cases where new or different funding approaches are needed, the NCSDPH recommends new programs or program changes.

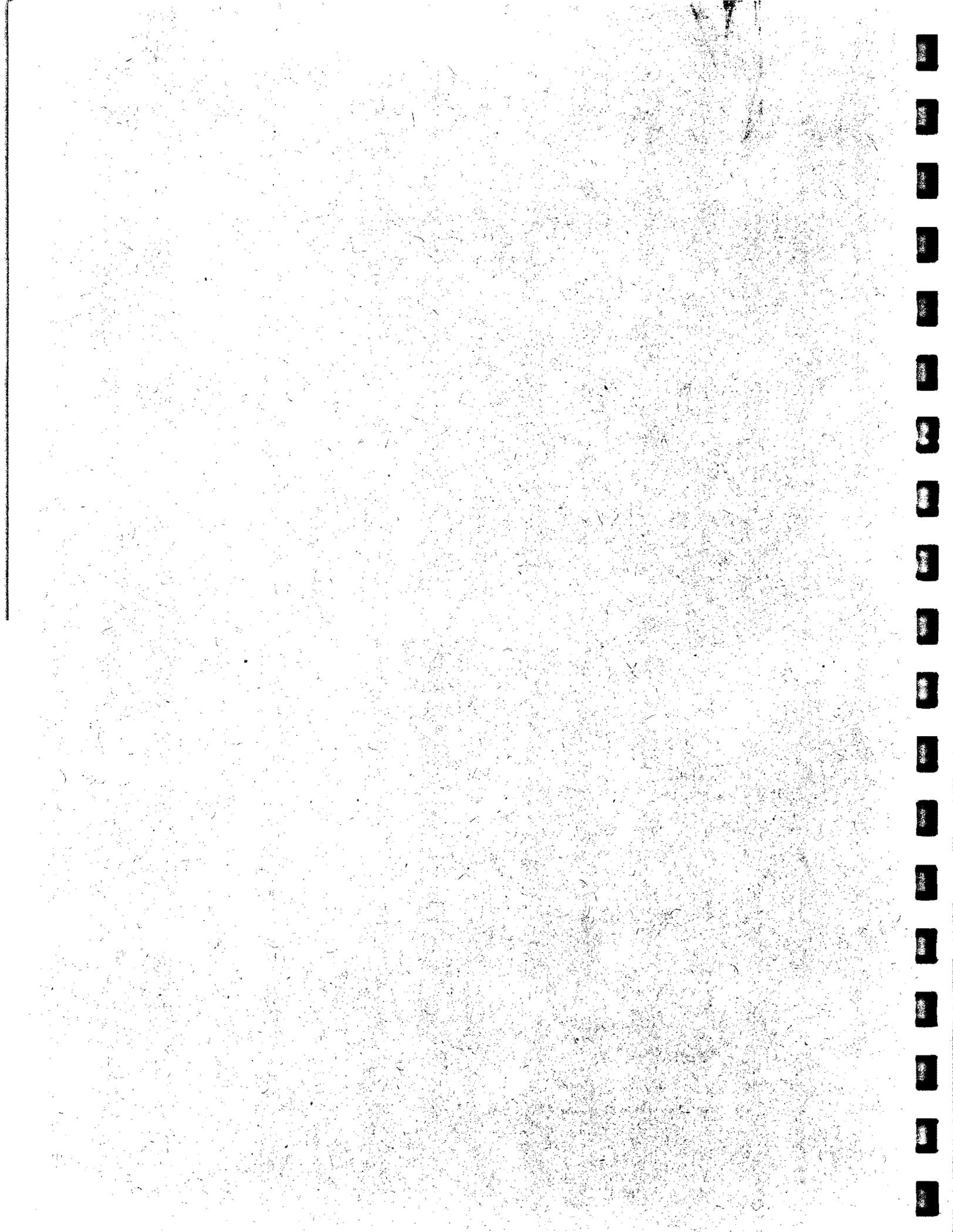
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Each of the following chapters presents Commission research, issues framed by site visits and public hearings and strategies that can be used to resolve the findings presented. The issues presented in these chapters match those issues presented in the National Commission of Severely Distressed Public Housing's Final Report published by the Government Printing Office in August of 1992.

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Chapter 2

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*A Definition of Severely Distressed Public Housing*

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**CHAPTER TWO**

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**DEFINITION OF SEVERELY DISTRESSED PUBLIC HOUSING**

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**CHAPTER TWO:****A DEFINITION OF SEVERELY DISTRESSED PUBLIC HOUSING****I. INTRODUCTION**

The National Commission on Severely Distressed Public Housing (NCSDPH) has attempted to define severely distressed public housing. The definition that has evolved includes traditional measures such as modernization and non-traditional measures such as school drop out rate. This definition takes into account as many aspects as possible so PHAs may have latitude in determining which public housing developments are severely distressed. Reviews of housing developments were undertaken by members of the NCSDPH as were site examinations and case study reviews. Based on these reviews and studies a definition for severely distressed public housing is being offered. It was decided by the members of the NCSDPH not to use time and resources to identify specific severely distressed public housing developments but rather to develop a working definition and proposals that would direct resources toward the development of a comprehensive program to treat these severely distressed housing developments.

The NCSDPH developed the definition of severely distressed public housing with the intention that it be used so that PHAs can apply for severely distressed housing designation and for these housing developments to then qualify for remedies proposed by the NCSDPH and enacted by the Congress. The definition is expected to be further refined based upon the collection of data for the indicators covered in the proposed point system. It is recognized that there is a significant lack of data on many indicators that the NCSDPH has included in its definition and point system and recommends that Congress provide funding to HUD's Office of Policy Development and Research to undertake a project to better identify how the data required for the point system can be collected and maintained.

**II. PROPOSED DEFINITION OF SEVERELY DISTRESSED PUBLIC HOUSING**

The NCSDPH believes that severely distressed public housing is characterized by a combination of several factors or an extreme degree of one condition. The factors chosen to be included in the definition combine physical and social characteristics that seem to best capture the range of conditions observed. A qualitative definition was considered, but the Commission decided that a point system had the advantage of being more definitive and practical. Therefore, based on factors identified by the Commission through public hearings, case studies and Commission meetings, the Commission designed a point system for designating developments as severely distressed. The Commission believes however, that the definition should be further refined and should incorporate more qualitative factors.

As a starting point the Commission relied upon four identifying features stated in the Congressional authorizing language in the 1989 legislation:

- 500 or more units;
- elevators;

- vacancy rates of higher than 15 percent;
- tenants who are predominantly families with children.

The Commission was charged with identifying what other factors, beyond these four, are most influential in affecting the living conditions at public housing developments. The factors listed above are, then, only a starting point, and while the Commission did focus its work on family public housing, it found that none of the other three conditions were definite indicators of severely distressed public housing. Distressed conditions were found in projects with fewer than 500 units, in walk-up and low-rise buildings, and in buildings with vacancy rates of less than 15 percent.

The Commission began the process of defining severely distressed public housing with a long list of factors gleaned from public testimony from residents, PHA staff and directors, and local government officials. The list cited causes ranging from a lack of applicant screening, lack of funding to implement the one for one unit replacement rule, age of housing stock, density of units in developments, a lack of security and police protection, lack of social services for residents, and resident apathy. To focus its efforts, the Commission ranked and organized the factors into the following groups: conditions at the development itself, conditions in the immediately surrounding neighborhood, and factors relating to the PHA's management capability.

### III. CONDITIONS AT DISTRESSED DEVELOPMENTS

Severely distressed public housing is most immediately recognizable in physically deteriorated buildings. When a building can no longer provide its residents with the means for self-protection or sanitary living conditions, it has failed in its only purpose. A building's inability to serve or function as a residential facility can be caused by deferred maintenance, obsolescence or physical deterioration of major building systems, flaws in original design, or high physical concentration, or density, of units on the site making the development difficult to manage.

Conditions of socio-economic distress were also observed and cited frequently as indicators of severe distress at public housing developments during the Commission's site tours and case study work. Public housing has typically been considered temporary housing and "housing of last resort." In fact, because eligibility regulations require that applicants have minimal incomes, many public housing developments now physically support high concentrations of low income families. The resident population at many family housing developments was found, in a strikingly consistent pattern, to be made up of large numbers of single parent families who are minorities and whose only form of income is public assistance. Also common to these developments is a high concentration of units on small sites, most often high-rises and low-rises, located in areas removed from the city center or isolated by geographic barriers (e.g. highways or railroad tracks).

Public housing residents have limited access to employment opportunities and little exposure to people who might serve as constructive role models of economic success. There is thus an extreme lack of diversity among public housing residents, both economically and racially, so that generations of families grow up thinking of public housing as permanent. This often occurs in combination with exposure to poor educational facilities and little access to potential job markets. Residents of developments visited or studied by the Commission were often found to be discouraged or apathetic

about conditions of their living environment; citing such reasons as the of a relationship with the housing authority management, and lack of faith in the ability of the PHA or any residents' organization to bring about any change.

#### IV. SURROUNDING NEIGHBORHOOD

Although distressed public housing is often blamed for a community's social problems, research indicates that public housing developments and their immediate surroundings are closely linked. Economic conditions, crime rates and drug trafficking, and activities conducted by social agencies and institutions all affect the public housing development and its surrounding neighborhood. The "surrounding neighborhood" refers to immediately adjacent neighborhoods containing private market housing or property owned by an entity other than a public housing agency (although in some cases the only surrounding neighborhood may be other public housing developments).

Separating the two communities to identify causes and effects is often difficult. The issue of crime and drugs is an example of how a problem perpetrated by a few (both public housing residents and residents in surrounding neighborhoods), affects many, again from public and private housing. In some cases non-public housing individuals use public housing developments as escape routes because of the large unprotected areas; in others, it is public housing residents who commit crimes in the surrounding neighborhood and then disappear into a monolithic public housing development. The problem of crimes being committed on public housing property, even by those who do not live there, also contributes to public housing's poor image. Also, it is generally believed that the population of public housing residents, which is now predominantly single parent families (i.e. very young single women and their children), is more vulnerable than in the past.

Resident safety and security was the most commonly identified concern across all the Commission's field work. A definition of "distressed" public housing thus should differentiate between the two neighborhoods and consider crime rates in both communities, the public housing development and the surrounding neighborhood, so that appropriate recommendations can be made to correct the situation. If a public housing development is considered distressed when their residents' safety is threatened due to criminal activity spilling over from adjacent communities, the recommended action would include increased police protection and possibly tenant patrols. If security is seen to be threatened by the criminal activity of public housing residents, the PHA would need to implement stricter applicant screening and lease enforcement provisions.

As discussed above, public housing developments are often located in low-income areas and therefore the surrounding neighborhood is also often lacking in necessary amenities. These neighborhoods do not offer the types of services needed most by public housing residents, such as social service agency offices (for public assistance, food stamps, public health services, daycare facilities), and recreation facilities for children. Public transportation facilities rarely serve these areas so that residents have great difficulty in travelling to other areas of the city. In addition to a lack of public services, commercial amenities such as grocery stores, banks, and pharmacies are also often missing from the immediately surrounding neighborhood.

## V. PUBLIC HOUSING MANAGEMENT

A Public Housing Agency's inability to manage its property is also high on the list of potential causes of severely distressed public housing. When assessing conditions at a severely distressed development, however, the Commission recognizes the important distinction between a development that is distressed because of particular site problems which make the development difficult to manage and may be beyond the control of the PHA, and a development that is distressed because the PHA operates with inadequate management systems or financial resources.

Therefore, a housing authority could be managerially competent, but appear to have little control over a particular development because of the conditions of high density, high crime rates in the surrounding neighborhood or the development, and poor building design. All of these factors contribute to distress and "unfit living conditions" at an individual site. This situation would call for such actions as taking back physical control of a building by controlling the access points, making a concerted effort to maintain the common spaces such as hallways and stairwells in a safe and sanitary manner, and encouraging strict lease enforcement.

However, in a situation where the PHA has lost control of buildings because its basic management operations do not function, corrective action must be remedial and focused on the PHA itself. Signals of such failures include an inability turn around vacancies, resulting in unauthorized tenants moving in, high vacancy rates (possibly caused by high rejection rates by prospective tenants), and low rent collection rates. Conditions at a PHAs' developments may have deteriorated because the agency does not have either the systems in place or sufficient staff on-site to monitor conditions at a development and related factors.

## VI LOCAL GOVERNMENT CONDITIONS

Finally, environmental influences outside the PHA certainly have a great influence on its ability to provide housing to low income families. A PHA can benefit greatly from the support of the area's local government, whether it is functionally an agency of that local government or an independent local entity. Historically, however, there has been very little coordination between PHAs and local governments. Municipalities are responsible for services such as public transportation, police protection, educational facilities and recreational facilities - all of which benefit public housing residents. City infrastructure can also greatly affect public housing, especially in its proximity to the development. However, local governments do not always take the needs of PHAs and their residents into account when planning new facilities or public transportation systems, or attending to street and lighting maintenance and repair. Coordinated housing policy planning has also been patently absent from city-PHA relations. This fosters competition among local entities such as community development corporations and PHAs for local (and federal) funds, instead of constructive joint planning. In addition the provision of state and locally-provided social services is seldom coordinated with public housing programs, even though public housing residents make up a large percentage of the population served.

While a PHA must to be able to respond to local conditions, it is often restricted by regulations imposed by the U.S. Department of Housing and Urban Development (HUD). HUD rules and policies are imposed across all PHAs, with few exceptions made for local conditions even though PHAs operate in a wide variety of environments

under both local government policies and HUD regulations. HUD's handling of the "one-for-one" unit replacement rule is frequently cited as an unduly restrictive regulation, so that even if a community has a badly deteriorated building that is no longer safe for living, the PHA is helpless to act if it cannot replace all the original units (perhaps because of a lack of buildable space) rather than redevelop some fraction (say 80 percent) of the units.

## VII. CATEGORIES OF INDICATORS

With the charge of identifying public housing projects that are in "a severe state of distress", the Commission felt that the most straightforward manner of categorizing such developments was to design a rating system based on the factors discussed above. The Commission thus sorted factors into four categories, which may be applied to public housing developments using quantifiable measures to determine the level of severe distress. What follows are the categories of factors that contribute most to severely distressed public housing and a brief explanation of why each category was chosen.

**Physical deterioration of buildings.** While deteriorating physical conditions can be the outward manifestation of deeper problems within PHA management, they also represent unacceptable living conditions resulting from the lack of a coordinated capital improvement program. A PHA's inability to maintain its buildings in livable condition can be a result of long-term neglect, poor management systems, an inability to respond to maintenance needs, or a fundamental lack of control over the actual building because of insufficient staff presence, maintenance and modernization resources.

**Crime in developments and their surrounding neighborhoods.** Public housing developments and their immediate surroundings are closely linked. Economic conditions, crime rates, drug trafficking, and activities conducted by social service agencies and institutions are all activities that affect and are influenced by the public housing development and its surrounding neighborhood. While the Commission does not lay blame on any one aspect of public housing, we make this distinction so that appropriate measures can be taken.

**Families living in distress.** Families living in public housing often face adverse conditions such as a lack of social services in the immediate area and a lack of employment opportunities; their physical residential environment is often one of high concentrations of very low income families living on a small site; socio-economic characteristics include low education levels, low employment rates, and low household incomes.

**Severe management deficiencies and manageability problems.** Basic management functions of a PHA also serve as indicators of distress at developments and illustrate the impact that poor management or the lack of operating resources can have on living conditions at severely distressed developments.

While the above four categories do not capture all aspects of severely distressed public housing, the Commission believes a rating system based on these categories covers the range of possible indicators of distressed conditions and can be used as a starting point to identify developments requiring attention. The Commission's intent is not to use the rating system to lay blame or point out poorly managed PHAs, as it clearly recognizes

that distressed conditions at a particular housing development do not necessarily indicate a troubled PHA. In most cases, severely distressed public housing requires corrective action which must be some combination of site-based improvements and management improvements, as its nature is determined by external as well as internal forces to the PHA.

## **DEFINITION OF SEVERELY DISTRESSED PUBLIC HOUSING**

### **I. PREAMBLE**

The National Commission on Severely Distressed Public Housing (NCSDPH) defines "severely distressed public housing" as exhibiting the presence of one or more of the following conditions: physical deterioration of buildings, high crime rates in the development or the surrounding neighborhood, families living in distress, and severe management deficiencies or manageability problems.

The NCSDPH considers safety an important indicator of distress because of the fundamental threat to residents' personal security. Safety can be affected by design of residential buildings that do not meet residents' needs for self-protection, or a breakdown of social order within the housing development, resulting in criminal activity and crime rates that are significantly higher in the development than in the surrounding community.

Neighborhoods surrounding severely distressed public housing developments are often seen lacking in economic and social viability. The absence of social and support services typically affects social and economic viability as does a weak or nonexistent institutional presence, of schools, churches, and social/youth organizations. These conditions can be affected by the relationship between the local government and the Public Housing Agency.

The NCSDPH also recognizes that other significant conditions contributing to the creation of severe distress include a lack of resident control and involvement in a public housing development. Another condition relates to the inadequacy of the building to serve as a residential community. Such conditions can result from deferred maintenance, obsolete or physically deteriorated building systems, flawed design, poor site conditions, density and other related factors.

The NCSDPH has outlined its methodology for measuring distress and setting thresholds for determining severe distress in the attached description and ratings of deficiencies. The process is based on rating a housing development using indicators in each of the above areas. The NCSDPH proposes that public housing agencies apply the indicators to those public housing developments that they believe may be eligible for designation as "severely distressed."

### **II. CATEGORIES OF DISTRESS**

A public housing development can be considered "severely distressed" when the development falls seriously short of being able to provide a safe, secure, and decent residential environment and a supportive community for its residents.

Severely distressed public housing developments are typically characterized by serious deficiencies in the following categories:

- **Families living in socially distressed conditions.** Families living in public housing often face adverse conditions, such as a lack of social services in the immediate area and a lack of employment opportunities, so that the resident population suffers from high rates of unemployment, high drop-out rates from school, and very low levels of household income;
- **Level of crime in developments and their surrounding neighborhoods.** Public housing developments and their immediate surroundings are closely linked. Economic conditions, crime rates and drug trafficking are all activities that affect and are influenced by the public housing development and its surrounding neighborhood;
- **Barriers to managing the environment.** Basic management functions of a PHA also serve as indicators of distress at developments, which can be caused by poor PHA management and/or by local political or community conditions that interfere with a PHA's ability to manage its developments.
- **Physical deterioration.** While deteriorating physical conditions (including dwelling units, building envelopes, development sites) are often outward manifestations of deeper problems with housing management, they also represent unacceptable living conditions.

## RATING SYSTEM FOR SEVERELY DISTRESSED PUBLIC HOUSING

In order to make the Commission's definition of "severely distressed public housing" operational, quantifiable measures were identified for each of the categories of distress.<sup>1</sup> Points were then assigned to reflect the degree to which a particular aspect of the development exceeds the local average or the PHA's own average standard.

Accordingly, public housing developments are designated "severely distressed" based on their score under the following **four evaluation categories** (criteria and points for each category are specified below):

Families living in distress	60 points
Rates of serious crime	45 points
Severe management deficiencies	45 points
Physical deterioration	80 points

A total rating of 80 or more points would qualify a development for designation as "severely distressed." Also, a rating of the maximum points allowable in any one of the above categories qualifies a development as severely distressed, even if a total point score of 80 has not been achieved.

Since this rating system is being established to measure the degree of distressed living conditions at public housing *developments*, and not PHAs, it is important to define what constitutes a development. The Commission has used the same definition as that

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used in the regulations for resident management corporations and a project-based accounting proposal: “(a) one or more contiguous buildings” or “(b) an area of contiguous row houses” (24 CFR 964.7). In other words, a development or project is not limited strictly to being identified by HUD project identification numbers; a development can be any either a cluster of contiguous units, or an area defined by the PHA for management purposes as an organizational unit.

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**I. EVALUATION CATEGORIES**

**A. Families Living in Distress**

Levels of distress among resident population as measured by social indicators (drop- out rate, unemployment rate, and average median income):

<b>Families Living in Distress : maximum category point total of 60 points</b>				
<b>Criteria</b>	<b>Max. Points</b>	<b>Points Based on Score</b>		
A. Percent by which development drop-out rate exceeds city drop-out rate	15	1.25% 6	1.5% 8	2% 15
B. Percent by which development unemployment rate exceeds city rate (Note: PHA unemployment rate includes those who are not full time students and are not working; this will increase the PHA unemployment rate because the city rate reflects only those who have sought unemployment benefits)	15	3% 2	5% 5	10% 15
C. Average median income below percent of local median income:	30	30% 12	25% 16	20% 30

**B. Rates of Serious Crime**

Because public housing developments are greatly affected by conditions in the surrounding neighborhoods, this section incorporates the following indicators to show how elements of adjacent communities can cause a development to be severely distressed (rates by which incidents of **serious crime** exceed the community-wide median):

<b>Serious Crime Rate: maximum category point total of 45 points (measured by percent by which development statistic exceeds that of city-wide average)</b>				
<b>Criteria</b>	<b>Max. Points</b>	<b>Points Based on Score</b>		
A. Development crime rate vs. city crime rate (Note: If development crime rate exceeds city-wide average by five percent, development automatically receives 40 points)	10	1.5% 6	2% 8	2.5% 10
B. Development drug crime rate vs. city drug crime rate	20	5% 12	10% 16	15% 20
C. Development violent crime rate vs. city violent crime rate	10	1.5% 6	2% 8	3% + 10
D. Access to buildings controlled by security	5	yes 0	no 5	

**C. Barriers to Managing the Environment**

A demonstrated inability of the PHA and/or City to deliver management and other services required to support the resident population, to control the residential environment, and to maintain the housing stock. Indicators of management deficiency may include, but need not be limited to:

<b>Barriers to Managing the Environment: maximum category point total of 45 points</b>				
<b>Criteria</b>	<b>Max. Points</b>	<b>Points Based on Score</b>		
A. High vacancy rate (Note: PHA vacancy rate reflects the number of units not specifically permitted to be vacant by the PHA's Comprehensive Occupancy Rate)	14	15% 7	20% 10	25% 14
B. High turnover rate	9	10% 5	15% 6	25% 9
C. Low rent collection (percent of rents collected monthly)	13	85% 7	80% 10	75% 13
D. Rate of units rejected by applicants	9	30% 5	50% 6	75% 9

**D. Physical Deterioration**

**Physical deterioration** and/or obsolescence requiring an extensive cost of remediation which falls within the range of 62.5 - 100 percent of Total Development Costs (TDCs); 105 percent of TDCs shall be the threshold beyond which any remediation costs shall qualify the development as severely distressed;

<b>Physical Deterioration: maximum category point total of 80 points</b>				
<b>Criteria</b>	<b>Max. Points</b>	<b>Points Based on Score</b>		
A. Percentage of reconstruction cost (Note: If a development's reconstruction costs exceed 105% of TDCs, it is automatically designated as severely distressed)	20	62.5% 8	80% 12	100% 20
B. High density, units/acre (Note: Criterion is measured in percentage by which the individual development density exceeds that of the PHA average density)	10	30% 6	35% 8	40% 10
C. High level of deferred maintenance	20			
(1) Work order backlog/ annual avg.		10% 4	15% 6	20% 10
(2) High Housing Quality Standards failures/units		30% 6	50% 8	70% 10
D: Major system deficiencies	30			
Lead paint peeling and chipping in greater than 20% of units	5			
Lack of heat or hot water	5			
Major structural deficiencies	4			
Electrical system under code	4			
Evaluation of site conditions	3			
Leaking roofs	3			
Deteriorated laterals and sewers	3			
High plumbing leaks	3			

## DISCUSSION OF QUANTIFIABLE INDICATORS FOR SEVERELY DISTRESSED PUBLIC HOUSING

In order for the National Commission on Severely Distressed Public Housing to fulfill its charge to define severely distressed developments in practical terms, the Commission decided to establish quantifiable measures of distress. The Commission also felt that, extreme degrees of any of the individual conditions listed above (i.e. physical deterioration, high crime rates, high percentages of families living in distress or high rates of management deficiencies), should represent threshold levels at which a development automatically qualifies as "severely distressed." In other words, if a development receives the maximum number of points in any one category, it should automatically be designated as "severely distressed."

**"Development" refers to whatever management entity is used by the PHA:** although technically on HUD's records there may be a single designated development, in physical reality the development may be broken up into two sites several city blocks apart which are treated by the PHA as two different sites for the purpose of delivering maintenance services. The converse may also exist, where the PHA consolidates developments for the purpose of delivering services but HUD's records show that there are actually several developments built under different contracts.

What follows is a brief discussion of how these measures were chosen to represent distressed living conditions in the four categories of distress in public housing and how the Commission intended the categories to be interpreted.

### I. FAMILIES LIVING IN DISTRESS

The Commission included these measures because, in addition to physical distress found in public housing buildings, residents also experience high levels of distress according to basic socio-economic indicators such as education level, unemployment rates and income levels. These measures have been included because they are generally used as standard figures for comparison, as in the U.S. Census, so that data may be fairly easy to collect. PHAs can simply use the data from their own HUD Form 50058 and compare this with data for census tracts. Consultants to the Commission conducted further research on appropriate measures for examining socio-economic conditions, using federal Department of Labor and Department of Health and Human Services resources. The NCSDPH therefore includes the following measures:

1. **School drop out rate:** high drop out rates for high-school age children are generally accepted as an indicator of low education levels and therefore a lesser ability to become economically self-sufficient; this statistic measures the extent to which the drop-out rate of public housing resident children exceeds that of children city-wide;
2. **Unemployment rate:** this indicator will be slightly skewed towards public housing population because the PHA should include all residents who are not working and are not full time students.
3. **Average median income:** this indicator measures the degree to which the average incomes of public housing residents are lower than the average median incomes city-wide; it relies upon data from HUD form 50058, Tenant Data Summary.

## II. CRIME RATE

The Commission felt it important to include some measure of crime rates to determine severely distressed public housing since security was frequently mentioned as a primary concern by residents. However, the Commission also recognizes the need to distinguish between crime committed on PHA property and criminal activity committed in the immediately surrounding neighborhood. To the extent that crime rates committed and reported at the public housing development exceed city-wide crime rates, the development is considered distressed.

To determine the most appropriate manner for measuring crime rates, consultants to the Commission conducted research on how crime statistics are reported and categorized (i.e. drug crimes, violent crimes). The types of crimes measured and the rates used are based on the FBI Standard Crime Report figures.

The difficulty in making this element of the definition operational is finding data reported on the localities to be evaluated. While police departments often report crimes by ward, the boundaries of public housing developments do not exactly coincide with the boundaries of city wards or police precincts. Housing authorities will have to research crime rates by referring to police reports by address of the developments. For all three measures used in this category, the indicators express the percent by which the incidence of crime at the public housing development exceeds the incidence of crime in the city in general.

If the crime rate in any one of the following categories of criminal activity at the development is more than double that of the city, the development is automatically considered to be severely distressed:

1. *Development crime rate*: measures the extent to which the rate of all crimes committed and reported as occurring at the development exceeds the rate for all crimes committed in the city;
2. *Drug-related crimes*: examines the extent to which these types of crimes occur at public housing developments vs. in the city in general; points assigned to this measure and the percentages used are higher than for the other types of crime measured because it is generally observed that there is a higher propensity for drug use amongst distressed and vulnerable populations;
3. *Violent crimes committed*: includes assaults, rape, and homicide and is included as a measure because of the level of concern among residents of public housing.

## III. SEVERE MANAGEMENT DEFICIENCIES

Because the Commission has observed a direct link between severely distressed public housing and management deficiencies, this category is appropriate for examining the extent to which conditions at distressed developments signify larger management problems. Although distressed developments can exist within the portfolio of a competent PHA, conditions of severe distress indicate that there are problems either with the PHA's control over the site or that a PHA's management operations systems do not adequately serve the residents and their particular living environment. The indicators used in this section are commonly used by private property management firms as well as public housing agencies:

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1. **High vacancy rate<sup>3</sup>:** large numbers of vacant units almost immediately signal distressed conditions, unless the units are vacant for a comprehensive modernization program. Vacancies can be the result of applicants rejecting units due to the questionable safety of the building or the PHA is insufficiently preparing the units for re-occupancy (which in turn may be due to lack of staff, limited funding, or simple neglect.)
  2. **High turnover rate:** instability in the resident population signifies that residents are not comfortable living in public housing developments. Given the long waiting lists for family units in most cities, it is unlikely that applicants are leaving because of other options. More likely, units turn over frequently because residents feel their safety is threatened either by criminal activities in the buildings or on-site or because the units are in substandard condition. A contributing factor to these circumstances could be that the PHA does not have sufficient control over the site and therefore cannot improve living conditions.
  3. **Low rent collection rate<sup>4</sup>:** low levels of rent collection may reflect several problems, either low occupancy levels for the reasons mentioned above or simple non-payment of rent. In the latter case a PHA should enforce its leases more strictly or evaluate its rent collection system for efficiency.
  4. **Unit rejection (by applicants) rate:** this measure is calculated on the number of times a unit is offered to prospective tenants before an applicant actually signs a lease. A high level of unit rejections signifies a low level of acceptance of the development's conditions.

#### IV. PHYSICAL DETERIORATION

Elements to be evaluated in the category of physical deterioration include dwelling units, building envelopes, and development sites. While deteriorating physical conditions are often outward manifestations of deeper problems with PHA management, they also represent unacceptable living conditions. The measures used in this category were chosen because they are statistics commonly used by HUD, as in the Public Housing Management Assessment Program (PHMAP). They are also used by the private sector to evaluate the performance of property management firms, and by a PHA's own internal evaluation of conditions at public housing developments:

1. **Reconstruction Cost:** expressing a development's estimated reconstruction cost as a percent of HUD's total development costs will indicate the extent to which the building and its systems have deteriorated; estimated reconstruction costs which are 105 percent or more in excess of HUD TDC's reveal that a building and its components are no longer functioning at an acceptable level.
  2. **High density as measured by units per acre:** since acceptable density levels may vary by city (e.g. density levels in New York City may not be considered acceptable in Washington, D.C.), the measure to be used is the percent by which the development's density exceeds the PHA-wide average density level.
  3. **High level of deferred maintenance:** the development will be evaluated for the extent to which its units have fallen into disrepair and do not meet Housing Quality Standards; the measures used are the percent that uncompleted work orders represent of
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the PHA's annual number of work orders and the number of units in the development which do not meet HQS.

4. *Major system deficiencies*: this category evaluates the non-functioning elements of the building's mechanical and electrical systems, whether due to neglect or the need for modernization.

The Commission recognizes that one of the difficulties in implementing an operational definition such as the one proposed above is collecting sufficient data, both at the development and at the PHA level. In the future, the definition of "severely distressed public housing" should be further examined by reviewing the quantifiable measures included in the preceding definition, as they may be modified or discarded depending on the availability of data. This effort could be conducted with assistance from HUD's Office of Policy Development and Research on how to develop data collection methods for the desired quantifiable measures.

Some of the data is not currently available, but HUD should be directed to develop a system to collect data and PHAs should begin data collection on those indicators. Also, under the new Public Housing Management Assessment Program (PHMAP), PHAs are required to collect some of the data on measures included in the proposed definition of "severely distressed public housing." To the extent possible, the following measures should be incorporated:

1. Crime rate components
2. Unit turn-over rate
3. Work order turn-around
4. Unit turn-around (vacant unit preparation)
5. Unit rejection rate by prospective residents (marketability)
6. Delinquency rate (rent collection rate)
7. Percent of single heads of households
8. Percent of residents receiving public assistance and percent employed;
9. Average number of bedrooms;
10. Units per acre (density)
11. Average age of household members;
12. Percent of median income households; and
13. Indicators of physical distress.

*NOTE: for measures 6, 10, and 11 HUD may currently have data.*

Until adequate data exist to implement this or an appropriately revised version of the Commission's definition, *PHAs should be permitted to submit narrative justifications for designating housing developments as severely distressed.* These narrative justifications should be based on *qualitative information* on the categories of indicators used in the Commission definition.

This chapter has attempted to examine issues facing the NCSDPH in conducting its review of severely distressed public housing. A discussion of issues pertaining to the definition of severely distressed public housing has also been presented including a definition of severely distressed public housing developments. The following chapters contain a further review and examination of the research, findings and recommendations of the NCSDPH. These chapters correspond with the Final Report of the National Commission on Severely Distressed Public Housing published by the Government

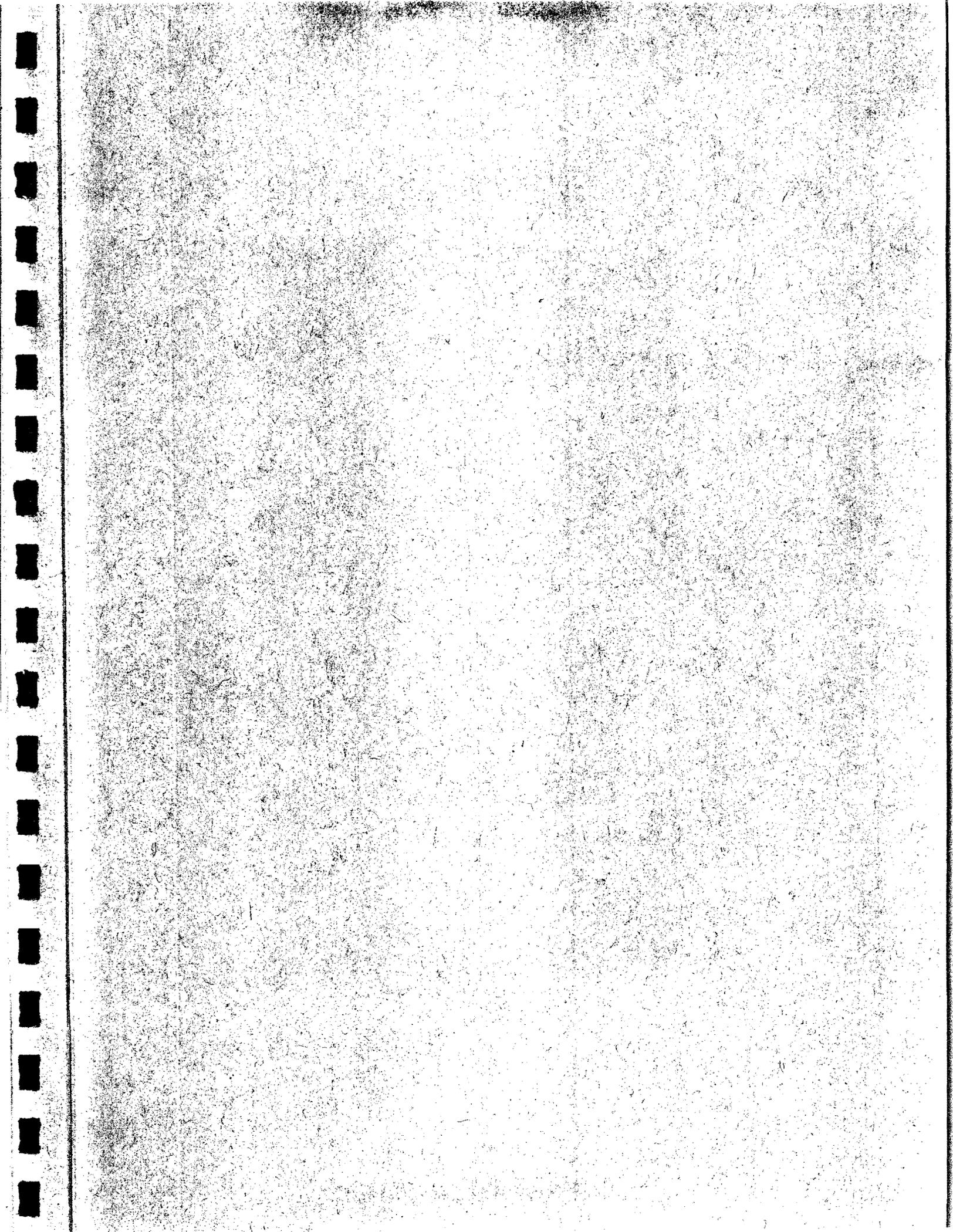
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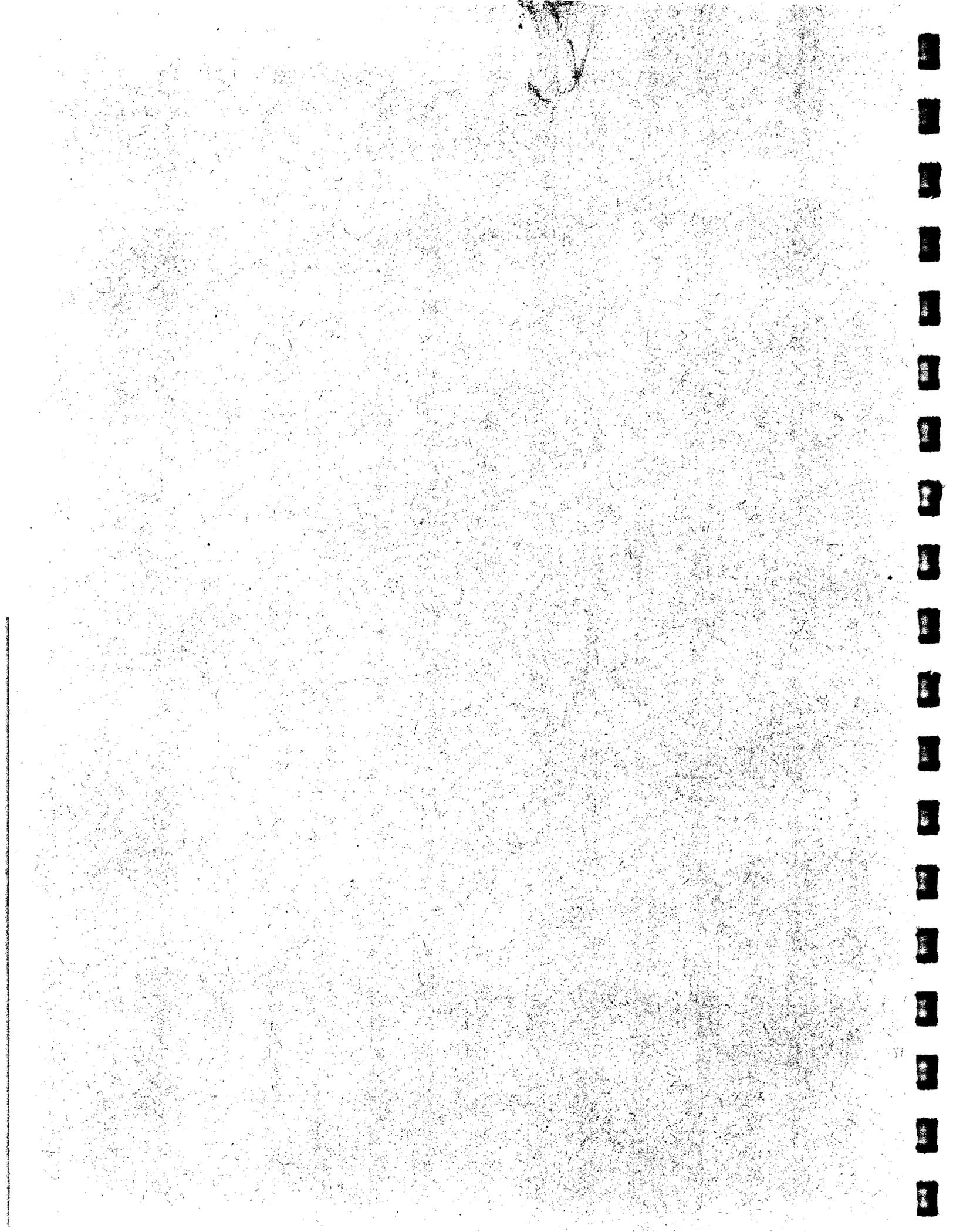
Printing Office (GPO) in August of 1992. This working paper report contains more in depth discussions of the research than does the Final Report.

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**ENDNOTES**

1. Please see the following discussion as to how quantifiable measures were chosen.
  2. The Commission has used the same definition of development as that used in the resident management corporation and project-based accounting regulations, which say that a development is “(a) one or more contiguous buildings” or “(b) an area of contiguous row houses” (24 CFR 964.7).
  3. Vacancy rate is to be calculated on units that are scheduled to be occupied, and should not include those units that are permitted to remain vacant per HUD approval of a Comprehensive Occupancy Plan or scheduled modernization work.
  4. Rent collection rates are defined here as monthly collection rates, because the amount of tenant accounts receivable can be distorted over a longer term by a few tenants with very high arrearages.
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*Chapter 3*

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*Resident Initiatives and Support Services*

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## CHAPTER THREE

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Chapter Three:

## **Resident Initiatives and Support Services**

### **I. INTRODUCTION**

In conducting its research the National Commission on Severely Distressed Public Housing (NCSDPH) has found that conditions in severely distressed public developments are not just the result of poor physical conditions in these developments, but that these housing developments are occupied by a population which is in great need of services and attention. In other words, social distress is a very real phenomenon among the public housing resident population.<sup>1</sup> Traditional approaches to the revitalization of severely distressed public housing have too often disproportionately emphasized programs to fix the physical conditions of the housing development at the expense of addressing the human condition of residents. No strategy designed to address conditions in severely distressed public housing can ignore the support service needs of public housing residents. The nation must recognize and address the conditions of the households that reside in severely distressed public housing developments.

Much attention has been given to correcting management and physical conditions but attention must also be directed toward rehabilitating housing developments in a manner that promotes family living, provides needed space for services required by public housing residents and creates an opportunity for developing a comprehensive service plan that meets resident needs (and which is based on sound assessment of the service requirements of the households residing in these developments). It is the unequivocal opinion of this Commission that a true and long lasting fix of what's broken requires equal attention to both in sufficient magnitude to make a difference.

This chapter covers the three main areas of concern: (1) resident needs as demonstrated by their demographic profile; (2) the need for resident participation in planning for treatment of severely distressed public housing; and (3) the means by which HUD resident initiatives can be used to address severely distressed public housing environments. The chapter also gives a background on key programs and strategies and offers recommendations that have been considered by the NCSDPH. Many of these ideas have been included in the National Action Plan submitted to the U.S. Congress.

While the Final Report contains summarized chapters, this working paper, like the other full working papers, provides more thorough discussions of issues and concerns of the NCSDPH with respect to severely distressed public housing. The Final Report chapter summaries derive from the research and analysis that has been conducted by the NCSDPH and drawn up in a series of working papers. Chapter Two of the Final Report contains a summary of this working paper. The NCSDPH believes that the report must begin at the most logical point: *the condition of the people public housing is intended to serve*. Other elements of the revitalization plan may be of equal importance, but none are more important. The NCSDPH has focused its efforts intensively upon public housing residents and its recommendations assume that there will be maximum and meaningful resident participation at every step of developing programs to improve conditions in severely distressed public housing.

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Severely distressed public housing affects both residents and the overall communities in which this public housing is located. Strategies for addressing the needs of severely distressed public housing must therefore account for the needs of the surrounding neighborhoods in which the housing is located. A program for treating these developments cannot occur in a vacuum. Public housing is a community resource. Any revitalization program for such housing must reaffirm this fact and include steps not only to restore severely distressed public housing as a community resource but also to being perceived as such by the surrounding community.

In developing its assessment of resident needs and services the NCSDPH conducted public hearings and case study research which examined resident needs and programs at selected PHAs and housing developments. The NCSDPH held a two-day resident roundtable and a teleconference which provided a forum for residents to express their concerns and ideas and to offer comments on early drafts of this report. The NCSDPH also developed and disseminated a survey form to gather information from residents living in severely distressed public housing developments. This working paper is designed to reflect the concerns of residents and to include specific recommendations (of which some were made by residents) adopted by the NCSDPH.

A full discussion of the subject of the human condition in America's inner cities would require far more time and analysis than the NCSDPH had to accomplish its task. In conducting its analysis and in preparation for the final report one issue seems to have risen to the top of every list: the absence of economic resources among public housing residents is a consistent, pervasive, and inexorably destructive contributor to distress. Accordingly, this paper pays attention to support services, economic development and a host of other areas that must be addressed in order to meet the needs of the people who reside in severely distressed public housing.

What follows is a discussion of a number of critical areas that are of concern to the Commission with respect to the human condition of those residing in severely distressed public housing. This chapter attempts to examine some of the major problems that exist in severely distressed public housing as well as to discuss various initiatives and program activities that can be undertaken to improve the lives of the residents of severely distressed public housing. In some cases the NCSDPH believes that additional funding and resources are required. In other cases new program approaches as well as improved coordination of existing resources would greatly improve the support services provided to residents. The improved coordination of existing resources and the redirecting of resources must be given a high priority at all levels of government if programs to improve severely distressed public housing are to enhance the lives of residents.

## II. RESIDENT POPULATION

The NCSDPH has conducted research from several perspectives to determine the characteristics of the households that are residing in severely distressed public housing. As part of its effort, the NCSDPH studied occupancy in public housing and the modernization needs of public housing using information from the National Study of Modernization Needs conducted for HUD. These two studies were supplemented by case study research as well as the surveys, resident roundtables and the teleconference mentioned above. During much of the time that the research was being conducted the Commission engaged in site visits to numerous cities throughout the country and held public hearings. All of these activities have provided a strong understanding of the condition

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of the residents of severely distressed public housing. It is this information that has been used to analyze conditions and develop approaches to meeting the needs of residents of severely distressed public housing.

In the NCSDPH studies it has been assumed that the resident characteristics of severely distressed public housing developments do not differ dramatically from overall national trends, but rather reflect exacerbations of those larger trends.<sup>2</sup> Prior to NCSDPH's research, no recent generalizable surveys had attempted to separate out tenant characteristics in severely distressed public housing developments from those considered to be more stable.<sup>3</sup> For purposes of estimating the number of public housing units that are severely distressed, the NCSDPH has used as a measure the number of public housing units with high modernization needs. This is a broad measure and does not necessarily relate to some of the major categories of distress identified by the NCSDPH as part of its definition of severely distressed public housing. In fact, two major categories (discussed later in this chapter) do not necessarily relate directly to high modernization needs (i.e. categories of "families living in distress" and "rates of serious crime") but consist instead of other factors pertaining to the condition of residents and the quality of the living environment.<sup>4</sup>

The research, involving data from the Abt Study of Modernization Needs, provides some insight into the characteristics of certain public housing developments, particularly upon the relationship between certain characteristics of families and the level of modernization needs.<sup>5</sup> For example, the national data indicates that the higher the level of modernization need of a unit, the lower the average income of a household tends to be for family public housing. The NCSDPH has carefully considered how the inclusion of households with incomes slightly above very low income limits would achieve greater diversity and perhaps create a more stable environment in severely distressed public housing. The NCSDPH recommends major policy changes to promote income mixing in public housing as well as setting maximum rents to increase the number of working households living in the development.

A key finding of the NCSDPH's research is that the majority of public housing residents are poor and getting poorer, whether or not they live in public housing that is judged to be "severely distressed". In the vast majority of PHAs, the average household income of residents has been declining since at least the mid-1980s. Both HUD and Congress have shown a strong interest in providing public housing to the very poorest households, which has affected the decline in household income for those residing in public housing. Nationwide, it is estimated that over eighty percent of the non-elderly population now lives below the poverty line. A majority of households living in units owned and operated by large PHAs have incomes below twenty percent of the local median. During the last decade there has been an increase in the number of households with incomes below ten percent of the local median (from about 2.5 percent in 1981 to almost 20 percent in 1991).<sup>6</sup> The case study research found that a number of PHAs were realizing less in rental income than had been projected as the formula level under the Performance Funding System attributed to lower growth in household income than projected.<sup>7</sup>

In large PHAs approximately two-thirds of non-elderly families are headed by single women. As a percentage of only those families with dependent children, the percentage of female-headed households is significantly higher. The national average is 85 percent and in some cities is above 95 percent. As of 1991 more than 86 percent of such female-headed families with children had incomes below the poverty threshold. About 75 percent of public housing families report receiving no income from employ-

ment and a growing majority of non-elderly households receive welfare.<sup>8</sup> Information gleaned from public housing waiting lists and other factors suggest that these trends will continue.<sup>9</sup>

Data on resident characteristics included in the national study of modernization needs, which was assessed further by the NCSDPH, indicate that in a number of instances the characteristics of households residing in public housing family developments are becoming more similar. With regard to the level of modernization needs the information gathered in the mid 1980s indicates that for housing developments with modernization needs in the 20 to 30 percent of Total Development Cost (TDC) range the portion on welfare<sup>10</sup> is 47 percent, and for households in housing developments with modernization needs of sixty percent or higher of TDC, the portion is 42 percent.<sup>11</sup> Such information in conjunction with site visits, case studies and public testimony has been used by the NCSDPH to develop strong indicators of the characteristics of severely distressed public housing. No single factor can generally be used to determine severe distress although it is clear that in a sociological sense, the residents of severely distressed public housing are themselves severely distressed. *Often the residents of these housing developments are isolated from the greater community and are less likely to be in a position to receive needed support services even when such services may be generally available in a locality.* Often the isolation and poverty along with other factors create conditions of severe distress. Moreover, these circumstances make it more difficult for PHAs to treat severe distress.

One measure of the stability of the resident population is the length of time residents have lived in public housing. According to 1991 data provided by HUD, the length of time residents remain in public housing varies. Nationally, about 25 percent of non-elderly households have been less than one year in public housing, however, about 8 percent have been in public housing more than twenty years.<sup>12</sup> A sample of the NCSDPH's case study research of currently severely distressed public housing developments indicates a range of between five and 39 percent of households have lived in the housing developments less than one year and between four and 29 percent have lived in public housing for more than twenty years. An average of 25 percent of non-elderly households living in public housing less than one year indicates that nationally the turnover rate for an aggregate number equal to all units could be four years. In other words, PHAs must literally repair and make ready for occupancy a number of public housing units equal to the entire public housing stock every four years in order to avoid an increase in the national public housing vacancy rate for family developments. This may further contribute to the increase in very low income non-elderly households since it appears that new residents tend to have very low incomes for the reasons cited earlier.

As indicated above, what often differentiates severely distressed public housing developments from other public housing developments is the tremendous isolation and lack of attention that these developments receive in virtually all areas of service delivery. These public housing communities are often abandoned by the very institutions which supposedly exist to serve the overwhelming needs of low income families. Research by the NCSDPH indicates that some institutions believe that the service needs of the residents are primarily the responsibility of the PHAs or HUD, while others tend not to provide services in the general areas in which the developments are located since the areas themselves are severely distressed. Institutional abandonment in such services of police protection, health care, employment and training, education, counseling and youth programs has been noted in the residents testimony and by the NCSDPH in its reviews.

Certain regulations in key programs sometimes discourage very low income households in public housing from taking steps to increase household income. In another working paper prepared by the NCSDPH, a study of the effects of the statute and regulations governing the setting of rents for public housing residents using the rent-to-income ratio guidelines is cited. This study suggests that in many instances a working household residing in public housing can earn substantially above the amount they would receive under welfare programs (i.e., AFDC) but after the increase in rent (under the federal public housing rent formula tied to income), the loss in benefits and tax payments (state, social security, federal income, etc.) a family actually has *less disposable income*. This study reveals that current regulations (including the rent formula) can create a disincentive for families residing in public housing to pursue employment.<sup>13</sup>

In the 1990 National Affordable Housing Act Congress authorized some relief for working families living in public housing. The legislation allows for a ten percent deduction from total income in calculating the rent these households must pay. The deduction has not been implemented since its estimated cost is approximately \$100 million per year to cover the projected loss in rental income. This loss in rental income may not be as great when other important factors are considered. First, family public housing units tend to "turn-over" every four years and the households moving in to replace the departing households appear to be poorer. This circumstance results in a PHA requiring higher subsidy levels and increases the number and concentration of very low income families in need of services. The NCSDPH believes this situation requires further study before steps are taken to determine the true costs (if any) of implementing the working household deduction. Further, the NCSDPH believes there are many benefits in having an income mix in public housing, which would further argue for the retention of working families.

Another important point here is the noticeable change in the characteristics of working families noted by the 1990 Census. It has been determined that nearly one in every five Americans who worked full time did not make enough money at the end of the 1980s to keep a family of four out of poverty; this number is up sharply from the 1970s.<sup>14</sup> The census figures are the latest evidence of a fundamental shift in the national economy from one that improves the fortunes of almost all working people to one that leaves many behind, even when they do work. Therefore, there is a need for the public housing program to provide units to the working poor since there are so many working poor households and the number appears to be growing (by forty nine percent over the same level in the 1970s). Again, this change in policy would provide an opportunity for a greater household and income mix in severely distressed public housing developments. The change in focus with regard to public housing occupancy could have the effect of minimizing any costs resulting from the implementation of the working household rent deduction in the 1990 National Affordable Housing Act. The NCSDPH believes that the change should first be implemented in severely distressed public housing.

One of the major public services generally offered all members of a community is education. A recent HUD study indicates that public housing residents are not as well educated as the population as a whole and that they fall behind the median education level of all renters as well as are two times more likely to drop out of high school and one-sixth as likely to graduate from college. The study concludes that public housing residents are more educationally disadvantaged than other HUD assisted residents.<sup>15</sup> The NCSDPH is concerned over the lack of services and support offered residents of se-

verely distressed public housing and believes that the findings such as those cited in the study may even be more pronounced in severely distressed public housing. For this reason indicators of family distress are used in the definition of severely distressed public housing.<sup>16</sup> The indicators of family distress used in the definition are school drop out rate, unemployment rate and average median income. Unfortunately, the data on these indicators is quite poor; however, research indicates that households residing in severely distressed public housing are generally more disadvantaged than the households residing in the overall service areas covered by the PHA. Like other characteristics of distress, these appear to be the result of poor service by education and other providers. The effect of these inadequate services is of great concern to the NCSDPH as the lack of services tends to have a profound impact on the quality of life of all residents and especially children.

Studies have shown that early intervention programs can have a strong positive effect on the environment and help counteract other negative influences that can have an adverse impact on children. A comprehensive program which includes health care and teaches social skills and academics to children in their first few years is considered one of the keys to improving lives for youngsters growing up in poverty, according to a recent study. Too many youngsters arrive at school ill-prepared to learn and soon begin to lag behind their peers. Surveys of kindergarten teachers show that one of the biggest challenges is trying to meet the needs of youngsters who lack basic skills, such as the ability to write or to get along with other children.<sup>17</sup> Unless the environment is improved and support services are directed at the needs of the residents of severely distressed public housing, all residents and especially children will suffer the consequences.

The NCSDPH cannot overemphasize a major problem of severely distressed public housing is severely distressed people. With appropriate services and support (and the resources that permit the delivery of services), these individuals can address the conditions of severe distress which impede their ability to improve their community and their own lives. There are many examples where public housing residents have tackled significant problems in their communities, but for the program to be successful, the residents must be given the opportunity to participate in its delivery. This is why the NCSDPH has directed many of its recommendations toward resident involvement and resident controlled service programs.

### **III. NEED TO PROVIDE SOCIAL AND SUPPORT SERVICES**

The NCSDPH recommends that a comprehensive, integrated, holistic human services delivery system using guidelines developed by residents be implemented to address conditions in severely distressed public housing. It has been noted that a significant lack exists of those services needed by residents such as education, day care, health care, employment services, job counseling, and literacy training. Programs to provide social and support services to residents must be developed in such a way that residents can be assured that services being offered meet the needs of the specific severely distressed public housing community. These programs must also afford residents in the development an opportunity to ensure that services are provided in a sound and effective manner. A recent study of the Family Self Sufficiency Program (FSS) indicates that the cooperation and commitment of service providers is essential to the success of support services programs for public housing.<sup>18</sup> Such service programs should not only

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be designed to encourage interaction between the residents and the community at large but should also promote a system that facilitates such interaction.

Since the needs of these severely distressed communities are so great, a higher level of attention is required to ensure that current programs actually reach the residents. Accordingly, it is imperative that not only the funding and procedural recommendations for improving social and support services be supported by the Congress but that the White House take an active role in meeting the needs of severely distressed public housing. The President should appoint one or more people to coordinate delivery of social and support services to severely distressed public housing. Coordination should be similar to that used by the President's Domestic Policy Council. The activities of all federal agencies need to be coordinated with HUD in order to see that programs and budget allocations within these agencies are set aside specifically for programs to benefit the residents of severely distressed public housing. Participating agencies should include the Departments of Labor, Commerce, Health and Human Services, Agriculture, Justice, Education and the Armed Services. All of these agencies have a role to play and an obligation to the very poorest and distressed residents of public housing communities.

A Memorandum of Understanding (MOU) signed by the Secretaries of HUD and HHS indicates that these agencies recognize the importance of coordinating services and targeting services to them. The notice covering this MOU issued by HUD clearly encourages partnerships between agencies and residents. It lists examples of what partnerships can do that range from employment programs to the provision of on-site child care.<sup>19</sup> Such efforts are crucial to ensuring that existing services are targeted to meet the needs of severely distressed public housing residents. Similar action must be undertaken with all of the agencies referenced above and the partnership must include all levels of government. There must be a service delivery model so that services actually reach the residents and satisfy their needs.

In any service program, the recipients of the services must have a clear role and be able to exercise some meaningful measure of control over the programs to ensure the programs are effective in both the short and long term. The NCSDPH has recommended the creation of a *Community Planning and Services Council* (CPSC) to assist in coordinating the delivery of services to severely distressed public housing. This approach is designed to address problems of "institutional abandonment," lack of coordination, resident control and delivery of services which meet the actual needs of the severely distressed public housing development. The process covers planning, creation of an entity to coordinate the services (i.e. a non-profit corporation), undertaking a needs assessment, developing a partnership process among all participants and the creation of a comprehensive program for the delivery of services and the evaluation of their effectiveness. A discussion of the CPSC model follows (see Figure 1 for a CPSC process flow chart).

The first component of the program is *planning* which must involve the PHA and the residents. In another section of this volume (Chapter 5) planning grants are discussed as a crucial component of a program to treat severely distressed public housing. Approximately two percent of the \$7.5 billion recommended for the treatment of severely distressed public housing (\$150 million) is proposed to fund all planning efforts. Planning should cover the comprehensive treatment of a severely distressed public housing development; such treatment would include physical rehabilitation, management programs and *support services*. In too many instances programs have been implemented without proper planning. Steps must be taken to address issues pertaining to the orga-

nizational capacity of the CPSC to undertake a complex set of service program activities. As indicated in other sections of the report, a program for severely distressed public housing cannot be successful if it fails to address the problems pertaining to the service needs of residents. For investments in the physical plant and buildings to work, steps must be taken to improve the management of housing developments and the support service needs of the residents. Therefore, an investment in a comprehensive planning program is essential. The PHA and residents must be given the opportunity and funding to undertake a planning process that will lead to a well developed social and support services program.

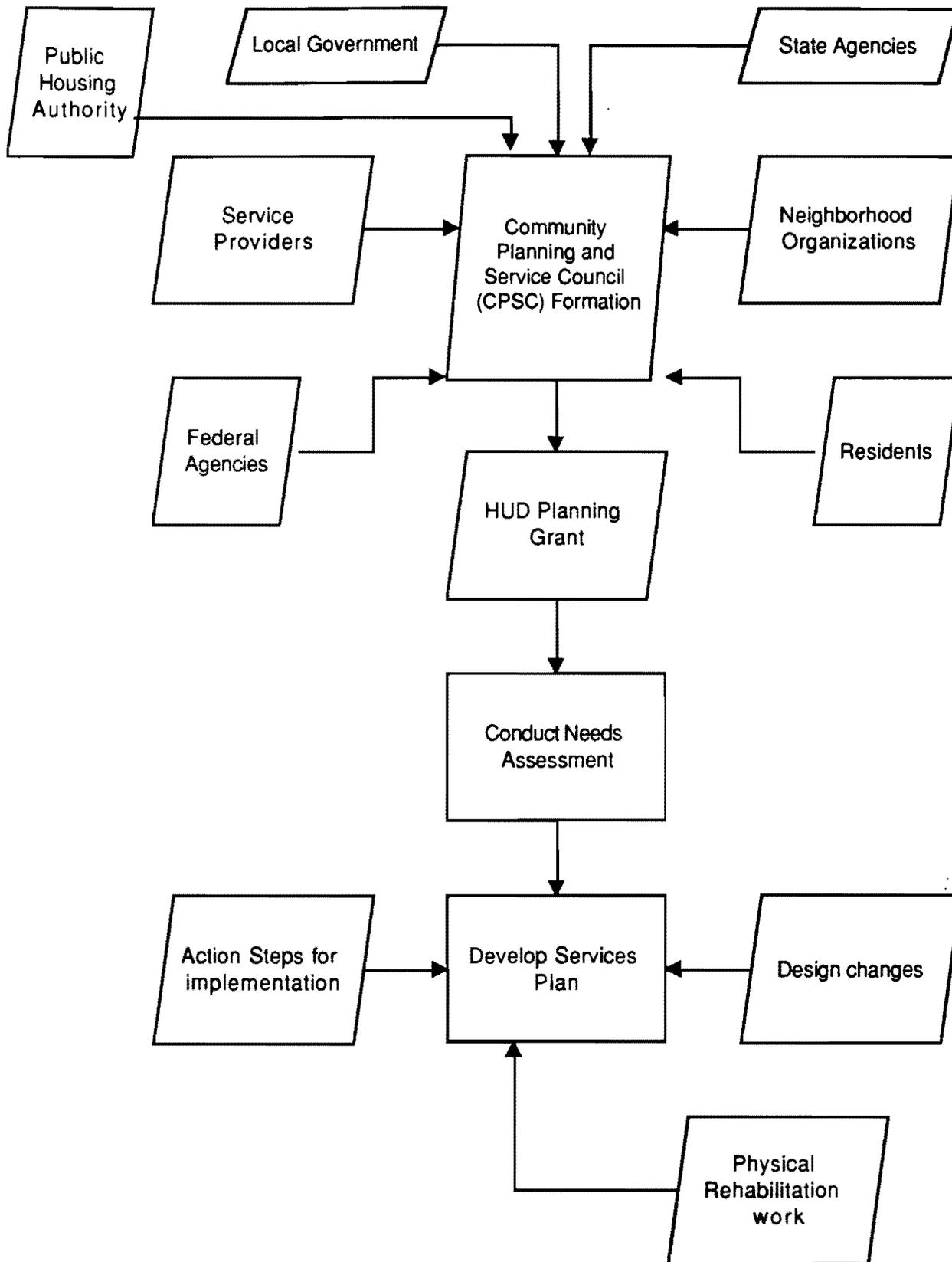
Planning activities will also result in long-term savings. Research indicates that many social and support services exist in communities where severely distressed public housing is located, but that, these services are not always available to residents. The NCSDPH does not want to duplicate existing services but is interested in ensuring that these services are actually delivered to those in need. It is clear from the research that residents of severely distressed public housing require many of the available social and support services, but do not always receive them. When they do, the services are not necessarily "tailored" to meet their needs. The planning process is expected to include service providers that currently provide or are expected to start providing services to severely distressed public housing developments. The planning grant should be used to identify the participants in the services program for the development and to develop a process or model for the participation of service providers. The service planning and delivery process needs to allow for *resident participation and control* over the key elements of the programs which affect them.

The structure designed as a part of the planning process to promote the participation of all providers, the PHA and the residents is the basis for *creating a non-profit corporation* referred to as the Community Planning and Service Council. The CPSC would be a local non-profit (commonly referred to as a 501(c)3 corporation, which is the IRS code reference) designed to serve as the coordinating entity for all programs delivered to at the public housing development. A strong resident presence is needed on the CPSC and the planning grant must be used to develop the residents' capacity to assume a strong role and leadership position. The majority of voting members of the CPSC should be residents, so that the issue of who receives the services and the requirements for the services are clear throughout the existence of the CPSC. Resident involvement and participation must occur with strong support and participation of the PHA.

As indicated above, the *CPSC is designed to be a partnership* among all involved in the programs that affect severely distressed public housing. Participants should include local government representatives, service providers, federal agencies, state agencies, and community organizations in the housing redevelopment neighborhood. The partnership process must be inclusive and must provide residents and the PHA with active partners able to successfully develop and implement the service plan at the housing development.

Since not every program is needed at each housing development (and in some cases certain programs which are needed by the residents may not exist in a particular locality), it is critical that a full *needs assessment* be conducted. This needs assessment must result in a comprehensive examination of the conditions at the development and the support services requirements of residents. Indicators such as those defined in the NCSDPH's definition (i.e. family distress indicators) should be considered when determining the necessary services as well as identifying the service provider and the means of delivering to residents. An assessment of whether existing services must be redi-

Figure 1: Community Planning and Services Council



rected to better meet the needs of residents should be a component of any program. It cannot just be a listing of the conditions of residents, but must go beyond this traditional method to include how to deliver services effectively. An evaluation component must also be developed to ensure that services are being provided efficiently and effectively.

In cases where critical services do not exist in the community or for certain reasons cannot be provided at an appropriate level to the residents of severely distressed public housing, funding for these new or additional services will be required. The NCSDPH has recommended that as a part of the overall management plan for a housing development the PHA be provided with the funds required to coordinate and deliver needed services. These funds are to be made available through the provision of additional operating subsidy by calculating a separate Allowable Expense Level (AEL) under the Performance Funding System for severely distressed public housing. This revised AEL is to be determined through the development of a management plan for the housing development which defines the appropriate operating services and their cost. The method for setting the AEL using the management plan should be similar to that used to set the AEL for Resident Management Corporations in a recently published HUD Guidebook.<sup>20</sup> In addition to operating subsidy the NCSDPH has recommended an increased funding for management improvements. These funds should also be considered as a way to start new programs or to fill in short term "gaps" in funding for existing programs. The NCSDPH recognizes that any initiative as important as the services delivery program under the CPSC model will require some additional support and funding.

The needs assessment should produce a *plan* that essentially outlines all of the implementation steps for programs required by the residents. Any plan must reflect the other activities and components of the overall revitalization program for the severely distressed public housing development. These include programs relating to the physical rehabilitation of the housing development as well as any changes in the management of the property. For example, the service program should account for the need for social services and community space as a part of any physical design changes. It should also consider any management changes required to supplement or support the delivery of social and support services. The delivery of social and support services must be integrated with the delivery of other "hard" (i.e. real estate) management services at the housing development before, during and after the revitalization program has been completed. By ensuring that the program components are developed in a way that is both interdependent and compatible, the PHA and residents will increase the likelihood that the investment made in the revitalization of severely distressed public housing will be sustainable.

As can be seen from the above, undertaking a planning process which leads to adequately assessing resident needs is too critical to be ignored. Many programs are developed based on short-term funding and a limited set of year-to-year goals. The CPSC model addresses these common problems in the area of the delivery program for social and support services. But a high level of coordination and adequate planning is essential to the success of this program model. The other component critical to the success of this model is the agency coordination described above at the federal level. The CPSC offers a framework for delivering services at the housing development level, while the proposals at the federal level encourage support for an environment where funds and services can be prioritized for severely distressed public housing developments. A common shortcoming is that attempts are made to establish priorities for programs at the federal level without an effective and workable mechanism to deliver the

services at the local level. Conversely, attention is sometimes directed towards locally-based service delivery without there being a specific process for supporting these efforts at the federal level. Moreover, in public housing PHAs and residents are often called upon to undertake programs and initiatives without a system in place to provide funds and resources to carry out the initiatives. The above model provides a sound framework for covering all areas needed to create a process that can successfully deliver services to residents of severely distressed public housing.

Along with the CPSC model there needs to be a change in the direction and focus with the management of other development level human services programs that are designed to meet the needs of residents of severely distressed public housing. The NCSDPH believes that where qualified resident organizations or a majority of residents who are not formally organized desire to participate in either the development or actual delivery of social and support services, the PHA should facilitate such participation. Since funds are proposed to support the coordination and provision of social services for severely distressed public housing, the PHA should ensure that social and support services are delivered to severely distressed public housing. The lack of a CPSC does not mean that social services are not made available to severely distressed public housing developments. Even when residents do not choose or do not have the capacity to actually deliver the services, the PHA must take steps to seek and consider resident input.

Just as it is important to have resident input, it is critical that the PHA does not automatically assume that a resident organization necessarily constitutes an organization qualified for managing a complex service delivery program. "Qualified" means having the organizational capacity and expertise to manage the delivery of a program. Ultimately, the PHA is responsible for taking steps to address the condition of a severely distressed public housing development and the quality and effectiveness of the services provided. The residents and the PHA must agree upon standards and qualifications for effectively managing and delivering services. This process of setting reasonable standards and assisting residents in obtaining sufficient organizational capacity to manage the delivery of social and support services, should be a PHA priority. It should be incorporated into any work plan for revitalizing severely distressed public housing. The process must include a mechanism for involving residents in the monitoring and evaluation of social and support services programs.

There is a need for existing RMCs and RCs with established social services programs to receive support and training in managing programs. One recommendation offered by the NCSDPH suggests that drug forfeiture funds be redirected toward severely distressed public housing communities. These funds should be used to train residents as drug counselors and community organizers. Also, steps can be taken to allow residents to design education programs and other programs such as drug abatement. Redirecting resources to severely distressed public housing for use by residents in programs that have a profound and positive impact on the community will assist in improving conditions at the development. PHAs should assist in improving the level of predictability in funding for social services programs. Resident organizations (i.e. RMCs, RCs) must be given the opportunity to request funds for social services programs and have these programs included in the PHA operating budget requests. Budget line items and programs for social services should not be modified without direct consultation with residents. Unexpended funds should remain for future use by the severely distressed public housing development. Predictability in program support in the area of public housing operations is important for residents as well as for increasing the effectiveness of social services programs at the local level.

The NCSDPH has carried out substantial research on conditions in severely distressed public housing upon which its recommendations are based. Case studies will provide further information on the social and support services needs of severely distressed public housing. One case study of a formerly severely distressed public housing development which has been revitalized reveals that strong resident involvement and substantial commitment on the part of social service providers was essential to sustaining the investment made in that housing development. This housing development (located in the Northeast) included residents in the planning and development of social services programs, the future management of the property as well as in the detailed redesign and physical rehabilitation of the property. Many of the elements described above pertaining to the CPSC (and related recommendations) were incorporated into the program for revitalizing this formerly severely distressed public housing development.<sup>21</sup> NCSDPH plans to issue these case studies as part of a separate volume.

Currently, a major planning effort is underway at a PHA in the Midwest which will result in the comprehensive revitalization of a large severely distressed public housing development. This planning process has involved the PHA, residents, community organizations, a metropolitan wide planning organization, representatives of the local and state governments, HUD, private foundations and business groups. The planning program take into account both the issues affecting the housing development and the overall community in which the housing development is located. In many respects this revitalization program follows the "work-out" approach which is discussed in detail in the chapter on Housing Viability. Residents are organized and participate in every aspect of the revitalization planning. A core group of residents is organized into four program subcommittees on economic development, social services, security, and site improvements. The process is intended to ensure that the revitalization program fully accounts for the needs of the community.<sup>22</sup>

#### IV. SECURITY AND CRIME PREVENTION

As a part of its research the NCSDPH conducted a survey of residents at certain housing developments. Through information obtained from the survey as well as through the case study research and site tours, that an overwhelming concern of residents in severely distressed public housing is personal security. The Congress and HUD have taken steps to increase funding for drug elimination and related security initiatives. Problems of drug abuse and drug related crime have had a significant impact on the lives of residents of severely distressed public housing. The Congress has responded with the creation of the Public Housing Drug Elimination Program (PHDEP) which is designed to target funds to PHAs for the development and implementation of programs to combat drug abuse and crime. Many important and effective programs have been developed with the use of PHDEP funds. Substantial funds have been allocated, have increasing dramatically from \$8.2 million in 1989 to \$140.7 million in 1991.

Eligible activities under the PHDEP include: employment of security personnel or of additional security or protective services, physical improvements designed to enhance security (such as lighting, locks, reconfiguration of common areas), the employment of investigators to investigate drug related crime, aid to tenant patrols and innovative programs designed to reduce the use of drugs in and around public housing. These programs must include prevention and intervention strategies. The grant can also be used to fund RMCs' and incorporated RCs' efforts to develop prevention and intervention programs involving the site or residents. Examples are law enforcement activities, drug

education, drug intervention and referral, counseling and outreach efforts. Grants are awarded through HUD's Office of Drug Free Neighborhoods based on the extent of the drug problem, the quality of the applicant's plan to address problems, the applicant's capability to carry out these plans, and the extent to which government and local law enforcement and the community offer support for the applicant.<sup>23</sup> Grants are made available on a year to year basis depending upon the availability of funds from Congressional appropriations. Even though there has been a significant level of funds appropriated in recent years, there is no guarantee that funds will be available in future years.

The NCSDPH includes rates of serious crime in its definition of severely distressed public housing. Proposed measures include development crime rate, drug-related crimes committed, violent crimes committed, and access to buildings controlled by security. Public safety is a major problem in many of the public housing developments reviewed by the NCSDPH. There is a growing concern of the effects that crime and drugs are having on communities; in severely distressed public housing these can be quite substantial and include drive by shootings, control of buildings and even whole development sites by gangs and the development of an underground economy around the drug trade that along with drug abuse can have an extremely destabilizing effect on a severely distressed public housing community. Three types of crime have a particularly destabilizing effect on residents' safety and the community stability:

- Violent Crimes - such as murder, rape, assault, and robbery, which violate residents' personal safety;
- Property Crimes - such as burglary, larceny, and auto theft, which violate the integrity of residents' homes and property;
- Drug Crimes - including trafficking, possession, and associated offenses, which create neighborhood disorder, increase violence, promote delinquency, and have a variety of other negative effects.

Some types of crime not considered serious by the legal system are very serious to public housing residents. For example, high arrest rates for drug possession which are a serious safety problem in a public housing community, are recorded as misdemeanors.<sup>24</sup> The PHDEP and other programs must be used in ways that can address issues pertaining to the quality of life and safety of residents of severely distressed public housing.

In Chapter 4, the NCSDPH recommends that besides PHDEP funding and support, additional operating funds be committed to support public safety programs in severely distressed public housing. Overall, the PHDEP does provide a substantial level of funding for public housing. However, with regard to severely distressed public housing the funds and resources made available are simply not enough. An additional amount estimated at \$93 million per year, must be allocated to support public safety programs in severely distressed public housing. These funds would be available on a consistent year to year basis to support programs that are developed as part of a management plan for the property (as described above for funding supplemental social and support services). It is proposed that the PHA, with the residents, develop a public safety program that relates to the needs of the housing development and addresses problems of controlling the environment of residents and making the community a safer place to live.

The NCSDPH has recommended that Resident Management Corporations be eligible to apply for and receive PHDEP funds. Under PHDEP requirements, RMCs are eligible subgrantees to PHAs and others receiving drug elimination grants, but RMCs cannot apply directly and compete for available funds. Even the HUD Secretary has cited this issue as an impediment to resident management, and has asked that RMCs be eligible to apply for and receive PHDEP funds directly from HUD.<sup>25</sup> The NCSDPH suggests that operating funds for public safety purposes be made available for use by an RMC, if the RMC is responsible for managing a severely distressed public housing development.

Efforts by both PHAs and RMCs to address living conditions in severely distressed public housing must continue. Resources required to address the needs of residents of severely distressed public housing should be made available to the organization responsible for a program or the management of the development regardless of whether it is the PHA or a RMC. The NCSDPH has observed that site based management seems to be the most effective form of management and service delivery in cases involving severely distressed public housing. Site based management and control can only occur if the organization managing the property maintains the property (site and buildings) and creates an environment in which residents can feel safe from crime and drugs. Therefore, since RMCs operate at the site level, they should have the same resources and supports being requested for PHAs.

## V. PROMOTING RESIDENT PARTICIPATION IN THE PHYSICAL REVITALIZATION OF SEVERELY DISTRESSED PUBLIC HOUSING

A number of steps have been taken in recent years to promote resident participation in activities that pertain to housing development-based management and modernization programs. For example, a major change has been made in the administration of the new modernization program, the Comprehensive Grant Program (CGP),<sup>26</sup> and in the development of a PHA's Comprehensive Plan (which governs the use of modernization funds under the CGP). The CGP HUD Handbook (7485.3) requires that PHAs develop, implement, monitor and amend annually portions of its Comprehensive Plan in consultation with residents of the developments covered by the Plan. The PHA must, in partnership with the residents, develop and implement a process for resident participation that ensures meaningful resident involvement in all phases of the CGP. Participants in the overall process consist of the PHA, development residents (i.e. resident leaders, RMCs, RCs, PHA-Wide Resident Groups), HUD, the community and the local government.

HUD suggests that the participants in the CGP partnership process develop a MOU which outlines the activities of each participant in the CGP process. The MOU should perform important tasks such as those listed below:

- A. Spell out the responsibilities of each group of participants;
- B. Ensure that all participants know their respective responsibilities;
- C. Assure that PHA understanding and position on the partnership is flexible enough to implement a viable partnership;

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- D. Determine what resources are available to meet resident technical assistance and capacity building needs;
  - E. Determine the policies and procedures that will be used to resolve disputes between the PHA and residents;
  - F. Define clearly those specific tasks that each partner agrees to perform to achieve the objectives of the CGP.

The MOU is a common type of document for confirming understandings derived from group participation and is recommended as one vehicle for resident participation (as cited elsewhere in this report).

The partnership process outlined for the CGP has supposedly been used in the development of the Comprehensive Plans for all public housing agencies with more than 500 units. These plans, required by HUD, were to be submitted by July, 1992. It appears that the process in most cases has worked well, although data on the success of these efforts is still largely unavailable as the plans are currently under HUD review. Resident participation in modernization and revitalization strategies such as the strong participation role outlined earlier in this paper for social and support services is needed if programs that can be supported by residents are to be implemented.

With respect to severely distressed public housing the NCSDPH recommends that residents become involved in the overall planning process involving the physical rehabilitation of the units. This involvement includes participating in decisions that determine housing viability and whether any program for treating severely distressed public housing should involve the demolition or disposition of units. If demolition or disposition is proposed, residents should also participate in the planning for the creation of new units to meet statutory requirements of "one-for-one" replacement. The NCSDPH recommends that in cases where a RMC exists, the RMC be given preference in considering a replacement housing plan that has been developed by or under the auspices of a RMC. The preference relates to the plan that is being proposed and considered, not necessarily the process or organization to be responsible for the execution of the plan.

The working papers and research used in preparing Chapter 5 "Capital Improvement Programs and Physical Conditions" recommends the creation of a separate unit within HUD to administer programs for severely distressed public housing. A steering committee would participate with HUD administering programs for severely distressed public housing. Along with PHAs, RMCs and even RCs should be given the opportunity to participate on the steering committee. Therefore, with regard to the revitalization of severely distressed public housing, resident involvement and participation is expected to be required at all levels.

Another area where resident participation is needed is in the management of severely distressed public housing. The following section discusses in further detail issues pertaining to resident management. As indicated in one of the case study site reports referenced above, residents have been involved in decisions about the level and type of management during a program for revitalizing a severely distressed public housing development. Residents must be involved in the management planning that should occur as a part of the process for addressing current and future management needs of a severely distressed public housing development. In this regard, residents need to be involved in the development of a management plan as well as selection of a management

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entity to operate the housing development (where applicable). Participation in the monitoring of the management entity's performance and continued presence at the site should also be considered. Overall, resident participation in the management and operation must be encouraged and the actual management of severely distressed public housing by RMCs are options that should be considered as a part of a strategy for improving conditions at these developments.

## **VI. RESIDENT INVOLVEMENT IN THE MANAGEMENT AND OPERATION OF SEVERELY DISTRESSED PUBLIC HOUSING**

Resident participation in the operation of public housing can take many forms and be designed to accomplish a number of critical objectives. In addition to participating in the planning activities described above, residents can become involved directly in the management of the housing development. There are many types and levels of involvement and which provide sound benefits to the development and community. For example, a number of resident groups or committees have become involved in the selection and screening of applicants for public housing units. In these cases, residents participate in the review of applications and sometimes even in direct interviews. They also work with PHA staff in conducting home visits. This type of involvement can help ensure adequate screening of households to determine whether they meet the appropriate criteria for occupancy in the public housing development. Such activities can foster a sense of community and assist the residents and the PHA in tightening control over the tenant selection and assignment process while still meeting legal and regulatory requirements for the screening of eligible households for admission to the public housing program.

Another way residents can play an active role in the operations of a public housing development is by joining with the housing management staff to identify critical work items for management and maintenance as well as assisting in the monitoring and evaluation of the property maintenance program. Resident participation and involvement in management planning, monitoring and evaluation can be quite important in cases where a housing development is in a poor state of management or physical distress. Housing developments considered as severely distressed are often experiencing a significant number of problems and the involvement of residents can help ensure that the steps being taken to address problems are understood and agreed to by the residents. Active participation in the development of a work program can help build community support among residents of the housing development.

One successful strategy followed in some instances as a part of a program to stabilize or even to revitalize a severely distressed public housing development is involving residents in the development of a management plan. In Chapter 4, we propose a management plan be developed which would consist of a program for operating the development before a revitalization program is undertaken, during the revitalization process and then after completion of the revitalization program. This plan should consist of a detailed set of policies and procedures for operating the housing development. A plan such as this must clearly define an appropriate level of operating services for the housing development and set out a program for providing the services. Management plans generally address staffing requirements, location of staff, type of maintenance program to be undertaken, and social and support services to be offered. These plans must indicate how resources will be obtained and used to provide all of the services outlined by the PHA and resident participants.

The management plan must be the basis on which the budget for operating the property is established. The NCSDPH recommends that the AEL for the housing development be established using the cost of services outlined in the management plan as the method for determining the total operating expenses and the operating subsidy required to meet these expenses. A process similar to that allowed for RMCs under HUD's Guidebook is recommended.<sup>27</sup> The major difference between the current process and that proposed by the NCSDPH is that the former operates on a historical basis while the latter is cost-based. In other words, when calculating a new AEL for a development under-going revitalization, the anticipated costs for covering the services in the management plan will be used, as opposed to the historical costs of operating the housing development. In fact, HUD has indicated that the amount allocated by a public housing agency to developments where resident management interest is high has been typically found to be less than what is usually needed for good maintenance.<sup>28</sup> The NCSDPH's case study research indicates that many severely distressed housing developments appear to have been funded at levels that are below that needed to cover needed operating services. This is one important reason why steps to increase the availability of operating subsidy to cover an appropriate (generally) higher level of expenses has been recommended in the National Action Plan.

As part of developing a management plan, the participants (primarily the PHA and the residents) can clearly define the roles and responsibilities of all who are involved in the delivery of essential on-site operating services. The role of residents, PHA staff, the local government and service providers can be outlined along with the duties to be assumed by each participant. In some cases the management plan should include steps that for increasing the role of residents in the operation of the development. Resources needed for the operation of the housing development and how the resources are to be allocated among various activities should be described in detail along with the budget developed for the property.

Some resident groups help develop an operating budget for the public housing development and thus have an opportunity to request funding for certain programs or activities. Since the budget serves as the primary planning document for a housing development, it is important that residents have an opportunity to review the budget that is prepared and even participate in the actual preparation of an operating budget. Not all PHAs have a housing development-based budget or accounting system, but this does not preclude residents from having the opportunity to participate in the development of a budget request or in making requests for the funding of certain programs or services.

The NCSDPH strongly supports resident involvement in management and budget planning as a means for increasing the role of residents in helping address the needs of severely distressed public housing. Some of the recommendations that have been offered by the NCSDPH include a proposal that RCs and RMCs have the opportunity to design the social service programs for their developments and submit budget requests to their PHA for inclusion in the PHA operating budget. It is also recommended that residents participate in the local development and the monitoring, evaluation process and setting of criteria for current PHA service delivery. Without a management plan and resident involvement in the budget process for severely distressed public housing it will be difficult for these recommendations to be implemented effectively without a management plan and resident involvement in the budget process for severely distressed public housing developments. The NCSDPH has indicated support for Project-Based Accounting systems which can further assist PHAs and residents in developing housing development-based budgets and in monitoring expenses.

For any individual or organization to be a meaningful and active participant in a program, they require the skills, resources and other supports needed to have the capacity to participate. Without adequate capacity the participation of residents is greatly limited and the benefits that can be obtained by resident participation will be minimized. Residents and resident organizations need to be provided with training, technical assistance and facilities to ensure that they can operate properly and participate fully in programs designed to improve severely distressed public housing. In terms of facilities, the NCSDPH has indicated that planning and design activities must account for the needs for adequate service and community space. With regard to training and technical assistance, efforts need to be made to ensure that residents are provided with the support required to be fully informed and participate in activities that affect the severely distressed public housing developments in which they reside. Congress has taken some important steps in providing funds for resident training and assistance in order to build the capacity of resident organizations.

Technical Assistance Grants are made available to resident organizations (RMCs and RCs) to assist them in a variety of activities including the formation and development of resident management entities. Other major uses of these grants include assisting resident organizations in the development of management capability, identifying social support needs and securing funding for social support services. The amount of financial assistance available to any single resident organization is \$100,000.<sup>29</sup>

The Technical Assistance Grants can be used for providing financial management training and technical assistance to resident organizations, training in the provision of housing management services, assistance in the development of basic administrative systems, and training for the organization's Board of Directors. These grants are now provided directly to the resident organization which must apply for the funds and provide a work plan that is acceptable to HUD. Technical Assistance Grants are the only widely available source of funding that can be provided directly to resident organizations for capacity building activities and training. PHAs (when funds are available) can use management improvement funds under the CIAP and CGP to support resident training and technical assistance. In fact, the CGP Handbook issued by HUD indicates that many resident initiatives activities are eligible uses of CGP funds. PHAs are encouraged to use management improvement and planning funds to support resident involvement and resident initiatives activities at severely distressed public housing developments. In addition, the NCSDPH believes that resident organizations at severely distressed public housing developments should be eligible to receive Technical Assistance Grants in excess of the current limit of \$100,000.

In its report to Congress on barriers to resident management referenced above, HUD has proposed that the maximum amount allowed for Technical Assistance Grants be increased to \$250,000. Whether or not there should be a maximum for Technical Assistance Grants is less of a concern than the existence of a process for taking steps to ensure that needed training and capacity building efforts which benefit residents of severely distressed public housing. Since the challenges facing all participants involved in the revitalization of such housing are so great, funds from many sources (i.e. Technical Assistance Grants, CGP, operating funds, and private source) need to be obtained to ensure that residents are trained, supported and given the opportunity to participate meaningfully and actively in decisions which affect their lives. This participation can include involvement in the operation of the public housing development.

Along with steps to become involved in the development of a management plan, participating in budgeting, planning, tenant selection and developing programs for support services, residents can also take part in the actual delivery of basic operating services at a public housing development. They can assist in performing maintenance services as well as in the administration of modernization programs. Resident participation in providing grounds maintenance, hallway maintenance, maintenance of common areas and facilities is becoming more common. These activities are ways in which residents can secure employment at their public housing development and help improve the public housing community. Activities such as these can assist the PHA in increasing participation in improving the living environment of severely distressed public housing. Involvement in programs pertaining to maintenance can also give residents an opportunity to expand their role in the daily operations of a development and move to a more full-service approach to resident management.

Whether or not residents are interested in managing the development, they need to be given the training and support necessary to build their capacity to participate in activities that affect their housing development. Steps to increase such capacity are of critical importance. When conditions of severe distress exist, residents can easily become apathetic given the sense of overwhelming problems. As noted by the NCSDPH research, poor service delivery, high crime rates, deteriorating physical conditions and barriers to effective housing management are significant factors in the definition of severely distressed public housing. Without the participation and involvement of residents, the success of stabilization and revitalization efforts will be limited. Any program must be undertaken in a way that increases resident participation in the operation of the housing development and improves the capacity of resident organizations so they can have an active and meaningful role in working in partnership with the PHA.

## VII. RESIDENT MANAGEMENT AND RESIDENT MANAGEMENT CORPORATIONS

Actual resident involvement in the management and operations of public housing can be traced back to activities of residents undertaken twenty-to-twenty-five years ago.<sup>30</sup> In 1975 a national demonstration was begun with funding provided through private foundation and the federal government. This experiment tested the potential advantages of transferring the management of developments to low income public housing residents. Due to the initial success of Resident Management Corporations in St. Louis, HUD and the Ford Foundation decided to sponsor jointly a demonstration. The Manpower Demonstration Research Corporation (MDRC) was selected to manage the project and their duties included designing the project, determining its feasibility, selecting the participating sites, arranging and conducting training and technical assistance, and evaluating the demonstration.<sup>31</sup>

The demonstration was designed as a partnership between PHAs and the board of directors of the non-profit RMCs. Residents were responsible for electing a board which was then trained in organizational skills and in the principles of real estate management. Responsibilities of the board of directors included formulating policy, determining rules and regulations, governing the development and ensuring resident participation in policy making and in day to day operations. Daily management of the development was the responsibility of the staff. Training of staff is the last step before the execution of a contract transferring management control from the PHA to an RMC.

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Under the demonstration, the PHA was still responsible for providing overall direction to the RMC and setting performance criteria. Under this arrangement the PHA retained ownership of the development and was ultimately responsible to HUD for the condition and operation of the development. The sites were selected to participate in the demonstration based on the criteria listed below:

1. PHA commitment to resident management;
2. Organizational and managerial potential;
3. Existence of a cooperative relationship between the PHA and residents;
4. Support of the city and state governments and HUD regional and area offices;
5. Geographic location, physical condition of buildings (Note: the MDRC made an attempt to include a variety of housing types, locations and populations and physical conditions in their study).

Seven housing developments in six cities were chosen out of twenty-four applicants. All the developments were family developments located in urban areas (i.e. no elderly developments were included in the demonstration). The seven housing developments consisted of 4,788 units which housed approximately 19,000 residents. Households were primarily female-headed households on public assistance.

The housing developments received approximately \$20 million from HUD, \$15 million of which came from the modernization program for physical improvements and \$5 million came from the Target Projects Program (TPP)<sup>32</sup> to provide training, technical assistance, resident salaries and social services. Some of the major findings and conclusions of this three year demonstration are summarized below:

1. In most of the public housing developments in the demonstration, resident management worked just as well as previous management by housing authorities.
  2. Resident management provided additional benefits of increased employment of residents, a sense of personal development among resident participants and greater overall satisfaction with housing management.
  3. Creating successful resident management required varying amounts of time and a positive, cooperative attitude from the PHA, including a commitment to mobilizing PHA resources. Success also required adequate time to train staff in organizational and management skills.
  4. Technical assistance throughout the planning and implementation stages was essential to the development of a successful RMC although adequate technical assistance was difficult to identify. The presence of a non-PHA technical assistance provider was essential in order to develop a truly independent entity.<sup>33</sup>
  5. Long-term impacts of RMCs proved difficult for MDRC to evaluate. It was recommended that HUD support resident management in the demonstration developments for several years and monitor and evaluate their performance. MDRC indicated that future analysis should focus not only on housing but also on non-housing effects, social benefits and costs not dealt within the demonstration.<sup>34</sup>
  6. A number of qualified residents were available to fill board and staff positions in all but one of the demonstration developments. The initial turnover of top staff was high, but their performance was judged to be adequate. It was noted that it is hard to maintain support from the PHAs that have high turnover among Executive Directors.
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This early demonstration study was an attempt to understand how resident involvement in the management and operation of public housing could work. It is important to note that the study did not review all of the resident management activities that took place during the review period (since it only included seven RMCs).

Since 1989 resident management has received an increased attention from HUD which has created an Office of Resident Initiatives within the Office of Public and Indian Housing to address many programs relating to resident management and other critical services to public housing residents.<sup>35</sup> HUD defines resident management as one or more management activities for one or more developments by a resident management corporation under a management contract with a PHA. HUD also describes the four phases of resident management.

- Phase I: Start-up
- Phase II: Board Resident Leadership Training
- Phase III: Advanced training for resident boards and staff
- Phase IV: Management by RMC

The resident management activities undertaken by HUD's Office of Resident Initiatives are based on legislation contained in the Housing and Community Development Act of 1987. This legislation has as its purpose to encourage increased resident management of public housing as a means of improving existing living conditions in public housing. Regulations have been established to implement the provisions of the legislation under 24 CFR Part 964. These regulations outline the rights and obligations of PHAs and residents in regard to resident management and participation in the operations of public housing.

HUD's policy on resident management can be found in Section 964.12 of the regulations:

It is HUD's policy to encourage resident management. HUD encourages PHAs, tenants, and resident management organizations to explore the various functions involved in project management and to identify appropriate opportunities for contracting with a resident management corporation. Potential benefits of resident management include improved quality of life and resident satisfaction, and other social and economic benefits to tenants, the PHA and HUD.

The policy makes it quite clear that HUD is interested in pursuing situations where resident management can improve the operations of a public housing development. As stated earlier, the HUD Secretary has taken an important step by redirecting the focus of public housing on residents. In addition to the creation of HUD's Office of Resident Initiatives, HUD has also created Resident Initiatives Coordinator (RIC) positions in the HUD Field Offices to assist residents in the area of resident management and other important activities.

Resident involvement in the management and operations of severely distressed public housing can contribute to the overall effort to improve the stability of the public housing community and to assure that activities which are of priority to residents are in fact undertaken. In some of NCSDPH's case studies, resident involvement in actual or planned revitalization program has been reviewed. Some of the revitalization efforts have included resident involvement in one or more aspects of the management of a housing development. Resident management clearly is one method for increasing resi-

dent control and participation in the delivery of essential operating services for public housing.

It is important to note the case study research indicates most PHAs have or are moving towards a more site-specific form of management. These PHAs are developing decentralized forms of management where management control of the site and buildings, is exercised in some cases literally building-by-building. Proponents of decentralized management claim that this enables the PHA to be more accountable to the residents since management and maintenance service delivery and the staff are generally located on site. Resident management is a form of decentralized management where the RMC is present on-site and residents can have a high degree of accountability from the RMC. It is expected that the board of directors of the RMC is elected democratically and that residents can influence the policies and practices of the RMC.

As indicated above, Congress has mandated the evaluation of resident management in the 1987 Housing and Community Development Act. The results of the study are not yet available. This evaluation will likely provide further insights and information on the benefits of resident management and perhaps reveal how this form of management can be applied to severely distressed public housing. The MDRC study indicated that a longer term evaluation needed to be conducted of resident management. Often evaluations occur with too little information or cover too short of a time period. The NCSDPH is concerned about this basic problem and has therefore recommended in its National Action Plan (under the Chapter "Other Strategies") that an evaluation of alternative forms of management be undertaken which covers the benefits of resident management, private management and non-profit corporations. In the action plan a follow-up study is suggested after the first evaluation in order to measure the long term effects of these alternative forms of management.<sup>36</sup>

HUD's efforts to provide funding and support for resident management enable the benefits of resident management as a part of a management plan and overall revitalization strategy to be explored. Such approaches have appeal since a decentralized form of management appears to be the most appropriate method of addressing the needs of severely distressed public housing. In some research it is indicated that a successful redevelopment program must decentralize the implementation of various programs to the neighborhood level where residents, because of their knowledge of the area, can utilize local, state and federal funds more efficiently. Once the decision on how to utilize government funds has been made, neighborhoods are more more able to deliver the needed social services.<sup>37</sup> Further, since the NCSDPH has made a number of recommendations regarding the involvement of residents in the provision of social and support services, it would seem that a strong resident organization such as an RMC would help facilitate resident involvement and administration of these needed services.

In an earlier section of this paper, certain recommendations for the involvement of resident organizations and RMCs in the development of social and support services and in the administration of these programs are discussed. The creation of non-profit Community Planning and Service Councils which include residents and represent the social and support needs of residents is also reviewed. Since RMCs are non-profit corporations, they or their subsidiaries could facilitate the creation of the CPSC and play a key role as a part of the CPSC. It is clear that the goal and mission of most RMCs is to identify and obtain needed social support services. Therefore the role of the CPSC must be coordinated with and complement the activities of an RMC (where an RMC exists or is being established) in a severely distressed public housing development.

It is important to note that an RMC which is already operating, or is soon to be established in a severely distressed public housing development, needs to be viewed or evaluated in a manner that reflects the level of difficulty in managing the housing development. As indicated by the NCSDPH research, severely distressed housing developments are often much more difficult to manage. An RMC, like a PHA, needs to be evaluated based upon the goals and objectives that it establishes for meeting the operating needs of the housing development and the services required by residents of the development. This is especially important when operating a severely distressed public housing development, since these developments often require a very high level of attention and have far more difficult problems to address through routine management and maintenance. Therefore, for severely distressed public housing, RMCs require a significant level of support as would any other housing organization operating severely distressed public housing.

One way of providing management support to RMCs is by clearly defining the expected roles of the PHA and other involved agencies in the management contract between the RMC, PHA and in the management plan described earlier in this paper. In establishing the RMC, it is recommended that not only funding for management training and organizational capacity building be provided, but that the PHA and RMC first undertake resident management by initiating dual management. Dual management can be defined in a contract which indicates that the PHA will work with the RMC during a transition period to full management and provide training and assistance so that the RMC can in fact achieve full management of a housing development.<sup>38</sup> Training and related activities in a dual management phase should be included in the management plan, with costs included in the revised AEL for severely distressed public housing.

In the chapter of this report covering management standards and performance evaluation, it is recommended that RMCs and any other housing management organizations operating 250 units or more be included in the national accreditation system. For the reasons indicated above, RMCs managing severely distressed public housing need to establish plans and performance targets. A number of the perceived benefits of resident management cited by HUD and even mentioned in the MDRC study relate to qualitative factors such as resident satisfaction and sense of personal development among residents. These qualitative factors are important and can best be measured and evaluated under the proposed system for accreditation.

In many cases conditions of severe distress in certain public housing developments have resulted in some of the early efforts to try resident management.<sup>39</sup> With adequate support and resources directed toward severely distressed public housing, residents will have a strong interest in participating in the revitalization of their developments. In some cases, this participation can and should include resident involvement in the actual management and operations of severely distressed public housing.

## VIII. ECONOMIC DEVELOPMENT INITIATIVES

One major component of the resident initiatives programs supported by HUD and Congress is economic development. Programs to promote economic development through the creation of job and business opportunities are critical to improving the financial condition and future of households residing in severely distressed public housing. As noted earlier in this chapter, the absence of economic resources among public housing residents is a significant contributor of distress. To improve the economic condition of residents, effective programs need to be developed and implemented which promote

job opportunities, provide for the creation of new businesses, allow for the expansion of existing businesses, allow for a healthy living and business environment, and thereby promote stronger communities within and around public housing. Such programs must also, support residents in acquiring the necessary skills to take advantage of job opportunities with the PHA or other employers.

Economic development usually encompasses a combination of public and private efforts to reshape and encourage private investment that will expand local business activities and increase employment opportunities. The use of funding for neighborhood incentives, along with investment in the rehabilitation of the severely distressed public housing, will provide a strong platform for community wide improvements through economic development. As indicated above, RMCs can have a strong role in the economic development activities and overall revitalization programs being recommended by the NCSDPH.

The revitalization of severely distressed public housing developments often result in a large expenditure of funds in severely distressed neighborhoods which have previously experienced long periods of disinvestment. Major revitalization programs help create resident employment through actual placement and training as part of the construction and rehabilitation activities. Furthermore, job opportunities can also be created as a part of the administration and the support services component of the revitalization program. Revitalization programs designed to address conditions in severely distressed public housing should generally include the construction of facilities which can be used for business activities and/or support service programs. Funds provided and programs implemented in severely distressed public housing can, with proper planning provide an excellent basis for improving the economic condition of residents in the public housing development as well as the entire neighborhood. To further support this use of the revitalization program as a platform for other improvements the NCSDPH has also recommended that funds be provided for neighborhood incentives to stimulate production of affordable housing and economic development in the immediate "targeted" neighborhood.

One major initiative authorized under the National Affordable Housing Act of 1990 is the Family Self Sufficiency Program (FSS).<sup>40</sup> This program promotes the development of local strategies to coordinate the use of public housing and public assistance under the Section 8 certificate and voucher programs with public and private resources with the aim of encouraging eligible families to achieve economic independence and self sufficiency. Starting in FY 1993, each PHA that receives funds for new public housing units, or for additional Section 8 certificates or vouchers, must operate a FSS program. Some of the major provisions of the FSS program are described below.<sup>41</sup>

**Coordinating Committee:** Each PHA is required to establish a program coordinating committee to help secure commitments from public and private resource providers to deliver the supportive services that program participants will need. Each PHA should develop an action plan which describes the needs of program participants, the program for delivering needed services and which offers a timetable for implementation.

**Services to be Provided:** The supportive services to be made available to the family may include remedial education and education to complete high school, job training and preparation, child care, transportation to receive services, and training in money management, parenting skills, etc.

**Participation and Selection Process:** The participation of families is voluntary. The Act does not specify how participants are to be selected. HUD's program guidelines require PHAs to select participants on an impartial basis from among current public housing residents, Section 8 participants, and persons on the waiting list to receive assistance.

**Contract for Participation:** The PHA and the participating families enter into a contract that identifies the resources and supportive services to be made available to the participating families and the families' responsibilities. The contract can last as long as five years and may be extended for good cause. The head of each family is required to seek suitable employment during the term of the contract.

**Escrow Account:** An escrow savings account is established for each participating family. The contribution to the escrow account is phased out as the family's income reaches 80 percent of the area's median income. The family may withdraw the funds in the escrow account only after it no longer receives any federal, state, or other public assistance.

The General Accounting Office (GAO) found that neither the legislation nor HUD's guidelines explicitly define "self sufficiency" or "economic independence" though it appears that the goal is to have the family end its dependence on public assistance. Improvement in the lives of residents of severely distressed public housing is a primary goal of the NCSDPH, and the FSS program is an important vehicle for achieving that goal. However, funds to support the services and related program activities needed to achieve self sufficiency are obviously critical to the success of the program. The funding proposed by the NCSDPH and the creation of Community Planning and Service Councils seem well suited to supporting efforts under the FSS program. The activities and requirements outlined above can and should be incorporated into the activities to be undertaken by the CPSCs.

The NCSDPH has recommended that HUD modify its rules and regulations to allow sole-source contracting with resident businesses. The NCSDPH notes that HUD has begun taking steps to develop a regulation on sole source contracting with resident-owned businesses. One of HUD's goals of this regulation is to promote resident employment. This regulation has now been issued as a final rule and permits resident-owned businesses to receive up to \$500,000 in contract work with a PHA through a "resident bidding preference" for resident-owned businesses which can provide services (including supplies or construction) to a PHA.<sup>42</sup> The NCSDPH believes that this preference can assist in the formation of businesses that are substantially resident-owned in severely distressed public housing.

The change in the resident-owned business preference in bidding can also be used to encourage incubator programs that have been promoted by some PHAs. These incubator programs generally offer support to residents by creating new small business enterprises which serve the public housing community and sometimes even the greater community. One such program is the Resident Enterprise Assistance Program (REAP) undertaken by the Tampa Housing Authority. This program offers management and technical assistance to residents who wish to own or operate their own business. Once established, these businesses can enter into contracts with the agency and in time can develop the capacity to seek other contracts outside of the agency. The program is based on the idea of creating businesses through an incubator approach, and has evolved from a program of education and technical assistance to one primarily con-

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cerned with creating contracting opportunities for residents. The new HUD regulations discussed above should further assist PHAs that pursue business incubator programs.

The NCSDPH has recommended (subject to budget restrictions and/or private fundraising) that PHAs should implement paid internship programs to train residents to manage and form businesses, and should further give preference for employment in public housing. Two recent initiatives may lend additional support for implementing these recommendations. One initiative relates to an interim rule issued by HUD which implements provisions enacted as a part of the National Affordable Housing Act of 1990 exempting volunteers from the requirements that workers be paid Davis-Bacon or HUD determined prevailing wages under certain HUD programs.<sup>43</sup> This provision allows that upon a joint request of an RMC and the PHA, a waiver may be granted by HUD of requirements that volunteers be paid prevailing wages rates and may then volunteer services for programs benefiting public housing. Another initiative relates to a notice which provides clearer guidance to PHAs and others in implementing pre-apprentice, apprentice or trainee wage rates that can benefit residents by presenting fewer to their participation in job training and related programs.<sup>44</sup> The notice also offers various administrative options for employment and training specially tailored to meet the needs and objectives of RMCs. The interim rule and notice may give further opportunities for job training and resident employment under revitalization programs which can be used to complement the recommendations that have been offered by the NCSDPH.

The NCSDPH has recommended that PHAs and residents conduct periodic conferences with HUD, SBA, HHS and union leadership to stress economic opportunities such as resident employment for resident apprenticeship programs, job banks, enterprise zones, resident self sufficiency programs and day care. These conferences should be jointly developed and sponsored by residents (including resident organizations) and PHAs. Given the need to address the economic conditions in severely distressed public housing, these conferences should be eligible for funding through the planning and stabilization components of the program outlined by the NCSDPH. Also, the use of the CPSCs to sponsor such conferences would be appropriate since they would have strong representation from residents, the PHA and service providers in the greater community. PHAs and the programs for severely distressed public housing cannot on their own be expected to address all of the economic problems or the conditions of poverty affecting public housing residents described earlier in this report. Strong private sector participation in the creation of business and job opportunities is necessary. To accomplish this goal there must be capital investment in these communities by both private and public institutions.

One step to promote a more positive economic climate for severely distressed public housing communities is to encourage lending and technical assistance for the creation of new businesses enterprises for both resident and non-resident owned enterprises. As indicated earlier, a number of severely distressed public housing developments appear to have experienced disinvestment (especially when the surrounding neighborhood is also distressed). Financial institutions do not appear to be interested in these neighborhoods and there is little capital available to support the creation of new business enterprises. Institutions such as Chicago's South Shore Bank which have taken a position of assisting distressed neighborhoods and community-based business enterprises, need to be encouraged. According to a recent news article the Bank seems to be willing "to make loans as much on character as collateral."<sup>45</sup> It is this type of participation from private institutions that is needed to help support the creation and sustaining of busi-

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ness enterprises in severely distressed public housing communities. A further discussion of this issue is included as an appendix to this chapter.

The NCSDPH has recommended that severely distressed public housing developments be linked to an enterprise zone even when the developments are outside of the physical boundaries of the enterprise zones. Linking these properties to enterprise zones is an important way of assuring that other public and private efforts to promote economic development in poverty-impacted communities do not ignore public housing. Congress has empowered the Secretary of HUD to designate up to one hundred zones as enterprise zones based on rank order of distress.<sup>46</sup> The Secretary has been authorized to waive HUD regulations in these areas in order to expedite all HUD programs within the zone. The purpose of the enterprise zone is to encourage business to invest in distressed areas, thereby creating jobs and assisting in economic revitalization.

One major objective of the enterprise zone program is to stimulate the creation of new jobs, particularly for disadvantaged workers and long term unemployed individuals. Other major objectives include the provision of tax incentives at state or local levels, actions to reduce, remove or simplify government requirements, improvement of local services and an effort to increase the economic stake of the enterprise zone residents in their community through the greater involvement of private and local neighborhood organizations. The objectives of the enterprise zone program(s) are clearly consistent with the recommendations of the NCSDPH and could help to meet the needs of residents of severely distressed public housing.

Recently, the U.S. House of Representatives passed an urban aide bill (HR 11) that includes authorization for eight urban enterprise zones in FY 1993 which was summarized in the NAHRO Monitor. Federal funding for a variety of current programs from six federal departments and agencies is authorized in the zones through "Enterprise Community Block Grants". The block grant could be used at the locality's option for an array of twenty-eight federal programs, but the bill specifies that funds must be allocated equally among five categories: crime and community policing, job training, education, health and nutrition, and housing and community development. The federal programs involved include community policing, Job Corps and Job Training Partnership Act (JTPA) training, child care, Head Start, Chapter I summer youth employment, Vocational and Adult education, Women Infant Care (WIC) feeding program, drug treatment, CDBG, Public Housing Modernization, Family Investment Centers, Public Housing Drug Elimination, Section 8 Vouchers, and Section 108 Loan Guarantees. Under this program the fifteen percent cap on public service spending would be lifted for enterprise zones. The provisions of this bill seem to make the linking of enterprise zones to severely distressed public housing even more critical so that these housing developments can benefit more directly from the funding and programs cited above.

Overall, a strong and well-coordinated set of programs and activities are needed to address the problems of poverty and lack of economic opportunity in severely distressed public housing. The NCSDPH's research and recommendations attempt to provide a framework for directing programs and activities toward economic development and including these activities in a revitalization program for severely distressed public housing.

## IX. HOMEOWNERSHIP

The NCSDPH has indicated that homeownership should be considered as part of a strategy for developing a revitalization program to address conditions in severely distressed public housing. Recommendations include making "one-for-one" replacement requirements for units sold under the HOPE (Homeownership and Opportunity for People Everywhere) consistent with the "one-for-one" replacement requirements for other reductions in the public housing stock pertaining to demolition and disposition. If adopted, this recommendation would require that any unit sold under a homeownership program be replaced in accordance with the requirements of Section 121 of the Housing and Community Development Act of 1987.

HUD has established several programs that promote homeownership and has made funding available to assist residents in acquiring homes. These programs provide a variety of incentives and assurances to promote homeownership. Financing has been made in a variety of different ways. Some programs provide financing guarantees to lenders while others provide grants or even property. Most of the recent emphasis has been on targeting the low income residents for homeownership programs.

While some public housing residents have sufficient income to qualify for homeownership under previous HUD programs, only a small percentage of public housing families have become homeowners. An individual's credit and income histories are the major obstacle to homeownership. There are some major restrictions to homeownership which include that the dwellings for sale must be suitable housing stock, the units must be in sound sanitary condition with supportive financing and sustainable operating income. Given the condition of many severely distressed public housing units and the incomes of many of the households residing in these units it is difficult for homeownership programs to be readily undertaken in the developments covered by the NCSDPH. Recent proposals would offer some increased funding and support for undertaking homeownership in public housing. It is not clear whether many of the Secretary's proposals in the area of homeownership will be enacted, and if enacted, whether they will have a major immediate impact on the ability of residents of severely distressed public housing to become homeowners.

As discussed in the section above on economic development, the ability to address the economic condition of residents will result in improved choices for residents and better equip them to become homeowners. Supporters of homeownership believe it can improve the quality of life for residents by bolstering their self esteem and sense of control over their lives. The NCSDPH is particularly interested in programs that promote an improved sense of community and increase the economic stake households have in the neighborhoods which contain severely distressed public housing.

There are several issues and questions to consider when contemplating homeownership. First, a suitable development must be selected for homeownership. The units must not fall under any statutory restrictions on conversion and if the property is occupied, the rights of residents who are ineligible or do not wish to purchase homes must be taken into account. Finally, the physical condition and operating costs of the property must be taken into account as well as the market condition of the surrounding property.

Planning and design questions relating to homeownership include who will plan the changes, what form of homeownership should be used, and who will develop the units.

Financial issues which must be considered include the capital costs of the property for the life of the loan, costs of the property in both the transition and regular phases and income and asset restrictions that may be placed on prospective homebuyers. Construction and rehabilitation issues that must be addressed can relate to who will make the design decisions, who will manage the construction process and how will vacant units be marketed. Questions regarding occupancy involve who will provide training for participants, who will manage the properties, how will reports be developed and made, and how will sales and vacancies be handled.

For most homeownership programs both the initial and future affordability of units must be taken into account. Factors affecting initial affordability of the units include the participants access to credit, and their debt loads. As indicated above, most public housing residents have poor or no credit history. This affects the types of homeownership programs that will work as well as what counseling or training will be needed. The monthly costs of homeownership are important. Most affordable programs keep the monthly costs to no more than thirty percent of the buyer's income. This may create a need for a subsidy to cover the gap. As indicated above, subsidies for very low income public housing residents have been made available and are proposed by the HUD Secretary.

The concentration of very low income residents in homeownership buildings such as are likely to exist in severely distressed public housing, may lessen the ability to generate adequate reserves for vacancy and collection losses. Homeownership programs such as HOPE I were created in anticipation that resident management programs, economic self sufficiency and other initiatives will improve conditions because of increased income and financial capacity of public housing residents and housing development based resident organizations such as RMCs.

In another chapter of this report, the NCSDPH has recommended steps to promote the mix of incomes of households residing in severely distressed public housing. Increasing the mix of household incomes by having higher income (but primarily public housing eligible) households residing in public housing will improve the likelihood that residents and PHAs can successfully explore homeownership options as a part of a revitalization program. Involvement of residents in the planning process, including the idea suggested by the NCSDPH that alternative strategies be devised for marketing newly-developed units, will help ensure that residents are fully involved in decisions about the feasibility of homeownership.

Appendix B (at the end of this chapter) provides some further background on two homeownership programs that are targeted to public housing. Other programs can be applied directly or indirectly to public housing or used as a part of an overall community revitalization strategy, the Section 5(h) and HOPE I programs seem to provide the strongest support for homeownership conversions.

## X. SUMMARY

This chapter has covered a number of issues concerning resident initiatives and support services. The paper begins with a discussion of how research indicates that a majority of public housing residents in family public housing are poor and getting poorer. From a study of modernization needs using data provided from HUD's national modernization study in the 1980s there appears to be a relationship between household income and the level of physical improvements needed at a housing development. Resi-

dents of severely distressed public housing are themselves severely distressed and there seems to be a very high rate of dependency on public assistance for those residing in many family public housing units.

One factor which differentiates severely distressed public housing from other types of public housing developments is the degree to which these housing developments are isolated from the overall community and services available in the community. The NCSDPH is concerned over the effects the environment in severely distressed public housing has on children residing in these developments. Crime and drug-related activities in particular are major problems in severely distressed public housing, and have a significant destabilizing effect on residents' safety. The NCSDPH has proposed that additional funding be provided to assist PHAs and residents in the provision of social support services and to address problems of public safety.

The NCSDPH has included two additional categories of indicators in its definition of severely distressed public housing, beyond solely management or physical condition considerations. These categories are families living in distress and rates of serious crimes in the developments and the surrounding community (or city). It has been observed that in a number of instances severely distressed public housing is located in severely distressed neighborhoods and that strategies to address conditions in the development should be linked to efforts to improve conditions in the overall neighborhood.

The creation of CPSCs to facilitate effective coordination and delivery of services has been proposed. This paper notes the need to coordinate and target programs and funding at every level (federal, state and local) for severely distressed public housing. The framework or process for delivering the services is one which insists upon resident participation, input and a strong and meaningful role overall in both the assessment of needs and the determination of the type of services provided. Resident participation in the operations of the severely distressed public housing development and in the planning for the revitalization program is encouraged by the NCSDPH.

Resident management is covered in this paper and it is noted that RMCs provide services in a manner consistent with an overall decentralized housing management approach. This decentralized management approach is being pursued by PHAs in a number of the housing developments visited and reviewed by the NCSDPH. Residents can have a number of different roles in managing a severely distressed public housing development. Their resident involvement in the management and operations can assist in the overall effort to improve the stability of the public housing community, and assure that activities which are of priority to residents are in fact undertaken. RMCs usually have as one of their goals the provision of social support services to residents. The NCSDPH research clearly indicates that residents of severely distressed public housing are in great need of social support services.

Economic development initiatives are important in improving the quality of life of households residing in severely distressed public housing. The NCSDPH has recommended that support be given to the creation of resident owned businesses, increasing job opportunities for residents, and the creation of business opportunities in the overall neighborhood in which a severely distressed public housing development is located. Enterprise zones should be linked to severely distressed public housing developments, and neighborhood incentives (including funding) should be provided to promote neighborhood development in conjunction with an overall revitalization program. As a part of a range of strategies for addressing the needs of severely distressed public housing it

is recommended that homeownership be considered along with other critical options for treating the housing development.

This working paper has covered a range of areas pertaining to resident initiatives and support services. What follows is a list of recommendations adopted by the NCSDPH under Chapter Two of the Final Report.

## XI. RECOMMENDATIONS

### 1. Funding for Resident Support Services.

The Commission recommends that resident support service expenses be added to the Allowable Expense Level (AEL) for PHAs so that operating subsidy eligibility can be adjusted to support these costs. The method for revising the AEL to cover these costs is described more fully in a recommendation in the next chapter pertaining to the change in the establishment of the AEL for severely distressed public housing developments. To bring about changes in severely distressed public housing developments, the needs of residents and their efforts to improve their living conditions must be addressed as primary considerations. The PFS, developed in the early 1970s and has not been substantially modified since that time, does not provide sufficient funding for PHAs to offer or coordinate the human services delivery program described in this chapter.

### 2. Overall Approach to Human Service Delivery.

A comprehensive, integrated, holistic human services delivery system, using guidelines developed by the residents and covered in this chapter, should be developed. The planning network should involve residents; PHAs; federal, state and local governments; and the private sector in the delivery of support services. Although these guidelines establish the involvement of RMC, RCs and the resident population, this very important involvement is not intended to replace the need for and responsibility of PHAs to provide sufficient human and support service delivery systems agency wide. The goal is to have resident participation at every level.

### 3. Guidelines for the Establishment and Implementation of Development-level Human Services that will meet the Needs of Residents of Severely Distressed Public Housing Developments.

- A. It should be mandated that where qualified resident organizations or a majority of residents who are not formally organized desire to participate in either the development or actual service delivery of social and support services, the PHA must facilitate such participation. However, it is the responsibility of the PHA to ensure that social and support services are delivered to severely distressed developments. Even when residents do not choose or do not have the capacity actually to deliver these services, the PHA must seek and consider input from residents.
- B. Social service councils should be established in every development and should be subsets of the RMC, RC or designated or organizable entity. Council members would be elected by residents. If there is an existing resident organization, it should be responsible for developing the social service council. Development level social service councils may include outside professionals to serve as advisors but not as decision makers.

Existing RMCs or RCs with established social service programs should receive direct training to provide resident assistance and peer counseling training.

All unexpended PHA funds for resident services and initiatives should revert to developments to which they were allocated and be controlled either by qualified resident councils or by the PHA in direct consultation with residents.

RCs and RMCs should design the social service programs for their developments and submit budget requests to the PHA for inclusion in the PHA operating budget. Budget line items for these programs should not be modified without resident approval.

Drug forfeiture funds should be redirected to distressed public housing communities. The priority for the use of funds should be to train residents as drug counselors and community organizers as well as for other programs such as education and drug abatement.

Qualified or eligible resident organizations should be able to receive direct Public Housing Drug Elimination Program Grants and Youth Sports Grants from HUD in excess of current limitations.

Residents should participate in the local development and the monitoring, evaluation process and setting of criteria for current PHA service delivery.

**4. Devise a System that Requires the PHA to Solicit Resident Input Prior to Eliminating Needs Programs.**

This recommendation applies to all programs designed to meet resident needs.

**5. PHAs Should Not Only Encourage Interaction Between the Residents and the Community At Large but Should Also Promote a System That Facilitates Such Interaction.**

**6. Subject to Budget Limitations and/or Private Fund raising, PHAs should Implement Paid Internship Programs to Train Residents to Manage and Form Businesses.**

The programs should include staff as well as high school and college students and should provide training in property, resident and financial management.

**7. PHAs and Residents Should Conduct Periodic Conferences.**

These conferences should be with HUD, SBA, HHS and union leadership to stress economic opportunities such as employment for residents, apprenticeship programs, job banks, enterprise zones, resident self-sufficiency programs and day-care.

**8. The President Should Appoint One or More People from the White House Staff to Coordinate Social and Support Services to be Delivered to Severely Distressed Public Housing. The Structure for this Coordination Should Be Similar to that Used by the President's Domestic Policy Council.**

The activities of all federal agencies such as the Departments of Labor, Commerce, Health and Human Services, Agriculture, Justice, Education and the Armed Services need to be coordinated with HUD. Even though no new funds are being requested, each agency should be required to designate existing funds in their budgets for activities pertaining to severely distressed public housing.

**9. Qualified Residents Should Have Preference for Employment in Public Housing Jobs. PHAs should be required to conduct outreach efforts to inform residents of and to identify them for job opportunities.**

**10. Start-up and Business Development Funding.**

HUD should enter into an interagency agreement with the SBA to provide a Small Business Development (SBD) grant and/or a revolving SBD loan fund for start-up and business development funding for resident owned and resident operated businesses.

**11. Support for PHA Resident-Owned Businesses.**

HUD should amend its rules and regulations, "other program requirements", under the subheading "Minority and Women's Business Enterprise Opportunity" to include PHA resident owned businesses.

**12. Sole Source Contracting for Qualified Resident Owned Businesses.**

HUD should modify procurement rules and regulations to allow for sole source contracting with qualified resident businesses (24 CFR Part 963). The Commission believes that efforts to promote economic development are needed to provide homeownership opportunities for public housing residents.

**13. As a Part of the Feasibility Study of the Implementation of Homeownership, the Resident Group and the PHA Should Devise Alternative Strategies for Marketing the Development of the New Units.****14. All RCs and RMCs Should Have Access to Copies of all HUD Regulations and Codes of Federal Regulations and be Allocated Office Space so that they will have a Legal Place of Business and a Mailing Address.****15. PHAs, Along With Residents, Should Make Their Case for Community Development Block Grant Funding During Public Hearings Where Allocations Are Made.****16. Link Severely Distressed Public Housing With Enterprise Zones.**

Enterprise zones should be linked with severely distressed public housing developments so that the developments can benefit from the planned economic development assistance to the area and can be part of a coordinated planning effort. The severely distressed public housing should be linked to the enterprise zone even in cases where the development is not within the physical boundaries of the enterprise zone.

*Appendix A:***Access to Capital and Financing to Create Public Housing Resident-Based Business Ventures****I. INTRODUCTION**

This paper discusses how residents can overcome impediments to the creation of resident-based business enterprises and gain access to financing for such enterprises. Lack of capital seems to be one of the biggest obstacles to those in public housing who are considering starting up a business venture. Many public housing residents lack the capital required to create even small service-based businesses and do not have the same contacts or opportunities to approach lenders or others who provide financing and technical assistance. This problem, along with the overall lack of skills in the management and operation of small business enterprises, make it extremely difficult to undertake or sustain a business venture.

The discussion will also cover the three HUD initiatives targeted either directly or indirectly toward economic empowerment: the resident management Technical Assistance Grants (known as TAG grants), the HOPE I Home-ownership Program, and the Family Self Sufficiency Program. The purpose of this discussion paper is not to evaluate or report on the content of these programs but to discuss important components of developing resident based business ventures in public housing. These and other programs will be mentioned to the extent that they can offer assistance to public housing residents who choose to create some form of a business.

Starting a business enterprise in a distressed public housing development or outside of a public housing development in a poverty-impacted community (which is where many public housing developments are located) can be overwhelming even where there is significant public and private support. Some studies have shown that a substantial number of new small business ventures fail in the first year. This does not provide much encouragement to those interested in creating such business ventures in a distressed public housing setting.

In poverty-impacted communities few lending institutions operate in the area and even fewer who will consider supporting the start up of a new business enterprise. In fact, there is generally little institutional presence of any kind which gives lenders and others who would assist new business enterprises the confidence to provide support for undertaking economic development ventures. What is needed is direct intervention on the part of federal, state and local government to assist in the development of both non-profit and privately-operated business enterprises in severely distressed public housing. A strong and healthy business climate will not only assist in improving the economic condition of public housing households in a severely distressed public housing development but will contribute to increasing the level of attention and hopefully investment in the overall public housing community by both public and private institutions.

Section 122 of the Housing and Community Development Act of 1987 authorizes resident management of public housing. Resident management has been one of the major vehicles used by the HUD Secretary to promote increased resident involvement and resident upward mobility. The provisions of this component of the 1987 Act are the

basis for the regulations governing resident management covered in 24 CFR Part 964. There are three basic components to the Secretary's resident based initiatives; resident management, and homeownership. In many respects these three initiatives have been linked in the policies and programs which have been promoted. However, the issues of resident involvement in the creation of business and related economic development ventures can and in some respects should be viewed separately. Clearly providing residents with the skills to undertake housing management and to obtain increased income through employment to support homeownership, can be linked, but the steps required to promote business development and economic empowerment certainly have broader applications.

Any business, whether a non-profit or private sector venture, requires that there be a market for the goods or services to be provided. Once it has been determined that such a market exists there are generally three critical components to undertaking the business venture: (1) the development of a sound business plan; (2) a determination of the skills required to operate the business venture (with a plan for acquiring those skills); and (3) obtaining the needed capital or financing to start and operate the business. Many programs give attention to the first two items but not to the issue of accessing capital or financing. This is not to say that the assistance provided to individuals or organizations in preparing a business plan has been adequate or that training programs directed toward developing skills in the area of financial or operations management have been effective. In many cases these programs have not been very successful. Having a sound business plan and being able to demonstrate that the individuals who can acquire appropriate financial /operational/management capacity are usually prerequisites to obtaining the financing to start the business.

## II. BACKGROUND ON THE CREATION OF BUSINESS ENTERPRISES

A business plan is critical to defining what the goods or services will be, what the market for the goods or services are, who will provide the goods or services and how the business venture will be operated. The business plan must be clear as to the needs and objectives of those participating in the venture. Any investor (whether providing assistance through the public or private sector) must be assured that the business is viable. Issues of viability are not just related to the notion that the business can simply sustain itself but that it will in fact generate a surplus or a profit. There has been a strong tendency to direct resident based business ventures toward public or non-profit types of ventures. This approach tends to limit consideration of possible business ventures that can generate excess proceeds or profit. While it is important that the issues regarding the public purpose role of RMCs be considered this should not supersede HUD's role in promoting non-resident management activities pertaining to the development of business ventures by residents. The RMC does not have to be involved in all or any resident-based business ventures and an RMC does not have to be present in order for resident-based business or other economic development ventures to operate.

Within HUD, a unit should be established to provide direct assistance (either through existing staff or a pool of technical assistance providers) to residents and resident organizations interested in pursuing resident-based business ventures. It is difficult to imagine how organizations can access the capital needed without having the capacity to develop a thorough and complete business plan. In many respects the development of the business plan is a one-time activity. Once it has been developed it can be maintained and revised, but it typically does not have to be fully recreated. The Small Business Administration (SBA) does provide assistance in the development of business

plans however, it has been the experience of many that they do not necessarily understand issues regarding public housing and the needs of new start-ups operating in a setting such as severely distressed public housing. This is not to say that the SBA cannot be brought in for assistance or that this agency should not be included in any business development program but HUD should serve as a bridge between organizations like SBA and the economic development initiatives for public housing. This approach links the urban development role with the public housing role of HUD.

As indicated above, many of the grant and technical assistance programs have been directed toward working with resident organizations which are interested in pursuing resident management. A skills development training and technical assistance program (with or without the involvement of SBA), operated separately from resident management initiatives, could help better target the assistance to residents needed to create successful new business enterprises in public housing. Under the TAG program resident organizations are required to use the funds to obtain certain skills some of which are clearly transferable to the operation of a business. In many respects, residents are encouraged to consider their involvement in resident management related activities to be similar to that of creating a new business venture. This is appropriate since RMCs are the agents for a PHA and this is in every respect a business operation. RMCs are encouraged to operate as 501(c)(3) (IRS designation for non-profit charitable organizations) non-profit corporations. However, as indicated above, business ventures do not have to be undertaken only where RMCs are present and business ventures do not have to occur in the not-for-profit sector. Training for public housing residents in the development of business (i.e. financial and operations management) skills can occur without an interest in pursuing resident management.

The Family Self Sufficiency Program (FSS) is directed toward locally based initiatives that promote activities to help families achieve self-sufficiency and economic independence. Both of these objectives are important; however, they do not necessarily need to relate to the development of independent business ventures among public housing residents. The program could be used to direct technical assistance in the area of business development and changes could be initiated in subsequent funding rounds to direct HUD funds to the provision of technical assistance for skills development relating to business ventures as well as the development of the necessary components of the business plan.

### **III. METHODS FOR OBTAINING FINANCING TO CREATE AND SUPPORT PUBLIC HOUSING RESIDENT-INITIATED BUSINESS ENTERPRISES**

The major topic of this discussion paper is how resident based businesses can gain access to capital or the financing necessary to create a new venture. The issues pertaining to gaining access to capital must involve a sound business plan and the ability to demonstrate that the participants in the venture have or can acquire the skills to operate the business. No organization (public or private) in a position to provide loans, grants or other resources is required to invest in an organization which does not have a sound business plan and cannot demonstrate that it is capable of operating the business venture. Therefore, any program to promote the financing of new business ventures must assume that assistance is available to provide residents with the ability to develop a sound business plan and receive training in financial and operations management.

The federal government offers few direct grants and related assistance for the development of private business ventures, even when these ventures include public housing residents. Some in public housing have expressed frustration with this situation and have taken steps to develop programs which will direct assistance toward the creation of resident based economic development ventures. This is one of the reasons why many economic development initiatives have related to resident management activities and the HOPE homeownership initiative (since it has been an acceptable way to offer public support for business development in public housing). As mentioned above, efforts need to be directed to economic development activities whether or not these activities are a part of homeownership or resident management initiatives. Even under favorable circumstances, establishing a successful business venture can be quite difficult. Most small businesses obtain the funds needed for start up in one of five ways:

1. Cash already possessed by the owner;
2. Home Equity Loan, available to those who are homeowners and have sufficient equity in the home;
3. Cash injection from a second party (subordinated), where second party may be a silent partner;
4. Angel, or someone who provides funds without requiring equity or participation (can be a gift);
5. Venture Capital: direct financing provided in exchange for some form of future return (usually based on an examination of the business plan and an agreement for receiving proceeds at some point in the future).

Many public housing residents simply do not have the opportunity to obtain the capital using the methods described above. Banks generally require that the owner(s) of a small business provide at least 30 percent of the capital needed to support the operation of the venture. Both the 30 percent contribution and the financing can be major barriers to any form of business venture, especially one being undertaken by low income public housing residents. Public housing regulations regarding RMCs acknowledge these constraints by permitting RMCs to use "excess revenues" to support economic development activities of public housing residents. Also, HUD now permits PHAs and RMCs to continue to receive funding for units used for non-dwelling purposes if the units are used for activities relating to economic development. By themselves, these provisions will not provide sufficient capital to promote the creation of small business ventures in public housing. What appears to be needed is one or more forms of direct financial assistance for resident-based (for profit and non-profit) business ventures.

#### **IV. OPTIONS FOR PROVIDING FINANCING TO RESIDENT-BASED BUSINESS VENTURES**

One model for resident-based economic development is that of community development corporations, commonly known as CDCs. These organizations have primarily operated in the non-profit sector with various forms of grant and loan assistance. CDCs generally have some activities which are directly related to neighborhood based

services and in a number of cases these services relate to the provision of low- and moderate- income housing. Housing development has been a strong source of income for some community-based organizations and for at least one RMC, Cochran Gardens RMC in St. Louis. It is important to note that housing development can be quite risky and need not be the only way to promote business development in low and moderate income communities. However, some of the programs developed by and for CDCs could be adapted for the creation of resident based business enterprises.

Providing direct grants to an organization is one form of assistance which has been done in the State of New York. Recipients generally are non-profit corporations that perform a community based service which is considered an eligible activity by the New York State Division of Housing and Community Renewal. Currently, there are 236 organizations which receive grants to support community activities through state appropriations. Not all of the activities can be termed business ventures and most are considered to be social and support services. However, the State of New York does become directly involved in auditing and monitoring these organizations and encourages grant recipients to use the funds as a means of "leverage" to attract other funding or to create activities which can generate sufficient proceeds to support additional programs and ventures.

Another source of capital is Community Development Block Grant (CDBG) funding. Much has been written on the use of CDBG funds to support community based social service and economic development ventures. Funding has generally been used to support organizations providing social and community services but not to start new business ventures. A major impediment to the use of funds for such discretionary purposes is the lack of technical experience on the part of local government agencies in providing assistance to new business ventures and the limit that is placed on the amount of CDBG funds that can be used for "public service" or non-capital improvement related expenses. Many communities, having experienced reductions in the amounts of CDBG funds made available through HUD, have reached the limit on the portion of funds that they can allocate to new activities which capital improvement related. The use of CDBG funds to provide loans and even grants to new business start ups would improve the ability of public housing residents to access the financing required to undertake business ventures. Allowing local governments to exceed the "caps" placed on the use of CDBG funds for non-capital improvement expenses in cases involving support for business ventures in public housing is recommended. Further, it is recommended that local governments be encouraged to hire the support staff required to assist in these business ventures.

Foundation support for business ventures in public housing has also been limited. Taking the lead, HUD could provide seed money to attract both private sector and foundation support to establish a loan pool for public housing business ventures. This pool could be operated at the national and/or regional level. The purpose of the pool would be to provide direct financial assistance to new business ventures. A separate economic development office within HUD or an expanded office using the economic development and supportive services section in the Office of Resident Initiatives should be considered. This section of the agency could be the vehicle for coordinating technical assistance to resident based business ventures and to coordinate this assistance with the provision of loans and grants. In many respects HUD could establish a financing component similar to finance corporations which have been established in such areas as Massachusetts which exist to provide capital financing to CDCs. An organization similar to the Massachusetts Community Development Finance Corporation (CDFC) could be created to administer or target programs such as those described above.

Another financing method to explore is convertible loans and grants, which have been used in the recent past by both lending institutions and foundations. The financing is first arranged as a loan based upon the organization's undertaking certain activities and meeting certain objectives. Frequently, the loan is granted with the understanding that certain community programs will be undertaken, or in some cases that components of a work plan or business plan will be implemented. Successful completion of the tasks outlined as conditions of the loan financing plan will result in the loan being converted to a "grant." Such a program has been quite successful in providing incentives to organizations such as Community Development Corporations in meeting the financing needs of certain ventures. It is this type of program that could provide strong incentives for supporting public housing resident based business ventures. These capital grants or loans could also be used to meet the owners cash contribution required to obtain conventional bank or SBA backed loan financing.

## V. CONCLUSION

In this paper several ideas have been reviewed and discussed relating to policies and programs to support the creation of resident-based business ventures in severely distressed public housing developments. Other sections in the main body of the working paper indicate the need for economic development activities to be considered along with a comprehensive strategy for "revitalizing" severely distressed public housing developments. This component of a redevelopment or revitalization plan can be undertaken in conjunction with the capital renovation and management improvement components of an overall program to treat severely distressed public housing. One section of the report even covers the linking of severely distressed public housing to enterprise zones even if the actual boundaries of an enterprise zone do not encompass the location of the severely distressed public housing development. The promotion of small business ventures in public housing communities is but one strategy for improving the economic condition of households residing in severely distressed public housing.

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Appendix B:

## Summary of Homeownership Programs

Below please find a summary discussion of two programs that are designed for residents to purchase public housing units for homeownership.

### I. SECTION 5(B) HOMEOWNERSHIP PROGRAM

The Section 5(h) Homeownership Program for Public Housing was authorized under the Housing and Community Development Act of 1974<sup>47</sup> by adding sections 5(h) and 6(c)4(D) to the United States Housing Act of 1937. Under the program, a PHA may sell part or all of a public housing development to eligible residents for homeownership purposes. HUD will continue to make debt service contributions for which the development is obligated under the Annual Contributions Contract (ACC), if this applies. PHAs are responsible for paying debt service and the cost of rehabilitation.<sup>48</sup> When applying for Section 5 (h) funds, PHAs must submit a homeownership plan which will serve as the charter for local program activity. In accordance with the HUD-approved homeownership plan, HUD will execute a release of the title restrictions defined by the ACC. In order for a PHA's homeownership plan to be approved by HUD it must be practical and have potential for long-term success. The plan must abide by all legal requirements and must be clear and complete (24 CFR 906.4).

The form of homeownership to be used under the program is at the discretion of the PHA. However, when developing a plan, PHAs are required to consult with residents of the development involved. The PHA has legal authority to make final decisions, but must consider input from residents and resident organizations. If a RMC or RC desires to discuss homeownership opportunities, the PHA is required to negotiate with them in good faith. If the homeownership plan involves the sale of fifty or more dwellings, or over ten percent of the PHAs total stock, a public hearing must be held prior to the submission of the plan (24 CFR 906.5).

The Section 5(h) Program allows for the sale of one or more dwellings, located in one or more public housing developments. The plan allows for both the conversion of existing rental units to homeownership and the sale of newly developed public housing units. The dwellings being sold must meet local code and lead-based paint requirements, and must be in good physical condition (24 CFR 906.6).

Units sold under 5(h) are subject to the one for one replacement rule. The one for one replacement rule applies to units transferred under the homeownership plan and subjects them to certain restrictions. Units can be replaced through the development of additional units by the PHA, the rehabilitation of vacant public housing units owned by the PHA, the use of five-year tenant-based certificates or voucher assistance under Section 8, the acquisition of non-publicly owned housing units which the RMC, resident council or cooperative association will operate as rental housing or any other comparable Federal, State or local housing program. Replacement housing may differ from the dwellings sold under the homeownership plan.

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HUD has given PHAs flexibility in choosing the type of homeownership to be utilized, although most have been cooperatives. Any method of sale deemed appropriate may be used. This includes the sale of units directly to residents as well as the sale of units to an "entity" governed by and composed solely of residents. The methods have ranged from simple transfers of title to a family unit with income to support it to a comprehensive multi-family conversion (24 CFR 906.7). Eligible buyers in rank order of preference are: existing residents of the dwellings that are to be sold, residents of the building or development in which units are to be sold, residents of the PHA's other housing developments, residents of other housing who are receiving Section 8 assistance, and persons who do not fall into the previous categories. A homeownership plan may restrict eligibility to one or more of these categories. Preference will be given to residents who have completed self-sufficiency and job training programs or who meet standards of self-sufficiency. Eligibility is limited to residents who are capable of handling the financial obligations of homeownership and who have been current in all of their lease obligations for at least the six months before the sale (24 CFR 906.8). Low income residents who are not PHA residents may apply for homeownership if they have completed a period of rental occupancy and meet the test of admission to public housing.

The Section 5(h) program does not provide any funds beyond those generated from the sale of the units and other funds called for under the homeownership plan. Counseling, training and technical assistance must be provided to prospective and actual buyers for each state of the implementation of the homeownership plan. A maintenance reserve must also be established for the homeowners to provide funding for maintenance, repair and replacement in order to ensure the long-term success of the plan (24 CFR 906.9-906.11). It is also important that PHAs and resident groups plan for other subsidies such as Section 8 and CDBG funding to assist residents in becoming homeowners. HUD requests that this funding be secured prior to approval.

Existing residents of the dwellings to be sold who choose not to purchase or who are ineligible to purchase their unit must be given a choice of relocation or of continuing occupancy at the present dwelling on a rental basis. Residents choosing to relocate must be offered another decent, safe, sanitary and affordable dwelling of suitable size which is nondiscriminatory and pleasing to the resident (24 CFR 906.10).

Units may be sold at the appraised value or at market value. If a dwelling is initially sold for less than the fair market value, the homeownership plan must include measures to prohibit "windfall profit" on its resale. HUD prefers that PHAs establish a discounted purchase price by utilizing either a "silent second mortgage", a simple fee, simple sales, shared equity and lease or purchase homeownership sales program. PHAs can choose to finance their programs through conventional funding, government insured funding or locally subsidized funding by the PHA or CDBG funds. Whatever program the PHA chooses, the buyers payments for mortgage principal, interest, insurance and real estate taxes cannot exceed thirty percent of the applicants adjusted income, except where justified. Utility, maintenance, and other expenses must be taken into account in computing the total buyer's payments.

HUD takes the local economic and site conditions into account when deciding whether to approve an application. HUD's review also looks for practical workability, consistency with the law, replacement housing and sufficiency of the homeownership plan. HUD encourages strong resident involvement and provides for RMCs or resident organizations to participate. Once the plan is approved by HUD, the PHA is contractually obligated to carry it through.

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A feasibility study must accompany the homeownership plan. It is generally expected that a homeownership feasibility study will answer several important questions:

1. Is there a large enough number of eligible families who can realistically afford homeownership?
2. Is there a commitment on financing for rehabilitation?
3. Will counseling/training be provided?
4. Does the PHA or sponsor have the capability and resources to complete the program?
5. Is there a large enough maintenance reserve?
6. Can the plan be implemented in a timely fashion?
7. Can the plan succeed in the long run?

HUD approves applications on a case by case basis taking into consideration the information provided in the feasibility study.

## II. HOPE I HOMEOWNERSHIP PROGRAM

Homeownership Opportunities for People Everywhere (HOPE) is authorized by Title IV of the National Affordable Housing Act of 1990.<sup>49</sup> The purpose of HOPE is to create homeownership opportunities for low income families and individuals. Designed under the current HUD administration the program was conceived of as a way of addressing the tendency of Federal Programs to direct low income families into assisted rental housing permanently. Under the program, competitive funding is available to eligible applicants to assist them in planning and implementing homeownership programs. Title IV established three HOPE programs: HOPE for Public and Indian Housing Homeownership (HOPE I), HOPE for homeownership of multi family units (HOPE II) and HOPE for single family homeownership (HOPE III). Title III of the same act created the National Homeownership Trust Demonstration Program in order to provide assistance payments for first-time homebuyers.

HOPE I authorizes HUD to provide planning and implementation grants to assist in the conversion of public housing into homeownership opportunities for residents of PHAs and IHAs. Resident involvement is considered crucial to the success of HOPE. The applicants are required to propose the establishment of resident organizations after the effective date of the planning grant.

Eligible applicants for the grants are RMCs or RCs, cooperative associations, public or private nonprofit organizations, public bodies or PHAs/IHAs. Eligible families are low income families, families or individuals who reside in public housing or families or individuals who receive assistance under a housing program administered by HUD. Eligible properties under the program are public housing developments, other than a PHA's scattered-site single family properties (up to four units) or single family public housing properties that are contiguous to other single family public housing properties (Section 110, II).

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In order for developments to convert to homeownership, families must acquire homeownership interests in at least one half of the development's units at prices that will not cause unit owners to spend over 30 percent of family income on housing costs. HUD may reserve Section 8 funds for replacement housing and rental assistance to non-purchasing tenants. Non-purchasing tenants who choose to remain in the building must be given fair rents as long as operating assistance is provided. Relocation assistance to families who choose to move must also be provided. Replacement plans must also be included as part of the homeownership program.

Planning Grants are awarded on a competitive basis to applicants to help in the development of homeownership programs. There are two types of planning grants, full grants and mini grants. Full grants cannot exceed \$200,000 per applicant while mini grants cannot exceed \$100,000 per applicant. Grants can go higher if costs are justified as reasonable. Mini grants must be completed within eighteen months, while full grants have three years for completion.

Planning grants were established to assist in the development of homeownership programs. Eligible activities for planning grants include the development of resident councils and resident management councils, training or technical assistance on the development of homeownership, feasibility studies on the homeownership program, preliminary architectural and engineering work, counseling and training, economic development activities to promote economic self sufficiency, security plans and the preparation of applications for implementation grants.

Implementation grants are awarded on a competitive basis in order to carry out the homeownership conversion. They can be used to acquire property, fund rehabilitation, for architectural and engineering work, for the implementation of homeownership programs, for the rehabilitation of eligible properties, for administrative costs, to develop RCs or RMCs and for relocation assistance. At least 25 percent of the implementation grant must be matched by non-federal funds which can take the form of cash, property, waiver fees, or in-kind contributions. The local matching is required to ensure that a local commitment exists and that local non-profit agencies will provide support. Seven percent of this match can be in the form of administrative time, but the rest must be in the form of cash, waived fees, or taxes, land, buildings or infrastructure.

Restrictions may be placed on the resale of units by homeowners and RCs and RMCs have the right to purchase the owners interest. If the home is sold within the first six years of ownership, HUD must make sure that the owner is not getting an undue profit.

HUD reviews and ranks applications on several criteria. For planning grants points are assigned based on the applicants capabilities to design a successful and affordable homeownership program, the extent of resident and homebuyer interest and market ability of the development under the homeownership program for the property. The suitability of the property and local support by both government and private organizations are both considered. It should be noted that HUD recently awarded over 180 planning grants under the first round of HOPE I. Implementation grants are based on the applicants capability to carry out the plan, the extent of resident and homebuyer interest in and market ability of the development of a homeownership program for the property. The suitability of the property and local support by both government and private organizations are taken into account as well as the plan's relationship to the Comprehensive Housing Affordability Strategy (CHAS) covering the locality where the proposed homeownership units are located.

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## ENDNOTES

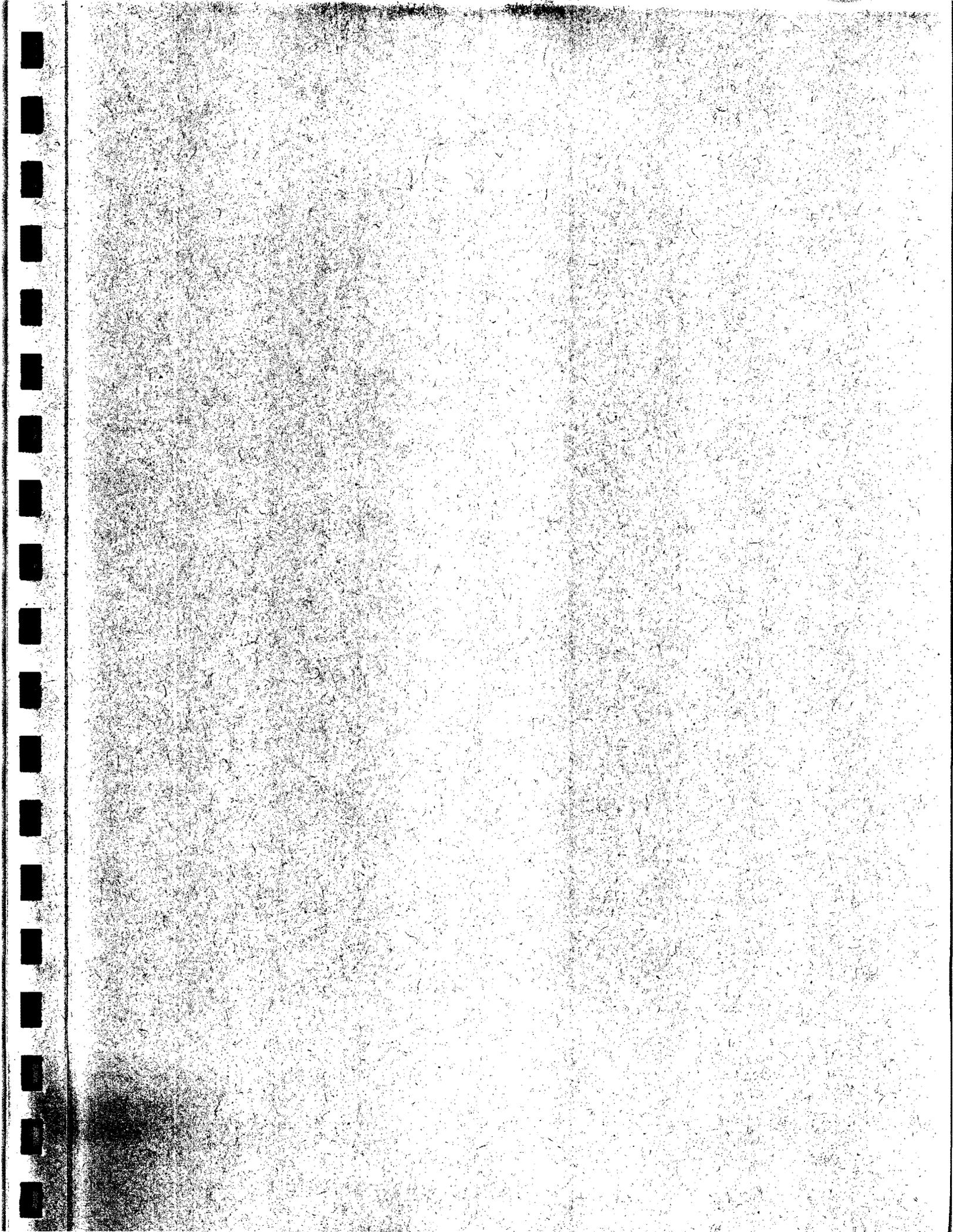
1. See Final Report, Appendix B: Definition of Severely Distressed Public Housing, for a more detailed discussion on measures of physical and social distress.
  2. One study that is used frequently in this working paper is Occupancy Issues in Distressed Public Housing, May, 1992, a report prepared for the NCSDPH by Massachusetts Institute of Technology's Public Housing Research Group of the Department of Urban Studies and Planning.
  3. Prior to the research activities of the NCSDPH, HUD's 1979 study of Problems Affecting Low-Rent Public Housing Projects was the only major national effort to identify the characteristics of troubled public housing. Subsequent studies by Abt and ICF have attempted to identify high modernization need housing developments more narrowly, based on the estimated amount of funding required for physical revitalization.
  4. The full discussion of the NCSDPH definition of "severely distressed public housing" can be found in Appendix A of the Preliminary Report and Proposed National Action Plan submitted to the U.S. Congress on June 1, 1992.
  5. This and other information is obtained from "The Modernization Needs of Severely Distressed Public Housing," prepared for the NCSDPH by ICF, Inc., April 15, 1992.
  6. See MIT Study referenced earlier.
  7. HUD generally provides for an average annual increase in dwelling rental income of 3% based on an average annual growth in income of 6% for all residents of which it is estimated that one-half of this percentage growth in income will be reflected in increased rents charged by PHAs following the annual recertification of households for continued occupancy in public housing.
  8. Cited from the MIT Study conducted for the NCSDPH referenced above.
  9. In 1984, the 1937 Housing Act was amended to restrict the rental of units which first became available for occupancy on or after October 1, 1981 to those applicants whose income fell below fifty percent of area median, except with prior approval by HUD.
  10. Defined as households whose primary income source is AFDC, SSI or General Assistance.
  11. Information taken from ICF report prepared for the NCSDPH on The Modernization Needs of Severely Distressed Public Housing, dated April 15, 1992
  12. 1991 HUD Multifamily Tenant Characteristics System (MTCS) data which provides a national demographic profile of nearly three quarters of a million public housing households.
  13. Information taken from Study Of Employment Versus Welfare in the Public Housing Program prepared by the San Francisco Housing Authority, October 15, 1991.
  14. Information taken from the Boston Globe article Poverty Traps More Workers. Study Says Census Cities change in '80's, May 12, 1992.
  15. HUD study of Literacy and Education Needs in Public and Indian Housing Developments Throughout the Nation, Report to Congress, February, 1992.
  16. For a full discussion of family distress indicators please see pages A-6 and A-7 of the NCSDPH'S Final Report and Proposed National Action Plan, printed August 1, 1992.
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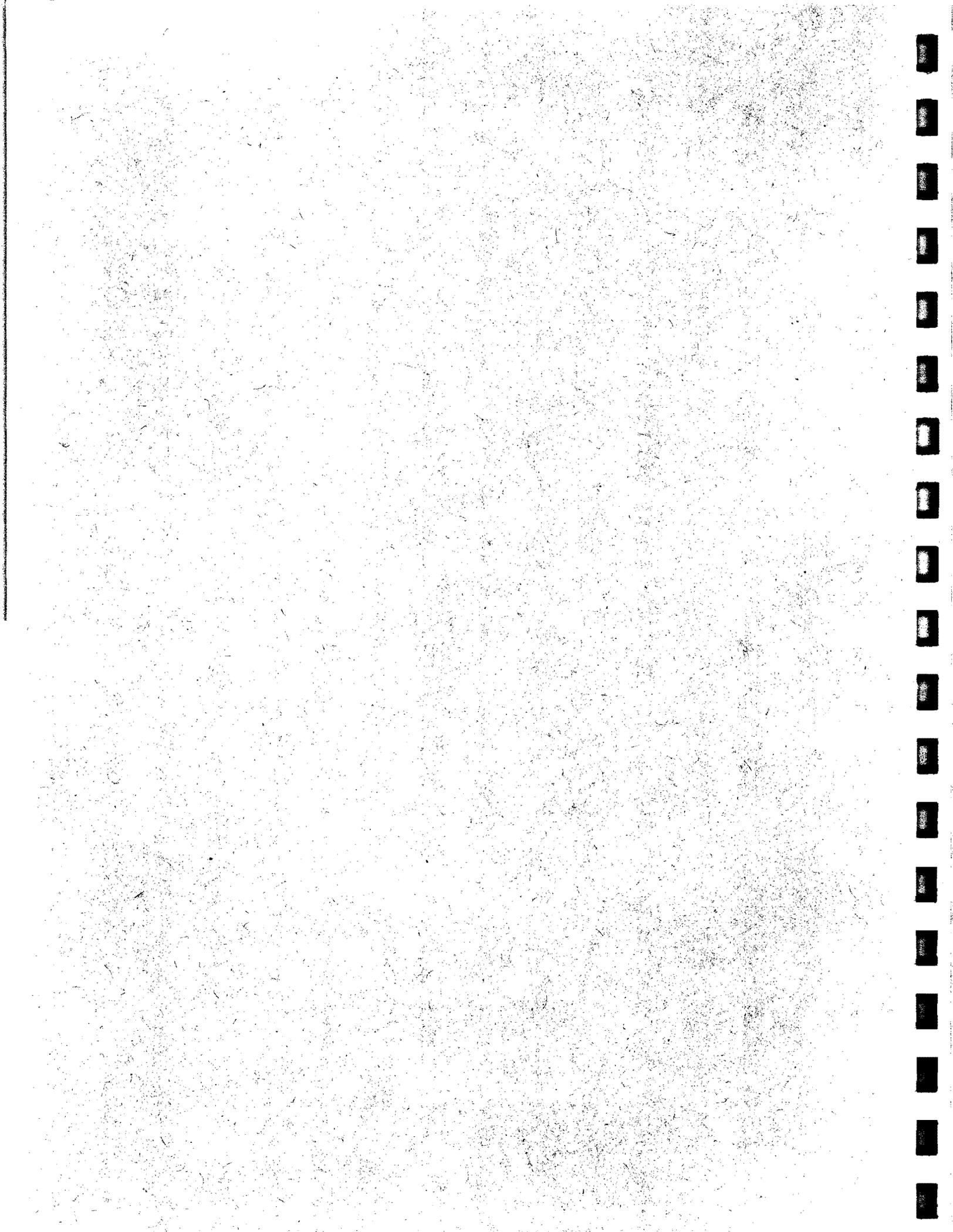
17. Study conducted by Craig T. Ramey and Sharon Landesman Ramey of the University of Alabama at Birmingham for the National Health/Education Consortium.
18. Briefing Report to Congressional Committees prepared by the United States General Accounting Office on Public and Assisted Housing - Linking Housing and Supported Services to Promote Self Sufficiency, April, 1992.
19. HUD Notice (PIH 90-51) covering "Integrating HHS and HUD Assistance to Support Economic Empowerment of Public and Indian Housing Residents," issued on October 25, 1990
20. See A Guide to Financial Management for Resident Management Corporation, Part One: Budgeting and Operating Subsidy issued by the U.S. Department of Housing and Urban Development, 1992.
21. For a further discussion of this site please see the NCSDPH Case Study Report on the Commonwealth Public Housing Development in Boston, Massachusetts.
22. For a more full discussion of this effort please see the NCSDPH Case Study Report covering the Wells Community Initiative for the Ida B. Wells development in Chicago, Illinois.
23. The regulation governing the Public Housing Drug Elimination Program can be found in 24 CFR Part 961. These regulations are designed to implement the provisions of the Public Housing Drug Elimination Program Act of 1988 under Chapter 2, Subtitle C, Title V of the Anti-Drug Abuse Act of 1988.
24. Taken from a study prepared for the NCSDPH on Using Crime Statistics to Identify Distress in Public Housing, prepared by Systems Development and Associates, April 28, 1992.
25. See A Report To Congress on Barriers to Resident Management in Public Housing, prepared by the U.S. Department of Housing and Urban Development in February, 1991.
26. The Comprehensive Grant Program was established pursuant to Section 509 of the National Affordable Housing Act of 1990 and regulation covering the program can be found in amendments contained in 24 CFR Parts 905, 968 and 990. The program applies to all PHAs with 500 or more units in FY 1992 and 250 or more units beginning in FY 1993.
27. The process referred to here is described in HUD's Guide to Financial Management for Resident Management Corporations referred to earlier in this paper.
28. Taken from A Report to Congress on Barriers to Resident Management in Public Housing, that has been cited earlier in this paper.
29. This financial assistance is authorized under Section 20 of the U.S. Housing Act of 1937 as amended by the Housing and Community Development Act of 1987.
30. For example, the Carr Square housing development appears to have had resident involvement as early as the 1960's and the Bromley-Heath Tenant Management Corporation celebrated its twentieth anniversary in August, 1991.
31. This discussion is taken from Tenant Management: Findings From a Three-Year Experiment in Public Housing, prepared by the Manpower Demonstration Research Corporation in 1981.
32. The target Projects Program ("TPP") was a management improvement and modernization program funded by HUD in the 1970's often to address condition of distress in public housing.
33. Please note that Section 122 (Public Housing Resident Management) of the Housing and Community Development Act of 1987 provided for the hiring of a "public housing management specialist to assist in determining the feasibility of, and to help

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establish, a resident management corporation and to provide training and other duties agreed to in the daily operation of the project.”

34. HUD for the most part did not monitor resident management in the demonstration developments but was required under Section 122 of the 1987 Housing and Community Development Act to “conduct an evaluation and assessment of resident management, and particularly of the effect of resident management on living conditions in public housing.” The evaluation report is still in draft and has not been released at this time.
  35. Taken from An Operations Guide for Resident Management Corporation: A Guide for Public Housing Residents, issued by the U.S. Department of Housing and Urban Development in November, 1990.
  36. See recommendation under Chapter 8, Nontraditional Housing Strategies in the Preliminary Report and Proposed National Action Plan issued on June 1, 1992.
  37. Community Organization: Antidote for Neighborhood Succession and Focus for Neighborhood Improvement, by Richard Baron, St. Louis University Law Journal, 1978.
  38. For a discussion of management contracts and terms for dual management please see HUD Notice PIH 97-7 Requirements for Management Contracts Between a Public Housing Agency (PHA) and a Resident Management Corporation (RMC).
  39. First Draft, More Than Bricks and Mortar paper by Michael Burbridge, Department of the Environment, London (1992).
  40. The 1990 National Affordable Housing Act amends Section 23 of the U.S. Housing Act of 1937 to create the Family Self Sufficiency Program.
  41. Excerpts taken from GAO Report to Congressional Committees (dated April 1992) which was cited earlier.
  42. Public Housing Contracting with Resident Owned Businesses as contained in 24 CFR Part 963 dated May 11, 1992.
  43. HUD interim rule issued on April 22, 1992 on the “Use of Volunteers on Projects Subject to Davis Bacon and HUD-determined Wage Rates” affecting a number of provisions contained in 24 CFR.
  44. Notice 92-01-SL issued on January 15, 1992 covering Federal Labor Standards Guidance for Carrying Out Employment and Training Initiatives in Public and Indian Housing (in work subject to HUD-determined wage rates).
  45. Taken from the Wall Street Journal, Tuesday, June 23, 1992.
  46. Title VII of the Housing and Community Development Act of 1987.
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*Chapter 4*

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*Management and Operation of  
Severely Distressed Public Housing*

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*Chapter 4:****Management and Operation of Severely Distressed Public Housing*****I. INTRODUCTION**

As authorized under the 1937 Housing Act, a public housing agency's primary function is to provide a decent, safe and sanitary home for its residents. When a PHA cannot achieve that goal and loses control of its properties, the result may be severely distressed public housing. In property management terms, "losing control" can mean not being able to control who has access to the buildings, sustaining high vacancy rates and thus losing rental income, or experiencing high levels of crime on a PHA's property. The tools of housing management with which PHAs fulfill their mission are the strength of their functional areas, such as computerized systems, internal checks and balances, and coordination between the planning and field operations departments. Even if funding were increased or regulations relaxed to address particularly distressed developments, a PHA could not implement or effectuate improvements if its own operational house is not in order.

This working paper describes how public housing is managed and the operational aspects of maintaining public housing developments, including issues of effective on-site operating services. Public housing management is a combination of services provided at the site level, including maintenance (buildings, grounds and units) and assistance to residents with anything that relates to their living conditions. More and more, the latter form of assistance includes social services. Housing management also includes central operations functions which should support on-site services; and central operations activities including tenant accounting, financial management, Management Information Systems (MIS), data collection and reporting, etc. Although severely distressed public housing is usually caused by one or more factors which are not necessarily related to PHA actions (or lack of action), sound management practices have been demonstrated to mitigate, if not control, problems with "hard to manage" distressed developments. Conversely, poor management operations such as lack of controls over purchasing, lack of accountability in financial management, and lack of communication between property management staff and maintenance staff certainly contribute to public housing developments receiving inadequate attention and thus falling into disrepair.

Traditionally, public housing operating concerns have been around "bricks and mortar" issues. However, with the increase in poverty levels among public housing residents comes the attendant social services needs. Indeed, the Commission recognizes that "severely distressed" refers not only to the physical condition of public housing developments but also to the social environment within which its residents live. This change in focus from the physical aspects of property management to the social concerns of its residents calls for a change in the definition of public housing management. "Public housing management" by definition should be a full service operation, and should also include the provision of, or arrangement for the provision of, social services for families living in "severely distressed" conditions.

Therefore the discussion in this chapter will address what elements of severely distressed public housing make it so difficult to manage and maintain control of, how

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housing management operations are affected by distressed developments, and how the level of distress can be mitigated or can be controlled by strong management operations. Finally, recommendations will be made based on case study research as to how management operations can be improved to address the particular conditions of severely distressed public housing.

## II. MANAGEMENT DIFFICULTIES AT SEVERELY DISTRESSED DEVELOPMENTS

While the causes of severely distressed public housing may be numerous, the Commission believes that a PHA should not be penalized for problems that it did not create, or that are beyond the agency's control. Thus, the Commission makes a distinction between a "troubled PHA" and a "severely distressed development." Because of several factors that are beyond the control of PHAs, it is entirely possible that a well-run PHA may have in its housing portfolio one or more distressed developments. Thus, the Commission's work has focused on ways to treat severely distressed conditions at *housing developments*, because often the problems are site-specific in nature and should be addressed at the development level. The Commission's recommendations, accordingly, focus on making operational, regulatory or statutory changes that will allow PHAs more flexibility at the site level. In contrast to this approach, HUD has implemented the Public Housing Management Assessment Program (PHMAP), which assesses a point score for a PHA based on a range of management indicators (see Chapter 8 for a more detailed discussion of the contents of the PHMAP program). A drawback of PHMAP, however, is that the point score is based on information collected for the entire housing authority and does not distinguish among stable and distressed developments. A PHA could thus receive a very low score, not because it is a troubled PHA, but because it faces severe management difficulties at some of its developments.

The Commission's definition of severely distressed public housing thus reflects an orientation towards assessing living conditions at a specific development. The Commission's definition uses indicators which are meant to measure living conditions at the development level. These measures cover the categories of families living in distress, serious rates of crime at a development, barriers to effective PHA management, and physical deterioration of PHA buildings. The measures are meant to be indicators of the symptoms of severely distressed public housing, not factors which identify the cause of the conditions.

Living conditions at severely distressed public housing developments prevent a PHA from providing its service, i.e. acceptable housing, by rendering its basic administrative systems inoperable. The conditions identified by the Commission and discussed earlier--deteriorated buildings, high crime rates, high levels of distress among families and management weaknesses--are clearly not all attributable to poor PHA management. They can, however, exacerbate management difficulties and strain a PHA's operating system, so that with its limited resources already stretched, a PHA could lose control of a development. "Losing control" could mean not being able to keep up with vacant units needing preparation work, falling behind the maintenance workload, allowing graffiti to build up, or falling behind in rent collections. All of these trends could contribute to a development's physical deterioration, which tends to become self-perpetuating and creates a downward spiral pattern.

While the definition of severely distressed public housing provides an operational framework in which to identify such troubled developments, the following discussion explains why these conditions make a PHA's job difficult.

#### A. Deterioration of Buildings

In several of the developments studied as part of the Case Study series, the developments were victims of a history of neglect (i.e. through a lack of funding and services), which has a downward spiral effect as conditions worsen and slip further out of the PHA's control. Neglect of physical conditions on the part of management sends a signal to residents that abuse and neglect on their part will be tolerated. As living conditions worsen in buildings, many residents decide not to accept such conditions and move out. High numbers of vacancies have been shown to invite squatters, or unauthorized tenants, and drug trafficking in units, which leads to more physical abuse and vandalism. The National Commission on Severely Distressed Public Housing (NCSDPH) believes, as do others in the property management industry, that vacant units can result in a housing development being more expensive to maintain than one that is substantially occupied. Vacancies have to be monitored in order to prevent vandalism, in some cases heated to prevent pipes from freezing. Vacancies are also a self-perpetuating phenomenon, since their presence deters potential residents, which allows vacancies to accumulate. Furthermore, beyond a certain threshold the maintenance department simply cannot keep up with the volume of units needing preparation for occupancy. When the cost of restoring units to livable conditions includes substantial rehabilitation of a unit, staff time to evict squatters, and hiring a security service to maintain control over access to the building, it clearly becomes very expensive to take action on a large scale.

Taking back control of a building can be an expensive venture in terms of maintenance labor time and supplies. One PHA studied by the NCSDPH implemented a program to take back control of buildings four years ago in an attempt to stabilize deteriorating and unsafe conditions in high-rise buildings. This effort targets a distressed building, most often controlled by gangs, drug dealers, and/or illegal squatters, for a sudden, unannounced "sweep" by PHA operations staff and security forces. Physical barriers are quickly erected against unauthorized entry by non-residents. Each unit is visited by management staff to document and prepare photo IDs for authorized leaseholders and family members listed on the lease. These photo IDs must be presented to 24-hour security guards stationed in the entry lobby. Unit conditions are inspected and work orders are prepared for maintenance staff follow-up. Common areas and elevators are cleaned and painted to remove years of graffiti and debris. Broken light fixtures, locks, and windows are replaced. All first floor entries are secured and security screens and perimeter fencing are installed to maximize security. This PHA reports 83 percent occupancy in "swept" buildings as compared to 76 percent occupancy in "unswept" buildings.

Although public housing was constructed mostly in the 1930s, '40s, '50s and '60s, a modernization program was not implemented until 1970. These buildings are now in their third, fourth, fifth and sixth decade of use. Few building systems have a useful life of longer than 20 years, so public housing stock across the country has been deteriorating with limited plans for repair or replacement. HUD's own modernization regulations (Comprehensive Improvement Assistance Program and Comprehensive Grant Program) require PHAs to plan for and assure their buildings' viability for twenty year time spans. Thus, many public housing buildings have been kept on-line through three or more life cycles without appropriate levels of capital improvement funding. As dis-

cussed in Chapter 4, an updated study of modernization requirements shows that the backlog of repairs needed to bring the nation's public housing stock up to modernization standards would require funding of approximately \$26 billion.

#### **B. External Factors: Relationship to Local Government and Surrounding Neighborhood**

In addition to being limited by a lack of resources with which to run their programs, PHAs often face considerable local political obstacles. PHAs are responsible for providing a valuable resource to residents and must serve the public interest by complying with a myriad of regulations, yet they actually have little local control over major decisions. Depending on a PHA's organizational structure, it may be under the control of a mayor's office or in competition with the city's housing department. HUD's own regional and local offices also present frequent impediments to quick and prompt action. A PHA must go through its local office and sometimes the regional office for approval on many actions, which often prevents it from responding quickly and efficiently.

Public housing has a history of being treated in isolation from other local government services and planning activities. However, public housing developments are also often looked on as part of, and responsible for, depressed conditions in the surrounding neighborhood. Even though public housing is a resource for a city's low income families, public housing agencies are more likely to be ignored for planning purposes or for the coordination of city services.

Although public housing agencies cannot be established without the signing of a Cooperation Agreement between a PHA and the local government entity, these Agreements are often not cooperative in nature to begin with or are not upheld, so that a PHA is forced to perform some functions on its own that a City could provide, and thus stretch limited resources even further. Cooperation Agreements are intended to spell out how a PHA and a local government will act together to provide housing to city residents, and what services the city will provide to assist the PHA. HUD's standard form or "boilerplate" version states that the municipality entering into a Cooperation Agreement with HUD shall "Furnish or cause to be furnished to the Local Authority and the tenants of such Project public services and facilities of the same character and to the same extent as are furnished from time to time without cost or charge to other dwellings and inhabitants in the Municipality."<sup>1</sup>

Such services generally include hooking up the PHA to local utility systems, providing trash collection service, snow removal, street and lighting maintenance and repair. Cooperation Agreements are such a point of contention that HUD's Office of the Inspector General (OIG) is conducting a series of investigations into the various services that should typically be provided under these agreements but which PHAs currently are not receiving. The OIG reports are looking at municipal services such as utilities, trash removal, snow removal, street cleaning, and law enforcement services. Another issue which is usually addressed in the scope of a Cooperation Agreement is Payment In Lieu of Taxes (PILOT), a nominal payment made by PHAs to cities for services provided. The PILOT payment is "determined by the Cooperation Agreement which is generally defined as an amount equal to ten percent of rent less utilities."<sup>2</sup> However, even with a PILOT payment, PHAs may receive minimal assistance from local governments.

Law enforcement services are particularly valuable to PHAs, so much so that OIG was prompted to investigate whether "HUD's evaluation was adequate to ensure that PHA expenditures for protective and project security were (1) for services above and beyond

those which were to be provided by the local government, and (2) otherwise necessary, reasonable, and justified.”<sup>3</sup> OIG found that only one out of six PHAs visited relied solely on local police for law enforcement. The report also stated that “None of the [other] five PHAs were effectively planning for the protection and security of their projects and residents, requesting needed assistance from local police departments, or exploring alternative, less costly means for meeting their security and protective services needs.”<sup>4</sup> While the report also notes that HUD Handbook 7460.4, “Security Planning for HUD-Assisted Multifamily Housing”, emphasizes that “local police have the primary responsibility for all law enforcement at PHAs,”<sup>5</sup> it also acknowledges that some local governments regard PHAs as self-sufficient entities. In fact, case study PHAs also reported that often police simply do not patrol the neighborhoods in which public housing developments are located. However, HUD continues to argue that PHAs should seek alternative sources of funding only after it has made “aggressive, but unsuccessful attempts”<sup>6</sup> to obtain more local police services.

With security being the top concern among residents and property managers during the Commission’s public hearings and case study research, it is clear that local city-wide law enforcement services often are not enough. Some PHAs are creating community policing programs that provide a mix of assignments to specific developments, general patrolling, and security guards.

In addition to a lack of basic municipal services, public housing agencies are often hampered by the location of their developments. Due to low income housing’s unpopularity, developments are often built in areas that are removed from residential neighborhoods and poorly served by public transportation. Social services are also lacking: recreational facilities for children, public health offices, educational facilities, and public assistance offices are often not located near to or accessible by public transportation.

The combination of poor location and poor surrounding neighborhood compounds the difficulties of public housing residents and of housing managers. Only the poorest families move into units in these developments, because they have no choice. The problems created by a vulnerable resident population and lack of community viability make a housing manager’s job that much more difficult.

### C. Resident Population

Public housing residents have become an increasingly vulnerable population. At distressed developments, property managers report such conditions as increasing poverty, younger families, and unstable households needing a range of social services, all of which make their jobs considerably more difficult. Typical problems cited by property managers at distressed developments include lease violations (such as unreported income and unauthorized tenants), frequent rent arrearages, substance abuse problems, and physical abuse of buildings and units by large families.

U.S. Census and HUD data show that the family public housing population has taken on different characteristics in the past two decades. The majority of residents are young, single, female parent households with two or three young children. Average public housing family income has decreased. In 1991 the average public housing resident household income was \$7,244 (per HUD MTCS data).<sup>7</sup> These families are also socially vulnerable. Housing authorities have reported that at some developments gang members simply move into occupied units, sometimes allowing families to stay, sometimes not.

Due to a combination of HUD resident income eligibility regulations and economic trends (falling incomes and higher percentage of residents receiving public assistance), many public housing developments have become home to very high concentrations of poverty. Case study research shows that in the developments studied, unemployment rates were typically 40-to-50 percent. The modernization needs study showed that the buildings in the worst condition tended to have much higher unemployment rates (see Chapter 5).

Resident needs are changing to include greater social services assistance, as more households consist of young single mothers with few resources. These households are made up of young women who are living independently for the first time, as they often move from their mothers' public housing apartments into another public housing unit for which they qualify when they have their own children. As a group, public housing households have lower education levels than other rental households: "According to the [American Housing Survey] data, the median educational attainment for public housing residents is 11.4 years, while the median for the total rental population is 12.7 years, a gap of 1.3 years."<sup>8</sup> Property managers, who are typically a resident's most direct link to the housing authority administration, are thus called upon to help residents identify and secure social services. They must be skilled in personal relations so as to be able to encourage residents to confront their problems or resolve conflicts (sometimes with other residents). Acting as a case manager is added to their already considerable responsibilities. Many housing authorities now try to collaborate with social services agencies (state and non-profit) to provide services at development sites, or at least publicize the availability of such services to public housing residents.

#### **D. Mismatch Between Building Design and Resident Needs**

The design of many public housing buildings and poor geographic location also lend themselves to criminal activity. Large, monolithic buildings designed in the 1950s and '60s offered many access points and large areas of common, indefensible space. These flaws in building design are taken advantage of by both public housing residents engaged in criminal activities and non-residents looking for hiding places from the police or inconspicuous areas for conducting drug activity.

These are the development conditions which make public housing difficult to manage. They have a cyclical effect, in that they impede the PHA's operations and hinder it from making improvements.

### **III. PHA OPERATIONS: HOW THEY CAN BE MADE MORE EFFECTIVE**

In order to understand how severely distressed public housing prevents a public housing agency from fulfilling its mission, it is necessary to discuss the functions that a PHA must carry out as part of managing property and serving residents. What follows is a brief description of the basic components of housing management and activities involved, and a discussion of the limitations imposed on PHAs by severely distressed public housing, as well as ways that management operations can be strengthened to address severely distressed public housing.

In addition to housing related responsibilities, public housing management actually encompasses all the business operations that would be required to run any business, such as:

- computer systems
- financial management: tenant accounting, purchasing, contract management, budgeting;
- personnel management, collective bargaining.

These activities are mostly considered “central operations” functions, however residents do not interact with the people performing these functions. When there is a leak in their ceiling or they need pest removal services, residents call their property manager, the person whose office is in the building or on the same site as the building. “Field operations” is the actual delivery of services--maintenance, turning units over and preparing them for re-occupancy, or referrals to social services agencies--on a day-to-day, person-to-person level.

Severely distressed public housing exists *when these systems fail*, when field operations cannot function, vacancies stay vacant, uncollected rent goes ignored, drug dealers are ignored, graffiti is left on walls, and access to buildings is open to all. **That is why the most successful approaches to eliminating severely distressed public housing are intensive, site-based efforts.** This model approach has been observed in several forms during the case study research.

#### A. Sources of Funding for Public Housing Operating Expenses

Funding for public housing management operations comes from a variety of sources, most often with strings attached depending on the source. Thus, while the causes of severely distressed public housing are often intertwined, funding to correct the deteriorated conditions may be required to be kept separate, i.e. operating subsidy and modernization cannot be used for the same purpose, by use and by building.

PHAs have little discretion in the use of funds. One of the greatest limitations of PHA funding is that the Performance Funding System and modernization funding have always been biased towards providing funding for servicing the buildings. However, as the resident needs change and as the buildings become obsolete in design, funds are needed to make changes in the way that the public housing program is administered. HUD limits the amount of funding allowed for management improvements to ten percent of a PHA's modernization allocation, and typically, operating budgets are insufficient to cover the costs of operating public housing today. PHAs should be allowed more flexibility in how they may spend their funds, local needs vary greatly among building conditions and population needs. While some PHAs may need to concentrate on rehabilitating their buildings, others may have maintained their buildings over the years but might like to provide new social services programs for their residents and need the funding to hire new staff.

The following is a list of the most typical funding sources and a brief explanation of each:

- **Rents collected.** With limited exceptions, all PHA residents pay rent calculated at 30 percent of their annual adjusted household income. Rental income is used to fund a PHA's operating expenses. However, with household incomes decreasing, this revenue source has been steadily shrinking over the years. Up until the 1970s, rental

income was sufficient to cover operating costs for most PHAs, but today almost all PHAs depend on HUD operating subsidies because their responsibilities and operating costs have increased, while tenant incomes have not.

- **Operating subsidies:** HUD calculates operating subsidies, which supplement rent collected, to cover total operating costs. The Performance Funding System formula is based on HUD regulations and is calculated on a per unit basis; the subsidy is intended to cover costs for salaries and benefits, routine maintenance materials and supplies, administrative overhead costs, and utilities. See explanation below for more detail on the Performance Funding System.
- **Other Income:** Other operating income from sources such as non-dwelling rental income (rental of office space), laundry facilities revenues, and investment income also goes into PHAs' operating budget, but is typically not a large amount.
- **Capital Grants:** Grants are made by HUD through several capital improvement programs. These funds may be used for modernization only, not for replacement housing or construction of new units. These programs include: Comprehensive Improvement Assistance Program (made on a discretionary basis) and Comprehensive Grant Program (distributed by formula to PHAs with 500 or more units) funds are allocated for modernization. Discretionary funds are also allocated for the Major Reconstruction of Obsolete Projects. Funds for all of these programs, however, are allocated based on modernization cost estimates, yet PHAs can only receive funds up to a certain limit of TDCs for modernization or redevelopment. Rehabilitation or redevelopment costs for severely distressed housing, however, often far exceed TDCs because of the extent of the deterioration and the length of time they have gone without modernization. TDCs are also required to be calculated on a per unit basis, but the figures increase considerably when site improvements, which have also been grossly neglected, are factored into the total development cost (See Chapter 5 for more detailed discussion on capital funding).
- **Community Development Block Grant (CDBG):** CDBG funds are allocated to local governments who may then subgrant CDBG monies. Housing authorities may use the funds for physical improvements or for management improvements, but CDBG funds must often be used for one-time expenses, not for operating expenses. These funds are limited, as many local organizations compete with PHAs for them, and the amounts that local governments can spare are often not sufficient to be used for major physical rehabilitation.
- **Social services program funding:** Housing authorities are turning to federal and state social services agencies for funds for resident programs such as public health care, education and training, drug treatment and youth sports programs. However, funding for these activities is solely for the benefit of residents and the NCSDPH believes should be supported by HUD through operating subsidy, since PHAs are responsible for severely distressed living conditions which includes resident social services needs.
- **In-kind contributions:** Depending on a PHA's relationship with the local government administration and the terms of their initial Cooperation Agreement, a PHA can also benefit from a city providing police protection, trash removal, water and sewer services, street and sidewalk maintenance, and street lighting. PHAs do not always receive all these services, and often must fund a portion of them from other sources such as Public Housing Drug Elimination (security) or its operating budget, even

though a local government may have its own trash collection service and police force.

**B. Performance Funding System and Operating Costs for Severely Distressed Public Housing Developments**

Most PHAs receive funding to support the operation of public housing developments through an operating subsidy provided by HUD, which is calculated by a statistical formula known as the Performance Funding System (PFS). Few PHAs receive funding through another method. One PHA reviewed by the NCSDPH receives funding outside the PFS, the Puerto Rico Public Housing Administration. The Performance Funding System (PFS) does not set expense levels and determine operating subsidy eligibility by public housing development, but rather by Public Housing Agency (PHA). Most PHAs require an operating subsidy in order to cover the costs of operating the public housing developments they own. Funds to operate a public housing development must come from an allocation made by a PHA using the operating income derived primarily from rents and the operating subsidy they receive through HUD.

Under PFS a PHA establishes an Expense Level for both utilities and non-utilities expenses in accordance with the formula regulations. The difference between total "formula" expenses (utilities plus non-utilities expenses) and "formula" operating income (primarily rent paid by households residing in public housing) is the amount of subsidy a PHA is eligible to receive. Funding to cover full PHA operating subsidy eligibility has not always been made available. Many PHAs have argued that the amounts provided through the Performance Funding System (even at 100 percent of subsidy eligibility) have been inadequate to meet the operating service needs of PHAs. This concern has been raised by virtually all of the PHAs visited as a part of the NCSDPH case study and site examinations. Many PHAs indicate that the cost of operating their more severely distressed developments result in less being available to support the operations of more stable housing developments. This in turn results in an overall adverse impact on PHA-wide management capacity and the quality of services provided to public housing residents.

The PFS was established pursuant to language in the Housing and Community Development Act of 1974 and was based on a study of PHAs in the early 1970s. The formula was intended to account for the operating costs of high performance housing agencies of that "era." Many of the service requirements outlined in the testimony on severely distressed public housing were not present when the study to support the creation of the PFS formula was undertaken. Many believe that the formula does not account for the service requirements of many public housing developments, especially those which are severely distressed. As a part of the Housing and Community Development Act of 1987, Congress authorized HUD to implement an "appeals process" to be used by PHAs in cases where felt that their Allowable Expense Levels (AELs) should be adjusted to account for certain factors affecting operating costs.<sup>9</sup> This was considered appropriate since the PFS is a *cost-based formula for public housing agencies*.

A review of the appeals process amendments to the PFS regulations issued in early 1992, indicates that PHAs can now appeal the setting of their AEL and, if warranted, receive an adjustment. It does not appear that the appeals process changes to the regulations will result in significant benefit to larger PHAs with severely distressed public housing developments. It is with these types of housing developments that the NCSDPH is most concerned. Funding levels that have been reviewed for the develop-

ments in the case studies are not adequate for all of the management and social service needs of the housing developments that are considered necessary by the PHAs, or to cover the costs of services being proposed by the NCSDPH in this report.

In the 1990 National Affordable Housing Act (NAHA), the Congress authorized two studies of funding for PHAs. Under Section 524 of the NAHA, HUD has been asked to assess one or more revised methods of providing sufficient Federal funds to PHAs for the operation, maintenance, and modernization of public housing, including comparison with the Section 8 program. This study will also review an earlier HUD study referred to as the "blue book"--*Alternative Operating Subsidy Systems For The Public Housing Program*. A report is not expected to be available until sometime after the NCSDPH's final report has been issued. A second part of the NAHA in Section 525 calls for a study of a prospective, capitated payment system for PHAs which would incorporate Federal payments for both operating and modernization expenses. This study is to be included in the study mentioned above being undertaken in connection with Section 524. A draft report on the Section 525 study has apparently been prepared but is not being released by HUD. Research designs for these studies have been reviewed as a part of the NCSDPH review of public housing operating costs. Significant concern exists in Congress and elsewhere regarding the level and type of funding being provided to PHAs for public housing. The NCSDPH shares this concern and is making specific recommendations for addressing the operating funding requirements for severely distressed public housing developments in this report.

The issue of sufficient operating funding for public housing has been addressed in part by HUD for housing units being managed by Resident Management Corporations in accordance with the 1987 Housing and Community Development (HCD) Act and the regulations found in 24 CFR Part 964. With regard to RMCs, HUD has taken steps to implement a process for establishing separate public housing development based AELs for units managed by RMCs. The process for establishing the separate AEL is contained in HUD's "Guide to Financial Management for Resident Management Corporations". This guidebook allows a RMC and PHA to estimate or in some cases determine direct and indirect costs of operating a public housing development for purposes, in order to establish a separate AEL under the PFS that better reflects past costs. This process has been established since HUD apparently recognizes that using the formula alone and applying its formula "weights and measures" to a specific public housing development may not provide an appropriate level of operating funding for a particular housing development.

The process described above for setting the AEL for housing developments can be difficult, since PHAs are not required to maintain Project-Based Accounting (P-BA) Systems. Under the 1990 NAHA Congress required that all PHAs operating 250 units or more establish P-BA systems for public housing development cost centers by the end of 1993. Regulations proposed for implementing this provision of the 1990 NAHA were not published until April 3, 1992. Therefore the operating costs of many housing developments, including severely distressed public housing, are not fully known. The NCSDPH strongly supports the implementation of P-BA systems for severely distressed public housing developments and recommends first that this provision of the NAHA be reauthorized and second, that HUD provide direct assistance for the implementation of this important financial management information system.

The NCSDPH's studies and review of other study data indicates that the costs of operating severely distressed public housing is significantly above that for other housing developments. Reported operating costs for severely distressed public housing even

when they can be obtained, can significantly understate the full costs required to meet the needs of the households these developments serve. Special programs such as the Public Housing Drug Elimination Program are more likely to be targeted to developments which rate high in the areas covered in the NCSDPH's definition of severely distressed public housing. Other special purpose funding from HUD or other sources may not be reflected in the operating cost information, since these expenses are not funded or reported on through the PHA's operating budget. Moreover, the NCSDPH believes that there is a high, potential cost of services that are not currently provided in the areas of increased maintenance, social and support services and public safety and should be made available. All these factors can serve to understate the appropriate level of operating and support costs for these types of developments.

It is also important to point out that data on some costs associated with the operation of severely distressed public housing may not be easily obtained, even though the expenses may have been incurred. One such example is that centralized and non-project specific maintenance and administrative staff may not be accounted for at the public housing development level by a PHA's information or financial management system. The NCSDPH case studies indicate that in some of the larger severely distressed housing developments the maintenance staff-to-unit ratios were approximately one staff member to 30 units well above the HUD suggested ratio of one to 40. The reviewers not only felt that this level of staffing was appropriate but that the ratio should be above the HUD-suggested level for family public housing even after treatment of the severely distressed public housing development.

Another concern of the NCSDPH is that management improvement costs are not adequately provided for given the current PFS. It is proposed that in addition to management improvement costs being permitted as an eligible expense on Comprehensive Grants and CIAP, such costs be permitted under the MROP program. Further, it is recommended that there should be a separate set aside of management improvement funds along with operating subsidies. HUD currently allocates approximately \$2.45 billion in operating subsidies for public housing. An additional amount equal to five percent of the current subsidy amount would be approximately \$130 million and could provide a valuable resource for further operational and social services improvements to support public housing and severely distressed public housing developments in particular.

It is proposed that for housing developments designated as severely distressed the PHA be able to develop a management plan covering all of the operating services considered essential for addressing conditions at the housing development. This management plan would first be established for the severely distressed public housing development before any treatment is undertaken, updated when a revitalization program is first underway and then later when it is completed. The management plan would clearly indicate the services and programs that are needed for the stabilization, revitalization and then sustainability of the improvements made to the housing development.

A community-wide scope should be adopted for the management plan, so that all community resources potentially available to PHAs and residents can be identified. The plan would serve to identify a need and then identify a corresponding resource to meet that need whether the resource is supplied by the PHA or other local agencies, or a combination of both. Developing a management plan would thus not automatically require new funding to the extent that local sources can be identified (e.g. police and some social services).

This plan would be the basis for establishing a new Allowable Expense Level and separate operating subsidy eligibility for the severely distressed housing development in a manner similar to that now being followed for RMCs. The major difference is that the management plan developed with and approved by HUD would be the basis for the AEL rather than following data on operating costs from previous years. The implementation of Project-Based Accounting Systems is important for carrying out this recommendation.

### C. Delivery of Housing Management Services

The services described above can be provided to residents and development sites in several combinations of centralized and decentralized functions. Like any organization, public housing agencies deliver services and conduct operations in a variety of styles. PHA agency structures usually fall into one of two categories, centralized or decentralized operations. Some PHAs may have management structures which exhibit characteristics of both centralized and decentralized organizations. Organizational structure is influenced by an agency's history, size and type of housing portfolio, and the relationship to local government.

Under a decentralized organizational structure, a PHA chooses to deploy several staff units to deliver parallel services at different sites; for example, maintenance crews or development site management teams. This approach usually works best for PHAs with several large developments, each of which requires its own site-specific management structures, or which have scattered sites covering a wide geographic area, or possibly for an agency that administers a wide variety of programs (i.e., conventional, leased, family, and special needs housing).

Generally, small PHAs find it more efficient to operate with a centralized organizational structure consisting of one hierarchical management structure with consolidated management functions; for example, one department conducting housing management functions for all programs (elderly and family). Usually the smaller PHAs with units concentrated in one geographic area operate under centralized operations structures.

Depending on their local situations, PHAs might set up other systems or create some hybrid of central operations and site-based operations. Maintenance, for example, is often conducted with a site-based crew of maintenance laborers responsible for general repairs and grounds up-keep, while specialized trade- or crafts-workers are called to the site as needed for electrical, plumbing or glazing work. In small agencies with just a few sites, the centralized approach is easier to control and can be more efficient. This may still result in one or more full time persons at each site. In mid-sized agencies with more than 500 units at multiple sites, the best organizational structure depends more on the abilities of the maintenance supervisor and property manager.

Among all the housing authorities studied, a definite trend toward decentralized property management operations was observed. PHAs with large developments found that their management staff simply could not be effective with few or perhaps no permanent staff assigned to a development site. At all the developments reviewed, the deteriorated developments had a history of little on-site presence; one PHA formerly operated some developments of as many as 2,000 to 3,000 units under the responsibility of a single property manager (who had assistance from clerical staff). Today, this PHA's housing operations department is working to achieve much lower staff to unit ratios, using the following guidelines:

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Assistant Manager	1:420 units
Clerk	1:252 units
Janitors and Maintenance	1:52 units
Maintenance Supervisors	1:10 janitors.

All of the successfully turned-around developments examined in the case studies now have extensive property management staff as well as resident involvement in the development's management.

At some very large housing authorities, developments now have their own management teams of housing managers, housing assistants, clerks, and a maintenance crew to complement the management staff. Several PHAs also employ resident managers who serve during the off-hours, thus enabling them to monitor and evaluate development activities at all times. In order to maintain control over their properties, a development must have sufficient staff on site which is aware of day-to-day happenings, including trends in vacancies or recurring maintenance problems. Staff at this level can then make the decisions about how to allocate resources, far more effectively than systems staff working in a central office.

The ultimate application of site-based operations is resident management, under which a resident-organized corporation contracts with the PHA to manage its own development. Although several resident management corporations (RMCs) have been operating for years, resident management is another site-specific arrangement that is becoming increasingly popular and seen as one method (or an important tool) for eliminating severely distressed public housing. Without the involvement of residents, changes in policies and procedures will mean little. HUD has supported resident management by providing funds for RMCs to develop through Technical Assistance Grants (TAG grants), financial management training, and some funding through the HOPE (Homeownership Opportunities for People Everywhere) program for development and growth of RMCs.

RMCs can also manage developments by sharing responsibilities with a PHA. For example, an RMC might contract with a PHA to conduct only the general maintenance responsibilities of buildings and grounds. Another example is the arrangement at the Commonwealth development of the Boston Housing Authority, which is managed by a private property management firm under contract with the BHA; Commonwealth Residents are a third-party signatory to the management contract and thus have significant influence over choosing a manager. Residents were also heavily involved in developing a management plan for the Commonwealth development in conjunction with the Corcoran Company.

#### **D. Tenant Selection and Occupancy**

In addition to having characteristics of physical distress, severely distressed public housing often has large numbers of poverty-impacted families. Residents of these developments consume enormous PHA resources in terms of staff time, because of the extra attention of property management staff for lease enforcement and assistance with social service needs, and of maintenance staff constantly repairing units due to high turnover or large families. Careful and thorough screening of tenants at the beginning of the application process can save PHAs staff time and resources during the occupancy period. Because of strong tenants' rights advocates, federal and state tenants' rights laws and pro-tenant court systems, housing agencies that inadvertently admit households with drug-abusing or -trafficking members, or with poor histories of rent

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payment or housekeeping, find it very difficult to evict these households once they are admitted.

There are two ways that PHAs can establish tenant selection and occupancy policies that can promote good tenancies. One way is careful screening of prospective tenants and tenant selection, which involves reviewing applications for income eligibility, and checking tenant references, credit histories, and criminal history records. Another way is enforcing occupancy policies, focussing on such lease issues as unauthorized tenants (often a problem with adult households members who are not on a lease to avoid having to report income), drug activity, conducting annual income recertifications, and following grievance procedures.

**Tenant Selection.** Since tenant selection is a labor-intensive procedure and since PHAs must be sure to be non-discriminatory in their screening process (e.g. must ask the same questions or conduct home visits for all applicants), PHAs need to give a high level of attention to this aspect of property management. Although federal regulations dictate, to a point, who may be admitted to public housing based on income levels and priority of need, PHAs can exercise discretion by conducting thorough tenant history reviews. At many of the housing agencies it was reported through staff interviews that many households are being admitted into public housing that have poor rent-paying records poor housekeeping standards, and behave disruptively and even dangerously to other households.

The low rent public housing program has long been regarded as "housing of last resort," with courts being reluctant to evict residents--even serious offender households. PHAs need to have more control over the occupancy function of their operations and make public housing a "housing of choice." Conveying a positive image to the public is important in garnering funding for maintenance and modernization and restoring public housing to being a desirable place to live.

At a case study site, one PHA noted a particular problem with public housing goals conflicting with the City's goals of reducing homelessness among families. This PHA's municipal regulations require that priority be given to housing homeless families. Property managers from the PHA report that public housing residents who are behind in their rent simply allow themselves to be evicted, move to shelters for a short time and get back onto the public housing waiting list. This cyclical phenomenon creates a serious drain on the agency's resources, as staff time is consumed with processing applications and refurbishing vacant units for occupancy.

At the revitalized developments, PHAs have implemented much stricter policies in order to ensure that tenants will contribute to a responsible and stable resident community. Some housing agencies are working with residents to establish resident screening councils, which review an applicant household's file after the PHA has initially determined income eligibility. These councils cannot reject an applicant from public housing, but they can recommend that an applicant not be admitted to their development. One PHA, which has implemented a resident screening council at its redeveloped site, has also begun much more aggressive tenant screening at its other family developments. A property manager reported that this has resulted in much less "recycling" of households who are poor tenants. In another housing development which is in the process of being turned around as part of a HUD demonstration Mixed Income in New Communities program, a private property management firm was hired by the PHA under contract to manage the property. This firm conducts extensive applicant screening and checks on family records such as birth certificates for all members, criminal his-

tory records, rent payment history, income verification, and report cards of children (not for grades but simply for attendance).

**Occupancy.** PHAs have trouble retaining good tenants who serve as role models for others. This occurs due to economic disincentives (see Chapter 7 on Regulatory Barriers to Effective Public Housing Management) and/or poor living environments (i.e. living unit conditions and crime levels in developments). The Commission believes that, as in private market rental communities, peer pressure for good behavior, when the majority of households are conscientious tenants, can be quite strong and effective. Increasingly, working poor families are being forced out of public housing because they bump up against the income ceilings imposed on PHA residents. Unfortunately, some of these residents serve as role models for all residents and contribute more in rental income to PHAs. Further, the current rent to income ratio formula tends to place a greater burden on the amount of disposable income paid by households with working members.<sup>10</sup> Congress has attempted to help address this problem in the 1990 NAHA but the relief for these households covered in the statute has not as yet been implemented.

The on-going aspects of occupancy for property managers include annual income recertifications, lease enforcement, following grievance proceedings according to federal and local regulations, and eviction proceedings. However, if PHAs are not assertive in applying occupancy standards to all resident households, they run the risk of being viewed as operating a tenant selection and assignment process which is discriminatory.

PHAs need to establish strict occupancy policies at the beginning of a resident's tenancy in order to be able to take action when residents' disturb or threaten the development community. PHAs should establish House Rules and provide an orientation session for new residents so that a PHA's expectations of its tenants are clear and tenants know that they are expected to contribute to a good, safe, clean environment.

In order to maintain control of their developments, PHAs must be quite strict and consistent about enforcing lease agreements. Common violations include family members or friends living in a unit who are not listed on the lease (and are often trouble makers), drug trade or abuse being conducted in units, and false reporting of income. PHAs must be consistent in enforcing lease agreements because their actions send clear signals to other tenants. They must not appear to be favoring any tenants and must defend their actions in court eviction cases. Some housing authorities have dedicated members of their legal staff to working in tandem with the management staff on lease enforcement issues. A PHA studied by the NCSDPH has begun implementing lease rider agreements between the offender household and the PHA which state that the resident will abstain from the lease violating behavior or the PHA has the right to move for eviction.

Income mixing is another way that PHAs can enhance the living environment at public housing developments. As mentioned earlier, the case studies showed that at severely distressed developments the rates of households supported by earned wages is typically quite low, and therefore, conversely, the percentage of households who report public assistance as their only source of income is quite high. Research conducted by the MIT Public Housing Research Group using HUD's Multifamily Tenant Characteristics System showed that "On average, HUD data for [a sub-sample of 13 large urban PHAs] show only about 26 percent of non-elderly households report receiving wages."<sup>11</sup> Public housing rent calculation regulations, although intended to make housing available for those who need it most, have created dense concentrations of the

poorest families in a city. PHAs calculate rent based on a straight percentage of income. Public assistance recipients pay 30 percent of their grant adjusted for an allowance for dependents and other eligible deductions (defined as adjusted gross income), but other forms of assistance such as food stamps and medical insurance are not counted as income. Working families however, pay 30 percent of their *gross* income adjusted only for an allowance for dependents; federal and state tax liabilities are not incorporated into the rent calculation. There is no ceiling on rent levels, so that eventually for working families, in most housing markets, it becomes more economic to move into the private rental market. It is indeed desirable for people to be able to improve their living conditions, but this leaves the poorest of the poor isolated in one geographic area. Income regulations thus create a community made up solely of very low income families who have little exposure to the possibilities of employment.

The manner in which rent is calculated also creates a tremendous disincentive for families on public assistance to seek employment. The San Francisco Housing Authority conducted a study using data from its own resident households comparing the disposable income of families receiving public assistance and families earning income. The SFHA compared an AFDC family of three with two minors with a monthly assistance grant of \$663 and a rent of \$175/month to an employed family with a gross monthly income of \$1,946 per month with a monthly rent of \$560.00. This study found that "Disposable income remaining after rent for the family on AFDC is \$488 per month compared with the \$467 per month for the employed family."<sup>12</sup>

#### E. Resident Services

With the changes in the resident population observed over the last two decades, public housing authorities need to be able to change how they manage their buildings and programs. Substance abuse is an enormous problem in public housing. One PHA, in discussing its program, operated with for Public Housing Drug Elimination funds, estimated that fully 75 percent of a housing development residents were affected by drugs, either as drug abusers or family members of drug abusers. Incomes have dropped, drug trafficking on public housing property has risen dramatically, residents cannot control who has access to their buildings, and their social service needs are greater than ever. Severely distressed public housing clearly refers to the distress of residents as well as of deteriorated buildings.

Property management is no longer strictly about "bricks and mortar" in their allocation of resources and staff time. PHAs need to include funding and offices for social services programs. While PHAs should not be asked to duplicate the services provided by local agencies such as departments of public health or case management assistance, they should be encouraged to coordinate with these agencies. As stated in Chapter 5, public housing developments are more than clusters of units; they are communities of individuals and families who strive to improve the quality of their lives through services and activities which help them more fully participate in their community and become more self-sufficient. Two housing authorities cited in the case studies are developing comprehensive service models for residents, as they recognize that targeting any aspect of residents' needs at the expense of others is insufficient (See Chapter 5 section on "Approaches to Addressing Severe Distress, Provide Adequate On-site Facilities for Resident Services and Activities). For example, providing only a substance abuse treatment program alone is not sufficient; people participating in such a program

need follow-up medical care, as well as assistance in managing their affairs and providing for their families while they go through such a program.

At one PHA undertaking the revitalization of a public housing development, residents have created a non-profit organization, a collaboration of residents, city planners, housing authority staff and non-profit organizations which is planning a turn-around of that development. The non-profit is addressing the development's needs by coordinating planning for physical improvement needs, resident security, and resident social services.

As part of residents' need to improve their living conditions, personal security plays a big role. For housing to be a desirable place to live, residents must be able to control who has access to their buildings, their units, and the common space that is supposed to be available for their social activities and children's recreation (see Chapter 5, "Approaches to Addressing Severe Distress, Encourage the Creation of Defensible, Workable Sites).

#### **F. Maintenance Service Delivery**

For maintaining a PHA's stock of public housing and ensuring the longest possible lifespan, a thorough and comprehensive maintenance system is essential. Good, consistent maintenance can considerably prolong the life of building and mechanical systems. Taking care of roofs can make them last 15 - 20 years, while neglecting them and not cleaning gutters can lead to leaks (interior unit water damage) and rotting of roofs. Thorough maintenance also makes for good appearance and signifies that a PHA has control of and cares about a building. Vandalism and graffiti are likely to be less prevalent. Maintenance systems can be a tool for cyclical capital improvement and should be used to identify modernization or replacement needs. In particular, severely distressed public housing requires additional maintenance attention if a PHA intends to regain control and restore its viability.

A maintenance system should be tailored to meet the needs of the type of housing stock managed by a PHA. Staff should be deployed in special teams for vacancies or for particular developments in response to a very high demand for either type of work. Severely distressed public housing often places an extreme physical demand on property because of the wear-and-tear incurred by deteriorating building systems and large numbers of people concentrated on one site. Factors that will affect a PHA's ability to perform effective maintenance are third party elements such as the degree of unionization, deployment of staff resources, and work rules.

Maintenance tasks are generally broken down into the following categories and prioritized as follows:

- emergencies (threatening health and safety of residents)
- vacancies
- resident calls - (routine)
- routine work: custodial, seasonal, grounds maintenance
- planned and preventive: periodic regular checking on building and mechanical systems, (e.g. in August checking on heating systems). This maintenance function is most important for avoiding emergencies.

Setting priorities for maintenance work does not change for severely distressed public housing, except that in severely distressed developments the maintenance crew has to

struggle to attend to routine maintenance calls because emergencies and vacancies usually take substantial amounts of their time. In general at severely distressed developments, there is a high level of deferred maintenance or backlog of routine work that is not funded under the new Comprehensive Grant Program. PHAs should be allowed to make a one-time adjustment for severely distressed developments to their PFS subsidy to account for the routine maintenance backlog. A case-by-case analysis of actual need would have to be made to establish adjustments in the Allowable Expense Level or funded through the recommended additional amount for management improvements. Funding levels also must reflect the demand for more staff time to work on the backlog of maintenance at severely distressed developments. HUD has set guidelines on the ratio of the number of units to maintenance staff that range from 40 units to one maintenance staff person to 60 to one. These staffing ratios may be too high even for well-run housing agencies with a more stable housing stock. Research during the case study series showed that, based on observed work loads and using industry standards as goals, PHAs should establish maintenance staff levels based on an *average* of one maintenance person for every 30 - 35 units in order to maintain developments in stable condition. Maintenance staff levels will also be determined by the amount and types of work conducted by PHA staff and the amount performed by private contractors. For severely distressed developments, case study research indicates the ratio (guideline) should be closer to 1 maintenance staff for every 26 units (unless the PHA makes extensive use of outside contractors, in which case the 1:30 ratio would be sufficient).

Severely distressed public housing is frequently accompanied by high vacancy rates, with basic repair costs usually ranging from \$2,500 to \$20,000 per unit. Units in the lower cost range could continue to be made available but there is usually a lack of personnel and material to perform the work due to cost. Vacancies are most often a result of deteriorated buildings, or sections of a building, having been set aside in anticipation of comprehensive modernization work, or because the living conditions in the building are so intolerable that applicants reject the units. However, buildings which are designated for modernization work often sit vacant for years because of the lack of funding. This reduces the number of units available for low income families, results in lost rental income, and is hazardous for residents. Vacant units represent a serious safety concern for several reasons: children may try to get into them to play, and the units may have been set aside because of structural unsoundness or because of asbestos presence; vacant units also invite squatters or drug dealers and the attendant problems of vandalism.

Maintenance experts visiting the case study housing agencies found that the decentralization of control coupled with holding site-based maintenance staff accountable works well, but that on-site staff are not able to keep up with the vacancy rate. In large agencies it is important to keep as much of the decision-making on-site as possible, so as not to lose time going through a layered chain of command. Specialized staff or licensed trades persons--in the areas of major electrical, plumbing, or heating systems work--should be supervised by a central office to give support to the on-site staff. This central support should include a vacancy team for turn-overs. A team approach to vacancy work is much more effective than working a stack of individual work orders by numerous different persons at various times.

Other maintenance problems that consume enormous PHA resources in severely distressed public housing are obsolete building systems and elevator maintenance. For example, many developments still operate on underground heating distribution systems that serve an entire development. When the system breaks down the entire development loses heat, or if one building or section of a building has been set aside for com-

prehensive modernization, that section still has to be heated in order to serve the remainder of the development. Elevator repairs are also a frequent high-cost item. Some high-rises were built with two elevator galleries to serve hundreds of units. Most of the PHAs visited for the case studies reported that elevators break down constantly because they are old and are used heavily due to buildings with many family units. However, elevator replacement is expensive and can usually be funded only out of comprehensive modernization funds, which are always in scarce supply. Building design should be taken into account when planning for redevelopment of severely distressed developments, so that family housing units are not so reliant on elevators.

Preventive maintenance is an essential element of sustaining developments once they have been modernized, and of preventing the deterioration of building systems to a severely distressed level. Well-run agencies have instituted a viable preventive maintenance program on their apartments as well as equipment and mechanical systems, resulting in a considerable reduction in tenant requested work orders. However, funding to implement preventive maintenance programs is not available. When sites are modernized, PHAs should be allowed to fund preventive maintenance costs by adjusting their PFS subsidy to include these costs using the process described earlier in this chapter.

Finally, design staff should consult with maintenance staff when planning to reconstruct or rehabilitate a development to learn what worked well with the resident population and what features of the building systems, design, or site layout caused maintenance problems.

Maintenance operations can be used to address severely distressed living conditions and to sustain improvements made at distressed developments:

- respond to vandalism;
- involve residents in keeping site clean; at one PHA with a revitalized development, the resident organization of the redeveloped site has organized weekly resident clean up sessions for which the maintenance staff provides equipment and training;
- impose resident charges for damages caused by resident negligence or neglect of responsibilities;
- deploy extra staff at problem areas.

#### G. Energy Management

Physically deteriorated public housing buildings also consume more PHA resources through utility consumption. Because of weak incentives for energy conservation and HUD's undercapitalization of PHA buildings, the 1.4 million PHA apartments have energy consumption almost twice that of privately owned units.<sup>13</sup> In September, 1991 HUD published a rule which enables PHAs to keep 100 percent of energy savings derived from efficiency improvements financed under performance contracts with outside vendors.<sup>14</sup> This rule, implementing a portion of Section 118 of the Housing and Community Development Act of 1987, allows PHAs to receive funding for utilities expenses based on historical average consumption for the three year period just prior to the installation of efficiency improvements. For severely distressed developments that have experienced distorted energy consumption due to high vacancy rates and other factors, it may be necessary to establish a hypothetical baseline of consumption in the prior three year period based on what consumption would be under typical occupancy conditions. Using the actual baseline would most likely result in a distorted con-

sumption figure because of the poor physical conditions in severely distressed developments (i.e. these developments are more likely to consume high levels of utilities because of broken or obsolete heating systems and high vacancy rates).

The new HUD rule<sup>15</sup> amends three sections of the Department's Performance Funding System (PFS) regulations, the mechanism that regulates fuel bill reimbursements as part of calculating a PHA's operating subsidy. The changes directly address performance contracting opportunities and energy loan repayments. The rule permits PHAs to undertake loans, performance contracts, or shared savings agreements with private energy service companies, utilities, or government agencies for periods up to twelve years. The rule requires that at least 50 percent of savings secured be dedicated to loan repayment or related costs with the vendor. Up to 50 percent may be retained by participating PHAs for "training of PHA employees, counseling of tenants, PHA management of the cost reduction program, and any other eligible costs . . ." <sup>16</sup> This incentive applies to contracts for outside investments which require annual payments based upon the actual savings stream.

PHAs may have difficulty implementing these regulations in newly redeveloped buildings due to the lack of previous consumption information. In order to calculate savings in energy consumption, a PHA needs to know the previous year's baseline consumption amount; however, in a previously severely distressed building which may have had a high vacancy rate or an erratic history of energy use, the baseline will be inaccurate. Therefore, to enable PHAs to take advantage of this change in the PFS for all types of severely distressed public housing developments, PHAs should be allowed to establish a hypothetical baseline of what consumption would have been if the building had been occupied and other factors had not contributed to a distorted energy consumption level. This change in the regulation is needed to assure that severely distressed public housing developments can take maximum advantage of performance contracting incentives and leverage outside private investment in the rehabilitation (of heating plants and building systems) of the housing developments.

#### IV. SUMMARY

Strong management operations are crucial to turning around severely distressed public housing. Systems with accountability, the ability to track vital information, and coordination between property management/maintenance staff and between field/centralized offices are essential. It is no coincidence that people refer to severely distressed public housing as developments where the housing agency has lost control and the residents have lost hope over their community. These descriptions accurately point to a breakdown in PHA management systems. Property management is the link or intersection of all housing management day to day activities that can go on because they are supported centrally. But when there is no effective on-site management, or property managers cannot do their job, the system crumbles and properties are neglected.

In addition to regulatory and statutory changes giving PHAs more local flexibility and autonomy, PHAs need to give more attention (and need to be given the proper tools to do so) to strengthening management operations.

The NCSDPH's research makes a strong case for decentralization of management operations and clearly PHAs need management tools that allow them to focus on individual developments with unique conditions or problems. For this reason, the Commission strongly supports such project-based initiatives as expanding the base of

allowable expenses when calculating a PHA's Allowable Expense Level for severely distressed developments, extension of the implementation period for HUD's project-based accounting requirement. More emphasis should also be placed on management improvements as an essential tool for maintaining developments in good physical condition and meeting resident needs. Public safety expenses and a separately authorized management improvements program would help meet this objective.

Finally, the Commission wishes to address the phenomenon (also observed in research conducted by MIT) of the declining incomes of public housing households. Because public housing has over the past decade seen its resident population become poorer, the Commission believes that, in addition to providing resident services and employment training as discussed in Chapter 2, PHAs should be encouraged to promote income mixing at their developments. Developments with a mix of incomes are believed to be less difficult to manage and could also provide residents more exposure to economic and employment opportunities.

To assist PHAs in strengthening their management capacity and focus on specific strategies to address severely distressed public housing, the Commission believes that an accreditation system should be established for assessing, assisting and advising public housing agencies. This accreditation system would develop performance standards based on property management industry standards and would provide PHAs with strategic technical assistance based on achieving certain objectives identified by the PHA. The proposed accreditation system is discussed in greater detail in Chapter 8.

## V. RECOMMENDATIONS

### 1. Public safety as an eligible expense for public housing operations

An overwhelming number of those providing testimony and who were interviewed as a part of the case study research emphasized the importance of providing funding and support for security services. The NCSDPH believes that funding for security expenses needs to be made available on a regular and consistent basis for severely distressed public housing.

- a. The Commission recommends that security and other related public safety activities not associated with drug-related crime be funded separately by HUD and that funds be available for regular program-operating activities much the same as they are available for maintenance operations.
- b. PHAs receiving such funds should be encouraged to subcontract with qualified RMCs to administer these funds for security.

Congress and HUD initiated the Public Housing Drug Elimination Program (PHDEP) to address the problems associated with drug abuse and drug-related crime in public housing; however, this program is funded year-by-year and is a separate grant for PHAs.

This change could be accomplished through an increase in operating subsidy eligibility without necessarily modifying the formula for setting the expense level under the PFS, by requiring public safety to be an allowable add-on to the AEL formula.

**2. Authorization for a separate program for management improvements.**

The Commission identified a strong need to promote improved management of and support to management initiatives in public housing. Under the modernization program, the PHAs must often choose between funding management and capital programs. For severely distressed public housing, a separate appropriation could be made for management improvements and related system enhancements. This program, or separate funding authorization, would enable organizations to receive funding support for needed management changes, including support for development of a resident management component or programs for the housing property to be redeveloped. This management improvement program should be fully funded in addition to current public housing program funding levels.

**3. Allow for a greater mix of incomes in severely distressed public housing developments.**

Families that occupy public housing units tend to have very low incomes and be on public assistance. It appears that public housing communities are less difficult to manage and that it is easier to provide greater benefits to all residents if there is a mix of incomes to include a greater number of households with members who are employed. Over the past decade, there has been an emphasis on those with very low incomes and greater need of housing assistance. The reduction in the construction of new public housing also appears to have resulted in a determination that limited public housing units be available for those with the greatest need. Congress in the 1990 National Affordable Housing Act (NAHA) provided that an additional deduction be allowed for working residents. However, because of inadequate funding to cover the loss of income that would result, HUD has not implemented this deduction.

Because higher-income residents would pay higher rents, increasing the income mix could have a favorable impact on the amount of funding required to cover the PFS Operating Subsidy Eligibility needs of the public housing program. The higher potential rental income could help offset the cost of the additional deduction for working households referenced above. This increase should be permitted in cases where there are severely distressed public housing developments and the PHA believes that a greater income mix would contribute to an improvement in the management and livability of a development.

The Commission is concerned about the lack of flexibility that most PHAs have in selecting households for severely distressed public housing. There is a need to take steps to promote stable communities in severely distressed public housing and to promote the idea that this housing is a valuable community resource. The Commission recommends that Title VI of the Civil Rights Act and HUD rules governing federal preferences be amended to allow greater flexibility in using local preferences in selecting households for severely distressed public housing as a part of an overall revitalization strategy.

**4. Maximum rent system for severely distressed public housing developments.**

A system exists for permitting maximum rents, but is restricted and can only be in effect for five years. As a strategy for promoting more diverse and stable public housing communities, the Commission recommends a more flexible system for setting maximum rents to promote the retention of working households and others in severely distressed public housing. Rather than setting maximum rents at a level equal to the market rate in an overall city or neighborhood, PHAs could be allowed to set rents at levels calculated to retain working households. In effect, a rent that results in the retention of residents may be closer to the true market value level for a severely distressed public housing development.

When the maximum rent is higher than that for households on public assistance, less funding might be required to meet future operating subsidy eligibility funding requirements. The use of a more flexible or less restricted method for setting maximum rents could improve a PHA's ability to manage a development and result in a stronger public housing community.

**5. Reauthorize requirement for implementing project-based accounting.**

The 1990 NAHA required that all PHAs with 250 units or more implement a Project-Based Accounting (PBA) System by 1993. HUD has issued proposed regulations for implementing the P-BA that will allow many PHAs only approximately one year for implementation. The Commission recommends that the time allowed for full implementation be extended on a case-by-case basis for one additional year to allow PHAs to plan properly and to adjust for the internal changes required in their financial management systems.

The 1990 NAHA gave the HUD Secretary discretion in allowing reporting by project number or by cost center, which is the way that most PHAs manage and report their operations internally. The Commission proposes that in the reauthorization the PHAs always be permitted to use cost centers rather than a project number or other similar designation as their basis of reporting. Project-based financial information is critical in evaluating the operating condition of severely distressed public housing developments, and sufficient time and flexibility are needed for implementation.

**6. Change in the establishment of the AEL for severely distressed public housing developments.**

PHAs should be allowed to identify the services needed by residents in severely distressed public housing and the funding to cover the costs of providing these services. Calculation of the AEL for each development should then be based on the identified service needs. The current process under the PFS for establishing a PHA's AEL is not based on a housing *development-based* formula but instead an *agency-wide* formula. Applying the formula to a specific housing development is inappropriate. Currently, PHAs often must choose between the needed services to support basic management operations. Although many PHAs seek alternative funding sources for these services, such funding is not always reliable. HUD permits RMCs to develop AELs based on actual costs. HUD should modify this method for use by severely distressed developments. Moreover, the AEL for a severely distressed development should not be bound by any upper limit based on per unit costs.

For developments designated as severely distressed, the PHA, in consultation with residents should develop an AEL that defines and fully accounts for the operating service needs of the severely distressed public housing development. To define a development's service needs, PHAs or existing RMC's would develop a management and cost plan as the basis for the new AEL. This process will result in a needs-driven, cost-based management plan. Further modifications could be allowed during a period of comprehensive modernization. An AEL would be established before, during and after construction. It is the post-construction AEL that would serve as the permanent AEL for the formally severely distressed public housing development.

The PFS should also be modified in applicable cases to allow PHAs to use an estimated Utilities Expense Level (UEL), thus permitting PHAs to take advantage of performance contracting provisions in the PFS. With an estimated UEL for buildings that are, or previously were severely distressed (and are in the process of being rehabili-

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tated), a PHA can estimate energy costs instead of using a UEL distorted by high vacancy rates or similar conditions which have a downward affect on energy consumption. PHAs can thus estimate a more realistic baseline for UEL that encourages performance contracting. This change would serve to increase the likelihood of attracting private investment in the rehabilitation of a severely distressed public housing development.

**7. Minimum rent system.**

Minimum rent levels should be set by the PHAs at a level designed not to place an inequitable burden on families but instead to ensure that all residents pay rent in some amount. The Commission believes that it is important to have a relationship with a household that requires some payment in return for management services.

**8. Elderly housing reservations.**

Congress should pass legislation that requires HUD to alter its current policy disallowing public housing developments to be reserved for the elderly. The Commission believes such a change would help promote stable public housing developments which have been designed for occupancy by elderly households.

**9. Increased participation on a policy-making level.**

The Commission recommends that no Federal funding for PHAs be provided unless the PHA has resident representation on the Board of Commissioners. Residents are encouraged to work with legislators and PHAs to ensure participation in the selection process.

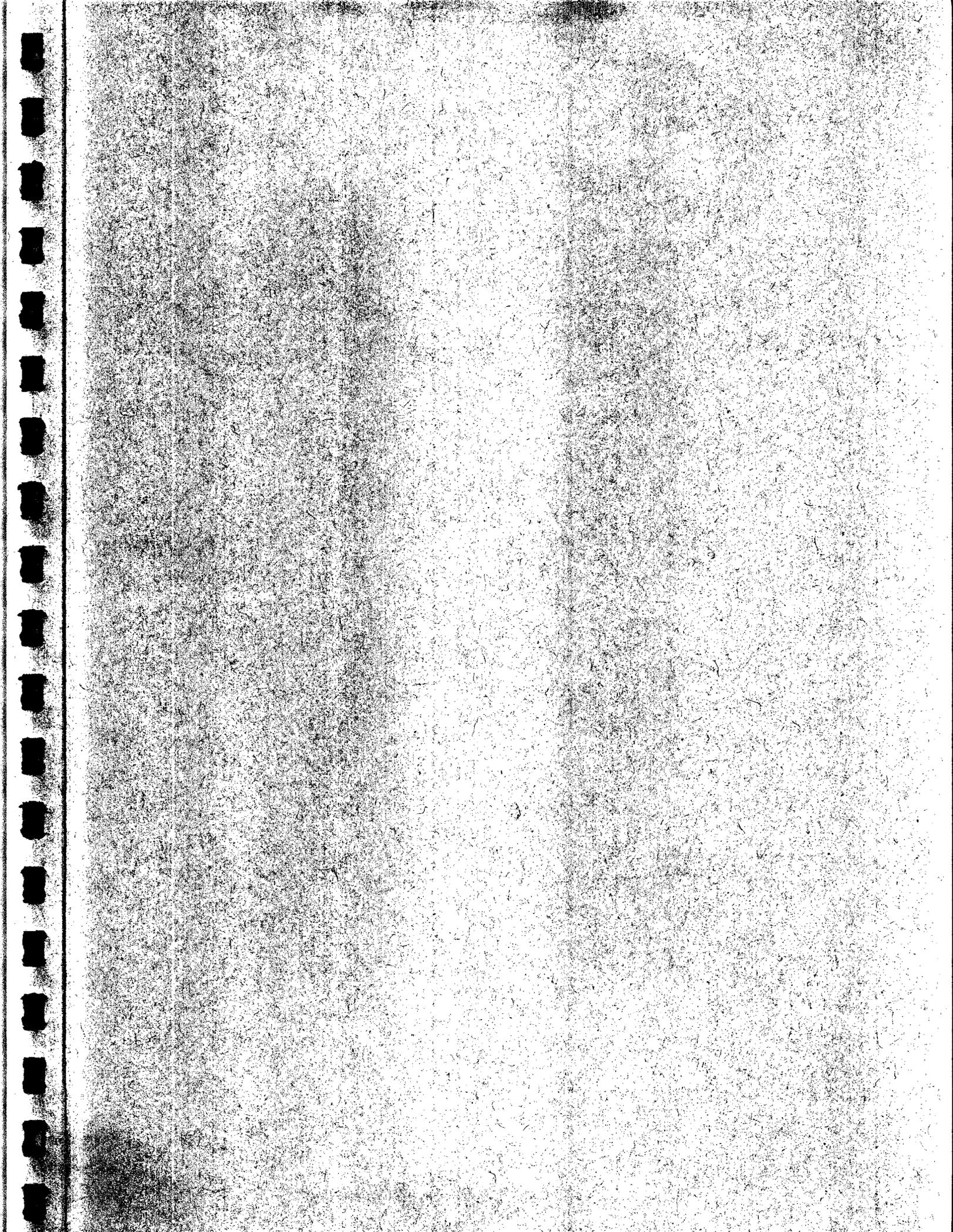
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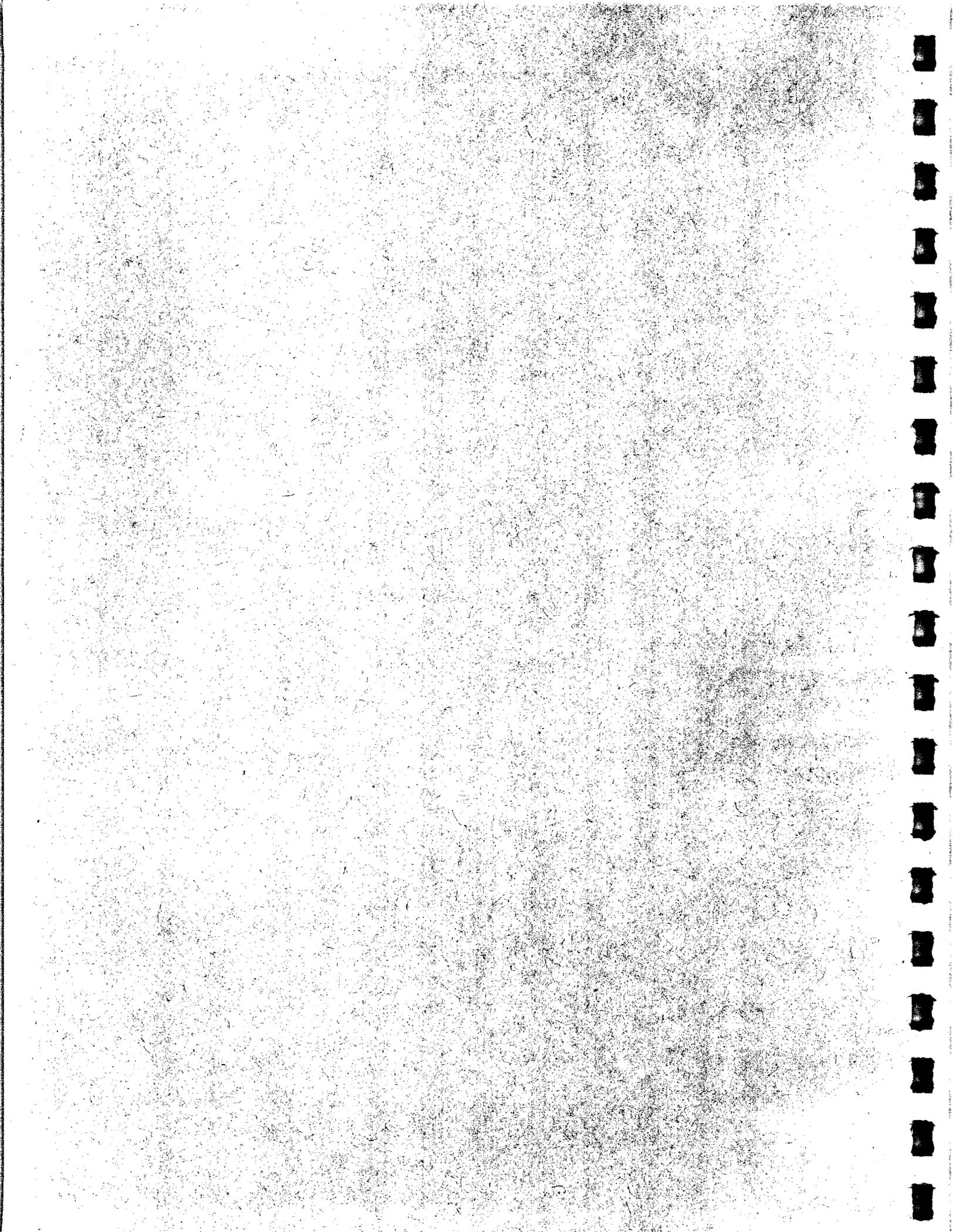
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**ENDNOTES**

- 1 U.S. Department of Housing and Urban Development, Form HUD-52481.
  - 2 "Financial Management Handbook, 7475.1 Rev., U.S. Department of Housing and Urban Development, p. 2-73, December, 1987.
  - 3 Office of Inspector General, U.S. Department of Housing and Urban Development, "Region IX's Evaluation of Protective Services Costs Incurred by Large Public Housing Agencies," March 31, 1992, 92-SF-101-0005.
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  - 9 Housing and Community Development Act of 1987, Public Law 100-242, Section 118.
  - 10 See "Study on Employment Versus Welfare in the Public Housing Program," San Francisco Housing Authority, October 15, 1991.
  - 11 "Occupancy Issues In Distressed Public Housing," Professor Lawrence Vale, Massachusetts Institute of Technology, May, 1992, p. 10.
  - 12 "Study on Employment Versus Welfare in the Public Housing Program," San Francisco Housing Authority, October 15, 1991, p. 4.
  - 13 Report from Lawrence Berkeley Laboratory, Prof. Charles Goldman, 1986.
  - 14 Federal Register, September 11, 1991, p. 46356.
  - 15 The HUD rule amends 24 CFR Parts 905, 965 and 990.
  - 16 24 CFR Part 990, Annual Contributions For Operating Subsidy, Section 110, Adjustments.
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**CHAPTER FIVE**

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Chapter 5:

# **Capital Improvement Programs of Severely Distressed Public Housing**

## **I. INTRODUCTION**

Due to a combination of circumstances, housing authorities today face a tremendous demand for modernization work on the public housing stock across the country. While much of the current public housing was constructed in the 1950s, 1960s and 1970s, piecemeal modernization funding was not available until 1968 and a comprehensive approach to modernization was not implemented until 1980. As a result, there has been little systematic maintenance of the housing stock which has been allowed to slowly deteriorate over the years.

The extent of this deterioration is most graphically evident at severely distressed public housing developments where passersby can see boarded up windows, rows of repetitive buildings, asphalted sites littered with trash and abandoned cars, and unpopulated open spaces, shunned by fearful residents and neighbors. Within buildings, residents must cope with broken toilets, inadequate heating systems, graffiti-smearred hallways, and vandalized or broken doors and locks. Such substandard conditions fail to meet basic building and sanitary codes and contribute to a sense of systemic failure which is felt by residents and managers alike. And although these developments represent a small minority of the nation's public housing stock, their visual image is so powerful that the public perception of public housing in general is one of a failed federal program.

The capital improvement needs of these severely distressed developments are substantial and include costs associated with addressing the backlog of modernization work, redesign treatments to remedy initial physical deficiencies, and accruing replacement needs. To continue to postpone re-investing in this valuable national resource will only escalate the costs for a later date — for bricks and mortar as well as for the quality of residents' lives.

This chapter reviews the physical condition of the nation's public housing stock and looks in detail at that portion of the stock which is severely distressed. HUD programs that provide funding for capital improvements are reviewed to provide an understanding of program opportunities and constraints that have an impact on the physical condition of public housing. Although much of the distressed conditions that currently exist at selected PHAs around the country are attributable to the historical under-funding of capital needs, there are some inherent design features that play a contributing role in the demise of family housing developments and these are outlined in Section IV. In the final sections of this chapter, the impediments to solving these physical deficiencies are explored and promising strategies for revitalizing severely distressed public housing for long term viability are offered.

## II. THE PHYSICAL CONDITION OF PUBLIC HOUSING

More than one-third of the existing 1.4 million units of public housing stock is over 25 years old and major building systems are failing or have failed. These capital needs have been under-funded over time, resulting in a substantial backlog of modernization needs which must compete for limited modernization resources with on-going accrual needs.<sup>1</sup> The impact of this level of disinvestment in public housing is most noticeable at severely distressed public housing sites where the physical environment no longer provides decent, safe and sanitary housing.

This section reviews the current condition of the nation's public housing stock and projects ongoing capital needs for the next five and ten years. Within this larger context, the relatively small subset of severely distressed public housing developments is studied in an attempt to define the characteristics of this deteriorated housing, the magnitude of the problem, and the level of funding required to eliminate severely distressed public housing within the next decade.

### A. Condition of Nation's Public Housing Stock

There are two major studies that examine the physical condition of the nation's public housing stock: the Abt study<sup>2</sup> in 1988 of modernization needs and the 1989 ICF study<sup>3</sup> projecting the future capital needs of public housing, which is based on Abt's earlier data.

The 1985 Abt Modernization Needs Study collected detailed information on the physical characteristics and modernization needs of a representative sample of 1,000 public housing developments. The study developed cost estimates for the total amount required to: (1) fix existing architectural, mechanical and electrical systems; (2) add or upgrade building systems or features to meet specific standards or to ensure long-term viability; and (3) redesign projects in order to make them viable in the long term. The study also estimated the cost of other types of improvements: reducing energy consumption; retro-fitting dwelling units to make them accessible to people with physical disabilities; modernizing the Indian housing stock; and implementing HUD lead-based paint abatement regulations. As part of this study, the PHAs provided information on each development's resident population and an assessment of the nature and severity of occupancy and security problems.

The 1989 ICF study utilized the Abt data and life-cycle modeling techniques to forecast the future capital needs of public housing and to describe the implications of different funding levels on projected needs. The accrual needs were based on the physical characteristics of the stock and the age, current condition, and expected useful life of each building system. The NCSDPH has contracted with ICF, Inc. to update the modernization backlog and accrual needs of the entire public housing stock to 1992 dollars and to estimate future needs for severely distressed housing developments. The following discussion is a summary of the more detailed ICF report.<sup>4</sup>

Table 1 presents the estimated backlog of modernization needs for the public housing stock in 1992 dollars. These figures, with one exception for lead-based paint, are based on the original Abt survey, updated to reflect the impact of recent modernization expenditures, increases in the size of the public housing stock, and the on-going depreciation of existing building systems. The lead-paint abatement estimates are based on

the recent Westat study of the incidence of lead-based paint within the stock as a whole and on the marginal cost of lead-based paint abatement.

**Table 1**  
**The Size and Composition of the Unfunded Backlog (in millions): 1992**

Backlog Category	Unfunded Backlog Needs
Mandatory Backlog Need	
FIX	\$14,538
Lead-Based Paint	901
Handicapped Accessibility	193
Mandatory ADDs	731
<i>Subtotal, Mandatory Needs</i>	<i>16,363</i>
Project-Specific ADDs	7,239
Residual ADDs	3,081
REDESIGN	<u>2,106</u>
Energy Conservation	417
<b>TOTAL, All Needs</b>	<b>\$29,206</b>

*Note: The figures include an 11 percent allowance for PHA administrative costs.*

Estimated modernization needs range from a low of \$14.5 billion (or \$11,000 per unit) to a high of \$29.2 billion (or \$22,500 per unit). The low figure represents the cost of bringing all existing building systems back into working order, the equivalent of FIX activities in the original Abt study. The high figure reflects costs of addressing additional building needs for the following:

- lead-based paint abatement, defined as the removal of chewable or defective lead-based paint as required under current federal regulations;
- handicapped accessibility, defined as the modifications required to meet PHA-identified needs for additional accessible units for the mobility and sensory impaired (the figure predates the recent Section 504 implementing regulations and thus may under-estimate modernization costs associated with meeting the current statutory guidelines for accessibility);
- mandatory additions (ADDs) to the building, site, or unit that are required to meet HUD modernization standards or local code;
- project-specific ADDs, defined as other additions or modifications viewed as clearly or possibly appropriate by the PHA and the Abt inspection team;
- residual ADDS, defined as other additions identified by the PHA but considered inappropriate by the Abt inspectors (costs for these modernization actions are not included in any future projections as they do not meet HUD approval);
- project REDESIGN, defined as unit, building, and/or site reconfiguration necessary to ensure on-going project viability; and

- energy conservation improvements, defined as potential energy conservation actions with a pay-back period of 15 years or less.

The "gap" between these current capital needs and historical funding levels is astonishingly wide; in 1992, cost estimates to address "mandatory" HUD modernization requirements — which are considered minimums — exceeded appropriation levels by seven-fold.

Table 2 estimates the size of the future backlog in five and ten years assuming that the real (i.e., inflation adjusted) value of CIAP allocations remains unchanged (\$2.04 billion a year in 1992 dollars). These figures exclude Residual ADDs, estimated at \$3.1 million in 1992, since such actions would presumably not be allowed under CIAP. Under these assumptions, the overall backlog will remain relatively stable over time. In effect, the funding that will be available for modernization will be completely offset by new needs that arise from the on-going aging of the stock.

**Table 2**  
**Projected Increases in the Modernization Backlog at Existing Appropriation Levels (millions)**

	1992	1997	2002
<b>MANDATORY BACKLOG</b>			
FIX	14,538	16,904	19,035
Lead-Based Paint	901	738	620
Handicapped Accessibility	193	0	0
Mandatory ADDs*	731	77	0
<b>TOTAL MANDATORY BACKLOG</b>	<b>16,363</b>	<b>17,719</b>	<b>19,655</b>
<b>PROJECT-SPECIFIC ADDs</b>	<b>7,239</b>	<b>5,988</b>	<b>5,086</b>
REDESIGN	2,106	1,856	1,675
ENERGY CONSERVATION	417	36	0
<b>TOTAL BACKLOG</b>	<b>26,125</b>	<b>25,599</b>	<b>26,416</b>

\*Excluding Residual ADDs

Eliminating the mandatory backlog would require appropriations of \$5.2 billion per year over a five year period or \$3.7 billion over a ten year time frame. Addressing mandatory needs plus costs for project-specific ADDs, REDESIGN, and Energy Conservation would require annual appropriations of \$4.8 billion for the next ten years.

#### **B. Condition of Severely Distressed Public Housing**

Only a small proportion of the 1.4 million units of public housing stock is in severely distressed developments. Qualitative information has been collected on severely distressed developments through a series of case studies at selected sites around the country. To understand the characteristics of severely distressed public housing developments relative to the national stock and to estimate the national costs associated with remediation of these troubled sites, further analysis of the developments requiring the largest amount of capital improvements in the National Modernization Needs Survey has been undertaken. The following discussion looks first at the factors that contributed to the physical deterioration of the case study sites and then identifies the nature of the problem of distress at the national level.

There is remarkable similarity in the physical condition of distressed public housing developments and in the historical development of these conditions. They include the following, in the general pattern of occurrence: historical under-funding of modernization needs, uninhabitable physical conditions, rapidly increasing vacancy levels, and shifts in occupancy characteristics.

**Under-funding of Modernization Needs.** Although many of the case study developments were originally constructed more than 30 years ago, the level of capital investment for repairs and replacement of systems at the end of their useful life has been minimal. Although historical data regarding development-specific modernization histories are scarce, patterns of disinvestment and neglect are evident at many developments.

- At the Desire Development, Housing Authority of New Orleans, a total of \$12.8 million has been spent modernizing 1,840 units; most of these funds were expended in the mid-70's for bathroom, kitchen, electrical, and heating renovations. This represents less than \$7,000 per unit over a period of 40 years.
- At the Commonwealth Development, Boston Housing Authority, less than \$3,000 per unit was spent on modernization efforts prior to redevelopment; the bulk of this money was spent on boiler and roof repairs to keep buildings habitable.
- The Salishan Development, Tacoma Housing Authority, has received only \$75,000 in direct CIAP funding between 1986 and 1990, despite the fact that it is the oldest housing development in the PHA's inventory. This development is not distressed, but could deteriorate if its physical plant's aging condition is not addressed.

In recent years, many PHAs have applied for comprehensive modernization funding to address severely distressed conditions. However, HUD has rejected most of the development-specific requests, citing lack of funds available at the level requested and questioning the long-term viability of many of these developments. PHAs are looking to the new Comprehensive Grant Program, which gives them greater control over the expenditure of modernization funds, as the source of funding for these long-neglected developments, although they are wary that developments requiring high levels of capital improvements will siphon funds away from other developments.

**Uninhabitable Conditions.** As a result of the consistent underfunding and the age of these developments, major systems that have not received any major repairs or replacements are failing, including heating systems, roofs, building risers, and electrical systems. In high-rise buildings, elevators are frequently out of order, requiring residents to walk up and down numerous flights of stairs which are typically unlit, littered, and dangerous. Many residents are living in unsafe and unsanitary conditions, subjecting the PHA to numerous and expensive liability suits. In addition, it becomes difficult for PHAs to win cause evictions for problem tenants because the housing does not meet minimum standards for habitability. At Desire Development, portions of the wood frame structures have deteriorated to the point where residents have fallen through rotted floors. Due to serious physical deficiencies that threaten the safety and health of residents, the PHA is plagued with extensive and costly legal suits. When major building systems fail, PHAs often vacate and board up the impacted building(s), lacking adequate funds to undertake repairs or replacement.

**Escalating Vacancy Rates.** Most developments in the case studies have had high vacancy rates. The Ida B. Wells redevelopment of the Chicago Housing Authority has a

current vacancy rate of 20 percent; New Orleans' Desire Development is 50 percent vacant. Prior to redevelopment, vacancies were as high as 52 percent at Boston's Commonwealth Development and 70 percent at Steamboat Square, Albany Housing Authority. A large number of vacancies is highly destabilizing; once vacancy rates reach a certain critical mass (somewhere over 20 percent), the rates rapidly escalate, as illustrated by the data in Table 3.

**Table 3**  
**Escalating Vacancy Rates at Two Severely Distressed Developments**

Desire Development, Housing Authority of New Orleans		Commonwealth Development, Boston Housing Authority	
Vacancy Rate		Vacancy Rate	
1979	1%	1975	2%
1987	6%	1978	23%
1989	30%	1979	40%
1990	44%	1980	52%
1991	50%		

When vacancy rates hit such high levels, maintenance staff cannot keep up with the number of units that need to be prepared for occupancy; management staff are overwhelmed with the tenant screening and rent-up volume; and vacant units, particularly if not secured immediately, become havens for illegal drug activities and squatters. Once vacancies cross this threshold, it is very difficult — and more costly — for a PHA to stabilize a distressed development.

Vacancy rates should be monitored as indicators of potential distressed conditions. For example, the Tacoma Housing Authority's Salishan Development is not distressed and is fully occupied. However, if remedial action is not taken soon, it is likely that this development will begin the cycle of escalating vacancy rates; it currently has the THA's highest turnover rate, indicating that the system is already under stress.

**Shift in Occupancy Characteristics.** The deterioration of buildings is a very visible process — to residents as well as to applicants seeking public housing and others living nearby. Some existing residents move out because they refuse to accept their current living condition in public housing as the last resort; they seek improved conditions elsewhere. Even in tight housing markets, the move-out rate at distressed developments is high and waiting list applicants refuse to take an available unit, even when that refusal means returning to the end of a long waiting list for other public housing. The residents that do take the available units in severely distressed developments are typically desperate for housing, often in need of supportive services, or seeking an environment with limited control, often for the purposes of illegal drug activities.

The combination of these above conditions — lack of funding, uninhabitable conditions, high vacancy rates, and troubled populations — leads to a level of physical deterioration that requires substantial capital expenditures to remedy. Table 4 presents PHAs estimates (or actual expenditures at developments that have been turned around) for physical improvements.

**Table 4**  
**Cost of Physical Improvements at Case Study Developments:**  
**Construction Costs Only**

Development	Estimates/ Expenditures	Date of Est/Exp	1991/1992 Value	1991/1992 Per Unit Cost
<b>Distressed Developments</b>				
Desire Development	\$117,117,545	1992	\$117,117,545	\$63,650
Ida B. Wells	\$126,000,000	1992	\$126,000,000	\$45,455
Liberty Square	\$33,808,736	1991	\$33,808,736	\$48,786
<b>Turn-around Developments</b>				
Commonwealth	\$26,369,400	1983	\$32,961,750	\$84,086
Robert Pitts Plaza	\$19,255,097	1991	\$19,255,097	\$94,853
Steamboat Square	\$16,125,600	1982-91	\$20,187,900	\$52,165

*Note: These figures include hard construction costs only; demolition and soft costs typically add 20-25 percent to the total redevelopment cost. The figures for the distressed sites represent estimates only while the figures for the turn-around developments reflect actual costs incurred.*

To understand the implications of these case studies within the larger national context, the ICF study for NCSDPH focused on the characteristics of those public housing developments that have the highest capital needs and estimated the amount of funding required for the physical revitalization of these projects. While these developments may not perfectly match NCSDPH's definition of "severely distressed" (high renovation costs, high incidence of serious crime, and an inability to effectively manage the development), the ICF analysis offers a preliminary understanding of the nature and magnitude of the problems.

Only a small percentage of the total public housing stock has high modernization needs. But this relatively small percentage of developments accounts for a disproportionately large share of the nation's overall funding needs. Low needs developments averaging less than \$10,000 per unit for modernization costs account for 39 percent of the developments, 34 percent of the units, and 11 percent of the stock's total modernization needs. High needs developments averaging more than \$50,000 per unit represent less than three percent of the developments and projects but account for more than 11 percent of the total modernization needs.<sup>5</sup>

To account for regional differences in construction costs, the per unit modernization costs were translated into a ratio of modernization costs to HUD total development cost (TDC) limits. As a basic financial feasibility test, 62.5 percent of TDC is used as a standard that roughly corresponds to the units' replacement costs, or to the cost of new construction (excluding land acquisition). Under CIAP guidelines, development-specific modernization costs which exceed 62.5 percent of the area's TDC trigger a Viability Review (see Chapter 6 for a more detailed discussion of this process as it affects severely distressed public housing). To approximate this definition, 60 percent of TDC is used as the threshold for high need developments. The relationship between modernization needs and the applicable TDC, as presented in Table 5, shows a similar pattern of high needs concentrated in a relatively small number of developments. In

1985, approximately 82,000 units were classified as high need. While representing only seven percent of the public housing stock, they accounted for about 19 percent of the program's total modernization needs.

**Table 5**  
**Distribution of Projects and Units in 1985 by the Ratio of**  
**Modernization Costs to the Applicable TDC**

Cost to TDC	PROJECTS Ratio Number	Percent	UNITS Number	Percent
<0.10	2,737	19.6	191,982	15.3
0.11 - 0.20	3,437	24.6	361,659	28.7
0.21 - 0.30	3,436	24.5	258,402	20.5
0.31 - 0.40	2,243	16.0	175,768	14.0
0.41 - 0.50	793	5.7	122,769	9.8
0.51 - 0.60	622	4.4	65,641	5.2
0.61 - 0.70	301	2.2	29,386	2.3
0.71 - 0.80	216	1.5	30,998	2.5
0.81 - 0.90	23	0.2	7,339	0.6
0.91 - 1.00	82	0.6	4,288	0.3
1.00+	106	0.8	10,126	0.8
<b>Total</b>	<b>13,997</b>	<b>100%</b>	<b>1,258,356</b>	<b>100%</b>

*Note: Cost data in this exhibit do not include an 11 percent allowance for PHA administrative costs. Also excluded are "allowable" costs for REDESIGN, energy conservation, and handicapped access, which would on average add about \$3,000 per unit (or about 19 percent) to the cost of the typical unit. Developments are defined by their ACC. Since some developments may have more than one ACC, the number of developments may be overstated.*

The relationship between the physical needs of a development and other factors that might contribute to distressed housing conditions, including characteristics of project residents, reported occupancy and security problems, and neighborhood conditions, were explored by ICF. The data used in this analysis were obtained from interviews with PHA officials at the time of the Abt study and reflect the PHA's perceived, rather than documented, assessment of problems.

Basic information regarding project characteristics is presented in Table 6. While there is no simple relationship between the characteristics of the development and its level of rehabilitation needs, there are some interesting patterns. The overwhelming majority of high needs units are in family developments which tend to be relatively large. Most are located in very large PHAs, with about 44 percent in troubled authorities. Contrary to public perceptions, the incidence of elevator buildings is not unusually high among high needs developments, even when family developments are considered separately and even excluding the New York City Housing Authority's developments.

**Table 6**  
**Project and PHA Characteristics by Level of Need: All Units**

Costs to TDC Ratio	Family Development (%)	Average Project Size (units)	Elevator Buildings (%)	Very Large PHA(%)	Troubled PHA (%)
< 0.1	52	343	45	22	13
0.1 - 0.2	70	408	48	36	11
0.2 - 0.3	78	405	34	39	19
0.3 - 0.4	90	413	17	35	28
0.4 - 0.6	86	359	26	38	30
0.6 +	94	537	12	57	44

*Note: Cost data in this exhibit do not include an 11 percent allowance for PHA administrative costs. Also excluded are "allowable" costs which would on average add about \$3,000 per unit.*

Table 7 presents information on the characteristics of project residents, including their age, their average income, and their reliance on public assistance (i.e. AFDC, SSI or General Assistance).

**Table 7**  
**Resident Characteristics by Level of Need: Family Developments**

Costs to TDC Ratio	Average Income	Welfare (%) (AFDC,SSI,GA)	Age of Residents			
			Children Under 5 (%)	Teens (%)	Non-elderly Adults (%)	Elderly (%)
< 0.1	\$7,831	27	31	19	40	12
0.1 - 0.2	\$8,161	38	30	18	40	13
0.2 - 0.3	\$7,376	47	33	19	39	10
0.3 - 0.4	\$5,452	36	33	19	33	13
0.4 - 0.6	\$5,980	47	33	20	37	10
0.6 +	\$4,587	42	30	20	41	9

*Note: Cost data in this exhibit do not include an 11 percent allowance for PHA administrative costs. Also excluded are "allowable" costs for REDESIGN, energy conservation, and handicapped access, which would on average add about \$3,000 per unit (or about 19 percent) to the cost of the typical unit.*

In general, the ages of project residents do not appear to vary with the development's rehabilitation needs. However, there is a strong relationship between rehabilitation needs and resident incomes. For example, residents of high needs projects had an average income of only about \$4,600, compared to about \$8,000 for residents of units with the lowest renovation needs (i.e. less than ten percent of TDCs).

The proportion of households on welfare is also relatively low (27 percent) in low need units. However, there appears to be no relationship between physical needs and reliance on public assistance in the remainder of the stock.

Table 8 presents information on the PHA's assessment of security problems within the development. The data suggest that high needs projects have security problems that are considerably higher than developments with the lowest category of needs, but about the same or only marginally above the problems reported in other developments. Indeed, regardless of the measures examined, it is low needs developments (i.e., those with costs below ten percent of TDC) that appear to be unique.

**Table 8**  
**Reported Security Problems by Level of Needs: Family Developments**

Costs to TDC Ratio	Overall Security (%)	Break-Ins (units)	Major Crimes		
			Minor Crimes Drug Traffic (%)	Against Persons (%)	Against Persons (%)
< 0.1	19	9	37	17	11
0.1 - 0.2	48	41	65	54	31
0.2 - 0.3	57	40	50	45	18
0.3 - 0.4	57	46	53	41	26
0.4 - 0.6	72	64	67	50	29
0.6 +	68	52	68	37	22

*Note: Cost data in this exhibit do not include an 11 percent allowance for PHA administrative costs. Also excluded are "allowable" costs for REDESIGN, energy conservation, and handicapped access, which would on average add about \$3,000 per unit (or about 19 percent) to the cost of the typical unit. All observations weighted by number of dwelling units.*

Much of the same pattern is apparent in Table 9, which presents information on reported occupancy problems.

**Table 9**  
**Reported Occupancy Problems by Level of Needs: Family Developments**

Cost to TDC Ratio	Percent Vacant	Tenant Abuse of Property	Rent Delinquencies	Major or Moderate Problem with Respect to: Inability to Evict	Minor	Major	Percent With Major Occupancy Problems
					Tenant Crimes Caused by Tenants	Tenant Crimes Caused by Tenants	
<0.1	4%	32%	36%	12%	18%	3%	1%
0.1-0.2	6%	55%	54%	57%	47%	30%	17%
0.2-0.3	6%	44%	50%	50%	46%	18%	16%
0.3-0.4	11%	57%	42%	30%	26%	7%	10%
0.4-0.5	14%	62%	57%	43%	47%	25%	24%
0.6+	10%	54%	61%	48%	36%	18%	9%

*Note: All observations weighted by number of dwelling units. Also Cost to TDC ratio excludes REDESIGN, Energy Conservation, Handicapped Access and Residual ADDs. Also Percent with Major Occupancy Problems includes developments with five or more "major" or "moderate" occupancy problems, where vacancy rates above 15 percent were considered to be a problem.*

While high needs developments exhibit many of the characteristics that are synonymous with distress—such as high vacancy rates and a high proportion of reported occupancy problems—they exhibit the highest incidence of a given problem only with respect to rent delinquencies. In contrast, low need developments have the lowest incidence of reported occupancy problems regardless of the measure employed.

With respect to reported neighborhood problems, as presented in Table 10, only the incidence of drug problems stands out as being higher (by receiving a more negative rating) for developments with needs in excess of 60 percent of TDC. For the remaining neighborhood indicator, there is little relationship between the overall quality of the neighborhood and the level of modernization need. However, once again, low need developments appear to be the exception to the norm, and are located in significantly better neighborhoods than the rest of the housing stock.

While the higher incidence of reported drug problems in high need developments is consistent with the case study findings, the PHAs reported these negative ratings in 1985. As a result they do not reflect the rising incidence and severity of drug problems and related crimes that have plagued public housing in recent years. In the case studies of severely distressed developments, the problems associated with drug usage and trafficking were highlighted repeatedly as the number one problem for PHAs. Distressed developments with many vacant units appear to attract illegal drug activities. In one case study site of substantially large scale, drug dealers rather than the PHA controlled some of the buildings. In these instances, regaining control of the development and securing it for the use of residents only must be the first step towards recovery.

**Table 10**  
**Reported Neighborhood Problems by Level of Need: Family Developments**

Costs to TDC Ratio	Negative Rating with Respect to:						
	Overall Quality of Neighborhood	Neighborhood Crime	Loitering Problems	Drug Problems	Street Vandalism	Litter	Vacant Lots
< 0.1	11%	25%	31%	32%	22%	33%	26%
0.1 - 0.2	42%	62%	62%	63%	59%	68%	53%
0.2 - 0.3	26%	50%	49%	52%	51%	46%	32%
0.3 - 0.4	25%	40%	48%	51%	42%	47%	42%
0.4 - 0.6	39%	49%	43%	56%	56%	43%	46%
0.6 +	28%	52%	61%	73%	47%	50%	33%

*Note: Cost data in this exhibit does not include an 11 percent allowance for PHA administrative costs. Also excluded are "allowable" costs for REDESIGN, energy conservation, and handicapped access, which would on average add about \$3,000 per unit (or about 19 percent) to the cost of the typical unit. All observations weighted by number of dwelling units.*

Table 11 illustrates the ways in which the 1985 modernization estimates have shifted over time based on subsequent appropriations and depreciation patterns. Units with relatively low rehabilitation needs in 1985 appear to have received a disproportionate share of CIAP funding over the past five years. For example, units with needs below 20 percent of the applicable TDC account for about 20 percent of all funding needs in

1985, but received roughly 40 percent of all CIAP allocations. In contrast, units with needs in excess of 60 percent of TDC accounted for roughly 19 percent of aggregate needs, yet these same units received only eight percent of available funding.

One of the apparent outcomes of this targeting strategy has been to increase the number of units whose needs were relatively high. Over the five year period, the proportion of units with estimated rehabilitation costs between 50 and 60 percent of TDCs rose from 15 to 17 percent, while the proportion of units with costs exceeding the 60 percent threshold rose from 6.5 to 6.9 percent. While the latter increase is admittedly small, the data suggest that as many as 4,000 additional units may have become "severely distressed" within the last five years, and that another 26,000 units may have entered the next highest category of needs.

**Table 11**  
**Estimated Changes in the Distribution of Units**  
**by Modernization Needs: 1985-1991**

Costs to Total TDC Ratio	Distribution of Units	1985 Share of Total Funding Needs	Share of 1985-91 CIAP Allocations	Distribution of Units	1991 Share of Funding Needs
< 0.1	15.3	3.4	6.0	12.3	1.3
0.1 - 0.2	28.7	16.3	32.7	26.1	16.6
0.2 - 0.3	20.5	19.8	21.1	26.8	23.3
0.3 - 0.4	14.0	16.6	11.7	11.9	14.1
0.4 - 0.6	15.0	25.1	20.9	16.2	26.0
0.6 +	6.5	18.8	7.6	6.7	18.8

*Note: For comparison purposes, 1985 needs are stated in 1992 dollars. Cost data in this exhibit do not include an 11 percent allowance for PHA administrative costs. Also excluded are "allowable" costs for REDESIGN, energy conservation, and handicapped access, which would on average add about \$3,000 per unit (or about 19 percent) to the cost of the typical unit.*

Preliminary analysis of high needs developments with modernization costs in excess of 60 percent of TDC, which in this analysis is used as a proxy for severely distressed public housing, estimates there are approximately 86,000 units that fall into this category at the national level. In 1992 dollars, approximately \$5.6 billion is needed to fund total modernization needs for these high needs developments. To eliminate this backlog by the year 2002 will require annual funding of \$730 million (see Table 16 for more detailed analysis of funding requirements).

### III. FUNDING AVAILABLE FOR MODERNIZATION WORK

The level of funding required to eliminate the backlog of all modernization needs, and most specifically, the needs of severely distressed public housing, is substantial. This critical need today is partially a product of years of insufficient funding and inadequate

modernization programs. This section reviews the history of modernization programs, discusses the programs in operation today, and current funding levels.

#### A. Previous Modernization Programs

**Modernization Program.** Although the Public Housing Program was enacted in 1937, it was not until 1968 — 30 years later — that the Modernization Program was established to fund the capital replacement needs of public housing. The Modernization Program allowed PHAs to compete annually for capital funding to supplement operating subsidies. In the initial years of the program, PHAs applied for HUD funding for specific work items, such as to repair or replace roofs one year, and to renovate kitchens at the same project the next. There was no provision for doing all the work that was needed at a project at one time, using a long-term capital planning strategy.

**Comprehensive Improvement Assistance Program (CIAP).** In 1980, Congress passed legislation establishing the Comprehensive Improvement Assistance Program (CIAP) for public housing. The purpose of this legislation was to end the piecemeal approach to modernizing public housing projects. For the first time, PHAs were required to identify needs at each public housing development by preparing a Comprehensive Plan for Modernization (CPM). The CPM must incorporate a viability review of each development and outline actions to be taken in the case of non-viable developments.

Under CIAP, a housing authority applies for annual funding on a competitive basis and must conduct modernization work according to its five-year Comprehensive Plan for Modernization. HUD decides which developments are to be funded by setting priorities, establishing a ranking system, and reviewing and approving individual applications. Development-specific funding for modernization and capital improvements is awarded to PHAs in the following categories:

*Comprehensive modernization:* funding to address all needs at a development, both physical and management improvement needs, including cost-effective energy conservation measures and lead-based paint testing and abatement. HUD cost limits for rehabilitating a development are 62.5 percent of total development costs (TDCs) for non-high-rise buildings and 69 percent of TDCs for high-rise buildings;

*Emergency modernization:* funding for work that is needed at a development to address conditions that immediately threaten the life, health, and safety of residents, or is related to fire safety; and

*Special purpose modernization:* initially limited to funding for cost-effective energy conservation work, this program was expanded in FY 1989 to include replacing or repairing major equipment systems or structural elements, upgrading security, increasing accessibility for the elderly and families with handicapped members, reducing the number of vacant, substandard units, and increasing energy efficiency in units.

Under the CIAP program, HUD was also authorized for the first time to fund management improvements, such as installing improved accounting systems or improving security at the development to be modernized. The CIAP legislation also made provision for funding a replacement reserve for projects which were funded for comprehensive modernization under the program. However, this replacement reserve provision was never implemented.

By the time HUD began funding comprehensive modernization almost half of the units were more than 15 years old, and one-third of the units were more than 20 years old. Thus, the modernization program began with a large existing backlog need. By the mid 1980s, this backlog had contributed to a large number of vacant and uninhabitable buildings across the nation. Special set-asides were established targeted to comprehensive modernization of vacant buildings that could pass the Project Viability Review. For example, of the estimated \$847 million in loan authority in FY 1985, Congress directed that \$37 million should be used to rehabilitate vacant and uninhabitable units in vacant buildings. While this approach brought substandard units back on line for occupancy, it did little to address inherent design and social problems plaguing many of the older family housing developments. Further restrictions were proposed in 1988 which limited the use of special purpose modernization funds for vacancy reduction to "one time only." Subsequent funding of additional physical improvements was contingent on the development of a comprehensive modernization approach that addressed all the physical and management improvement needs of the development.

Although the CIAP program is currently in effect for small housing authorities, larger authorities that manage the vast majority of severely distressed public housing developments now are funded for modernization work through the new Comprehensive Grant Program.

#### **B. Current Funding Programs**

**Comprehensive Grant Program for Modernization.** The Comprehensive Grant Program (CGP) represents a significant revision to the public housing modernization program. Enacted as part of the Housing and Community Development Act of 1987, CGP allocates modernization funds on the basis of a formula and is designed to provide larger housing authorities with greater discretion in the planning and implementation of modernization activities. The program is in effect for FFY 1992 for PHAs that own or operate 500 or more public housing units; in FFY 1993 the threshold of participation is lowered to PHAs with 250 or more public housing units.

The primary objectives of this new Comprehensive Grant Program are: (1) to provide greater local control in deciding how best to modernize the PHA's inventory; (2) to establish reliable funding for capital improvements through the use of formula funding for the annual accrual of capital improvement needs and for current needs; and (3) to make the PHA accountable to the residents and the community for the modernization work that is undertaken. The PHA is required to prepare a PHA-wide Comprehensive Plan, in consultation with residents and other interested parties, which includes a Physical Needs Assessment, a Management Needs Assessment, a Five-year Action Plan that identifies all work to be performed with funding available from the CGP formula allocation, and an Annual Statement that details the work to be performed in the current year. Once the Comprehensive Plan and/or Annual Statement is approved, all planned work can be carried out without prior HUD approval.

There are numerous benefits to the CGP approach over the CIAP approach. In addition to providing PHAs with more discretion over their modernization program, and reducing the degree of oversight by HUD, the following changes have been made:

- a reduction in submission and reporting requirements by permitting broad categories of work to be listed rather than requiring detailed and itemized listings of work;

- the ability to fund a replacement reserve which can be used to fund needs that may exceed the annual allocation (all interest from this reserve account accrues directly to the PHA and can be used for modernization work);
- raising the threshold of the viability analysis from 62.5 percent to 90 percent of TDC;
- greater flexibility in the amount of CGP funds that may be used for planning, as HUD anticipates the need for extensive planning in the early years of the CGP (there is no limitation on costs for outside A/E or consultant fees);
- requirement for a "partnership process" to assure resident involvement in the planning, development, implementation, and monitoring of the CGP;
- PHA ability to spend grant funds at various developments and for various purposes, if consistent with the Comprehensive Plan, with no reference to specific modernization types, i.e., comprehensive modernization, special purpose, emergency, lead-based paint or homeownership modernization;
- clarification of eligible expenses to include economic development activities, including job training and resident employment for activities related to improvements;
- mandatory involvement of local government officials in the development of the Plan, which must be consistent with the locality's Comprehensive Housing Affordability Strategy (CHAS); and
- removal of the one-time limitation on special purpose modernization for vacant or non-homebuyer-occupied Turnkey III developments.

The formulas used to allocate modernization funds under the CGP for backlog and accrual needs take into consideration PHA, project, and community characteristics, and result in allocations on a per unit basis. HUD's Modernization and Energy Conservation Standards remain the standards for assessing the quality of physical improvements. These standards are comprised of both mandatory and development-specific standards which permit a PHA to undertake improvements that are "necessary or highly desirable" for the long-term viability of a development, which include site and building security. Any improvements that exceed these standards must be carried out with non-federal funds. HUD has indicated that state or local contributions will not reduce the level of the CGP modernization grant, so PHAs have an incentive to actively pursue additional funding to support their modernization efforts.

There is concern that the CGP formula underestimates comprehensive modernization needs of severely distressed public housing because it does not adequately factor in redesign needs, including the additional "soft" costs associated with large scale redevelopment efforts. Severely distressed public housing may also be at a disadvantage under this program as the formula may favor PHAs who have completed most of their modernization activities, while it penalizes PHAs with a large backlog of modernization needs. Under CGP, "troubled" PHAs are to receive a reduced formula allocation, however, this requirement will not be in effect for FY 1992 as HUD needs more time to implement the "modernization troubled" provisions in the recent PHMAP rule.

**Development funds.** Development funds have been successfully utilized in the past for major redevelopment efforts. At the Commonwealth Development, unexpended development funds were reprogrammed by the BHA for the "federalization" of an existing state-assisted development. As a federal ruling in 1962 prohibited the use of development funds for high-rise housing for families, the BHA had to seek a waiver from HUD, with a written justification, for the re-use of existing six-story high-rises on the acquired site. This justification included detailed mechanisms for minimizing the impact of high-rise living on children.

Housing authorities may also use development funds for the replacement of units to be demolished because they are no longer suitable or viable for use as living units. Each demolished unit requires prior approval from HUD and must be replaced with a new unit. The Albany Housing Authority has received several development program allocations for the turn-around effort at Steamboat Square. Although the effort was initiated prior to the "one-for-one" replacement rule, the Authority continues to apply for funds to replace the large family units lost in the conversion of high-rises to elderly occupancy. Early development funds were utilized for the new construction of townhouses both on, and directly adjacent to, the existing site, and for the substantial rehabilitation of vacant and deteriorated structures in the neighborhood. Only 50 percent of the current development program allocation can be used for new housing in the Steamboat Square neighborhood as recent impactation rules require new units to be distributed equally in impacted and non-impacted neighborhoods.

**Major Reconstruction of Obsolete Projects (MROP).** Beginning in FY 1986, successive appropriations acts provided that funds appropriated for the development of public housing could alternatively be used for the major reconstruction of obsolete developments at the request of PHAs. MROP was the first program to provide funding for large-scale redevelopment, however, with limited appropriations, it has had little impact on the overall needs of severely distressed public housing. Formal regulations have never been implemented.

MROP defines an obsolete project as one where design and/or marketability problems have resulted in: (1) vacancies of 25 percent or more of the units available for occupancy; (2) estimated reconstruction and all other costs of at least 70 percent but not more than 90 percent of public housing development cost limits for the area; and (3) the need to go to Step 3 of the CIAP viability review. In terms of physical conditions, developments that meet the MROP criteria are clearly severely distressed. They would generally meet the MROP criteria because of neglected, deteriorated building structures and building designs that no longer serve the resident population (units are too small or not the right match of bedroom sizes needed to ones available), resulting in high vacancies. Rehabilitation work on these developments most often resembles development work because of the extent to which buildings are redesigned (perhaps to lower the density or reconfigure units) and modernized.

MROP is a hybrid program treated partially like modernization funding and treated partially like development funding, as HUD and Congress have always disagreed over the purpose of the program. HUD believes funding for major reconstruction projects should come out of the modernization budget because of the nature of the modernization activity, and that the limited development funding should be used solely to develop new housing. The program is administered partially like CIAP in that PHAs must use the CIAP application form, and structured partially like the development program in that funding comes out of the development fund authorization and PHAs must follow development procedures once an award is made; competitive bidding for recon-

struction work is required (eliminating the turnkey approach) and CIAP modernization standards must be followed. As part of the 1987 Housing and Community Development Act, Congress required MROP grants to be treated as development funding, stating that "no more than 20 percent of the funds appropriated for development of public housing also may be committed by the Secretary for substantial redesign, reconstruction or redevelopment of existing public housing projects." However, in 1992, of the \$573,983,000 authorized for the development or acquisition of public housing, \$200,000,000 is to be awarded competitively for construction or major reconstruction of obsolete public housing projects.

MROP funding assignments fall into four categories: (1) replacement housing required for identified demolition/disposition approved after February 5, 1988 or expected to be approved within the FY 1991 development funding cycle ("Fair Share Exempt"); (2) projects to resolve on-going litigation due to lack of assisted or minority housing opportunities ("Headquarters Reserve"); (3) MROP properties; and (4) other development projects. The first two categories of projects are exempt from the geographic allocation formula and decisions regarding funding are determined by HUD Headquarters. The last two categories of projects must compete at the Regional Office level on the basis of "fair share" factors.

The limited availability of MROP funds for high needs developments has led to the selective funding of small portions or phases of larger redevelopment efforts, with no assurance in future years of additional funding for remaining phases. In the NCSDPH case studies, MROP funding is being utilized for portions of turn-around efforts at three currently distressed developments. PHAs are using existing CIAP funds for other work at the distressed developments and are looking towards the annual CGP allocations for additional funding. This has led to rather complex project management requirements as MROP and CIAP funds cannot be co-mingled for work within the same unit (or building) and separate bidding packages are required which adds to the overall complexity of the design and construction management effort. In addition, MROP funds cannot be used for any management improvements; these must be funded out of operating funds or through the CIAP program.

**Other Funding Sources.** In the past, PHAs have, in cooperative arrangements with municipalities, utilized Community Development Block Grant (CDBG) funds for modernization work items, primarily related to security improvements, recreation facilities, and infrastructure, which are perceived to have neighborhood benefit. In the late '70s and early '80s, CDBG funds were often used for security patrols. With recent cutbacks in CDBG funding and the growing need for substantial infrastructure replacement in large, urban areas, specific use of these federal dollars at severely distressed public housing developments will be limited. At the Desire Development, early discussions with the City of New Orleans indicate a willingness to fund a portion of the \$2 million reconstruction of the main public street which runs through the center of the 100 acre site.

During the 1980s, Massachusetts authorized the use of state funds to supplement redevelopment efforts at federal projects, in instances where the additional funding was determined as necessary for improvements which ensured the long term viability of public housing. At the Commonwealth Development, state funding totaled more than \$5 million of the \$31.6 million turn-around effort; these funds were used for "soft" costs to enable federal funding to be targeted to hard construction costs. In addition, the State allowed the BHA to invest proceeds from the State's financial commitment

and to retain investment earnings that were subsequently used in the redevelopment effort at the Commonwealth Development.

Private foundations have played a role in several cities by funding planning activities in preparation of major reinvestment in severely distressed public housing. Most notable are the Metropolitan Planning Council's (MPC) efforts in Chicago to address the particular problems associated with families in high-rises. As a non-profit planning agency, MPC sought funding from numerous foundations and local businesses to undertake a series of detailed studies over the past seven years. All of these studies included the significant participation of residents and PHA staff; one study resulted in a successful MROP grant application for one high-rise at a severely distressed development.

Homeownership and Opportunity for People Everywhere (HOPE), authorized by Title IV of the Cranston-Gonzalez National Affordable Housing Act, is a series of programs to create homeownership opportunities for low-income families and individuals. Under the three HOPE programs (HOPE I, II, and III), competitive funding is available to eligible applicants to assist them in planning and implementing homeownership programs for eligible families and individuals. Highlights of the three programs include: planning grants are available for training and technical assistance, feasibility studies, preliminary design work, economic development opportunities, etc.; a portion of the implementation grant for acquisition, if necessary, and rehabilitation, must be matched with non-federal dollars; units must meet housing quality standards; and eligible purchasers of homes may not be required to pay more than 30 percent of their adjusted income for principal, interest, taxes, and insurance. Any existing public housing units that are converted to homeownership must be replaced under the "one-for-one" replacement rule. While HOPE programs are not a resource for replacement housing, they do offer one treatment approach for severely distressed public housing sites by providing homeownership opportunities on or adjacent to the public housing development. Existing residents with eligible income levels who might otherwise leave the community to purchase a home can now be encouraged — through the HOPE programs — to remain as part of the larger community. This helps to stabilize the resident community and promote economic integration.

Most recently, Secretary Kemp has proposed "Perestroika for Public Housing," which would transfer management and/or ownership of troubled public housing developments to "other entities." \$292 million has been earmarked for this controversial program for modernization and replacement/relocation assistance, including "taking the boards off" long-term vacant units. As this proposal focuses on the 23 large "troubled" PHAs, it may impact severely distressed public housing developments.

### C. Current Funding Levels

Table 12 provides information on the recent funding of these programs. The HUD budget for FY 1993 shows reduced funding for all programs that have an impact on severely distressed public housing, including the development program (and MROP), modernization, operating subsidies (impacts preventive maintenance levels), and the CDBG program. "One-for-one" replacement is funded through the development program which is proposed for zero funding. Substantial increases are proposed for homeownership programs which can contribute to the stabilization of neighborhoods where distressed public housing is located; however, the homeownership programs are not a resource for replacement units in the "one-for-one" rule.

Table 12  
Funding for Selected Housing Programs (\$\$\$ in millions)<sup>4</sup>

Program	Actual FY 1992	HUD Budget FY 1993
<i>PUBLIC HOUSING</i>		
Development/Acquisition	\$574*	0
Modernization	\$2,800	\$2,292
Operating Subsidies	\$2,450	\$2,282
One-for-One Replacement		
Units (2,500)	(**)	0
15 year Section 8 Certs (1,500)	0	0***
<i>COMMUNITY DEVELOPMENT</i>		
CDBG	3,400	2,900
<i>HOMEOWNERSHIP</i>		
HOPE I	161	450
HOPE II	95	325
HOPE III	95	225

\* This includes 7,507 incremental units, of which approximately 3,500 are set aside for MROP.

\*\* Included within \$574 million appropriated for Public Housing Development.

\*\*\* HUD proposes use of 5-year vouchers for "One-for-One" Replacement.

#### IV. DESIGN FACTORS CONTRIBUTING TO SEVERELY DISTRESSED PUBLIC HOUSING

The most severely distressed public housing developments fall seriously short of providing a safe, secure, and decent residential environment and supportive community for their residents. Originally public housing was thought of as temporary housing, and little thought was given to how buildings, units and sites might actually be used. The resident population as well as communities surrounding public housing developments have changed significantly over the past fifty years, and both now have characteristics quite different from when public housing was initially occupied. With the level of capital investment required to restore severely distressed housing to habitable conditions, it is imperative to remedy the inadequate or inappropriate design of the original housing that has contributed to distressed conditions. Severely distressed public housing developments characteristically exhibit more than one of the following design deficiencies:

- Poor Site Location
- Excessive Development Scale and/or Density
- Poor Site Design
- Inadequate Building and Unit Design
- Difficulties Associated with Use of High-rises for Families with Children
- Use of Inappropriate Materials and Inadequate Construction Standards
- Lack of Space for Social Services and Resident Activities

Each of these factors is discussed below. Not all severely distressed public housing sites require major redesign; however, some redesign is typical, if only to add a community building or provide recreation facilities for residents of all age groups. It is important to understand the role each design factor plays in the dysfunctional aspects of a development so that treatments can be targeted to solving problems and ensuring long term viability.

#### **A. Poor Site Location**

Many types of site location problems are seen in the distressed housing stock, usually stemming from the original site selection processes for public housing which was then, as today, subject to pressures for economy and avoidance of impact on market housing neighborhoods. Accordingly, many public housing developments occupy sites which were not in high demand at the time of development, which may have been passed over by the marketplace, and were, consequently, sufficiently low priced to allow feasible land assembly. To the degree that site problems are immediately perceivable to residents and the larger community, they can exacerbate the inherent substandard nature of the environment. Developments that have site location problems are typically characterized by one or more of the following site problems:

**Isolated sites that are distant from social and commercial services or lack close relationships to mixed income neighborhoods.** Many such sites were available for assembly partially because of their peripheral or undesirable locations; location of public housing on them may have had the further consequence of weakening demand for conventional housing in their vicinity. Often, such sites are separated from more viable neighborhoods by topographic or land form barriers, contributing to a sense of alienation and isolation. Desire Development is at the end of a public transit route, bounded by industrial uses and truck traffic on two sides, and located in a neighborhood with minimal services and convenience stores for daily needs.

**Sites that are subject to severe environmental damage.** Flooding or subsidence, causing deterioration of sites and/or buildings at an abnormal rate can cause such damage. Some developments were sited on previous landfills, leading to unstable land conditions and severe subsidence problems. At the Desire Development, the ground has subsided as much as 18 inches over the years, leaving footings and foundation walls exposed; up to three steps have been added to each building entry. In addition, subsurface utilities have been damaged and/or interrupted and the primary street through the center of the site has a box culvert supported on pile foundations while the street on either side has subsided as much as a foot, creating an almost impassable road condition.

**Sites that are characterized by land use conflicts or by nearby nuisance uses.** These conflicts have a blighting influence on the sites and their surroundings. Examples include sites that abut highways, rail corridors, and industrial areas, which can not only be inappropriate residential neighbors but also are a source of truck and service traffic that can further isolate and impact adjacent public housing developments. A major interstate was constructed after the initial occupancy of Steamboat Square in Albany; portions of the high-rise buildings closest to this major thoroughfare exceed acceptable federal noise levels, rendering these areas uninhabitable without major, and expensive, noise abatement efforts.

**Sites that abut blighted neighborhoods.** Such sites are characterized by abnormal levels of deterioration, vacancy, and abandonment. Some of the earliest public housing was, by definition, built to replace substandard and deteriorating housing with decent and new units; thus, it was located in the oldest and most deteriorated sections of urban communities. Many other sites were located within, or in the case of Steamboat Square, adjacent to, federally-assisted urban renewal areas that were often characterized by extensive clearance and long term, delayed build-out, accentuating the sense of separateness of public housing developments located within them. Ironically, problems associated with the no longer new public housing developments often are cited in the further decline of their surrounding neighborhoods. Thus, public housing developments placed in neighborhoods of questionable desirability seem to have had the effect of further weakening areas that were vulnerable from the outset.

**B. Excessive Development Scale and/or Density**

The definition of "excessive" scale or density is difficult to quantify on a normative or absolute basis, as it requires a comparison to its community context. New York City is often used as the case illustrating that high-rise family housing can "work," although such a judgment requires consideration of the strong management expertise of the NYCHA and the fact that the scale, density, and form of public housing are often similar to that of many market rate units within the city. Highly repetitive tower complexes such as Starret City and Co-op City are acceptable solutions to middle class family living in the New York context; in contrast, there is little precedent for high-rise family living in cities such as Boston, Cleveland or Albany.

Table 13 presents key physical characteristics, including selected density measures, of the severely distressed case study sites. The manifestations of excessive scale and/or density which are typically seen in severely distressed public housing are discussed below.

**Table 13**  
**Physical Characteristics of NCSDPH Case Study Sites: Currently Distressed**

Physical Characteristic	Ida B. Wells	Desire Development	Liberty Square Development
Total Units	2,808	1,840	924
Site Area	66 acres	97 acres	58 acres
Building Types	4 14-story HR 10 7-story 124 2-4 story WU	262 2-story WU	128 1+2 story RH
<i>% Distribution of Units by Size</i>			
0 BR	—	—	8 %
1 BR	20%	—	37%
2 BR	53%	27%	35%
3 BR	17%	52%	15%
4 BR	8%	21%	3%
5 BR	2%	—	2%
<i>Density Measures</i>			
Units per acre	43	19	16
Total # BR's	6,096	5,392	1,685
BR's per acre	83	56	29
Avg. BRs/unit	2.2	2.9	1.8

*HR = high-rise buildings*

*WU = walkup buildings*

*RH = rowhouses*

**Family developments with a large number of units, resulting in significant concentrations of low income families.** Although determination of "how large is too large" requires comparison with housing patterns in the surrounding area, developments containing in excess of 500 units are often sufficient to create highly repetitive building complexes which, in combination with typical superblock layouts, result in highly differentiated islands of poverty. This problem is particularly severe in Chicago where a substantial proportion of CHA's public housing units is concentrated in the South Chicago neighborhood in developments of substantially large scale, including Ida B. Wells with 2,808 family units.

**Developments with densities that significantly exceed that of surrounding areas and/or the locality.** Typically densities are expressed in terms of units per acre or bedrooms per acre. In the three turn-around sites described in Exhibit 14, the troubled development's density substantially exceeded that in the surrounding area (primarily resulting from the high-rises on the original sites). In all cases, the overall site density was reduced through demolition and/or major redesign.

**Table 14**  
**Density Reductions at NCSDPH Case Study Sites: Turn-around Developments**

Density Measures	COMMONWEALTH		ROBERT PITTS PLAZA		STEAMBOAT SQUARE	
	Before	After	Before	After	Before	After
Total units	648	392	332	203	525	387
Site acreage	14.2	14.2	4.6	4.6	8.8	9.8
Units per acre	46	28	72	44	60	39
Total # bedrooms	1,506	815	631	542	...	553
Bedrooms per acre	106	57	137	118	...	56
Ave. BRs per unit	2.3	2.1	1.9	2.7	...	1.4

High densities per se are not inherent problems and must be carefully studied within a larger context of environmental expectations. Poorly designed, high density environments, however, frequently lead to problems of overcrowding where the presence of too many others and the inability to achieve desired levels of privacy promotes resident dissatisfaction and, in the extreme, dysfunctional behavior. In general, high density can be satisfactory in a development that is adequately designed and well managed. In the absence of very good management skills, which many large, particularly troubled PHAs admittedly lack, high density environments impose substantial strain on daily operations.

**Developments with very high proportions of large families.** When the proportion of large families (those requiring units with 3 BR and larger) exceeds approximately one-third to one-half of the total units, significant pressures are created on both the housing stock and the site to accommodate the large numbers of children implied by this mix. Common corridors, stairs, elevators, and site play areas are subject to significant use, requiring great care in planning and design. These problems often were not anticipated in the original layouts and are not recognized by the PHA in modernization strategies. Such developments often cannot provide ground contact and adequate open space for children, particularly in comparison to that which is available in abutting neighborhoods. A contributing factor to the management problems at Desire Development is the high percentage of large family units (73 percent are 3 and 4 bedroom units); this also creates a significant demand for programs that serve the recreational, social, and educational needs of children.

**A site size so large that it becomes difficult or impossible to manage.** Very large projects have a set of practical concerns which were often not anticipated at the time of original design and occupancy. Often, the scale of the site can exceed what is easily walkable by management staff. This problem was observed in site visits to New Orleans and Chicago where sites covering 70 to 100 acres were simply difficult to comprehend or control from a single management office. In addition, the expanse of such sites almost inevitably results in hidden corners or areas where resident or management surveillance is difficult or impossible.

In general, one of the most significant physical factors contributing to conditions of severely distressed public housing is the scale of the development — the total number of units. All studies, including ICF's current update of modernization needs for

NCSDPH, have clearly indicated a strong relationship between troubled developments and total number of units.

### C. Poor Site Design

Poor exterior site conditions convey an immediate impression of disrepair and deterioration to residents and the surrounding community. Abandoned cars, litter, graffiti, uncollected trash, and a decaying site signal the presence of more prevalent problems of poor management and chronic vandalism. The case studies conducted by NCSDPH found that severely distressed public housing developments are often characterized by poor site design, where the existing outdoor spaces do not provide an environment that is supportive of the resident population. In many cases, such dysfunctions are partially caused by gradual deterioration of site open spaces and amenities. The highest density sites often evolve into an asphalt maze where parking and play spaces are undifferentiated, and plant materials have been paved over for ease of maintenance and to enable routes for trash removal. However, even if spaces were well-maintained, the original layouts often do not serve the current population, leaving exterior spaces which create no sense of territoriality or custody for residents of adjacent buildings.

Typically, distressed family developments lack private spaces that can be used by families who share a common building entry, address, or stairway. Where such spaces are not defined, security becomes a concern. Families become reluctant to have children use outdoor spaces on their own, exacerbating use pressures on apartment and building circulation spaces. Despite the prevalence of "defensible space" concepts advocating the privatization of building-related spaces, PHAs have been slow to modify public housing developments to clarify entry and circulation routes, to define building-related exterior areas, and to clearly delineate public, semi-public, and private site areas. The NYCHA is focusing more attention on reclaiming site areas for resident use in an attempt to force illegal drug activities out of the interior of developments and onto public street corners and sidewalks where local authorities can more easily identify and remedy problems.

On-site recreational and outdoor space needs are poorly understood and responded to by PHAs in site design. When exterior spaces are left undefined and poorly articulated, various age groups compete for available spaces with predictable results. Aggressive and adventure-seeking teenagers predominate, pushing out pre-teens, toddlers, and adults of various ages. Lack of adequate recreation areas, appropriately located to serve different age groups, leads to an environment that does not accommodate the needs of large sectors of the resident population, creating many secondary problems.

Many older public housing developments are based on theories of site design which embody obsolete notions regarding the relationships among cars, streets, and buildings. Superblock designs of the 1950s and 1960s eliminated streets, pushing large expanses of parking to the exterior of projects to create large interior sections of housing developments accessible only by pedestrians. Since this time, car ownership has increased and plays a much more important role in everyday life. Time has revealed that residents prefer to park close to housing entries, both as a matter of convenience for carrying groceries and also to enable a sense of surveillance of vehicles from units and buildings. A further design concern encountered in many distressed developments is the difficulty in finding one's way to a particular address or in knowing where one is on a very large site. This is a noticeable problem at the Ida B. Wells development and at the Desire development; the Ida B. Wells development is further plagued by low-rise buildings in a very dense, maze-like configuration that has led to isolated, hidden

site areas and severe security problems. Typical neighborhood patterns of unit and building addresses facing streets have been ignored; building fronts often face backs of other structures creating a confusion between the traditionally public and private sides of housing units. When neither fronts nor backs of buildings have ready access to parking, clear relationships are not established between public rights of way and housing units, further exacerbating this confusion.

#### D. Inadequate Building and Unit Design

Public housing developments tend to be highly repetitive, creating typologies of buildings and units that are repeated in many locations. Many of the building and unit types have inherent problems of poor design and layout. Other problems can be caused by a misfit between the occupancy and the building or unit type. Areas of typical design dysfunction in buildings and units of severely distressed public housing include:

**Building types with shared interior areas inappropriate for families with children.** These problems are found in both low-rise and high-rise buildings. In low-rise buildings, one of the typical problems is undersized common stairwells serving multiple large family units, thereby creating significant shared usage of common stairs, contributing to problems of noise, disruption, and front door security. In high-rise buildings housing children, these problems are more acute as density increases, with many large families sharing corridors, elevators, and stairwells. In the Darrow section of Ida B. Wells, 120 families share a single entry and two skip-stop elevators; this translates into 250-300 children who contribute daily to the wear and tear on all common areas in a building.

**Unit designs that fall short of contemporary standards for spaces and facilities.** Many distressed public housing developments evidence the stringent economies pursued by PHAs in efforts to maximize the public housing construction dollar. The results are often unit configurations lacking contemporary levels of housing quality, including such typical deficiencies as:

- inadequate kitchen countertop and cabinet space
- inadequate dining area to accommodate all family members at meals
- inadequate storage and closet space
- only one bathroom for large family units (three BR and up)
- undersized bedrooms for the intended occupancy

**Mismatch between current household sizes and bedroom distribution.** Over time, the occupancy in family public housing developments often evolves to a point where the profile of the occupants does not match the mix of units provided. The causes of this include changes in family composition and in local occupancy trends. Such changes have been observed in the NCSDPH case studies and include, in various locations, the need for more large family units; increased need for single occupancy units for long-term residents whose children are now living independently and to accommodate recent demand by special needs populations; and changing ethnic populations with differing shelter needs. Such changes are particular to each locality and are a matter of local concern; however, it is essential that they be monitored so that modernization efforts can, if required, provide environments which are targeted to meet contemporary — as well as anticipated — housing needs.

In almost all case studies, the as-built unit mix does not meet the proportionate needs of existing residents and waiting list applicants. For example, at one case study development, there are too many large units and no small units. There are 376 as-built four

bedroom units, but only 153 existing households and 48 applicant households (PHA wide) need this large unit size. This same development has no one bedroom units to accommodate the demand by single parents whose children are old enough to qualify for their own unit, leaving older residents alone in larger units. At another development, the vast majority of the original units (80 percent) were zero, one, and two bedroom units but the current demand is for larger units. Some planning efforts have overlooked the significance of this mismatch in an effort to avoid more expensive unit reconfigurations. This may lead to marketing and leasing problems down the road.

Although any one of the foregoing concerns could be manageable, these types of shortcomings are often found in conjunction with inadequacies in common circulation space and site design, contributing to a sense of total inadequacy of the designed living environment.

#### **E. Difficulties Associated with Use of High-rises for Families with Children**

High-rises are perceived as inappropriate building types for families with children. They also provide the strongest image of distressed public housing: repetitive, deteriorated multi-story structures, arranged in superblocs, in a vast sea of asphalt. Although some high-rises are severely distressed, they are surprisingly not a major characteristic of the nation's distressed public housing stock. It has been estimated that approximately 39 percent of all public housing units are in high-rise buildings, half of which are occupied by elderly households. Of the 20 percent occupied by families, many are found in New York City. In ICF's recent analysis of the characteristics of high needs public housing units, only 12 percent of all units and three percent of the family units nationwide have modernization costs in excess of 60 percent of TDC limits. In a 1990 study entitled *Public Housing in Peril*, the National Housing Law Project analyzed the public housing stock that had been lost or sold. Only nine of 177 projects from which units have been lost were high-rise developments. However, these seven high-rise developments accounted for 28 percent of the total number of units sold or demolished. Even so, the majority of lost (and threatened) units have been located in low-rise rather than high-rise developments.

The problem still remains for those high-rises that are severely distressed: should they be renovated or demolished and replaced with housing more appropriate for families with children? In many instances, given the extensive level of renovation required to restore a high-rise and to address current building deficiencies, the incremental cost between rehabilitation and replacement is negligible. Up-front construction costs for replacement (absent land acquisition) may be slightly higher but the on-going operational costs of elevator maintenance, increased management capacity, and security programs must be factored into the long-term costs of retaining high-rises.

More strategic to the argument, however, is not the cost factor but rather the difficulty in securing funding for replacement housing and in finding affordable sites for new construction and/or existing structures for acquisition/rehabilitation. While CIAP and CGP define demolition as an eligible expense, replacement housing cannot be funded through these programs. Limited funding is available only through the development program or through certificates. Lacking feasible options for replacement, PHAs are often forced into restoring existing high-rise structures.

Can high-rises "work" for families with children? They do in New York City, according to such key management indicators as high occupancy level (near 100 percent), low turnover rates, low eviction rates, and minimal rent arrearages. But New York City

is unique: high-rise living for families of all economic means is the norm and NYCHA high-rises are similar in design to most other buildings in the neighborhoods, thus reducing the usual stigma associated with public housing design. In addition, residents of NYCHA developments are unlike residents in severely distressed public housing in other parts of the country; approximately 30 percent of NYCHA families are on welfare compared to 42 percent of households in high needs developments exceeding 60 percent of TDC limits; the average income for a NYCHA family is approximately \$12,000 compared to \$4,600 for a family in a high needs development. But NYCHA high-rises are not without their problems: drugs and drug-related crimes are serious problems at many sites; elevator maintenance is the single largest modernization expense every year; and there is a growing need to find constructive activities for children of all ages. Even with their acknowledged management skills, NYCHA is constantly challenged by their management task.

The likelihood of high-rises providing an acceptable and manageable environment for raising children can be increased if:

- high-rise living is the norm for families of different income levels so that the building type is not associated with public housing only;
- the PHA has strong management capacity which includes carefully screening applicants, training for new residents, and quick response to daily management problems;
- residents and managers work cooperatively and pro-actively to identify and intervene with problem residents;
- there is adequate maintenance budget and staff to respond quickly to daily problems such as elevator dysfunction, backed up plumbing lines, and broken windows;
- appropriate heavy-duty hardware and durable finishes are installed to withstand heavy use and to control who has access to interior building areas;
- common facilities such as laundry rooms and recreation areas are provided for residents' use;
- residents are provided extensive training in, and accept the responsibilities of, community living so they can monitor what is appropriate and acceptable behavior in public areas;
- recreation facilities are provided at the base of the building for all age groups, with restroom facilities for young children, and recreation programs to assist children in constructive play activities; and
- the site area at the edge of the building and near the entrance is protected from public use to establish a "buffer" between the public areas of the site and the more private areas with the high-rise buildings.

The decision to retain high-rises for families with children carries with it increased responsibilities for management, maintenance, and resident services and training, which must be carefully planned and budgeted for in any turn-around effort.

**F. Use of Inappropriate Materials and Inadequate Construction Standards**

A generic challenge in public housing design is the selection of materials that are sufficiently durable and long-lasting to withstand the hard use which is characteristic of public housing tenancy. This is especially acute at developments where security and public safety are prime concerns, as they are at most severely distressed public housing projects. Problems associated with inappropriate materials deal both with the longevity and appropriateness of original building materials and with the specification of new items as part of comprehensive modernization or redesign efforts. Unfortunately, there is a history of selection of non-durable materials in public housing design under the rationale of economy of first cost. When site and building materials are subject to heavy use and vandalization, the resultant deterioration is not only cost ineffective, but also contributes to a sense of environmental degradation which leads residents to view their housing with disrespect and disdain.

Non-durable materials can be found at many developments that were intended to serve as "temporary" housing during the mid-1940s and have endured as public housing for successive generations of occupants. At the Salishan development, for example, which was built as temporary housing for shipworkers, the relatively well-laid out structures lack exterior insulation and have poor quality kitchen cabinetry, windows, wallboard partitions, hardware, and doors. Roofs are uninsulated and are subject to moisture damage and mold penetration. This type of development has problems that are characteristic of older structures; they share the double burden of being close to the end of the life span for their component materials, and the original selection of materials was not made with durability in mind. Similar problems can be found at many distressed public housing developments, including those not intended for temporary use.

Obsolete mechanical and electrical systems are prevalent. Characteristic problems found in distressed public housing, naturally associated with an older building stock, include deterioration of plumbing risers and waste stacks, subsidence and other damage to subsurface utilities, undersized building and unit electrical services, and the presence of original site-wide central steam heating systems with underground distribution. Multiple mechanical and electrical problems can absorb significant capital investment; sometimes such requirements stretch available budgets to the level that other functional and use problems within units, buildings, or sites must be set aside. In such cases, the modernization solves the "plumbing problems," but the basic configuration difficulties that exist cannot be fully addressed.

Federal regulations regarding the abatement of hazardous materials, including asbestos and lead-based paint, have had a significant impact in recent years on modernization activities and costs. Asbestos is found in many older developments in units (in vinyl asbestos tile (VAT) flooring and as insulation wrapping on steam pipes) and in boiler plants. Options for asbestos encapsulation are often not available at severely distressed developments where recurrent vandalism has damaged the original encasement. Asbestos abatement has been an on-going modernization activity in the past decade but national estimates are not available for past or future costs associated with abating asbestos in public housing. Recent studies are available, however, for the incidence of lead-based paint and abatement costs in public housing.<sup>7</sup> An estimated 83 percent of all family public housing units built before 1980 (this increases to 97 percent in units built before 1950) have lead-based paint somewhere on the property. Approximately 113,000 of these units have children under seven years of age and require abatement

through removal or encapsulation. When undertaken as part of a larger modernization effort, per unit costs for abatement average \$1,613 for encapsulation and \$2,714 for removal. In all instances, the temporary relocation of residents is necessary. Comprehensive modernization efforts must necessarily address all abatement issues, as well as federal regulatory requirements for handicapped accessibility, thereby increasing overall costs of reconstruction, often in excess of TDC limits.

A final concern in material selection and utilization for modernization and redesign deals with site detailing. When budgets become tight, site features are often the first area to experience cuts because they are viewed as less valuable than, for example, improvements dealing with building or systems integrity or living units modifications. When site design takes a "back seat," materials and details are often selected to meet the residual budget, not for durability. An example of this typical short cut solution which can create later problems includes dropping curbs and fencing, whose absence enables residents to short cut across grass areas, damaging plant materials and leading to the inability to maintain landscaped areas. There is a growing sense in the planning and design community that the design and condition of the site plays a crucial role in the overall image of the housing environment for residents as well as the surrounding community. A visual and strong message of change must be made at the site level as well as at the unit level.

#### **G. Lack of Space for Social Services and Resident Activities**

The typical large-scale public housing development designed in the 1940s or 1950s did not include space for resident organizations or social service agencies, perhaps because these projects were viewed as way-stations en route to private market housing and there was not the expectation that such services would be in demand. The typical severely distressed public housing development today has numerous spaces devoted to such activities, responding to the assistance needs of the residents. However, such spaces are often located in rehabilitated units or in basement locations, typically scattered about the site in response to the availability of space or the particular needs or requests of social service agencies. Resident organization activities have also taken on a particular importance in severely distressed environments, as only through a pro-active and participatory role have residents been able to gain some measure of control over their housing needs, particularly in cases where management and maintenance activities fall short of acceptable performance. It is necessary both to allot adequate space for social services and resident activities and to plan for their location so as to be accessible, complementary, and related to other site-wide aspects of overall development plans. Inasmuch as standards for the inclusion of such spaces are subject to local determination, the level of advance planning for such activities and their required physical support is highly dependent on the expertise and energy of PHA managers, residents, and local service providers and, in the absence of either expertise or advocacy, can easily be overlooked. The coordination of the physical plan with the plan for enhancing resident initiatives and increasing service programs must be carefully coordinated.

The case studies carried out by the NCSDPH exhibited a full range of the above problems:

**Table 15**  
**Range of Design Problems Exhibited at NCSDPH Case Study Sites**

	Poor site Location	Excessive Dev't Scale or Density	Poor Site Design	Inadequate Building or Unit Design	Use of Inapprop. Materials	Lack of space for Social Services and Resident Activities
Desire Development	X	X	X	X	X	
Ida B. Wells		X	X		X	X
Salishan	X				X	
Liberty Square	X	X		X		X
Commonwealth*		X	X	X	X	X
Robert Pitts Plaza*		X	X	X	X	X
Steamboat Square*	X	X	X	X		X

\* Turn-around sites; conditions noted were present prior to redesign

Not all developments exhibit the full range of design problems described above. However, it is critical that the physical deficiencies of a severely distressed public housing environment be identified and that the relative severity of each of the problems be clarified so that scarce modernization dollars can be targeted for most effective utilization.

## V. IMPEDIMENTS TO REMEDIATION OF THE PHYSICAL PROBLEMS OF SEVERELY DISTRESSED PUBLIC HOUSING

Due to the physical deterioration and multiple design problems that tend to characterize severely distressed public housing, PHAs have had significant difficulties in successfully prioritizing these problems and eliminating deficiencies. These difficulties are rooted not only in the complex interrelationship of physical and environmental problems but also in the need to simultaneously address problems of safety, security, management capability, and resident self-sufficiency. Also critical to the success of any turn-around effort is the active involvement of residents who are often embittered by deficient management and the substandard conditions of their living environment. The overlap of design and management problems in the typical severely distressed public housing development can engender an attitude of helplessness on the part of PHA personnel who are not sure of the magnitude and importance of multiple problems and in what order it is appropriate to address them. The major impediments to remedying the physical deficiencies of severely distressed public housing include the following:

- High Cost of Modernization and Redesign
- Difficulty in Achieving Density or Scale Reduction
- Deleterious Effects of "De Facto Demolition"
- Difficulty in Planning and Implementing Collateral Improvements
- Lack of Readily Accessible Expertise in Successfully Addressing the Causes of Severe Distress

### A High Cost of Modernization and Redesign

For reasons cited in previous sections, the costs of modernization and redesign of severely distressed public housing developments are significant. Many of the costs are “hidden” in infrastructure and building systems, others are attributable to material obsolescence and systematic lack of maintenance, some are related to federal regulations for hazardous materials abatement and handicapped accessibility, and significant expenses often are required to remedy unit, building, or site designs that are no longer workable for the resident population.

HUD employs two basic mechanisms for controlling the development of federally-assisted housing: maximum cost guidelines and minimum design standards. The goal is to produce modest, non-luxury housing for low income persons that “provides for efficient design, durability, energy conservation, safety, security, economical maintenance, and healthy family life in a neighborhood environment.”

For the development of public housing, HUD establishes total development cost (TDC) guidelines and limitations. Current TDC limits are based on a statutorily required methodology using construction cost data from commercial indices (determined by the average of at least two nationally recognized residential construction cost indices, for publicly bid construction of a good and sound quality) and multiplied by factors of 1.6 and 1.75 for elevator and non-elevator-type structures, respectively. TDCs vary by geographic location, bedroom size, and structure type (detached and semi-detached, row dwelling, walk-up and elevator). Although initial fund reservations may not exceed TDC limits, the Regional Administrator or the Assistant Secretary can approve higher costs — up to 110 percent of TDC limits — with adequate justification.

TDCs for public housing development are also employed for modernization activities. The CIAP program uses 62.5 percent of TDC as the threshold for viability review. This 62.5 percent equates to the approximate “hard” construction costs of the program, excluding “soft” costs such as land acquisition. MROP, a modernization program reserved for more distressed properties, funds developments with modernization costs between 70 and 90 percent of area TDC limits. The new Comprehensive Grant Program allows modernization costs up to 90 percent of TDC. Experience from the case study turn-around sites indicates that given the unique problems of redeveloping severely distressed public housing, total costs for the effort will, in many instances, exceed 90 percent and 100 percent of HUD TDC limits.

Table 16 presents the costs of turn-around efforts — projected costs at currently distressed sites and actual costs at redeveloped sites visited by the NCSDPH.

**Table 16**  
**Cost of Physical Improvements at Case Study Developments**  
**(1991/1992 Dollars):**

Development	Date of Est/Exp	Hard Costs	Percent of TDC	Soft Costs as % of Hard Costs	
				Soft Costs	Hard Costs
<b>Distressed Developments</b>					
Desire Development	1992	\$117,117,545	96%	NA	—
Ida B. Wells					
PHA comp mod approach	1992	\$126,000,000	60%	NA	—
NCSDPH redesign approach	1992	\$160,248,518	76%	NA	—
Liberty Square	1992	\$33,808,736	65%	NA	—
<b>Turn-around Developments</b>					
Commonwealth	1983	\$32,961,250	99%	\$6,538,250	20%
Robert Pitts Plaza	1982 - 1991	\$20,187,900	86%	NA	—
Steamboat Square	1991	\$19,255,097	104%	\$4,854,543	25%

*Note: The estimates for the distressed developments include hard construction costs for 1992; soft costs are not available (NA).*

Hard costs at developments visited by NCSDPH exceed the 62.5 percent of TDC threshold, and in most instances, exceed the MROP threshold of 90 percent of TDC. It should be noted that the "hard cost" figures for the distressed developments are estimates only and are likely to increase during the actual reconstruction period as unforeseen conditions are encountered. The "hard cost" figures for the turn-around developments are based on actual construction contracts and payments and are, therefore, a more accurate reflection of "hard" construction costs.

Equally important are the additional figures for "soft costs." For the most part, with the exception of architectural fees, soft costs have not been provided (or projected) for the distressed developments that are in the planning stages. Many of these costs are difficult to estimate; PHAs lacking development experience may overlook some of these costs in the early stages. **Soft costs represent a significant portion of the total costs required to accomplish the physical revitalization component of the program and, as a result, must be factored into all funding applications.** At Commonwealth Development, soft costs totaled an additional \$6.5 million, or 20 percent of the hard costs; at Robert B. Pitts Plaza, San Francisco Housing Authority, soft costs added an additional 25 percent to the total redevelopment costs. Experience at the NCSDPH case study developments and at other large scale redevelopment efforts has shown that soft costs can add as much as 20-25 percent to the redevelopment budget. These costs typically include:

**Construction Phasing.** Most developments are partially occupied and therefore phased construction is required to accommodate existing residents on site. Construction phasing extends the construction period and requires the rescheduling of trades for each phase; phasing can add an additional 10-20 to the total construction cost.

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**Demolition.** Turn-around efforts that include a reduction in density and demolition of selected units or buildings will have added costs for demolition services.

**Design and Engineering Fees.** This includes fees for the development of all contract documents as well as fees for special technical investigations for such problems as site drainage and subsidence.

**Relocation.** If residents are required to move temporarily or permanently to accommodate construction work, all costs are reimbursed. The PHA must check its capacity to coordinate the relocation effort; some may elect to hire a relocation consultant to perform these services.

**PHA Administration.** These costs include staffing and overhead costs for overseeing the planning, design, and construction process. Special staffing for the turn-around effort, such as a project director to coordinate all PHA involvement and outside participants, is often necessary.

**Vacancy Rehabilitation.** Costs may be incurred for preparing vacant units to be used as relocation resources during the construction period.

These “soft costs” are in addition to other costs associated with management improvements and resident services planned in conjunction with the physical revitalization.

The development of federally-assisted housing through the private sector is also controlled by cost guidelines and minimum design standards. The Section 8 program employs ceiling rents to control costs; these rent levels, in turn, support a certain debt service and capital cost. Other HUD programs control cost through setting limits on insured mortgages. One of the few active federally-assisted programs for family housing is Section 221(d)(4) Mortgage Insurance for Rental Housing for Families of Moderate Income which provides FHA mortgage insurance to develop good-quality rental housing within the price range affordable by moderate-income families. Profit-motivated sponsors are eligible for insured mortgages — up to a maximum amount — which can be used to finance construction or rehabilitation of detached, semi-detached, row, walk-up, or elevator-type rental housing containing five or more units. HUD issues unit mortgage limits by bedroom size, elevator/non-elevator structures, and geographic location; “high cost” mortgage limits are also established which are generally 210% of the minimum limit. The maximum amount of the loan is equal to 90 percent of the development costs (this includes land, up to a specified limit) plus an additional ten percent for developer’s fee, effectively creating 100 percent financing. Developers can pay out-of-pocket for their administrative fees and for higher land costs, with the incentive of the on-going management fee and the potential appreciation value of the property.

The following chart compares the development cost limits of public housing development to private sector development through the Section 221(d)(4) program.

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**Table 17**  
**Comparison Of HUD TDC's For Public Housing And Section 221(D)(4) Mortgage**  
**Limits: Boston, 1992 221(d)(4), Non-elevator**

Unit Size	HUD TDC Limitations		Maximum Mortgage Limits (90% of TDC)	Approximate 100% TDC
	Walkups	Row Dwellings		
0 BR	\$44,200	\$51,100	\$52,979	\$58,866
1 BR	55,650	66,000	60,136	66,818
2 BR	72,600	85,950	72,687	80,763
3 BR	91,000	100,800	91,237	101,374
4 BR	109,350	118,450	103,385	114,872

As is evident from these figures, total development cost limitations for public housing and for private sponsors are somewhat similar. However, all public housing development costs must be paid when they are incurred while private developers have long range financial incentives to offset up-front administrative costs and higher land acquisition costs.

So what factors contribute to the high cost of turning around severely distressed public housing — costs which often approach, and even exceed, 100 percent of HUD's TDC limits for development?

**High site development costs.** Although there are no costs associated with land acquisition for the severely distressed development, many of the sites suffer from severe problems such as subsidence and deteriorated site infrastructure. These problems must be remedied before major site development can take place. In addition, replacement housing which is part of the overall turn-around effort may require the acquisition of land for new construction.

**Public bidding premium.** The public bidding requirement for public housing can add as much as 15-30 percent to total construction costs. This is a substantial cost difference between public housing programs and assisted housing built by private sponsors.

**Rehabilitation factor.** In the construction industry, rehabilitation is generally considered more expensive than new construction because of unforeseen conditions that may be encountered and the need to coordinate design and construction activities related to pre-existing conditions. One state agency that funds and develops public housing adds an additional ten percent to the new construction figure to arrive at costs associated with rehabilitation.

**Relocation and construction phasing.** Unlike new development, turn-around efforts involve sites that are occupied and most often, given limited relocation resources off-site and the desire to minimize the disruption of resident lives, must remain partially occupied during reconstruction. This results in phasing the turn-around effort over a several year period, in fencing off construction areas for the safety of residents remaining on site, and in coordinating central distribution systems so that portions of the system in

reconstruction areas can be shut down without impacting occupied areas. Budgets for multi-year efforts must include inflation escalators.

**Security premium.** Contractors working on severely distressed public housing sites are often concerned about the safety and security of workers, the theft of construction materials and tools, and vandalism. Extra precautions may be taken to secure the site with high fencing and provide 24 hour security; some contractors schedule worker activity during daylight hours or before the end of the school day. Such security precautions are added costs to the construction bid.

**Demolition.** Although rehabilitation that reuses some of the existing structure and foundations can be cost effective, these savings can be offset by the expense of selective demolition, particularly in concrete frame buildings with masonry construction.

Each of these factors can add costs to the redevelopment of severely distressed public housing that are not typically encountered in other development programs, either in the public or private sector.

The current level of support for large scale public housing redevelopment efforts enables piecemeal funding. At the Ida B. Wells development, funding and rehabilitation is occurring on a building-by-building basis. At the Desire development, funding is available from two sources (MROP and CIAP) for the first of six proposed phases in the reconstruction effort. Such incremental funding is often not sufficient to achieve "critical mass" in changing the course of a development. When faced with the dilemma of staging improvements over a multiple year period, some PHAs may elect, quite logically, to adopt a triage strategy that tackles the most acute problems first, project-wide, in an effort to preserve the integrity of building stock and to equitably serve all residents. Unfortunately, such piecemeal approaches are not likely to achieve the level of turn-around required because they do not enable high impact, visible changes that demonstrate to residents and managers that the full spectrum of problems are being solved comprehensively. Also, in the case of Robert B. Pitts Plaza, long delays in securing funding left time for neighborhood groups to organize an opposition campaign against public housing — once the development was vacated, the neighborhood residents fought the planned reconstruction.

A final concern raised by the high cost of physical renovation of severely distressed developments is that, given current funding constraints, elections to place a disproportionate amount of PHA modernization dollars to one or more severely distressed developments may force difficult choices about the priority of more mundane modernization at developments that do not have such a high level of need. This will be a particular issue under the new Comprehensive Grant Program as PHAs are responsible for identifying priorities and addressing needs at all developments, within the PHAs' formula allocation. The magnitude of this problem is illustrated in Table 18.

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**Table 18**  
**PHA Modernization Needs and CGP Formula Allocation**

PHA	Total PHA Mod Needs*	Est CGP Annual Allocation	# years to Retire Current Needs	Est. Needs for One Severely Distressed Development
<b>Distressed Developments</b>				
New Orleans	\$444,107,273	\$33,000,000	13	\$117,000,000
Chicago	\$1,975,145,383	\$108,000,000	18	\$126,000,000
<b>Turn-around Developments</b>				
Boston	\$490,000,000	\$30,000,000	16	...
San Francisco	\$336,000,000	...	...	...
Albany	\$20,000,000	\$3,000,000	7	...

\*Based on PHA's Comprehensive Plan

As Table 18 illustrates, the competition for scarce CGP funds will be fierce for all PHA needs. Requests for minor, but important, improvements to sustain previous turn-around efforts must compete against needs at developments still needing various levels of physical improvements. Large scale funding for turn-around efforts at currently distressed developments is well beyond the scope of the CGP funding levels.

#### B. Difficulty In Achieving Density or Scale Reductions

Most redevelopment efforts involve "thinning out" of units, not wholesale demolition of all units and buildings. Table 19 illustrates characteristics of the 14,990 public housing units lost, either through demolition or sale, between 1978 and 1989.<sup>8</sup> The overwhelming majority of units lost at large projects with over 500 total units involved partial demolition.

**Table 19**  
**Characteristics of Lost Public Housing Units:  
Totally Abandoned vs. Partially Demolished<sup>9</sup>**

Size of Project	Total Demolition	Sale of Whole Projects	Partially Demolished Projects	% of Units Lost in Partially Demolished Projects
Fewer than 100 units	9 (22%)	4 (10%)	28 (68%)	18%
100 - 249 units	4 (11%)	8 (22%)	24 (67%)	15%
250 - 499 units	4 (12%)	3 (9%)	26 (79%)	13%
500 - 999 units	0 (0%)	1 (4%)	22 (96%)	22%
1,000 units and over	0 (0%)	1 (8%)	12 (92%)	13%
<i>Totals</i>	17	17	112	

Typical “thinning out” approaches include:

- demolition of some of the buildings, due to inappropriate building design, structural deficiencies, and/or site problems. At Commonwealth Development, two of the seven high-rises were demolished and community facilities were constructed on the cleared sites. At Desire Development, selected 2-story wood frame walkup structures are scheduled for demolition to reduce the scale and create a more workable site plan.
- selective demolition of portions of buildings. Some multi-story structures are “topped off” to reduce density; other buildings may have wings demolished to address site issues.
- reconfiguring of units. A reduction in total number of units can also occur without demolition of any existing buildings by enlarging units to contemporary spatial standards, through unit combinations or complete redesign of units. In instances where there is no loss of total habitable area (building area) but unit sizes are increased, the net result is typically a 20-30 percent reduction in total number of units. Creating accessible units for Section 504 compliance can also result in a net unit loss when existing units are combined to create a larger accessible unit.

Early reconstruction efforts at the three turn-around sites studied by NCSDPH involved substantial reductions in site densities and unit counts; these turn-around efforts predate the current requirement of one-for-one replacement. Today’s PHAs face the often impossible task of replacing units lost through a redevelopment effort. [See Chapter 7 for a review of court cases involving replacement housing.] At Steamboat Square, the Albany Housing Authority replaced units through new construction of townhouses for large families on the site and on vacant land across the street from the development; in addition, the AHA acquired vacant and deteriorated structures in the immediate neighborhood and rehabilitated them for large families. At Desire Development, acquisition/ rehabilitation and new construction are proposed for off-site replacement units. Off-site replacement may be very difficult in an urban area with a very tight housing market while it is much easier in another city where the depressed housing market has contributed to a very large stock of vacant and inexpensive land and buildings. Unfortunately, PHAs in tight housing markets, faced with few opportunities for affordable off-site replacement, are often forced into retaining problematic high densities and large scale sites which contribute to the severely distressed conditions. In these instances, long term viability may be jeopardized unless remediation efforts are introduced.

Several of the very large scale developments studied by the NCSDPH proposed the disaggregation of the site into several management sub-districts. Proposals for the Ida B. Wells development, call for seven neighborhoods (averaging approximately 400 units each) and at the Desire Development, four neighborhoods (averaging 300 units each) are planned. At both developments, each neighborhood is treated as a separate management entity with its own manager and maintenance staff; design treatments of buildings and site recreation facilities are also proposed to further reinforce the definition of different neighborhoods. The implications of creating smaller management and maintenance divisions must be addressed in the operations budget for management improvements.

**C. Deleterious Effects of "De Facto Demolition"**

Given the difficulties of appropriately deciding what strategic steps should be taken to address the multiple problems at severely distressed sites, it is common to encounter significant delays in receiving HUD approvals for capital investments approaching or exceeding TDC limits. In addition, there is a natural reluctance on the part of PHAs to put in place modest material or system upgrades if such investments may be jeopardized by more ambitious modernization and redesign efforts at a later date. Regrettably, the common result of such difficulties is delays in modernization that have the inevitable effect of accelerating the further decline of the physical plant, even while passionate battles are being waged regarding the scope, cost, and responsibilities for the modernization program.

The gradual deterioration of the housing environment has been termed "*de facto* demolition" by tenant advocates who, rightly or wrongly, interpret delays as a mechanism to accelerate deterioration and, perhaps, removal of public housing units. This type of progressive deterioration, occurring even as officials debate relatively major capital investments, sends an unfortunate message of neglect to residents, the community, and PHA staff. If these groups become convinced that deterioration is inevitable, their behavior is adversely affected and it is difficult to engender an appropriate respect for buildings, site, and systems.

A message must be sent, by words and by actions, that there is a strong commitment to revitalizing severely distressed housing developments, by stabilizing the deterioration and by initiating planning efforts. To combat the cycle of deterioration, many comprehensive modernization and redesign efforts have been initiated with stabilization investments prior to major modernization. Despite the fact that the costs of stabilization are real and that portions of such investments may be obliterated during more comprehensive modernization, such resource commitments are an essential part of large scale efforts to reverse severe conditions of distress. As an example, one large PHA has initiated "sweeps" of buildings in many of its troubled projects, including those scheduled for major modernization. The sweeps include security investments, major personnel commitments, selective bricks and mortar changes to enhance security, vacancy board-up, and eviction of illegal occupants. Despite the significant costs of such programs, they are judged to be an essential first step to initiating a sense of control and basic security over the housing environment which is a critical precedent to more comprehensive renovation.

At the same time, it is important to initiate a planning process that involves all departments within the PHA, residents, the community, and local officials. The planning process must look at the causes of, or contributory factors to, the distressed conditions of both the physical and social environment and establish priorities and treatment strategies for remediation.

**D. Difficulty in Planning and Implementing Collateral Improvements**

Few distressed public housing developments are located within stable residential neighborhoods. For reasons cited in Section IV, above, areas surrounding severely distressed public housing development are often in significant disrepair, suffering from building vacancy and general disinvestment, or are characterized by land uses that have an adverse impact on residential uses.

Nearly every PHA faced with a large scale capital investment program at a severely distressed public housing development would be desirous of supportive community investments and improvements in the surrounding neighborhood. At Steamboat Square, portions of the adjacent neighborhood were designated as an Urban Renewal Strategy Area which has seen substantial investment in infrastructure that, in turn, encouraged private development. Recently constructed townhouses are now for sale within several blocks of the formerly distressed development. In addition, many of the deteriorated structures were demolished as part of the renewal effort and the Authority was able to acquire vacant lots for new construction and abandoned buildings for substantial rehabilitation for replacement units. Today, however, with few community re-investment programs such as Urban Initiatives, and growing pressures on local governments and diminishing levels of Community Development Block Grant funding, local governments are hard pressed to make such improvements. Further, city-wide advisory groups setting priorities for CDBG allocations often result in legitimate competition among neighborhoods for these scarce resources, making even more difficult the development of adequate local constituencies for community investments in neighborhoods that are impacted by large scale public housing concentrations.

Similar resource scarcity problems face PHAs in coordinating the wide range of collateral improvements and services that can provide support and a source of stabilization to residents who are in the process of a major capital investment program. Once the scope of the housing modifications has been determined, there is typically adequate PHA expertise in the process of managing the capital improvement process, but this is often not matched by expertise within and outside the PHA in providing neighborhood level improvements to parallel rehabilitation and redesign of the public housing stock. The redevelopment plan for Desire Development is particularly impressive in its proposals for commercial development and homeownership opportunities, both on the site and off-site to stimulate private reinvestment in neighborhood housing. With limited dollars and programs for such collateral improvements, it may be difficult for the PHA to realize these important proposals.

**E. Lack of Readily Accessible Expertise in Successfully Addressing the Causes of Severe Distress**

The CIAP program does not focus on redesign or reconfiguration of the housing environment. Accordingly, the experience base of most PHAs and HUD deals with repair and replacement; projects that require more radical transformation become, by definition, special cases which go beyond the standard rules and require extraordinary policy decisions and levels of commitment. Accordingly, PHAs, residents, and federal officials facing severely distressed projects find it difficult to visualize and justify the scale of changes that may be necessary.

The typical severely distressed property requires radical, not incremental, change across several dimensions: the physical environment, management improvements, and resident involvement and self-sufficiency. There is a limited PHA knowledge base regarding several critical aspects of such projects: the general causes of distress and how they can be abated; the organization and mobilization of planning/scoping processes which involve the appropriate actors and will lead to timely decisions; identifying the magnitude, location and severity of planning and design problems; deciding the appropriate scale of actions and related resource commitments to eliminate causes of distress; and managing a complex, multi-year sequence of actions to improve and remedy conditions. This limited knowledge base is evidenced in several case examinations undertaken by NCSDPH where PHAs have, with all good intentions, attempted to pur-

sue very different strategies for design and programmatic changes, few of which were backed up by appropriate research regarding the root causes of problems and appropriate remedies.

Equally, HUD regional offices have not typically provided strong guidance to PHAs in addressing these “worst case” projects. HUD’s national perspective places it in a position to “know” what types of approaches have worked, but information on success stories has not been made widely available or disseminated. It is likely that at least part of the reason may stem from the high cost of these “turn-around” efforts, making federal officials reluctant to advertise what they have spent elsewhere, lest PHAs assume the right to similar levels of investment. Perhaps because of the large expenditures required by severely distressed developments require, there is a modest, hard to replicate, knowledge base about the necessary processes and remedies that may be workable.

Given the unique management capabilities and skill mix of each PHA and HUD regional office, each effort to address the severely distressed public housing developments is, typically, idiosyncratic. Definition of a model planning process for turning around a severely distressed public housing development might be particularly useful to recognize that this task is unique and difficult, requiring a sequence of steps that may go beyond “normal” practice in conventional modernization. In addition, it would be helpful to harness the expertise that exists in PHAs, HUD, and the professional planning, design, and housing management communities to be more readily accessible to those PHAs faced with this task.

Finally, there is little or no precedent or requirement from HUD or PHAs to conduct post-occupancy evaluations to assess the effectiveness of major capital investment programs for severely distressed public housing. Without a clear understanding of why measures did or did not work, there is limited ability to learn from successes and mistakes and apply them to the next effort.

## **VI. PROMISING STRATEGIES FOR REDESIGNING SEVERELY DISTRESSED PUBLIC HOUSING FOR LONG-TERM VIABILITY**

Previous sections have reviewed the programmatic framework for improving the physical conditions of public housing, the design factors that contribute to conditions of severe distress, and the impediments to addressing these problems. This section presents recommendations oriented to the improvement of physical conditions of distressed public housing, which, in summary include:

- Improve the Quality of Planning at the Project Level
- Modify HUD’s Programs and Procedures
- Expand and Target Adequate Funding
- Expand the Planning and Design Technical Resources Available to PHAs
- Create Mechanisms to Alleviate Excessive Scale and Density
- Develop Design Guidelines for Supportive Housing Environments for Families with Children
- Develop Special Procedures, Policies, and Techniques to Address the Unique Problems Associated with High Rise Structures Intended for Families
- Encourage the Creation of Defensible and Workable Sites
- Create Incentives to Coordinate Neighborhood Improvements

- Provide Adequate On-site Facilities for Resident Services and Activities
- Require and Support Post-Occupancy Evaluations

**A. Improve the Quality of Planning at the Project Level**

The rehabilitation and/or redesign of severely distressed public housing is a complex undertaking that requires consideration of multiple variables over a long time period. The appreciation of the tasks' complexity of the task is camouflaged by the simple and repetitive appearance of the typical public housing development and the mindset that residents living in an environment where deep subsidies are provided should be grateful for any improvements. Unfortunately, both perceptions have influenced many PHAs to underestimate the difficulty of planning and designing improvements that will have staying power and will not soon deteriorate.

In fact, public housing environments and their occupants are complex, dynamic, and not readily understood. Distressed developments, in particular, require careful diagnosis and study to insure that scarce resources are not devoted to solving the wrong problem. The process of improvement should be clearly mapped out prior to heavy capital reinvestment.

Accordingly, NCSDPH recommends that a precondition of major investments at the project level should be the establishment of an orderly process of planning and design, supported with funding for this purpose from HUD. Resources would be required not only for the technical studies and related administrative PHA support costs, but also to insure the full participation of the non-PHA participants in the process. Characteristics of the process include:

- Formal involvement of key participants, probably through a joint memorandum of understanding defining roles and responsibilities. These participants would include resident organizations, PHA central and site personnel, consultants for planning, design, and related services, funding agencies, the municipality, local service providers, and neighborhood residents.
- Concurrent and comprehensive work progress across multiple technical tracks, including physical improvements, management, maintenance, security, resident and other social services.
- A detailed sequence of activities agreed upon by the parties and carried out in relationship to predetermined time milestones. A significant aspect of these milestones would be a definitive schedule for HUD funding approval or rejections, following the submission of required products.

The typical planning process would incorporate a series of phases which might, under various circumstances, be performed with some time overlap, including:

- **Cooperation Agreement:** Establish agreement among the participants on tasks, responsibilities, timing, and a firm decision schedule.
- **Stabilization:** Identify and implement stabilization improvements that can eliminate some of the most acute day-to-day problems. These could include, but would not be limited to, security investments, major personnel and resident organization support commitments, selective bricks and mortar changes to enhance security, vacancy board-up, and eviction of illegal occupants.

- **Planning:** Diagnosis of the type and location of problems, degree of severity, and potential remedies for solution. This might be based on professional observations, resident surveys, data review, and community focus groups/workshops to ascertain local attitudes and concerns. A resident survey of existing households is critical at this stage to plan for relocation resources and to guide the development of a unit mix proposal.
- **Scoping:** Different treatment approaches and levels of intervention are evaluated for their ability to address the diagnosed problems. Key issues that should be resolved during this phase include the total number of units, the general unit mix strategy (large families, small families, elderly), approach to relocation and phasing, major infrastructure/building replacement issues, and the extent and type of site and off-site improvements that should be incorporated into the overall Plan.
- **Design:** Define the detailed program for modernization, based on the agreed upon scope and a more detailed understanding of constraints. The program should include detailed unit mix, requirements for non-residential facilities and services, and related management improvements. Design development and contract documents are prepared for cost estimating and bidding; construction phasing and relocation plans are finalized. Corollary improvements are identified. Where possible, early action projects are identified that can continue the stabilization effort and can be executed without duplication of resources or costs needed for the comprehensive redesign or modernization. Residents receive training for employment during the construction phase.
- **Construction:** Construction typically proceeds in stages to accommodate the relocation requirements of existing residents. To the extent possible, construction jobs are made available to residents. Re-occupancy training sessions are prepared and offered as buildings are completed and come back on line for occupancy. Preventive maintenance manuals are developed specific to the development.
- **Sustaining the Effort:** Preventive maintenance procedures are implemented. Post-occupancy evaluation is scheduled to determine if improvements that have been made are performing as expected; feedback to PHA to adjust for unanticipated circumstances and to HUD to include as part of national resource materials for severely distressed public housing.

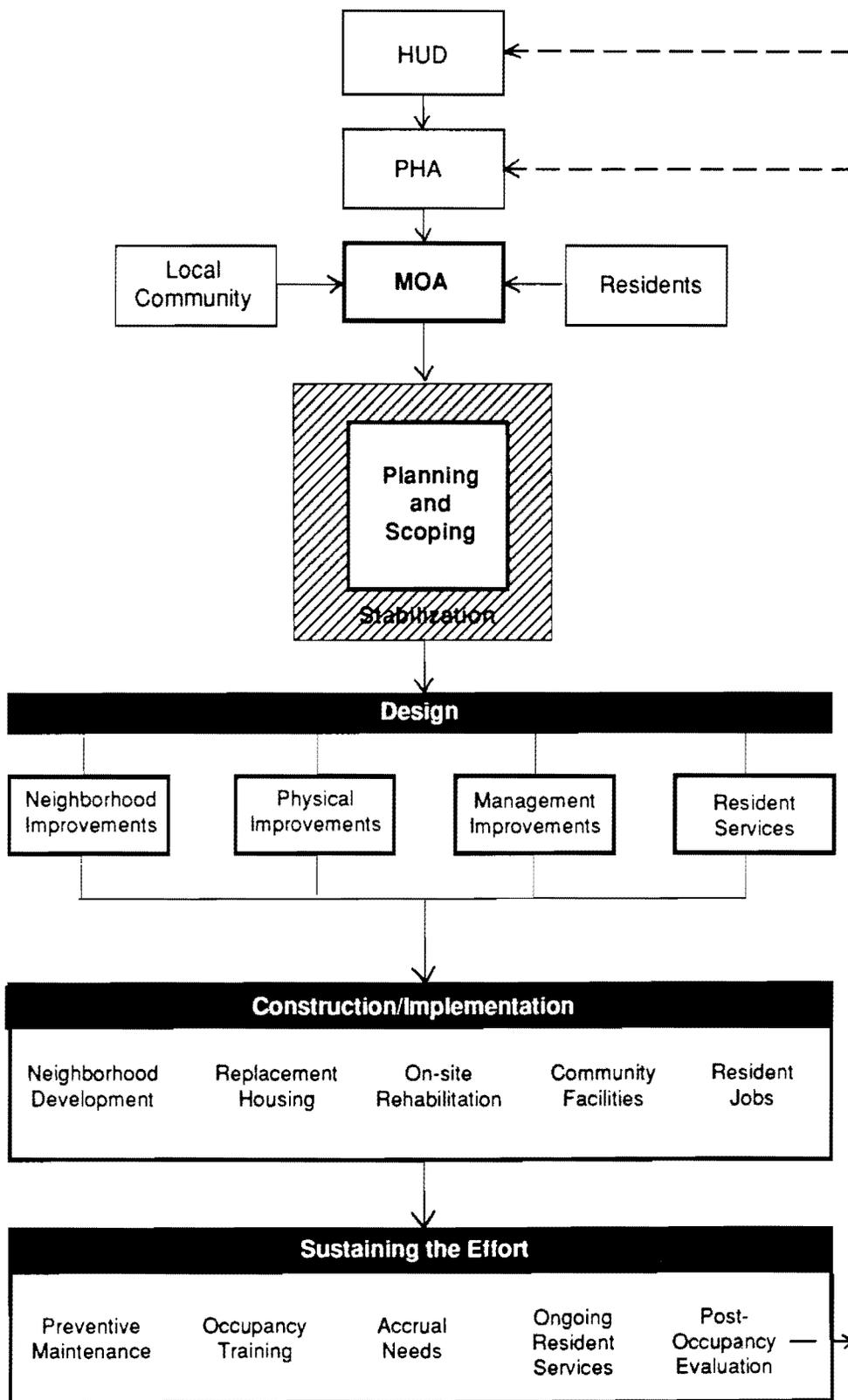
(See Figure 1 on the following page for a graphical representation of the steps discussed above)

This process entails parallel efforts in several key areas: physical improvements, management, resident initiatives/services, and neighborhood investment, where appropriate. Financial and organizational support for this type of planning process would encourage thoughtful and effective remedies that truly address the root causes of distressed physical conditions. In addition, incentives need to be provided to ensure full participation of the parties, most especially residents and local government.

#### **B. Modify HUD's Procedures and Programs**

NCSDPH recommends development of a separate centralized unit at HUD to deal with severely distressed public housing assistance, recognizing the significant resources that

**FIGURE 1: REDEVELOPMENT PROCESS MODEL FOR SEVERELY DISTRESSED PUBLIC HOUSING DEVELOPMENTS**



will have to be devoted to this difficult task. This unit would administer new sources of funds targeted to severely distressed properties (see below) and would develop an important central source of expertise at HUD. Building a centralized reservoir of expertise and sense of mission towards remedy of distressed conditions within HUD would be highly beneficial. If a knowledge and experience base is developed, this central staff could provide technical assistance to HUD regional staff and to PHAs.

A national advisory board, including representatives of PHAs dealing with severely distressed properties, residents, municipal officials, and other housing and design professionals, should be established to provide guidance to HUD on program and policy issues that emerge dealing with the problems of severely distressed developments. This group should meet at least quarterly.

In the planning and scoping phase of the redevelopment process for severely distressed public housing developments, far greater local flexibility should be granted in the determination of overall project viability, the mix and type of replacement units, if required, and the number and type of units to be demolished. The presumption should be that, as long as "one-for-one" replacement units are provided, each locality is best equipped to make its own determination of viability. A related change would be to modify current policies regarding TDC limits for severely distressed sites; it would be a matter for local priorities to determine whether rehabilitation or replacement would be warranted. Even though TDC limits will be raised to the 90 percent threshold with the Comprehensive Grant Program allowances, this amount of funding will not suffice for many cases. Severely distressed developments should be eligible for up to 100 percent of TDC, with the ability to seek waivers in unique circumstances or in particularly expensive regions. Experience has indicated that 90-100 percent of TDC may be required for hard construction costs alone, and that an additional 20-30 percent is necessary to cover soft costs such as relocation, PHA administration, stabilization efforts, and management improvements.

Programming of funds for planning and implementation of improvements at severely distressed public housing developments should be established to insure the reliability of multi-year funding to enable confidence that projects started will be finished and to give PHAs incentives to get the job done expeditiously. NCSDPH recommends that rehabilitation and redevelopment of severely distressed projects be sufficiently supported to take no more than five years from the inception of the planning process to completion. This will require commitment of multi-year funding and will serve as an incentive to PHAs, residents, and other involved parties to act with dispatch and decisiveness. The reason for incentives for accelerated completion is that a totally rehabilitated environment provides a benchmark that can spur residents and managers to perform at a new standard. If deterioration or vandalism occurs, it is immediately apparent. With excessive delays in funding and completion, some part of a large site is always in construction or disrupted, serving as an unattractive nuisance and a blighting influence on the parts of the site that have been completed.

### C. Expand and Target Funding

NCSDPH recommends the establishment of a separate funding allocation designated for the explicit purpose of remedying severely distressed public housing developments. Current funding levels for the Comprehensive Grant Program should not be jeopardized by the level of investment required to restore these severely deteriorated environments. Specifically, the existing Major Reconstruction of Obsolete Properties

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(MROP) program should be expanded to include the special allocation for severely distressed properties as well as the planning grants referred to above, although this would be a separate funding step from the allocation of construction dollars.

Table 20 presents the estimated annual funding requirements to eliminate severely distressed conditions by the Year 2002. These figures include costs for all existing units in distressed developments, regardless of whether they are rehabilitated on-site or replaced off-site through new construction or acquisition/rehabilitation. NCSDPH recommends that this funding be fungible so it can be used for replacement housing as well as reconstruction of existing housing, and that funding in excess of 100 percent of TDC be allowed under defined circumstances. As shown in Table 20, the aggregate costs of renovation and construction programs are fairly similar. By combining the two alternatives—and allowing the replacement/repair decision to be made on a case by case basis—HUD and PHAs could “capture” any economies that might arise on a case by case basis from either a modernization or construction approach. Eligible costs under the MROP program should be expanded to include management and service improvement expenses, as well as relocation, property acquisition, and related “soft” costs. To provide further support for large-scale comprehensive turn-around efforts, NCSDPH recommends that all developments designated as severely distressed be given a priority ranking for funding under other existing federal programs including homeownership programs, Family Development Centers, Drug Elimination Program, Family Self-Sufficiency, and resident management.

**Table 20**  
**Estimated Number and Funding of Severely Distressed Developments: 1992**

	TDC Ratio Cutoff					
	60%	62.5%	67.5%	70%	75%	90%
Number of Units	86,036	79,623	55,630	53,567	44,004	22,466
Number of Developments	974	954	685	547	424	184
Average Project Size**	448	455	515	531	612	828
<i>Modernization Cost Per Unit*</i>						
Mandatory Needs	43,200	44,600	49,800	50,200	54,300	60,800
Total Needs	65,300	67,500	75,300	75,900	82,100	91,900
<i>1992 Funding Needs*</i>						
Mandatory Needs (billions)	\$3.7	\$3.6	\$2.8	\$2.7	\$2.4	\$1.4
Total Needs (billions)	\$5.6	\$5.4	\$4.2	\$4.1	\$3.6	\$2.1
<i>Estimated Annual Funding Requirements to Eliminate the Backlog by 2002*</i>						
Mandatory Needs (millions)	\$530	\$500	\$350	\$330	\$270	\$130
Total Needs (millions)	\$730	\$690	\$500	\$470	\$400	\$180

\* Excludes Residual ADDs. Includes 11 percent allowance for administrative costs of the PHA but excludes any allowance for planning and architectural design services.

\*\* Weighted by number of units.

**D. Expand the Planning and Design Technical Resources Available to PHAs**

The activities of the HUD unit dealing with severely distressed public housing should include the establishment of a base of information and resources that could benefit HUD regional offices, PHAs, and others engaged in the process of turning around problem projects. The scope of these activities should include, but not be limited to, the following:

- **Collection and dissemination of information on successful turn-arounds:** this should include development of a resource and data inventory of all severely distressed developments that are in the process of turn-around as well as those that have been successfully completed. Information should be generated on approaches to overall planning, design, scoping, participatory processes, costs, and management/service innovations. This data should be assembled in a retrievable form, suitable for distribution to those involved in similar processes. A periodic publication should be prepared to communicate particularly useful ideas and approaches that are being developed at the local level.
- **Establishment of a network of PHA/consultant resources:** it is important that lessons learned in the turn-around process be readily available to others. A roster of projects that are in different stages of the process as well as involved PHA key staff, residents, other agency participants, and consultants should be developed to facilitate cross-fertilization.
- **Development of a tracking mechanism on the status of severely distressed public housing developments:** as its initial activity, HUD should promulgate regulations regarding the definition of severely distressed developments and should invite PHAs to submit supporting documentation for those developments that are potential candidates for designation. Following HUD review, a determination would be made as to which developments met the criteria for severely distressed. HUD would establish a tracking system to monitor progress throughout all phases of the effort.
- **Sponsorship of training programs and conferences on the process, design, and management of the turn-around process:** this could be done by HUD, in cooperation with other national organizations such as NAHRO, and CLPHA.

**E. Create Mechanisms to Alleviate Excessive Scale and Density**

Addressing problems of scale and density almost inevitably requires reduction in number of units. In addition, the provision of space for resident services and community activities as well as the reconfiguration of units for Section 504 compliance may lead to the deprogramming of existing units. Currently, any public housing that is demolished or sold must be replaced on a "one-for-one" basis. There are many problems with the options available for replacement which make it difficult to reliably develop a workable strategy that can alleviate scale and density for distressed projects. These problems include lack of funding for replacement units, little or no 15 year project-based assistance available, inability to undertake a replacement program within the required six year time period, lack of suitable sites in "non-impacted" areas, and a lack of desire among some participants to accept five year certificates for the replacement of existing public housing since the latter has a longer term subsidy.

To enable PHAs to "thin out" severely distressed developments to ensure their long term viability, NCSDPH recommends that funding for the expanded MROP program

be fungible to allow PHAs to fully interchange funds between rehabilitation and replacement. There should be greater flexibility in administration of the replacement housing part of the program, allowing the replacement units to be in the same neighborhood, even if impacted. Another change might be to permit PHAs to enter into agreements with other organizations, such as non-profit housing corporations, to use such funds for creation of replacement units, as long as the units remain available for low income public housing-eligible households.

Consistent with a more flexible attitude towards planning and funding replacement housing as an integral part of planning for distressed developments, consideration should be given to utilization of adjacent vacant property near troubled projects for such replacement, using the turn-around process as a mechanism to incorporate new housing within neighborhoods with high levels of vacancy and deterioration.

An additional, less capital intensive approach which could mitigate problems of density and scale is the partitioning of large distressed projects into multiple management units, bringing day-to-day management activities closer to each on-site neighborhood. Although this would not be as costly as demolition and replacement, some costs would be required to decentralize into new management locations and provide additional management personnel. In addition, in redesign of the housing environment, special design features should be incorporated into sub-districts of large projects which could provide each with its own image and identity, further breaking down the apparent scale and reducing their monolithic quality.

**F. Develop Design Guidelines for Supportive Housing Environments for Families with Children**

Review of family housing projects visited by NCSDPH reveals substantial differences in the approaches being taken to rehabilitate and/or reconfigure housing for families with children. In most distressed family developments, children under the age of 18 represent a majority of people living on site, and it is important that more care be taken to accommodate needs of their families if long term, structural areas of dysfunction are to be avoided. NCSDPH advocates both review of HUD modernization standards and the development of new guidelines for good housing design practices to insure that family housing units are properly designed to accommodate their essential functions and that appropriate relationships among these units are created. Given the level of re-investment required at severely distressed sites, federal design guidelines should reflect contemporary standards for permanent family housing rather than the maintenance of out-of-date accommodations. Of particular importance is the design of large family units (three bedrooms or more), as these experience the highest densities and their location impacts neighboring units. Some of the most typical deficiencies that have been observed and that should be remedied by standards and guidelines are the following:

- where possible, avoid large family units on upper floors, as this creates significant people traffic through common hallways and vertical circulation elements;
- attempt, where possible, to reduce the quantity of people and number of large families who share common stairs;
- when assessing the suitability of units to serve their intended occupancies, examination of furnishability should be required. Common deficiencies that should be

remedied include insufficient space to accommodate the entire family during meals and double-occupancy bedrooms too small to accommodate reasonable furnishings;

- provide private entries to large family units, where feasible; and
- provide adequate bathroom facilities for the size of the unit; large family units should typically have a second bathroom.

Finally, in cases where existing unit and building configurations do not allow for these types of modifications, policies should encourage reclassification of units for lower occupancies.

**G. Develop Special Procedures, Policies, and Techniques to Address the Unique Problems Associated with High-rise Structures Intended for Family Occupancy**

The problem of high-rise housing for family occupancy is one that defies simple analysis. Family high-rises and the image of the implosion of Pruitt-Igoe will be forever associated with public housing that is ill-conceived and dysfunctional. However, in unique contexts there may be no other choice but to retain family high-rise housing and to make it workable. In New York City, with a long-standing tradition of market rate and subsidized family high-rise residency, NYCHA management and residents are able to make high-rise family living acceptable. In Chicago, despite multiple problems associated with high-rises managed by the PHA, some city housing advocates have forged a consensus not to demolish existing high-rises because of the near impossibility of acquiring sites for replacement housing that would be politically acceptable to non-impacted neighborhoods.

NCSDPH recommends that HUD, through the recommended special unit on severely distressed public housing, undertake a multi-pronged effort to amalgamate available research on family high-rise housing, to make that information available to PHAs dealing with this problem, and to target special resources to a series of demonstration efforts to accomplish comprehensive rehabilitation. The results of that effort should be followed up with post-occupancy evaluations to reach a determination of the most promising and cost-effective approaches that can be implemented in similar projects. Several approaches appear promising, based on cases examined by NCSDPH:

- re-configure high-rise structures for smaller families, with few or no children;
- re-work corridors, where permissible by local codes and existing building configurations, to minimize the number of units and people sharing common hallways on each floor;
- develop approaches to effectively use the ground contact available on lower floors. In some cases, this may imply creating townhouse units for large families which have direct exterior access. In other situations, particularly where site security is a major issue, common facilities might be located on ground floors;
- investigate approaches to relocate the largest units and families from high-rises to existing or new low rise structures;
- install heavy duty door hardware and an intercom system so residents can monitor all visitors to the building;

- create specific recreation facilities for children at the base of each building and consider, where feasible, resident activity programs targeted to children to encourage and support constructive play activities; provide recreation equipment storage rooms and toilet facilities at grade for children's use during play;
- provide reduced rent to police officers for residency in the high-rises; the comings and goings of policemen in uniform have been a successful deterrent in Albany's Steamboat Square;
- adopt reduced occupancy standards for high-rise units to one child per bedroom to minimize the number of children in the buildings and to provide additional space for play activities within the unit.

Finally, it is recommended that, given the substantial resources involved in high-rise renovation and the risks with this building type, that special justification analysis and certification be required from PHAs prior to release of capital funding for major modifications of high-rise structures. The justification analysis would include design, management and resident techniques for minimizing the impact of high-rise living on families with children.

#### **H. Encourage the Creation of Defensible, Maintainable, and Workable Sites**

The site is too often overlooked as a key component of the residential environment. It is the most visible part of a housing development and it sends a strong message to others in the community about the PHA and residents' attitudes toward their environment. The redesign and re-landscaping of the site is the one design intervention most common to all turn-around efforts.

NCSDPH recommends that HUD sponsor research on appropriate and workable site designs, including examples of successful site renovations in different contexts and regions. Site design guidelines should be included as part of the technical assistance provided to PHAs. In addition, maintenance requirements and initial construction costs of different site materials and plantings should be made available to PHAs to aid them in analyzing the costs and benefits associated with different approaches to site design. Most large urban PHAs have few family public housing sites that are well designed and maintained so experience with site maintenance is limited.

One of the most important concerns of people in their residential environment is security, and security starts at the site level. Security is directly related to "defensible space" and the ability to define and control territory, whether private, semi-private, or public. The more the space seems to belong to someone, the less likely it will be used inappropriately by others, including illegal drug dealers and loiterers. The more residents feel that they can use the outdoor areas at the edge of their unit or building for sitting out, gardening, or children at play, and can personalize it, the more likely they are to maintain it and to feel that they can control what happens there. Residents tend to develop a sense of territory more easily about spaces that only they pass through, they have direct access to, they can see from their living areas within the unit, and others can identify as theirs. This is critical to site design at a severely distressed development as the maintenance and security of large public housing sites is beyond the scope of PHA management; residents must be encouraged, through site design and detailing, to become involved in what happens beyond their unit walls.

Successful site revitalization, which creates outdoor opportunities for socializing and recreation, should address the following key site concerns:

- Design a street system that is safe for pedestrians yet provides orientation for finding buildings and addresses and vehicular access to most parts of the site for easy surveillance;
- Provide adequate parking near units, in small lots scattered throughout the site; avoid large expanses of parking areas;
- Define open space for a hierarchy of uses ranging from private space near the unit to semi-private courtyards shared by building residents to public streets and sidewalks for visitors;
- Provide age-appropriate recreation amenities;
- Develop an effective trash storage and removal strategy; what seems like a basic requirement has a major impact on site design — large refuse trucks need access to collection areas if curbside pickup by the city is not available and residents need convenient and sanitary areas for storage of trash between collection periods.

#### **I. Create Incentives to Coordinate Neighborhood Improvements**

To address the need for improvements in the communities within which severely distressed public housing developments are located, NCSDPH recommends that a portion of the MROP funds be made available for community improvements within the impacted areas. These funds would be provided through the PHA, by cooperative agreement with the municipality, and might be used for a variety of purposes:

- neighborhood stabilization, including vacancy rehabilitation, infill housing, infrastructure improvements, provision of open space and park improvements, and upgrade or replacement of neighborhood and community facilities;
- construction of affordable housing, often required by density reduction and the need for unit replacement off site;
- target HUD homeownership opportunities within the immediate neighborhood so that existing residents with economic means can purchase their own homes yet still remain part of the larger community to which they may have strong ties;
- support incentives for rehabilitated and new commercial facilities that can provide needed goods and services to both the public housing and neighborhood population;
- give priority to neighborhoods adjacent to severely distressed public housing developments for funding from HUD community development programs; and
- coordinate and target supportive social service, recreation, and economic development programs already in the neighborhood to residents of the severely distressed housing development to encourage intermingling and cooperation between public housing residents and the large community.

The participation and cooperation of local government officials is a necessary component of the turn-around process. If the municipality understands the important role

public housing can play in neighborhood revitalization, local funding of infrastructure improvements that will support and encourage private investment will, more likely be available.

**J. Provide Adequate On-site Facilities for Resident Services and Activities**

The national trend at severely distressed public housing developments, as evidenced in the NCSDPH's case studies, is to provide space for providers who directly service residents of the development. Public housing developments are more than clusters of units; they are communities of individuals and families who strive to improve the quality of their lives through services and activities which help them more fully participate in their community and become more self-sufficient. A detailed summary of the nature of these services is provided in Chapter 4. Each distressed development will develop a service delivery plan most appropriate to the specific needs of the residents and decisions will be made concerning which services are to be provided on-site and which services residents will be encouraged to use in the larger community. These on-site service needs must be translated into a building program with square footage requirements so it can be incorporated as part of the overall master plan.

The clustering of service programs in a central facility, such as Chicago's proposed Family Development Center at the Ida B. Wells development, is a typical approach at many developments. The funding of services and programs can change from year to year, and the need to change the type and nature of services to reflect the changing needs of residents suggests that a multi-service center should be as generic as possible to accommodate changes in services, needs, and providers over time.

While current modernization standards permit the construction of community facilities based on a square foot formula, the need for space for service providers typically exceeds these limits. NCSDPH recommends that different standards for non-residential space, including accommodations for service providers, be developed for severely distressed public housing developments. Square footage guidelines should be established within acceptable ranges to maintain an appropriate balance in the construction budget for residential vs. non-residential space. PHAs should be encouraged to identify and seek firm commitments from local providers seeking on-site locations as a prerequisite to designing and allocating space for services.

**K. Require and Support Post-Occupancy Evaluations**

Post-occupancy evaluations are formal evaluations used to determine how well the environment supports the needs of residents and stands the test of time. They have become standard procedure for most large-scale building owners and managers concerned with effective and efficient facility management. While the NCSDPH case study site visits have provided substantial insight into the factors contributing to severely distressed conditions and successful strategies for remedying these deficiencies, a much more formal and rigorous evaluation should be undertaken of redeveloped sites. Specific proposals include the following:

- Fund a large-scale post-occupancy evaluation of turn-around developments that evaluates the effectiveness of the treatment strategies from the viewpoint of the PHA, residents, the community, and service providers; include a cost-benefit analysis of initial construction costs vs. operating costs;

- Make provisions for repeating and updating this evaluation every three to five years to assess changes over time in previous redevelopment efforts and to incorporate new strategies and techniques utilized in more recent efforts;
- Include in all evaluations measures of resident satisfaction with their housing environment, in addition to standard performance measures for management and maintenance operations;
- Provide technical assistance tools and training so that PHAs can undertake small-scale evaluations in-house to get feedback on specific design, operations, and resident satisfaction issues. Provide guidance to PHAs in establishing Quality Control Boards for detailed reviews of PHA materials, systems, and supplies;
- Provide a formal feedback loop, through the HUD special unit for severely distressed public housing, that incorporates information from the national post-occupancy evaluations and individual PHA post-occupancy evaluations into national policies and guidelines for future efforts;

While this chapter has focused on the physical improvements and funding programs necessary to address severely distressed conditions, it is but one factor in the process of change. Management improvements and enhancing opportunities for resident self-sufficiency, described in detail in other chapters, are critical to the long term success of any revitalization. The basic tenet that runs throughout the process is the active involvement of residents in identifying problems, establishing priorities for improvements, and selecting appropriate, cost-effective treatments for problem remediation.

The revitalization effort does not end with construction and occupancy. The physical improvements must be maintained with preventive maintenance programs and the adequate funding of ongoing modernization needs resulting from accrual; management must deal daily with recurring lease problems and resident issues; and residents must maintain their active involvement in day to day activities that impact the quality of their housing environment. The level of transformation that severely distressed public housing developments undergo on their road to recovery should not be underestimated. When successful, it involves change at all levels — including development name changes to signify new life, as evidenced by the independent renaming of each of the three turn-around efforts studied by NCSDPH.

The Commission has developed the following recommendations to address the physical improvement needs of severely distressed public housing.

## VII. RECOMMENDATIONS

### 1. **Expand the Major Reconstruction of Obsolete Public Housing program**

HUD should dedicate MROP funds specifically to the revitalization of severely distressed public housing developments and allow funds to be used either for the rehabilitation of existing housing or for the construction of replacement housing. Further, funding levels should be permitted to exceed the cost limitation guidelines when needed to support the successful turn-around of severely distressed public housing. When the redevelopment program is considered viable, the funding of service expenses along with the cost of replacement housing and the reconstruction of existing housing would require that the expenditures be permitted to exceed cost limitation guidelines.

This program should be used to fund service management improvement-related expenses as well as other soft costs.

The MROP program must not detract from the development of new public housing but instead be promoted in addition to it. Separate funding for a MROP program is recommended. The use of MROP funds for reconstruction and replacement housing could benefit the public housing program by allowing more timely and comprehensive treatment of severely distressed public housing.

**2. Create a separate unit in HUD to administer the revised Major Reconstruction of Obsolete Public Housing program and the separate management improvement program.**

A separate unit within HUD should be created to administer a revised MROP program and a management improvement program created specifically to meet the needs of severely distressed public housing developments. PHAs, RMCs and RCs would participate in the administration of these programs through a "Steering Committee on severely distressed public housing." To be eligible for funding or technical assistance from either of these programs, housing developments must be designated as severely distressed according to the definition developed by the Commission.

**3. Cost limitation guidelines for severely distressed public housing.**

PHAs should be allowed to seek waivers based on local conditions to go up to and exceed 100 percent of TDC. Additionally, HUD should not apply limits on a building type basis. The application of cost limitation guidelines for the rehabilitation of existing public housing and for the replacement of housing proposed for demolition or disposition under a redevelopment plan should be more broadly determined.

The Commission's case studies of housing development turn-around sites have shown that the costs of successfully rehabilitating and replacing certain severely distressed public housing units have been higher than the costs of constructing modest replacement housing, on which the TDCs are based.

One method of determining the cost guidelines for major renovation is to use the cost (that is, market value) of the program derived through public bidding. If the specifications for the renovation and replacement are reasonable and the associated non-construction costs are considered appropriate, the cost limitation guidelines should be adjusted or waived to reflect actual expenses of the program.

**4. Fund planning grants**

Planning grants should be funded separately from the MROP program rehabilitation funds or the CGP. These grants should be used to develop a revitalization plan that is comprehensive and includes physical improvements, management improvements, and resident services. The revitalization plan should be developed in close coordination with residents and all groups involved throughout all planning stages. This planning process could be used to examine the alternative costs of different options - a mechanism to involve city and local neighborhood representatives - and should ultimately have the approval of housing development residents and city officials.

**5. Require analysis of physical problems before making design decisions**

Before arriving at design solutions, PHAs need to be able to examine the physical problems of an entire development. However, HUD's year-by-year funding approach

currently only permits such analysis on a building-by-building basis. Some severely distressed sites suffer only from poor physical conditions resulting from a lack of maintenance and modernization funding for systems that are at the end of their usefulness. These developments can be revitalized for less than TDC limits. Other sites suffer from inherent design deficiencies.

High-rise buildings that house families remain a primary problem. PHAs that undertook high-rise design in the late 1970s and early 1980s changed occupancy to elderly residents, empty nest households or small families. The demand for this type of occupancy has generally been met. PHAs are now faced with the need to house medium- and large-sized families currently residing in high-rise buildings.

#### **6. Replacement of housing to be demolished**

Currently, public housing units that are demolished or disposed of must be replaced on a "one-for-one" basis. The Commission recommends the following:

- a. HUD should revise its policy on impactation rules and limitations to allow replacement units on the same site or in the surrounding neighborhood as long as the total number of assisted units in the neighborhood does not increase or cause additional neighborhood problems.
- b. Where an RMC exists at a severely distressed public housing development, it must be given preference in the development of a replacement housing plan for any units to be either demolished or disposed of as a part of the revitalization of its housing development.
- c. Funding amounts authorized for 15-year project-based assistance should be increased to allow rehabilitation of private and nonprofit neighborhood sub-standard housing.
- d. Where the PHA is unable to implement the replacement plan because of judicial or governmental actions, the six-year deadline for implementing a replacement plan should be extended.
- e. HUD should develop uniform rules that permit flexibility in replacing units lost through demolition, disposition or sold for homeownership. There should be no diminution in the total number of units to accommodate the homeownership program.

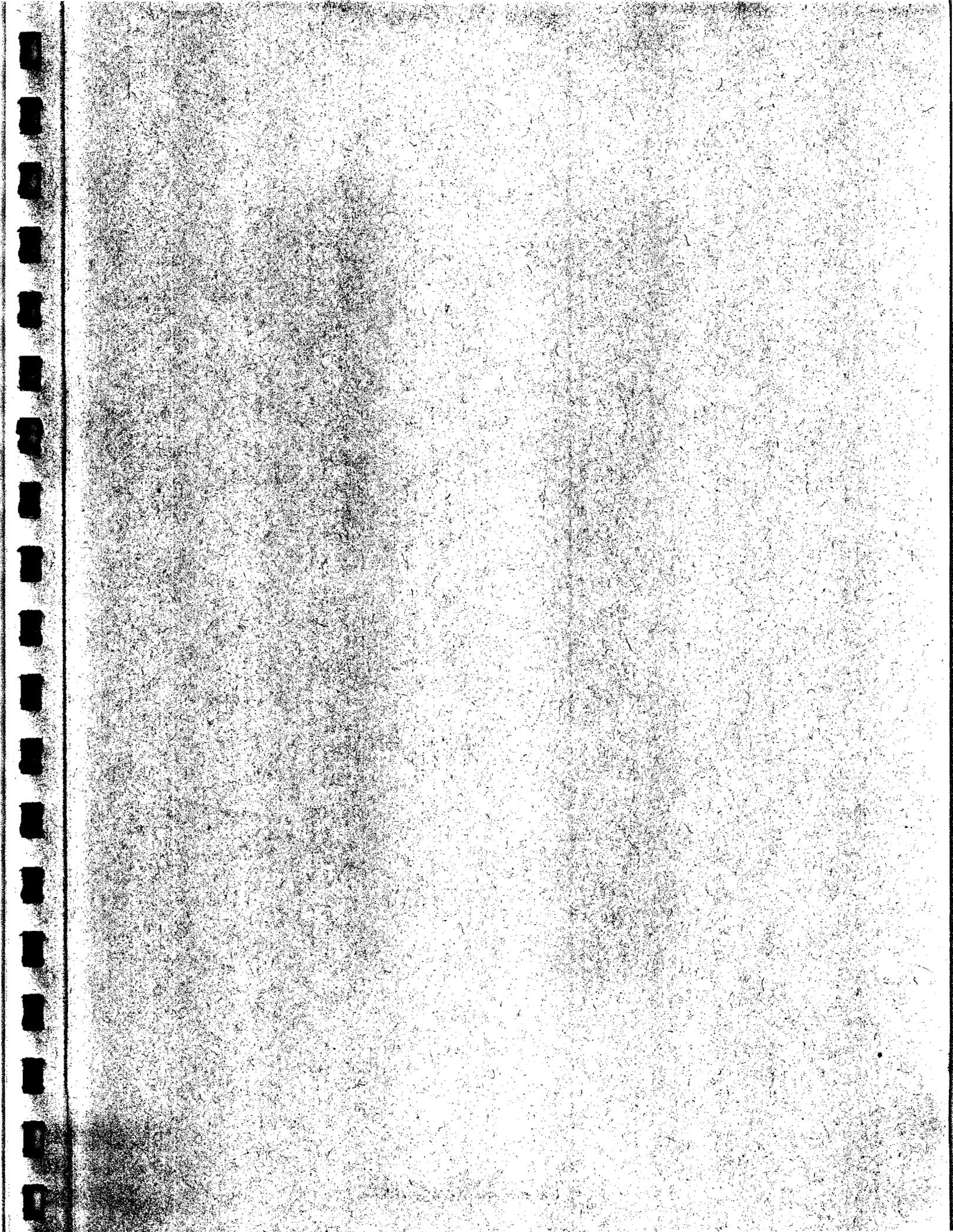
#### **7. Provide neighborhood incentives**

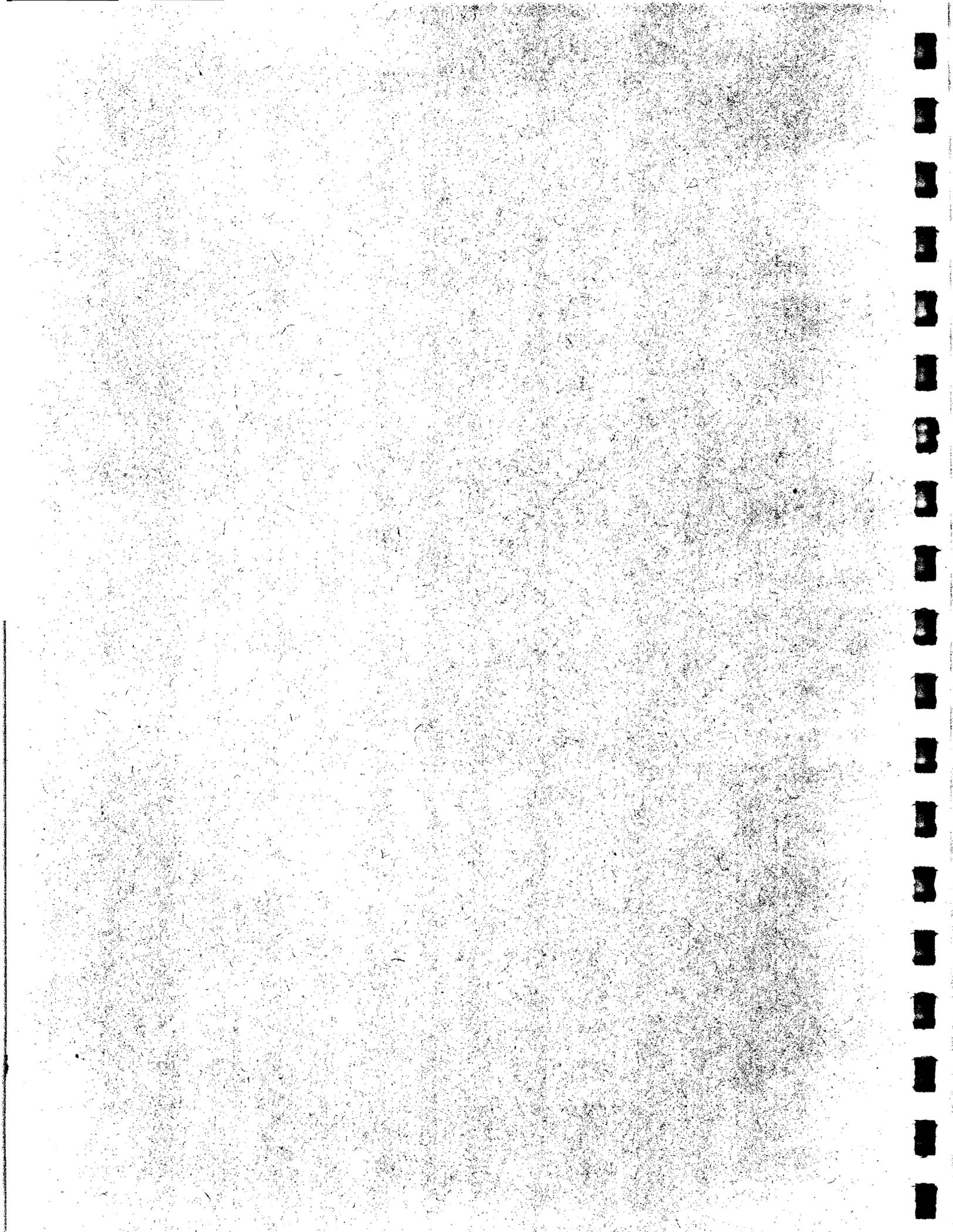
Distressed neighborhoods should be targeted for redevelopment by offering incentive programs to stimulate the production of affordable housing as well as economic development in the immediate "targeted" neighborhood. A significant amount of distressed housing is located in deteriorated neighborhoods; to invest millions of dollars on the site without stimulating any neighborhood revitalization would be counterproductive. HUD could consider homeownership opportunities within the distressed site as well as in the neighborhood, thus providing incentives for public housing residents to become homeowners and still remain in the community and also creating some mixing of household incomes on the site.

## ENDNOTES

- <sup>1</sup> Ann Schnare, ICF, Inc., "The Preservation Needs of Public Housing," in Housing Policy Debate, Volume 2, Issue 2.
  - <sup>2</sup> Dixon Bain et. al., *Study of the Modernization Needs of the Public and Indian Housing Stock — National, Regional and Field Office Estimates: Backlog of Modernization Needs* (Cambridge, MA: Abt Associates, Inc., March 1988).
  - <sup>3</sup> ICF Inc., *Future Accrual of Capital Repair and Replacement Needs of Public Housing*, April 1989.
  - <sup>4</sup> This section contains excerpts and exhibits from *The Modernization Needs of Severely Distressed Public Housing*, prepared by ICF, Inc., dated April 15, 1992.
  - <sup>5</sup> See Exhibit 4 in source report listed in note 4.
  - <sup>6</sup> *NAIHO Monitor*, Volume XIV, No. 3, February 15, 1992.
  - <sup>7</sup> *National Survey of Lead-based Paint in Housing* conducted by Westat, Inc., 1991.
  - <sup>8</sup> *Public Housing in Peril: A Report on the Demolition and Sale of Public Housing Projects*, prepared by the National Housing Law Project 1990.
  - <sup>9</sup> Ibid.
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## CHAPTER SIX

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*Chapter 6:***Assessing Housing Viability****I. INTRODUCTION**

Some severely distressed public housing developments are considered dysfunctional housing, in that they no longer serve the residents they were meant to help, and in, property management terms are thus considered "non-viable." Once a development reaches this stage of deterioration, a PHA must be able to undertake a comprehensive planning process, or viability review, that addresses the immediate concern of stabilizing the development and the long-term concerns of revitalizing the community. Under rules governing the Comprehensive Improvement Assistance Program, the U.S. Department of Housing and Urban Development has for the past few years required PHAs to use a three-step process to consider housing viability. This process requires the PHA to go through as many as three steps to determine whether a proposed modernization treatment can result in a housing development being considered viable. To date the viability review analysis has been the only formal process applied by PHAs for determining whether a development is so severely distressed that its overall viability is threatened.

This chapter addresses issues of housing viability when considering a treatment program for a severely distressed public housing development. The decision of whether to rehabilitate or replace (made by using a combination of strategies for addressing the needs of severely distressed public housing) must consider the viability of a particular housing development. This chapter notes that housing viability questions are not unique to public housing but arise in the private real estate sector as well. In fact, it appears that viability has become an increasing concern in areas of the private real estate market due to the depression or "downturn" in housing markets in various parts of the country in recent years. The National Housing Conference has indicated that in many respects the needs of privately owned subsidized housing developments are as critical to HUD and the nation's housing programs as those confronting public housing developments. Congress has indicated in legislation creating the NCSDPH that it is interested in strategies to preserve the supply of low income housing. For this reason issues of viability are given consideration in a separate section of this report. Similar to privately owned real estate, the viability review process and treatment strategies for severely distressed public housing are seen in the context of a workout program for the properties (described below).

Viability is a concept in real estate management that possesses both a general use and, as it pertains to the field of public housing real estate management, a highly specific and unique use. This unique definition directly relates to the relative narrowness of its scope, which can be phrased in the question: "Will this specific rental housing development continue to function as conventional low rent housing within the definition and intent of the 1937 Housing Act for the next twenty years if we make an appropriate investment now in its infrastructure through a government funded modernization program?"

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In the case of privately owned real estate developments, parallel concerns around viability take the form of analysis by owners and investors of the highest and best use for a particular site. Unlike a public authority or municipal department which owns a public housing development, the private sector owner has substantial operational latitude (within certain local approval restrictions) in modifying the use of the site to maintain its economic viability or minimize its drain on company resources. If a development is not meeting its performance objectives, there is a process known as a "workout"<sup>1</sup> which the private real estate industry has developed to attain viability.

It is important to distinguish between "HUD viability" and "private sector viability" or simple "viability". This chapter will discuss viability as a planning tool for real estate management, in order to demonstrate some strengths and weaknesses in applying HUD viability standards to severely distressed public housing developments, and therefore to public housing in general. This chapter will also present examples of public housing developments that have "failed" viability reviews, as well as the efforts by the owner PHAs to plan and execute substantial changes at the development in order to regain viability. As a matter of practice "failing" a viability review only means that the development is not viable without some form of intervention, not that the development should be removed from PHA's portfolio. Given the need to preserve low income public housing, there will always be a market and national need to support this housing. A specific development may not be marketable due to any of a set of factors that the HUD viability review includes such as changing demographics, but it would be difficult to argue that the loss of affordable rental units from the national public housing stock is justified.

We will also mention the growing opinion from legal actions that finds increasing liability of PHAs and HUD in the "*De Facto* demolition" of public housing. This notion of *de facto* demolition has a very specific legal basis. It is based on the fact that a distressed public housing development for which no modernization or redesign activities are planned and implemented in a timely manner will cause that development to reach conditions that guarantee inability to pass HUD's viability thresholds and reasonable cost tests. "*De Facto* demolition" is a side issue to the overall consideration of viability and distressed public housing developments. Selective or full demolition or sale of a public housing development has become a more common practice for addressing severely distressed public housing over the last decade. However, in recent years demolition has triggered the "one-for-one" replacement of the lost units, a requirement in the 1987 Housing Community Development Act.

## II. THE CONCEPT OF ASSET MANAGEMENT AND PROPERTY WORKOUTS

Specific asset management practices for housing stock were developed as the syndication of real estate for investment purposes became a popular investment vehicle for large pension funds, insurance companies, wealthy investors, and specialized investment funds. Starting in the late 1980s, as first the savings and loan industry and then the banking industry were disrupted by large failures that were usually tied to non-performing real estate loans, the practice of asset management was challenged by the large scale of non-performing properties. When non-performing, or bad, loans were few, it was easy to use foreclosure as the most expedient method to remove the problem from the balance sheet as other profitable loans usually would offset the loss and the auction or resale of the property would produce a partial and sometimes substantial recovery of the investment. With the recent level of "bad" loans so high, except for extreme cases when workouts are just not feasible, asset managers have had little

choice but to pursue property workouts instead of foreclosure. The market, generally speaking, cannot absorb many properties made available through the foreclosure process.

To some extent, problems in private sector real estate parallel the type of problems that a severely distressed public housing development confronts:

1. There may be market factors external to the development which have an adverse impact on occupancy;
2. There may be design flaws in the physical facility such as obsolescence, inappropriate layout for current use, materials which result in high maintenance costs and construction defects;
3. Property management systems may be ineffective. This can cover a range of items but is usually linked to poor operational planning capacity and skills, although lease enforcement issues can easily be hampered by local courts that see only the most extreme cases of non-payment of rent or lease violations as grounds for eviction;

Public housing property management differs from private sector property management under the following circumstances:

1. Cash flow from the development may be too low to cover operational costs or provide a return on investment suitable to the needs of the investors. In public housing, the introduction of Project-Based Accounting as mandated by the 1990 National Affordable Housing Act will facilitate analysis of a development as a cost center and better define the true operating costs;
2. The financial structure of financing for the development may be too demanding given the capacity of the development to generate sufficient cash flow to cover all operating and replacement reserve needs as well loan payments.

The notion of return on investment, which is an important concept for private sector viability, has no direct relevance to public housing. While subsidy levels for public housing have from time to time been set at less than 100 percent of the Performance Funding System (PFS) levels used by the federal government to determine subsidy eligibility, there is no expectation that a public housing development at which rents are set as a portion of household income will ever come close to covering actual costs. However, the resources that a distressed development consumes relative to the income of rents and subsidy combined (total income) is a very important consideration when looking at intervention. Severely distressed public housing developments either generate less than their fair share of operating income because of high vacancy rates or consume more than their fair share because of higher operating costs related to lease enforcement and security and higher physical maintenance costs related to aging, vandalism and over-used systems.

The property workout process can be broken into five main components:

- **Set the objective:** Without a specific goal from the start, no sensible planning is possible. In the case of private real estate this would entail a determination as to the importance of this property within the entire portfolio, how much risk is acceptable, what minimum yield is acceptable, and how long the owner can wait to see results. For public housing the major objective is clearly established by legislation as no unit

may be lost under the “one-for-one” replacement rule. Other mutual objectives common with public housing developments such as mitigating impactation (Title VI), and unit reconfiguration to increase marketability or accessibility are usually second tier considerations for private real estate developments.

- **Define the problem:** This step requires a review and analysis of the five issues mentioned above to determine the relationship of each to the non-performing status. Root causes of non-performance must be established. For instance, poor cash flow may have been (and often is) the trigger for the workout, but the root cause may be a construction or design defect that requires continual and costly repair. A flawed analysis will not allow a workout to achieve its objective.
- **Establish an Asset Management Plan:** Based on the analysis, a broad list of options must be developed. This list will be narrowed as each option is explored *vis a vis* the stated objectives and general limitations to the approaches being considered as needed to treat the property. The final set of options are linked together as a plan with a sequence of tasks and sub-objectives. The private sector workout specialist generally needs to develop at least three scenarios: best, worst and most probable (base), and determine the additional resources required. If the current use of the property cannot be sustained under at least the base scenario, then foreclosure, sale and write-off of the loss is the only option. Remembering that the success of the workout will be determined by the uses, and not the sources, is essential. Additional funds by themselves will only delay foreclosure if the funds do not address the root causes. Therefore, the formulation of the plan must consider all changes including rent structure, site amenities, and special marketing amenities such as services.
- **Execute the Strategies:** This requires coordination of resources and people to implement the actions in the plan. There is also an important monitoring function at this stage, as time-sensitive information is often required to fine tune components of the plan or take advantage of the potential to accelerate aspects of the plan. The plan should have been developed with explicit performance measures that can be evaluated at regular intervals to ascertain that the plan is on track. A plan that is not on track can sometimes be adjusted, but a serious failure in meeting targets can be a sign that the plan is flawed and should be abandoned.
- **Reach the Objective:** It is important to recognize that once the initial objective is reached, the workout needs to stop. If a workout is succeeding there is often a temptation to change the objective, which in the private sector is usually the sale of the development.

For the private sector owner, this process moves through the five steps to the final objective, a development that is functioning at the highest and best use given all market, physical and financial limitations. Unless the original feasibility assumptions on the development were flawed, or some condition arose that was never identified such as an environmental hazard, workouts that are implemented often succeed. The return on investment may be diminished. The target market may be different than initially planned. The physical attributes of the site and amenities may have been changed through redesign. But through these changes the development reaches a viable condition and satisfies the objective of the workout.

For public housing, two aspects of the program are related to the workout process. HUD's viability review process and the Major Reconstruction of Obsolete Properties (MROP) Program together represent both the planning and execution of a workout for

a public housing development. The HUD viability review process is designed to identify specific properties for which a full modernization treatment appears to exceed a reasonable cost. The MROP Program was developed to provide funds to undertake an intervention strategy for an "obsolete" public housing development and thus make attainable the objective previously defined in the viability review process.

### III. DISCUSSION OF THE HUD VIABILITY REVIEW PROCESS(ES)

The initial HUD viability review was not created in response to any legislative language or other specific congressional instructions on how modernization funding is to be dispersed. Rather it is an administrative requirement introduced as part of the instructions to PHAs for participation in the Comprehensive Improvement Assistance Program (CIAP). It is a tool to be used by the PHA to evaluate its planned modernization program, but it is also used by HUD as part of the Joint Review to make its own final determination of viability. HUD's viability review process has specific aspects which suggest a quality control function in determining whether to invest modernization funds in a development.

HUD has declared only a few developments non-viable. In one of the NCSDPH case study sites which was declared non-viable, HUD modified its determination and is now permitting the PHA to go forward with modernization plans and programs. Whether this is due to previously unacceptable modernization strategies for the developments that progressed to the advanced stages of the HUD viability review process, or because HUD staff realized that to declare a development non-viable requires a replacement plan under the "one-for-one" replacement rule is not known. New construction funding for public housing has not been high on HUD's budget priorities for over a decade. Recently, HUD proposed rescinding FY 1992 funds for new construction of public housing that were appropriated by the Congress.

There are now operational two versions of the HUD viability review. As the CIAP program is still active for providing modernization funds to PHAs with fewer than 250 units (as of FFY 1993), the HUD viability review process outlined in Section 3-9 of the CIAP Handbook (7485.1 REV. 4) remains in effect for small PHAs. For PHAs with over 250 units, there is a HUD viability review process detailed in the Comprehensive Grant Handbook (7485.3) whose thresholds and use is very different from the CIAP model.

#### A. Comprehensive Improvement Assistance Program Viability Review Process

To understand the evolution of the HUD viability review, a brief summary of the CIAP version is required.

The CIAP viability review process consists of three steps. The first step contains three requirements: the cost of modernization for the development exceeds 25 percent of HUD's Total Development Cost (TDC) guidelines; the development currently sustains an occupancy level lower than 85 percent; and location (neighborhood and environmental) or infrastructure conditions are detrimental to the housing. An affirmative finding for any of these three items requires a Step Two analysis.

Step Two entails a subjective rating of three different classes of viability issues: physical condition, location (neighborhood) and marketability. Each of these is rated either

as not relevant (none), mild, moderate or severe. A severe rating or two moderate ratings moves the development into a Step Three analysis.

Step Three requires the HUD Field Office to determine findings for seven items of analysis. These include:

1. The primary causes of any problems that triggered the severe or moderate ratings;
2. How any physical problems will be resolved through use of modernization funding;
3. The development will be suitable for operation as public housing for twenty years after the proposed modernization;
4. The proposed modernization is financially feasible;
5. The PHA and the local government are willing and able to correct any management and operational problems to ensure long term viability;
6. If prior funding was unable to address the conditions which led to failed viability, a description of how the current plan avoids the same failing(s);
7. Whether a realistic expectation exists that neighborhood or environmental factors jeopardizing long-term viability of the development can be eliminated or mitigated through planned actions from federal, state, local or private organizations.

There are several major problems with the above seven items that are usually not apparent until an actual analysis is undertaken. For instance, financial feasibility for CIAP is defined through the use of TDC levels. In the case of high-rise structures the limit is 69 percent. For low rise structures, the limit is 62.5 percent. Given that the costs used to compute the actual modernization costs include lead paint abatement and handicap accessibility site and unit improvements (to meet the requirements of the Final Rule on Section 504), even developments *not* in a state of severe distress could fail to qualify for modernization under this test. In addition, although cooperation agreements with local governments were put into place as part of the creation of a public housing program, it is politically very difficult for a PHA to negotiate for an appropriate level of civic intervention to address neighborhood problems. Withholding payments in lieu of taxes (PILOT) as leverage is an option, but it is difficult for a PHA receiving services such as police and fire protection in exchange for a PILOT to use this option to obtain additional services.

It appears that HUD has acknowledged certain limitations of the CIAP viability review process and has revised it in the Comprehensive Grant Handbook (7485.3). This version is consistent with the overall change in approach to the provision of modernization funding that the Comprehensive Grant Program (CGP) represents. The CGP shifts the final decision-making emphasis from the Field and Regional Offices to the PHAs. Because the Field and Regional Offices under the CIAP administrative model had to approve applications as submitted by the PHAs or modify the award levels and reprogram work items or development priorities, HUD was the decision-maker on how modernization programs were to proceed. Since CIAP grants were not based on a formula, PHAs in some cases were able to receive amounts well above the level expected to be provided under CGP. One NCSDPH case study of a redesign site shows a PHA that once received a large level of modernization funding that averaged about seven-to-

eight million dollars a year over the last decade, is now getting two-to-three million dollars under the formula system.

This created conditions in which skill in grantsmanship took the lead. The quality of planning and analysis in some cases seemed secondary to the fact that some PHAs would be funded by the Regional and Field Offices even if there were concerns about the agency's administrative capacity to provide all but basic emergency and some management improvement funding to a PHA. In some cases PHAs considered to have poor administrative and management capacity were not funded at high levels. This created a circular problem whereby without modernization funds the condition of sites would continue to deteriorate, increasing maintenance costs and vacancies which in turn would erode reserve levels and cash flow. Poor financial condition would continue as a red flag for HUD, who would keep a tight rein on the flow of modernization funding due to poor management performance indicators.

Many severely distressed sites have been waiting for funding well past the full useful life of major structural elements and mechanical systems. One site in Florida which is currently in the midst of its modernization program clearly needed significant capital improvement funding as almost forty years had passed with only limited improvements. Case study research revealed many instances of modernization agendas anticipated, delayed, awarded and completed across a six-to-ten year span. This type of extended process has given rise to the "*de facto* demolition" argument currently in use by legal services organizations to push PHAs and HUD to take more immediate action in treating severely distressed public housing developments.

Modernization efforts required to assure the continued life of the development were often on hold because of the perception that the modernization treatment be comprehensive and tie into community improvements. There can be great variance between the "process time" for coordinating community improvements such as drug elimination programs and the "process time" required to develop a physical improvement program and strategy. This period between the time a development is recognized as requiring a comprehensive treatment and the arrival of the first set of improvements is the period in which a development is at greatest risk, as there is no notion of allowable intermediate steps within HUD's program guidelines to stabilize a development, nor a source from where the stabilization funding could come. Many PHAs with distressed properties suffer from low operating reserves exacerbated by poor rent collection, high legal costs and only a narrow flow of modernization funding (as compared to the capital improvement needs that are likely documented in the PHAs Comprehensive Plans for Modernization).

#### **B. The Comprehensive Grant Program Viability Review Process**

For the Comprehensive Grant Program (CGP), Section 14(e)(1)(C) of the United States Housing Act of 1937 (as amended) now requires analysis on a development by development basis that the proposed modernization treatment will assure the long-term (twenty year) social and physical viability of the development at a reasonable cost.

HUD has set the threshold for Field and Regional Office review based primarily on the cost of the modernization treatment. It is now a one-step process. If the proposed modernization cost exceeds 90 percent of the TDC for any single type of structure at a development, the PHA must provide a detailed analysis that explains how the proposed treatment will work and why other alternatives are not superior. Modernization costs cannot be averaged over an entire development if the structure types are mixed. If the

housing development is not considered to be viable, the PHA is instructed not to spend CGP funds on any element of the site except for emergency work items and only then with Field Office permission.

HUD has taken as a model the seven review items from Step Three of the CIAP viability review. These are the criteria that HUD uses as part of its Joint Review for CIAP. HUD has created an administrative requirement for a comprehensive planning study for any structure type (e.g., low-rise, high-rise, or townhouse) requiring a high percentage (>90 percent) of the TDC. In some cases, PHAs have in-house planning skills and capacity, particularly some of the larger authorities. Many, but not all, of the PHAs that are involved in the process of turning around their developments have established some form of internal planning and performance evaluation reporting. This HUD viability review analysis must address or describe the following elements:

1. The estimated hard costs by development account and work item;
2. An explanation of any special or unusual physical conditions at the site including lead paint and physical accessibility;
3. An explanation as to how the proposed modernization treatment will provide a "modest, non-luxury development" that is durable, energy efficient, meets safety codes, secure, economical to maintain and will provide for a "healthy family life in a neighborhood environment";
4. A description of efforts were made to reduce rehabilitation costs;
5. An explanation as to why rehabilitation of the existing structure is more cost effective than new construction or acquisition of replacement housing;
6. An explanation why there is no practical low income housing alternative.

These six issues must be addressed through submission of a formal viability review analysis. That explains why the proposed modernization treatment will achieve development viability or why the treatment is inadequate. If the planning study demonstrates that no reasonable treatment as permitted under HUD guidelines and program requirements will work, then an alternative strategy must be offered for approval. The example provided in the CGP Handbook is a request for demolition or disposition.

The formal submission consists of three parts: a section defining the conditions that have triggered the high cost, a section which specifically covers the seven items that HUD was responsible for determining as part of the Joint Review under the CIAP model of viability review, and alternative strategies that would require HUD waiver or approval. This submission must address the following elements:

#### **Part One**

*Major Problems as to physical condition.* indicators of these problems include unit inhabitability (inability to meet local code or HQS), density, faulty construction, inappropriate design for current use, structural deficiencies and major site related problems such as drainage.

*Major problems of a location (neighborhood) condition.* indicators of these problems include a high concentration of assisted housing (impaction), physical deterioration of the

neighborhood, industrial or commercial development and adverse environmental conditions.

*Major Problems related to Community Stability:* indicators of these problems suggest that the development is not suitable for housing purposes. HUD suggests that vacant units in high numbers and of long duration, vandalism and crime, and high unit turnover as related to transfers or move-outs all are indicators of social dissatisfaction.

**Part Two.** See the list of seven items in Section III (A) of this working paper. These seven items under the joint review are analyzed under this part of the process.

**Part Three.** Alternative strategies related to design or to occupancy policies that require HUD approval should be outlined in this section. This would include partial demolition, "a revised rehabilitation approach" (which could include use of Force Account or modified construction contracting methods; cost savings from reduced quality in materials will not make a development viable), unit reconfiguration, and design changes to specifically address security concerns.

In terms of public housing, a full modernization treatment is one that addresses at least physical, market and management needs. In some cases, a development's operating costs per unit (as budgeted) may not be sufficient, given the true operating demands of the specific site which make the long-term operating costs of the housing development a consideration. The viability review process generally parallels the problem definition step of the private sector workout process. Under the new Comprehensive Grant Program, the viability review process has been revised so that determination of the objective and the development of the workout plan are part of a formal viability review. The set of options available to a PHA for treating a severely distressed housing development which may not be viable are limited. A PHA can sell a site if it can replace the units elsewhere. Units lost through redesign or unit reconfiguration must be replaced with equivalent resources. New options for site and unit amenities are limited by HUD's modernization standards to "non-luxury" items.

#### IV. DISCUSSION AND ASSESSMENT OF THE REVISED HUD VIABILITY REVIEW

The Comprehensive Grant Program version of the HUD viability review has several clear advantages over the older CIAP version. These advantages in some are cases offset by other new or unchanged features of the viability review.

Under CGP it is evident that the PHA determines viability by building into the modernization treatment all the allowable costs to treat the development. If the costs exceed the 90 percent of the TDC threshold, then a formal analysis is required to demonstrate what is the most effective, lowest cost approach to attaining viability. HUD appears to have removed itself from the determination of viability although it retains approval of any proposed workout that exceeds the reasonable cost threshold. Any definition of viability is a local condition bound by the context of the neighborhood and larger community. A particular revitalization treatment is not necessarily applicable to several developments that have similar viability problems because of the variation in community acceptance. For some developments changing the traffic circulation pattern might reduce crime. At another site in the same community, it might not

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be effective. The new approach acknowledges the importance of local discretion in determining viability and workout strategies.

Although the 90 percent cost threshold which triggers a HUD viability review is an improvement over older financial feasibility thresholds of 69 percent and 62.5 percent, it still includes hazardous materials abatement costs and costs related to compliance with the Uniform Federal Accessibility Standards (UFAS) or local accessibility codes. These costs should be excluded, not because they are inappropriate costs to consider when making a reasonable cost determination, but for other reasons discussed later in this chapter and in Chapter Five.

Accessibility is a legal and handicapped rights issue, and lead paint abatement should not be a reason to require a viability review unless it is an active environmental hazard beyond the scope of direct treatment in and around housing units. The cost of abatement alone should not cause a housing development to be considered non-viable. The difficulty of completely abating hazardous conditions is the key consideration with lead paint. If abatement is feasible, and there are no other viability concerns, then the cost of abatement should not be the overriding consideration as to viability. Site improvements or unit redesigns driven by accessibility are program-imposed costs and have a legal basis in terms of Section 504 compliance. If good planning efforts have been made around the requirements of HUD's Final Rule on Section 504 by the PHA, then the planned improvements are consistent with compliance. A PHA deciding to abandon a development because of the cost of compliance with Section 504 would be a poor program precedent. If a development is marketable and the only reasons that a development requires a viability review are lead paint abatement costs or accessibility costs, it seems inappropriate to require a formal viability review as there is a good argument that the reasonable cost test should not be applicable in these cases.

The formal submission of the viability review requires the PHA to answer basic planning questions in sufficient detail to make the planning study effective. It also encourages a PHA to consider alternative strategies. However, it does not require inclusion of replacement plans if unit demolition is a suggested alternative. As the "one-for-one" replacement rule remains in force, no discussion of demolition or unit loss as an alternative is complete without a realistic method to replace the lost units.

There appears to be no formal written appeals process. If the Field Office rejects a viability review for its findings or for its proposed treatment, the PHA has no choice but to revise and resubmit its analysis. A PHA whose plan has been rejected and did not propose demolition in its first option might find itself considering demolition, assuming the Field Office would approve a demolition application. The same pattern can repeat itself at the Regional level. PHAs should be allowed to request an outside review of proposed treatments through a procedure established by HUD after a submission has been rejected by HUD. This back and forth of proposed treatments and revisions can consume time and resources. During this period only emergency modernization work items can be conducted and only with HUD approval. It is important that the developments whose viability is in question be stabilized until a workable treatment can be developed and funded. An appeals process or peer review could help to maintain a timely level of intervention. Providing both the funds and administrative discretion to a PHA to take buildings off-line and expeditiously relocate families as needed to preserve the site will help to avoid deteriorating conditions that occur between the start of a planning process and the completion of treatment.

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The viability review requires the PHA to make representations about planned changes in the neighborhood. PHAs can at times be excluded from municipal planning concerning the revitalization plans for a particular neighborhood in which a severely distressed public housing development is located. It is for this reason that the NCSDPH recommends that an enterprise zone established in a locality where a severely distressed public housing development is located be included in the enterprise zone by the locality. The extent of most Cooperation Agreements between PHAs and local governments is that the residents of public housing will receive the same level of services to which any other resident is entitled. PHAs are now one of several organizations created to own and operate affordable housing with whom a municipality must work. While PHAs can and have in some cases moved their neighborhood needs up on local revitalization agendas, they have no resources for off-site community renewal. As long as Community Development Corporations (CDCs), among others, compete with PHAs for municipal resources, timely commitments from local governments to coordinate redevelopment with PHAs will be difficult. If PHAs were provided with community development funds that could be used as seed money for the type of location improvements needed to support the modernization treatment, then cooperative planning for community renewal would be easier to negotiate.

#### **V. MAJOR RECONSTRUCTION OF OBSOLETE PROPERTIES (MROP) PROGRAM AS A WORKOUT IMPLEMENTATION**

The Major Reconstruction of Obsolete Properties (MROP) program is a special program that allows a PHA access to funds appropriated for new development of public housing units through a competitive grant process. MROP was developed to provide resources in excess of those available through CIAP. These funds can be used for high-cost modernization and redesign activities that exceed those allowed under the program rules for the Comprehensive Improvement Assistance Program (CIAP). Exactly how or if the MROP Program will continue along with the new Comprehensive Grant Program is not clear. HUD issued a 1992 MROP Notice of Funding Availability (NOFA) in June 1992 and a Public and Indian Housing (PIH) Notice.

The PIH Notice states that MROP funds can be used to rehabilitate an entire development or part of a development in conjunction with modernization funds. It requires that a development meet all three of the following criteria:

1. A vacancy level in excess of 25 percent of the units available for occupancy (although this does not appear to be a requirement for 1992);
2. Estimated construction costs between 70 to 90 percent of the local TDCs (the level has varied in recent years);
3. The housing development needs to go to Step Three of the viability review process (as defined above under the CIAP process).

A funded MROP development has typically had a forty year viability test, which is double the normal consideration used with CIAP or CGP funds. If MROP is being used in conjunction with partial demolition of a development or structure, the PHA must submit a demolition/disposition application. MROP has typically not been available to home-ownership developments. Management improvements are not considered under MROP as it is strictly a "bricks and mortar" program.

If HUD's viability review process represents one component in the planning of a property workout, the need for an implementation component remains. Modernization funds provided through either the CIAP or CGP are not the type of funds usually offered as part of a workout that would be needed for a severely distressed public housing development. Unlike most private sector real estate, conventional public housing does not have a replacement reserve in which the PHA has accumulated funds taken from the cash flow of the development to cover its physical renewal needs. HUD's modernization programs are a substitute for the replacement reserve. The operating reserve that a PHA maintains is just that -- a reserve to cover operating cash needs and to absorb uncollected rent write-offs, legal settlements or extraordinary expenses related to a PHA's operations.

The modernization grant formula is designed to accommodate (1) replacement of systems at the end of their useful life, (2) redesign to address physical obsolescence, (3) upgrades to meet current code requirements such as increased fire protection, and (4) unit reconfiguration costs for a limited number of units. Modernization treatments for severely distressed properties can be funded through the grant formula but only at the expense of other developments. Raising the annual appropriation would ease the impact by widening the modernization "pipeline". Continuing the MROP Program and setting the percentage of TDC to qualify as above 90 percent (net of accessibility and lead paint abatement costs) would parallel the type of extra resources that appear to be required to address the viability needs of severely distressed public housing. Further, permitting MROP funds to be used for the construction of replacement housing would improve the ability of this program to be used to fully treat severely distressed public housing developments.

## **VI. ARE VIABILITY REVIEWS THE MOST APPROPRIATE METHOD TO IDENTIFY DISTRESS IN PUBLIC HOUSING?**

The issue of viability is closely related to distress but not identical. The NCSDPH's Final Report represents the largest effort yet undertaken to determine what constitutes severe distress at public housing developments. It recommends a set of factors that should be monitored by HUD and used to evaluate whether a development is appropriately designated severely distressed. There is no master list of distressed public housing developments and the HUD viability review as it is currently structured may not identify all severely distressed developments.

The HUD viability review is a review and planning process designed in part to identify all developments for which the cost of a comprehensive modernization treatment exceeds a reasonable cost (90 percent of TDC). This assumes that a PHA has made a thorough effort to determine all needs of the development including redesign and unit reconfiguration. There is no reason to assume that a development exceeding the reasonable cost threshold is severely distressed. There costs may be high because of lead paint, accessibility, code requirements or costly infrastructure improvements appropriate for forty and fifty year old developments. Developments whose modernization treatment proposes partial demolition or major unit reconfiguration efforts may be selecting these strategies as the most expedient method to address low occupancy or marketability problems without a more systematic planning process. Until HUD can review the new Comprehensive Plans (CPs) being prepared this year by PHAs with more than 500 conventional units and next year's set of CPs from PHAs with 250 to

500 units, the list of developments whose current modernization needs exceed the reasonable cost threshold using the CGP standards is not known.

Developments that trigger the formal analysis required in the CGP version of the HUD viability review are still likely to meet many of the criteria for consideration as severely distressed. Site visits by the Commission staff plus a review of available literature suggest that size and structure type do not always determine whether a development is at risk. A review of a large portion of the redesign assessment handbooks completed by PHAs in 1985 as part of the Abt Study and made available by HUD indicates that unit reconfiguration and redesign were recommended in just over half of the developments surveyed. Some form of redesign was called for in 52percent of the sample. These developments ranged in size from 50 to 675 units.

Redesign-related costs are likely to be one of the major triggers for a formal HUD viability review. These costs will be incurred by both family and elderly developments. Some redesign costs will be based on the need to create or increase the level of accessibility for the mobility and sensory impaired. Still other redesign costs will be related to reconfiguring units to adjust the distribution of bedroom types to be more consistent with changing waiting list demographics. Other costs will be related to the partial demolition of a development to reduce density.

Although many of the distressed developments will require high levels of physical renewal and redesign, some will meet the other major criteria such as serious crime, families living in distress, and several of the criteria for severe management deficiencies without triggering the high cost threshold. HUD's viability review will not necessarily identify all severely distressed properties only those for which a comprehensive planning approach has identified all costs required to achieve twenty year viability and those costs that exceed 90 percent of the TDC.

#### A. Demolition, Viability and Severely Distressed Public Housing

Demolishing severely distressed public housing units is one of the most common methods of achieving viability. PHA programs that include demolition have been used to reduce development density, fix site plan problems, and remove structures whose repair costs were considered excessive. HUD has never published a summary on the use of demolition in public housing. The most complete data available on demolition is for the years 1980 through 1987, which is the last year for which full data seems available. Data was collected by a public interest organization using several techniques. Surveys were sent to all PHAs as well as nearly five hundred housing advocates requesting not only a physical description but information about relocation of residents, conditions and causes of the need to demolish or dispose of units, and any replacement plans. About one third of the PHAs and housing advocate surveys were answered and returned. The log of approved demolition applications was obtained from the Central Office of HUD for the period from 1980 through 1987 and was used to cross-reference survey data. Some of the Regional Offices provided actual applications and related documents which provided fuller information than just the log of approved applications. The Regional Office is delivery of documents was not consistent across regions, and the Central Office only provided the log of approved applications with no additional information.

The data collected shows that 14,990 units of conventional public housing in 177 developments owned by 114 PHAs were removed by sale or some form of demolition from the national inventory from 1978 through 1989.<sup>2</sup> Only 34 out of 177 develop-

ments (19 percent) were completely abandoned. As might be expected, these were almost all family developments, but only nine of the developments were high-rise type structures. Eight of these nine high-rise developments were owned by seven PHAs currently on HUD's "troubled" list. The ninth development was owned by a PHA not currently on HUD's "troubled" list but with a prior history as troubled. Of the 177 developments, only two-thirds were under management of large PHAs, and of the PHAs that lost units, 53 out of 118 (45 percent) were either small or medium in size. The data seem to indicate that a number of developments at risk of demolition or disposition (and which could be considered non-viable) are managed by large PHAs. However, it also appears that small and medium-sized PHAs manage a large proportion of the development that may be considered non-viable. As a percentage of stock, medium size PHAs lost eight percent of the stock under their management and small PHAs lost nine percent. Large PHAs lost only three percent. If HUD viability review findings and distress are related this would suggest that PHAs of all sizes can suffer from the conditions of distressed public housing.

The analysis also looked at vacancy rates for PHAs as of December, 1987. Under the CIAP version of the HUD viability review, PHAs with greater than 15 percent vacancy rates required at least a Step Two review and would likely go on to a Step Three review. Another 20,000 to 25,000 units not disclosed in the survey were estimated at risk for demolition or disposition based on low occupancy rates. This amount was in addition to the 30,000 units under consideration for demolition or sale at the time the report was completed. While the risk for these low occupancy units might not be as great under the CGP version of the HUD viability review process, because PHAs may not be under pressure to propose demolition as an alternative to a high cost modernization treatment, the CGP Handbook still suggests full or partial demolition as an option.

Developments that cross the reasonable cost threshold of 90 percent of TDCs will do so in most cases because of expenses on top of basic site and system renewal. These costs are often related to density reduction, reconfiguration of bedroom types, lead paint abatement and increased site accessibility. While these factors could be present at a distressed development, there is no reason to assume a correlation. The use of demolition to reduce vacancy levels might be an indicator of a development that falls into the severely distressed category, but as the study indicates, there is no documentation that suggests demolition was the only alternative for any of the approved demolition applications. Using the criteria of full or partial demolition as an indicator suggests that there could be as many as 55,300 units in 189 developments that are sufficiently distressed as to be candidates for demolition.

The study indicated demolition was an option of choice when no requirement for "one-for-one" replacement existed. In the period 1984 through 1987, there was no statutory language in place requiring "one for one" replacement. During this period, the number of units lost was 57 percent of the total unit loss documented for the period from 1978 through 1989. The study also estimated that an additional 8,304 units at 20 developments would be lost (since HUD had approved demolition applications for these units) but demolition had not yet been completed. The study also documented PHA board approvals for demolition of another 6,657 units in 34 developments that were yet to be submitted to HUD. Another 15,337 units in 47 developments were indicated in the survey as under consideration for demolition or disposition. The racial composition of the developments already approved for demolition by HUD but not yet demolished was found to be substantially non-white (in 11 out of the 13 developments for which such data was available out of a universe of 20) and this was also true for 15 out of 17 of the board-approved developments waiting for HUD approval of demolition.

The "one-for-one" replacement rule is not likely to present a real impediment to continued use of demolition as a method to resolve viability issues. Conventional units lost through demolition or sale have up to six years to be replaced, and they can be replaced in some cases even with units from federal Section 8 Certificate Programs. In fact, other assisted units including those provided through state and local programs can be considered a replacement unit under the replacement rule.

The study suggested that for the three-year period from 1988 through 1990, about 5,000 units per year were lost to demolition. No summary information is available on actual loss of units due to demolition for this period. Given the funding levels for new construction over the last several years, it is doubtful that these units will be fully replaced with conventional federal low rent public housing units.

#### **B. Related Issues on Viability, Demolition and Replacement Housing**

Other issues related to demolition as a solution to negative HUD viability review findings are becoming prevalent. As examples, HUD has approved demolition and replacement plans for a housing development in north Florida, and a large high-rise housing development which is located in northern New Jersey. The north Florida development was the first demolition and replacement plan approved by HUD under the current "one-for-one" replacement rule. The replacement rule was enacted by Congress on February 5, 1988. The high-rise development in northern New Jersey was part of a major court case in 1988 whose settlement agreement tied phases of demolition directly to phases of the new construction of replacement housing. In both cases, not a single off-site replacement unit has been built. The north Florida housing development is entering its fourth year out of the six allowed for completing a "one-for-one" replacement plan. It is likely that the replacement units will not be in place before the allotted period is up.

Two reasons contribute to PHAs' inability to move forward on the replacement units: (1) the replacement units cannot be placed in neighborhoods whose current demographics demonstrate high minority and low income composition (i.e., are negatively "impacted") and (2) the number of small-scale scattered sites in the volume required to replace units demolished under the approved plans exceeds the capacity of the PHAs to acquire sites. It would seem that the geographic areas in which sites can be found already have a high proportion of poor and minority households and therefore do not mitigate the impactation issue. This suggests that HUD viability reviews requiring large numbers of units to be demolished as part of a site redesign (or abandonment of a non-viable site) run the risk of not being a feasible alternative, since the likelihood is high of not meeting the "one-for-one" replacement rule within the six year replacement plan period.

It should not be surprising that the legal services and civil rights community have taken an active interest in the demolition of public housing developments and their replacement. On several occasions, these groups have gone to court to correct or stop HUD approved PHA actions on abandonment of a public housing development. The court settlement referenced above for northern New Jersey is an example of legal services intervention after HUD-approved demolition actions. In this case the legal services organization sought to demonstrate that not all alternative planning options had been pursued.

The legal services community has taken a more pro-active approach to the issue of demolition by pursuing the legal precedent of "*de facto* demolition." "*De facto* demolition" refers to the period after the viability of the development becomes a concern and before the implementation (and in some cases completion) of the modernization treatment is reached through a planning process. The legal services community has already taken one large urban PHA in the midwest into U.S. District Court through a class action suit alleging that the PHA has effectively abandoned a large, severely distressed public housing development and that this abandonment constitutes "*de facto* demolition," under Section 1437p(d) of the United States Housing Act. Not only were all current residents included in the class, but also those individuals who had applied for public housing through the PHA. The complaint filed on behalf of the residents and applicants included three public housing developments associated with the cluster of units comprising this greater public housing community for which the breach of the Annual Contributions Contract, the breach of the PHA lease, and "*de facto* demolition" were claimed or alleged to have occurred. These three developments, which are contiguous, consist of 1,775 units. Conditions described included 850 vacant units, or 48 percent of the total units, in a state of disrepair requiring more than thirty days to return to occupancy. Within a two-year period prior to submission of the complaint, the vacancy rate had increased by 250 units from 600 units in December 1988.

The conditions described in the complaint include the large-scale vandalism in the empty units which were not sealed pending modernization treatment. There is a substantial risk of fire in the vacant units from trespassers. Drug traffickers use the vacant units. Residents are threatened and have been injured by trespassers and drug dealers. Moreover, the inhabited units also are in disrepair. There are numerous darkened hallways. Elevators are continually in a non-operable state. There is a substantial number of broken windows, some of which have been boarded up (although often they do not prevent the rain and snow from entering the vacant unit). Debris and refuse litter such common spaces as hallways and stair-towers. Fire prevention systems, such as exit signs, floor numbers and directional signs indicating exits are non-existent. Stairwell doors do not shut, which is another fire code violation. Stair-tower treads, landings and handrails all suffer from structural defects including weakened condition caused by rusted steel supports. The complaint also provides a list of defects for each unit of the nine-named individuals of the class action that cover local code violations.

To date, the judge in the case has upheld the definition of the class to include the entire waiting list. The judge took the requirements of Section 1437p(d) as being a broad and enforceable right. He has yet to rule if the conditions at the developments are an instance of "*de facto* demolition", but his Memorandum of Opinion and Order, dated November 19, 1991, clearly allows the omission of PHA efforts as a type of action enforceable under Section 1437p(d) of the Housing Act. This use of "*de facto* demolition" by the legal services community as a device to require PHAs to stabilize developments until final determinations can be made on a modernization treatment is likely to spread, unless PHAs can develop programs to stabilize developments pending modernization/redevelopment and availability of predictable and reliable funding.

### C. Use of Demolition and the Effects on a PHA

One of the most dramatic situations involving demolition, based solely on the number of units involved, is the court settlement involving a PHA in northern New Jersey that was filed in March, 1989. This settlement has led to a full reversal of the PHA's plan to deprogram and demolish a substantial portion of its housing stock as part of a Master Plan developed in December, 1984. This case originated during the time that no

"one-for-one" replacement rules were required by statute. The PHA has been on HUD's "troubled" PHA list ever since the list was created. As an indicator of the problems at the PHA over the last decade and a half, the vacancy level went from 587 in 1978 to 4,302 at the end of 1987, which is fully 25 percent of the portfolio. It remains at this level despite annual infusions of modernization funding.

In 1984 the PHA's housing stock consisted of 13,133 units, of which 3,000 were for the elderly and the remainder for families. Family units were located in high-rises (7,000) and low-rises (3,000). In the Master Plan, the PHA indicated its intent to demolish 5,752 family high-rise units, which was 44 percent of its total stock. HUD approved 3,022 units for demolition. This approval did not trigger the "one for one" replacement as the statute had not yet been enacted.

In the federal complaint filed by the plaintiffs, several facts were documented. The PHA service area had a tremendous need for housing low income families. Prior to the closing of the waiting list in 1987, there were 13,000 applicants, which is roughly one applicant for every unit that existed at that time. The City's Housing Assistance Plan (HAP) from 1988, the predecessor of the Comprehensive Housing Affordability Strategy (CHAS), indicated that over 14,000 inhabited units did not meet code and were sub-standard. There are dozens of other sources of information, including census data and the New Jersey Governor's Task Force on the Homeless, that support the need for housing for those of low income.

In the 1984 Master Plan the PHA offered justifications for the conditions and a basis for proposed demolition. The primary factor cited was the height of the buildings to which all other factors correlated, plus a lack of financial resources. Demolishing the buildings was seen as the primary solution. Some residents were quoted as believing that good management practices and timely use of modernization funding would have made a significant difference in the viability of the structures. Others felt that demolition was the most appropriate course of action. In 1984, the PHA had only spent \$78 million of the \$145 million in modernization funding provided to the agency. The Master Plan called for an overall reduction of the housing stock by 4,133 units. Two large family high-rise housing developments were most affected and were targeted for HUD approved demolition of 2,310 units.

In March, 1989, a class action suit was filed alleging that the PHA had violated the demolition/disposition provisions of the Housing Act. In addition, the civil rights of the class were claimed to have been violated because of failure to consider the impact on the development's minority population and the surrounding community. HUD was named as a defendant for its lack of intervention in the program.

The settlement agreement stopped all demolition plans except that of a single large family high-rise development plus smaller high-rise structures at another family housing development. Conditions at both sites had deteriorated such that demolition was considered the only feasible option. Demolition of the one (entire) housing development was linked to development of "one-for-one" replacement units and the completion of 271 units for which new funding had been received. Demolition can only proceed as sites are acquired and replacement units are constructed.

The impactation issue was a central aspect of the settlement agreement. As of the spring of 1992, no sites had been acquired in neighborhoods that met the criteria of the settlement agreement. This issue has become a major stumbling block to the replacement of units. How this issue is to be resolved is unclear. Use of eminent domain legal strate-

gies to acquire sites has tended to be unpopular in many cities and is believed to contribute to community opposition to the public housing program.

From the examples cited above, it is evident that the lack of well organized and coherent planning and execution can create conditions ripe for legal action to impose solutions. Timeliness of action is a key ingredient that the HUD viability process does not promote. Development and discussion of the most "economical" modernization treatment can stretch over years. During that time a development whose viability is under negotiation can deteriorate to a point that makes discussion pointless, since the fabric of the community can disintegrate so that no level of physical renewal can easily restore it.

Even demolition and redevelopment plans that include replacement housing are subject to extensive delays, as site acquisition is not an assured component. Both examples above indicate how a negotiated agreement can fail due to factors beyond the direct control of participants. A major obstacle to successful site acquisition is the issue of neighborhood impactation as agreements for replacement units have required that replacement housing be undertaken in such a way as to not further aggravate this problem.

There is a need to look at the HUD viability review process as more than just a reasonable cost test. The value of the process has been to prevent "excessive" cost when other alternative solutions can be implemented. Partial and on occasion full demolition has been a common alternative. In cases where the number of units involved is small, replacement units appear to be feasible. Trying to develop replacement units on a large scale without greater flexibility with respect to the impactation rules could lead to limited progress and follow-up litigation when units are not replaced within the required six-year time period.

## VII. RECOMMENDATIONS

HUD's viability review process achieves its basic goal of getting PHAs to consider certain planning elements that integrate operational and capital issues. But this process does not necessarily identify distressed developments. Rather, it only identifies those for which the physical modernization treatment exceeds the threshold for the reasonable cost test. Therefore not all developments defined by NCSDPH as distressed public housing will be identified. Several recommendations related to HUD's viability review process that should be considered:

### 1. **Relating viability and severe distress.**

The feasibility of tying the HUD viability review to a profile of high need developments should be explored using the criteria developed by the Commission to identify severe distress.

### 2. **Use of CGP funds**

Congress should instruct HUD to allow CGP funds or another source of funds to be used immediately on all developments that cross the 90 percent threshold of TDC reasonable cost to stabilize the development by transferring residents into viable structures and taking the remaining structures off-line pending the development of workout plan. HUD should develop a notion of reasonable operating costs for deprogrammed buildings which require security, periodic maintenance and inspection, and usually incur some utility costs. The process of identifying and establishing reasonable operat-

ing costs should be part of the recommended program for determining separate allowable expense levels for severely distressed public housing developments( discussed in Chapter Four).

### **3. Resident Involvement**

Not all PHAs can perform the analysis and planning for developments whose conditions are considered distressed. Although new CGP procedures bring residents into the process through a public hearing, residents and community representatives need to be involved in the workout process earlier as both are more likely to concur on alternative solutions if they find that the analysis and planning steps are thorough and representative of resident needs.

### **4. MROP as a workout program**

The CGP funding formula was developed to account for limited redesign and physical changes related to current codes, addresses the need for unit reconfiguration. It was not designed to accommodate the type of property workout that a severely distressed housing development requires. Modernization funds are a substitute for the replacement reserve which the conventional low rent program does not possess, and which almost all private sector real estate development are required by lenders and portfolio managers to maintain. An MROP-type program is needed to take the severely distressed property workout from its planning stage through its implementation in a timely manner with no uncertainty as to the level of financial commitment once the workout plan is developed. This program should be allowed to spend in excess of 100 percent of TDC if it will assure viability, relieve distress, in cases where HUD and the PHA cannot demonstrate that a replacement program for units is feasible in less than a six-year period. Congress may want to consider making site control within three years for replacement as a requirement.

### **5. Seed Money**

PHAs must have access to seed money for community revitalization. This independent source of funds, which could be obtained through the Community Development Block Grant program or special planning set-aside grants that flow directly to PHAs, would enable PHAs to leverage local cooperation.

### **6. Costs to be included to meet the threshold**

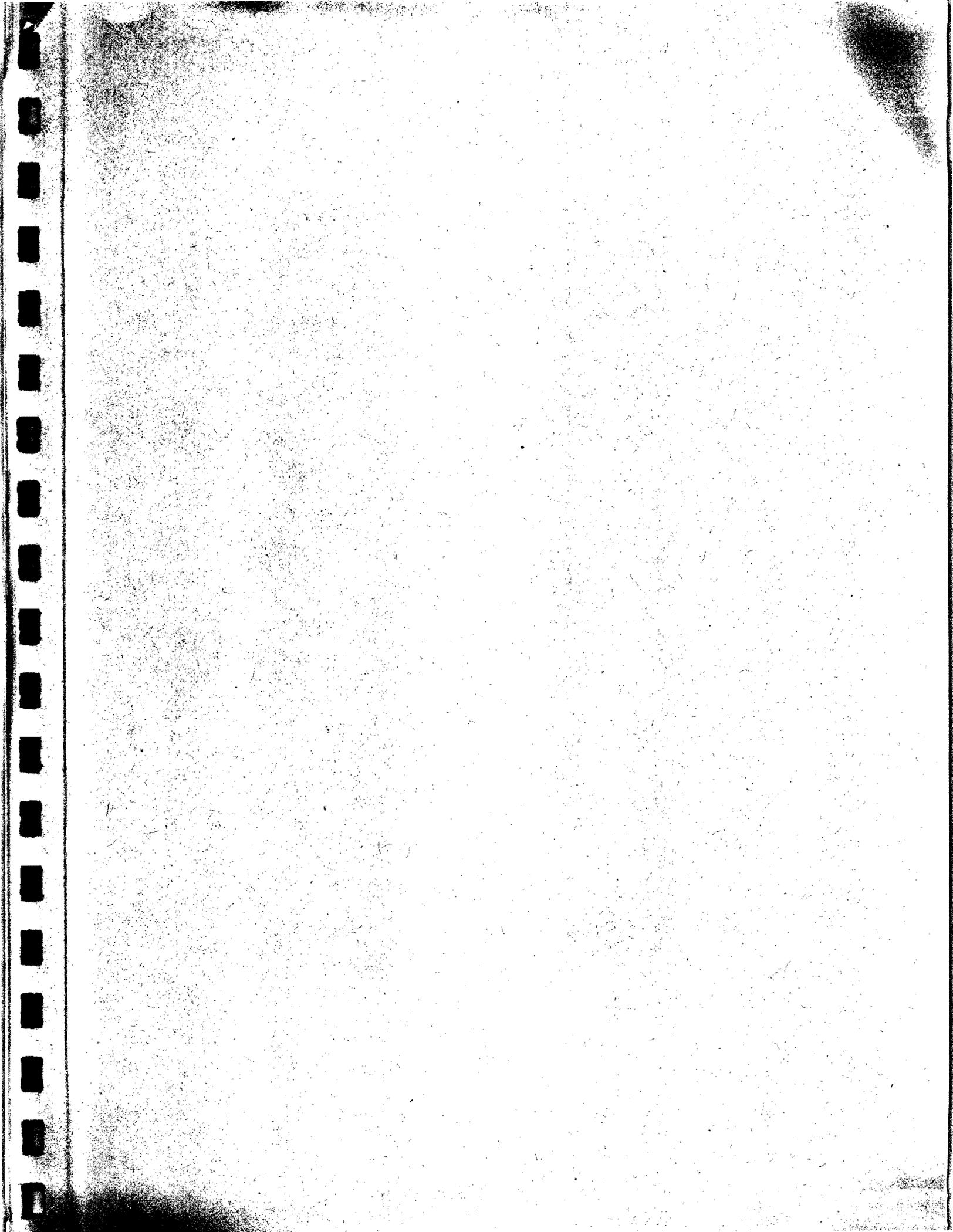
Accessibility costs and hazardous material abatement costs should not be factored into the HUD viability review reasonable cost threshold. These costs, however, should be taken into account in the overall planning and feasibility consideration. Hazardous material abatement costs should not be a reason that a development is found non-viable unless the lead paint is a non-abatable active hazard. This is an environmental issue not a cost issue. In such cases replacement units are expected to be part of the overall treatment of the severely distressed public housing development.

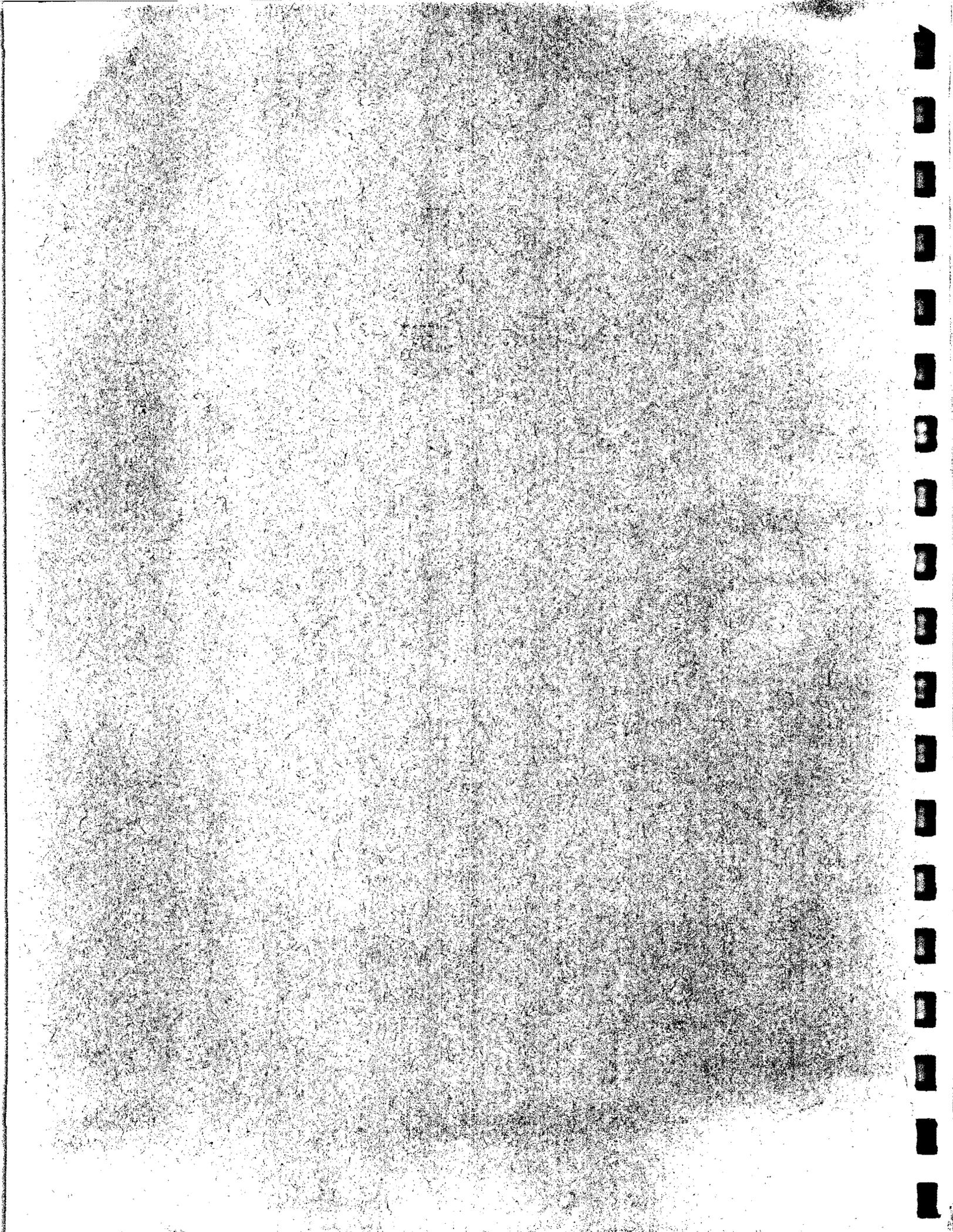


**ENDNOTES**

- <sup>1</sup> The term "workout" is often used for distressed, privately owned housing and is taken from the corporate world's practice of restructuring failing and bankrupt companies by bringing in a temporary, outside management team.
  - <sup>2</sup> Information comes from *Public Housing in Peril* published by the National Housing Law Project in 1990.
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Chapter 7

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*Regulatory and Statutory Barriers to  
Effective Public Housing Management*

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**CHAPTER 7**

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*Chapter 7:****Regulatory and Statutory Barriers to Effective Public Housing Management*****I. INTRODUCTION**

The National Commission on Severely Distressed Public Housing's authorizing statute directed the Commission to conduct a comprehensive review of the public housing program in order to make specific recommendations on aspects of the program that could be changed to address severely distressed public housing. Thus, the Commission has examined modifications that could help PHAs better manage severely distressed public housing.

As discussed in previous chapters of this volume, the nature of severely distressed public housing is fundamentally different from a stable public housing development environment for many reasons. Not only have the public housing resident population's needs changed over the past three decades, but in severely distressed public housing problems of drug trafficking and concentrations of poverty are compounded. Crime levels have risen dramatically to the point where personal security is the chief concern of residents across the country living in severely distressed developments. Finally, the buildings themselves have been subjected to decades of neglect including a lack of modernization as well as use and abuse under conditions for which they were not designed. Flawed original design in many cases has led to the use of buildings and large indefensible common spaces (stairwells, hallways) for criminal activity and gang hang-outs, which invite graffiti and vandalism of building security features such as fire doors and lighting fixtures.

Responding to the problems cited above requires comprehensive treatment of development sites. The Commission has therefore conducted a preliminary examination of the statutory, regulatory and operational barriers that PHAs, residents and public housing interest groups have cited as restricting PHAs in fulfilling their mission. The Commission is recommending that in the future HUD's Office of Policy Development and Research conduct a thorough analysis of the regulations and statutes that may create barriers to effective public housing operations and modernization. This effort should be conducted with the assistance of public interest organizations such as Council of Large Public Housing Authorities (CLPHA), National Association of Housing and Redevelopment Officials (NAHRO), Public Housing Agencies Director's Association (PHADA) and National Association of Resident Management Corporations (NARMC). Please note that this recommendation is listed in Chapter 9 of the report.

As described earlier, the public housing resident population has changed dramatically in the past two decades. However, to a large extent, the regulations governing the program have not been altered to reflect these changes. Federal statutory mandated preferences, income standards and rent-to-income ratios have effectively excluded the "working poor" whose incomes range from fifty to eighty percent of the area median income. As a result, the Commission believes certain regulations dictating rent calculation, operating subsidy calculation and modernization have actually destabilized resident households and their living environment at public housing developments. This chapter addresses regulations in the areas of operating subsidy, rent regulations, dis-

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ressed developments, economic development, and management operations that adversely affect PHAs' ability to address conditions at severely distressed developments.

## II. RENT REGULATIONS

Public housing tenant selection, rent calculation, and income eligibility regulations have had the effect, to date, of screening out all but the poorest households for public housing. Public housing developments have become severely distressed due in part to the fact that the resident population has become increasingly poorer and contains a high percentage of households whose only source of income is public assistance. Nationwide, it is estimated that about three quarters of the public housing population now lives below the poverty threshold, and that the majority of households in large public housing authorities have incomes below 20 percent of the local median income.<sup>1</sup> Isolating one income group creates a stagnant environment of the poorest of the poor, whose despair is self-perpetuating, creating an image of public housing as "housing of last resort," and excluding those working poor households who need an affordable home while improving (or simply maintaining) their economic security. Thus, although public housing should indeed be a resource for families needing assistance, it should be available to more than just one income group.

In fact, under current rent calculation and income eligibility regulations, there is little incentive for public housing residents to seek and maintain employment. A resident making the transition from public assistance to employment faces an immediate rent increase with no cushion or transition period in which to set aside some savings. Another dis-incentive to become employed is the immediate loss of other public assistance benefits for families receiving public assistance. Since benefits such as Medicaid and food stamps are based on income, families with sudden increases in income face immediate and substantial reductions in these benefits. If public housing residents were permitted to retain these benefits for a transition period, perhaps six months, they could afford to absorb the other cost increases associated with working, such as daycare and transportation. Some recent census data suggests that a significant number of households with working members have incomes below the poverty line. Further, as demonstrated by the San Francisco Housing Authority's "Study on the Effects of Rent Calculation on Work Incentives" (October 15, 1991), households receiving public assistance actually have more disposable income remaining after rent is paid than households reporting earned income. This is because the rent calculation formula has a built-in disadvantage to working families in that rent is calculated based on gross income, i.e. before taxes, rather than net income. The Commission believes that there is a strong need to provide publicly assisted housing to households who have employed members. Regulations should be modified to support stable working families and create a mix of incomes in public housing. The Commission believes the public housing program cannot be operated in a way that further isolates severely distressed public housing.

Some positive steps have been taken by the Congress to permit the retention of higher income households in public housing. Through ceiling rents, PHAs have greater flexibility to set rents at a maximum that can be more affordable and appropriate for low income households with working members. Currently, this maximum rent level may only be applied for five years. At the end of five years, households with income higher than the eligibility levels must move out and find other housing. The process for setting the ceiling rents needs to be examined and the five year limit should be extended.

Congress should amend Section 3(a)(2) (A) of the 1987 Housing and Community Development Act to remove the ceiling rents time limitationst.

Finally, PHAs are required to offer units to families by income range. Under the public housing admissions regulations (24 CFR 913.104), seventy five percent of the units that were built before October, 1981 are available only to very low income families. Of units that were built after that date, ninety-five percent are set aside for very low income families (50 percent of local area median income). The remainder of units are allowed to be offered to low income families, or those in the income range of 50 - 80 percent of local median income. These low income households are thus squeezed out of public housing. These working poor also need assistance in establishing economic security and preparing for homeownership, but are denied public housing as a resource. PHAs should be allowed to admit residents based on a range of eligible income levels to promote a higher level of economic activity within these communities.

At the New York City Housing Authority, which is known for its high percentage of high-rises and a high percentage of working families, tenant selection is conducted on a three-tier income basis. The income tiers ... based on percentage of local median income ... and the rate at which applicants are drawn from them are as follows:

**Table 1**  
**Income Tiers**

Tier	Computer Selection	Income Distribution of Residents
Tier III: 50 - 80 %	25 %	13.4 %
Tier II: 50 % or below	37.5 %	32.4 %
Tier I: 50 % - welfare	37.5 %	54.2 %

### III. OPERATING SUBSIDY

As the resident population and the nature of many public housing environments have changed, so has the PHAs' needs for funding. The Performance Funding System (PFS), through which PHAs receive most of their operating funding, was implemented in 1975 and was intended to account for the operating costs of high performance housing agencies of that period. However, as noted in Chapter 4, many of the service requirements for PHAs today were not needed when the PFS formula was created, yet the formula has not been modified to reflect PHAs' growing responsibilities or the resources needed to manage severely distressed public housing.

Based on research done for the case studies and meetings with residents, the primary concern of residents at severely distressed public housing is a lack of personal security. Living environment conditions have worsened dramatically due to the spread of drugs and drug trafficking on public housing property. Many public housing buildings are designed without regard for safety and access control; high rises have open elevator galleries that serve dozens of units and many developments have large open spaces that are unprotected. Security services, to protect residents from gangs and drug dealers, are a necessity for PHAs to be able to provide a safe living environment. The NCSDPH encourages the continuation of drug elimination funding but recommends that operating subsidy be increased to provide greater support for the public safety needs of severely distressed public housing developments.

Another type of expense that is not always eligible for funding under the PFS is costs for management improvements, including social services programs for residents. Existing formulas for addressing the restoration of distressed developments heavily emphasize the physical aspect of renovation. However, the residents of these developments are also socially "distressed" and have great needs for assistance in improving their living conditions. Indeed, all efforts at restoring developments will be lost if residents' needs are not also included in the effort.

Funding for management improvements is available only through the modernization program (Comprehensive Improvement Assistance Program, CIAP, or Comprehensive Grant Program, CGP) and funding for resident initiatives and social services is extremely limited. PHAs have indicated that often they must choose between funding management or capital improvements under the modernization program. However, severely distressed developments need assistance and incentives for residents to participate in the development's turn-around just as much as they need funding for the restoration of deteriorated buildings. Management improvement funding could be used for a wide variety of resident activities, including assistance for economic development, provision of social services such as health care, or training for resident organizations that would lead to developing management capacity. The Commission recommends that a separate program be established specifically for management improvements, which would enable organizations to apply for and receive funding support for needed management changes including support for the development of a resident management component or program for the housing development to be modernized/redeveloped.

In Chapter 3, the NCSDPH recommends that steps be taken to end the institutional abandonment and isolation of households residing in severely distressed public housing. The Commission recognizes that at the federal, state and local level, funds are directed toward the provision of social and support services. However, these services are not always directed toward severely distressed public housing since it appears that some perceive the social service needs of these households as the PHA's responsibility. PHAs need to take responsibility to insure residents have access to needed services that are available through other organizations. To do this they need resources to seed, attract, coordinate, and, in some cases, supplement services provided through other organizations.

The Performance Funding System needs to be updated to reflect the costs of providing the array of services required to manage severely distressed public housing developments. Current PFS regulations inhibit adjustments to funding levels to support the appropriate level of operating services for the type (condition) of housing and the households residing in severely distressed public housing.

Despite legislation passed under the 1987 Housing and Community Development Act, HUD only recently issued regulations that allow PHAs to appeal their Allowable Expense Levels (AELs). It appears that the appeals process changes to the regulations will not have a significant impact on larger urban PHAs with severely distressed public housing developments. It is these developments which the Commission is most concerned with and this is the reason why recommended changes in funding are directed toward severely distressed public housing developments. Funding levels at housing developments reviewed for the case studies appear to be inadequate to support all the management and support services needs of the housing developments that are considered necessary by the PHAs and to cover the costs of services being proposed by the Commission in this report. PHAs alone cannot be expected to address all of the condi-

tions of poverty and distress found in severely distressed public housing developments. The NCSDPH has not made specific recommendations for more broad based changes to provide operating funds for all public housing developments because this is beyond the Commission's scope. The NCSDPH is aware that the Congress has authorized two studies concerning funding for public housing under Section 524 and Section 525 of the National Affordable Housing Act. The drafts of these studies and reports were not released to the NCSDPH by HUD.

Even though resident management corporations are heavily encouraged by HUD to assume responsibility for their developments, they are not provided with the funding necessary to turn around a distressed development. Even though these developments are known to have far greater needs than stable developments because of criminal activity and the need for social services, resident management corporations are restricted in the amount of funding they may receive when they assume management responsibilities at a severely distressed development. Pursuant to the calculation of operating subsidy (24 CFR Part 964) for resident management corporations, Section 20(e)(1) of the Housing Act of 1937 requires that a portion of the operating subsidy allocated to a public housing development managed by an RMC shall not be less than the per unit monthly amount provided by the PHA when the development was under PHA management. As discussed above, operating subsidy levels for these developments have consistently been found inadequate to address the severely distressed conditions of the buildings and residents' living environments.

It is noted that the PFS has been modified to allow PHAs to take advantage of savings resulting from energy conservation measures so that PHAs can leverage outside resources to fund energy conservation improvements through performance contracting.<sup>2</sup> However, the 1987 Housing and Community Development Act needs to be modified to allow greater access to these resources for severely distressed public housing developments which have had a distorted energy consumption history due to the presence of vacant units and vacant buildings. If PHAs are required to use actual energy consumption data for severely distressed developments, high vacancy rates and/or deteriorated, inefficient utility distribution systems would distort energy consumption levels. The PFS rules pertaining to performance contracting should be modified to allow the development of a hypothetical utilities consumption level based on what consumption could have been had the full development been in operation. This would permit a more realistic utilities expense level to be used for purposes of determining the cost savings which are to be applied toward making improvements in building systems and heating plants. The change proposed above would increase the likelihood of greater private investment in programs to treat severely distressed public housing.

#### IV. DISTRESSED DEVELOPMENTS

By definition, severely distressed developments are different in their needs from troubled Public Housing Agencies, yet HUD only addresses the latter and offers no assistance for the former. In order to help PHAs address the specific management and funding problems associated with these developments, HUD needs to acknowledge that severely distressed developments are different from stable developments, have greater needs and require substantial additional assistance. Large and very large housing agencies today have enormous variety within their housing portfolio, which can span several decades and types of construction, as well as several different neighborhoods of a city. However, the public housing regulations which appear to give the greatest emphasis to variations among the operations of housing developments are the

project-based accounting regulations, which require PHAs (with 250 or more units) to account for costs and expenditures at the project cost center level beginning in 1993.

HUD can take steps to specifically address distressed developments by formally implementing the Major Reconstruction of Obsolete Properties (MROP) program, which was initiated by the Congress. HUD has operated this program through the use of PIH notices and Notices of Funding Availability (NOFA) only, and continues to operate the program as a temporary, year to year program. HUD has yet to issue regulations on the program or produce a handbook guiding PHAs on how to gain access to and use these valuable funds.

As discussed in Chapter 5, the limited availability of MROP funds for high needs developments has led to the selective funding of small portions or phases of larger redevelopment efforts, with no assurance in future years of additional funding for remaining phases. In addition, MROP funds cannot be used for any management improvements, which must be funded out of operating funds or through the CIAP (and now also Comprehensive Grant) program. In the NCSDPH case studies, MROP funding is being utilized for portions of turn-around efforts at three currently distressed developments. PHAs are using existing CIAP funds for other work at the distressed developments and are looking towards the annual Comprehensive Grant Program allocations for additional funding. This has led to complex project management requirements as MROP and CIAP funds cannot be mixed for work within the same unit or building; separate bidding packages can be required which adds to the overall complexity of the design and construction management effort.

The Commission believes that an expanded MROP program would serve severely distressed developments well, and that part of this expansion should include a management improvements component specifically for these developments. PHAs need to be able to treat severely distressed developments as a whole, rather than conducting piecemeal modernization which could take many years and compel PHAs to approach the rehabilitation of severely distressed public housing in a manner which is neither cost effective nor efficient. Stretching out the restoration process is not cost effective, as construction costs are subject to inflation and it is expensive for a PHA to maintain parts of a development for living space while managing construction in other areas. PHAs also need the flexibility to decide whether to reconstruct or rehabilitate a development, which is currently restricted by the type of funding used. A management improvements component is crucial in order for residents to benefit from the turn-around, since the comprehensiveness of the planning process and the involvement of residents will in large part determine the success of the redevelopment.

In planning redevelopment projects, HUD must also acknowledge the higher costs of addressing severely distressed public housing. HUD uses a percentage of Total Development Costs (TDCs) limits as a cost control measure. These limits are at times too low since they do not provide for certain costs associated with the rehabilitation of existing public housing or the costs of constructing replacement housing. Application of TDCs to cost estimates of redevelopment is often flawed from the start because the TDCs themselves may be based on totally different construction circumstances; the materials used as the basis of TDC limits are often far more modest than what would be required to reconstruct or rehabilitate a building with a planned twenty year viability cycle. Even when a PHA is restoring a property that it owns, significant site improvements are often required; estimates of these costs are not included in HUD's TDCs. Treatment of severely distressed public housing is also more costly because of the need to correct problems in existing buildings, rather than simply construct new

building components. For example, construction work on existing buildings to correct design flaws, replace obsolete building systems or buildings, or modify cheap original construction requires more site preparation, construction phasing, or selective demolition, all of which can be more expensive than TDC limits allow. Further, TDCs account only for the "hard" construction costs of a unit, but do not allow for "soft" costs which have been discussed in other sections of this report.

HUD employs two basic mechanisms for controlling the development of federally-assisted housing: maximum cost guidelines and minimum design standards. The goal is to produce modest, non-luxury housing for low income persons that "provides for efficient design, durability, energy conservation, safety, security, economical maintenance, and healthy family life in a neighborhood environment".<sup>3</sup> For the development of public housing, HUD establishes total development cost (TDC) guidelines and limitations. Current TDC limits are based on a statutorily required methodology using construction cost data from commercial indices (determined by the average of at least two nationally recognized residential construction cost indices, for publicly bid construction of a good and sound quality) and multiplied by factor of 1.6 and 1.75 for elevator and non-elevator-type structures, respectively. TDCs vary by geographic location, bedroom size, and structure type (detached and semi-detached, row dwelling, walkup and elevator). Although initial fund reservations may not exceed TDC limits, the HUD Regional Administrator or the Assistant Secretary for Public Housing can approve higher costs -- up to 110 percent of TDC limits - with adequate justification.

TDCs for public housing development are also employed for modernization activities. The CIAP program uses 62.5 percent of TDC (for non-high-rise structures) as one of the thresholds for the viability review (discussed in Chapter 5). This percentage equates to the approximate "hard" construction costs and excludes items such as land acquisition. The MROP program has in the past funded rehabilitation costs between 70-90 percent of area TDC limits. The new Comprehensive Grant Program allows modernization costs up to 90 percent of TDC. Experience from the case study turnaround sites indicates that given the unique problems of redeveloping severely distressed public housing, total costs for the effort will in many instances exceed 90 and 100 percent of HUD Total Development Cost limits.

## V. ECONOMIC DEVELOPMENT

In addition to addressing the physical needs of severely distressed public housing, the Commission's main premise is that residents' needs must also be addressed in order to have a successful rejuvenation effort. In conjunction with adapting regulations to acknowledge the needs of individual developments, changes should reflect the needs of residents for economic development assistance and self-sufficiency incentives. While some such programs do exist, such as the Family Self-Sufficiency and Gateway programs, there are still barriers in the body of HUD regulations which if removed could be of benefit to residents.

The Commission has identified the concept of enterprise zones as a resource which could be made available to public housing developments. In areas where enterprise zones already have been designated, severely distressed developments could be linked to the zones and therefore be granted the same benefits. Distressed developments are often located in neighborhoods which meet the criteria for enterprise zones, e.g. tests for pervasive poverty, unemployment and general distress (home abandonment and infrastructure deficiencies). Designation as an enterprise zone would benefit distressed

developments in several ways. It would require that the development be awarded the same benefits (i.e., state and local government assistance and planning attention). The development would thus be brought into the sphere of a wider planning and restoration effort. Enterprise zones also receive special assistance from HUD in the form of priority funding, program set-asides, and the provision of technical assistance for economic development activities. Finally, the requirements for participation by state and local governments ensure support for the enterprise zone with a specified course of action for community revitalization. Examples of activities undertaken to benefit the zones are jobs and job training, technical assistance, and financial assistance.

Another method of revitalizing depressed communities is allowing PHAs to redevelop existing distressed public housing communities in that neighborhood. Current public housing regulation 24 CFR 941.202 (c)(1), Site and Neighborhood Standards, prohibits PHAs from constructing or acquiring units in an "over-impacted" neighborhood with a multitude of low-income housing or high concentrations of minorities. However, those restrictions are not placed on community development corporations (CDCs) or other non-profit housing sponsors. These regulations should be altered to allow PHAs to acquire or build units in "over impacted" areas as part of a comprehensive economic development and revitalization plan

## VI. MANAGEMENT BARRIERS

Finally, both PHAs and RMCs are limited in their ability to manage severely distressed public housing by HUD regulations.

HUD's policies do not acknowledge the variety of needs within a PHA's housing portfolio. For example, flexibility in budgeting would help PHAs to manage their portfolio more effectively, yet HUD approval is often required for minor line item adjustments. HUD's handbooks<sup>4</sup> are intended to provide "requirements and procedures relating to the financial management of public housing projects administered by PHAs." However, the handbooks actually promote HUD's micro-management of public housing agencies' financial actions. PHAs must be given the authority to make changes within line item categories in order to respond quickly to distressed conditions within their developments.

HUD guidelines (in notices and handbooks) specify staff to unit ratios for elderly and family housing. Findings from the case study research clearly indicate that typical staff ratios needed for severely distressed developments are much lower than those specified and funded by HUD. These strict staff ratios should be changed to permit flexibility by PHAs to address special circumstances in distressed or nearly distressed developments.

Resident Management Corporations (RMCs) are limited in their funding sources. Section 20 of the U.S. Housing and Community Development Act of 1937 (P.L. 100-242) provides HUD with the authority to promote resident management in public housing as a means of improving existing living conditions. There have been some positive social and housing management benefits as a result of resident participation in management. These include job creation, reduction of crime and welfare dependency, increase in rent collection, greater compliance with lease requirements, enhancement of community services, and improvements in property maintenance. Under a management contract with PHAs, resident management corporations (RMCs) can help manage more

successfully by screening residents, counseling residents, and assisting in maintaining buildings and common grounds.

However, RMCs have limited access to funding . One limitation on the RMCs is the Public Housing Drug Elimination Program (PHDEP) restriction on organizations eligible for funding: HUD is not authorized to permit RMCs to apply directly for available funds to assist them in attacking drug abuse conditions in their developments. The elimination of drug problems is of paramount importance for a housing development to maintain its viability. This restriction presents a serious impediment to resident management.

There are also statutory provisions that limit the amount of technical assistance grants provided to RMCs and resident councils at \$100,000. These grants are used to develop capability building , which can, in some cases, take more years than originally expected. In order to increase the resources available to conduct training and capacity building under Technical Assistance Grants, the current ceiling of \$100,000 per RMC should be lifted.<sup>5</sup>

## VII. SUMMARY

Several regulations must be modified in order to improve the ability of PHAs to address the conditions of severely distressed public housing. Presently, rent calculation regulations create a disincentive for working families to live in public housing. Their departure from public housing communities leaves residents with little opportunity for commercial activity or with opportunities for employment. The Performance Funding System must be modified to better reflect PHAs' current needs for addressing distressed public housing. Further, HUD's policies do not provide specific guidelines for assisting PHAs to manage distressed developments. Finally, economic development is needed in severely distressed communities. The Commission has several recommendations for addressing policy changes in these areas.

The following is a list of the regulations and policies that the NCSDPH has indicated should be modified or removed in order to provide PHAs with the management flexibility they require to address severely distressed public housing. The recommended changes are listed in groups according to their statutory or operational nature.

### 1. Rent and Income Eligibility Regulations, Statutory

In order to promote economic stability in public housing communities, rent calculation regulations should be changed to provide incentives,, for seeking jobs and increasing household income:

- Modify rent determination regulations so that working poor families are not penalized;
- Remove time limits on rent ceilings; and
- Allow mixed income developments, i.e. raise the percentage of low income households (50 - 80 percent of local median income) allowed to be admitted.

### 2. Operating Subsidy, Statutory

PHAs' responsibilities have grown over the past two decades beyond the original assumptions made when implementing the operating subsidy formula for PHAs. Severely distressed developments also consume greater resources than stable develop-

ments and their costs therefore need to be accounted for. Therefore, the Commission recommends changing the following regulations:

- Update Performance Funding System formula to reflect PHAs' current needs for managing severely distressed public housing;
- Make expenditures for security services at severely distressed developments an allowable add-on expenses to be funded through the PFS;
- Make the subsidy adjustment appeals process more flexible so that large PHAs with severely distressed public housing can benefit and address difficult management conditions;
- Allow establishment of a hypothetical baseline of energy consumption to allow PHAs to conduct performance contracting for energy conservation improvements;
- Allow additional operating funds to be used for funding social services programs, as resident services constitute an on-going need which must be addressed by PHAs (as a part of process referenced below); and
- Allow for a cost-based determination of an Allowable Expense Level (AEL) for severely distressed public housing as outlined in Chapters Three and Four.

### **3. Distressed Developments, HUD Policies**

HUD's policies and regulations are aimed at providing guidance and assisting troubled PHAs, but there is no assistance for PHAs in managing distressed developments. HUD should therefore make the following changes in its policies and handbooks:

- Issue program guidelines and a handbook for the Major Reconstruction of Obsolete Properties (MROP) Program;
- Expand the MROP program to allow funding of management improvement activities specifically for severely distressed developments and allow it to be used for replacement housing;
- Adjust Total Development Cost guideline limits to reflect the higher costs of treating severely distressed public housing and allow for funding at 100 percent of TDCs; and
- Modify Comprehensive Grant Program formula to remove biases against severely distressed developments.

### **4. Economic Development, Statutory**

Economic development stimuli must be provided to public housing communities if any revitalization efforts are to have a lasting impact:

- Link severely distressed public housing developments to enterprise zones so that the developments may benefit from the planned economic development assistance to the zone and be part of a coordinated planning effort; and
- Allow PHAs to acquire or build units in "over impacted" areas as part of a comprehensive economic development and revitalization plan in a severely distressed neighborhood.

### **5. Public Housing Management, Statutory**

- Allow RMCs to apply directly for Public Housing Drug Elimination Program funding rather than having to go through the PHA; and
- Provide greater levels of technical assistance to developing RMCs, since the period of developing management capacity can require a longer time period and more assistance.

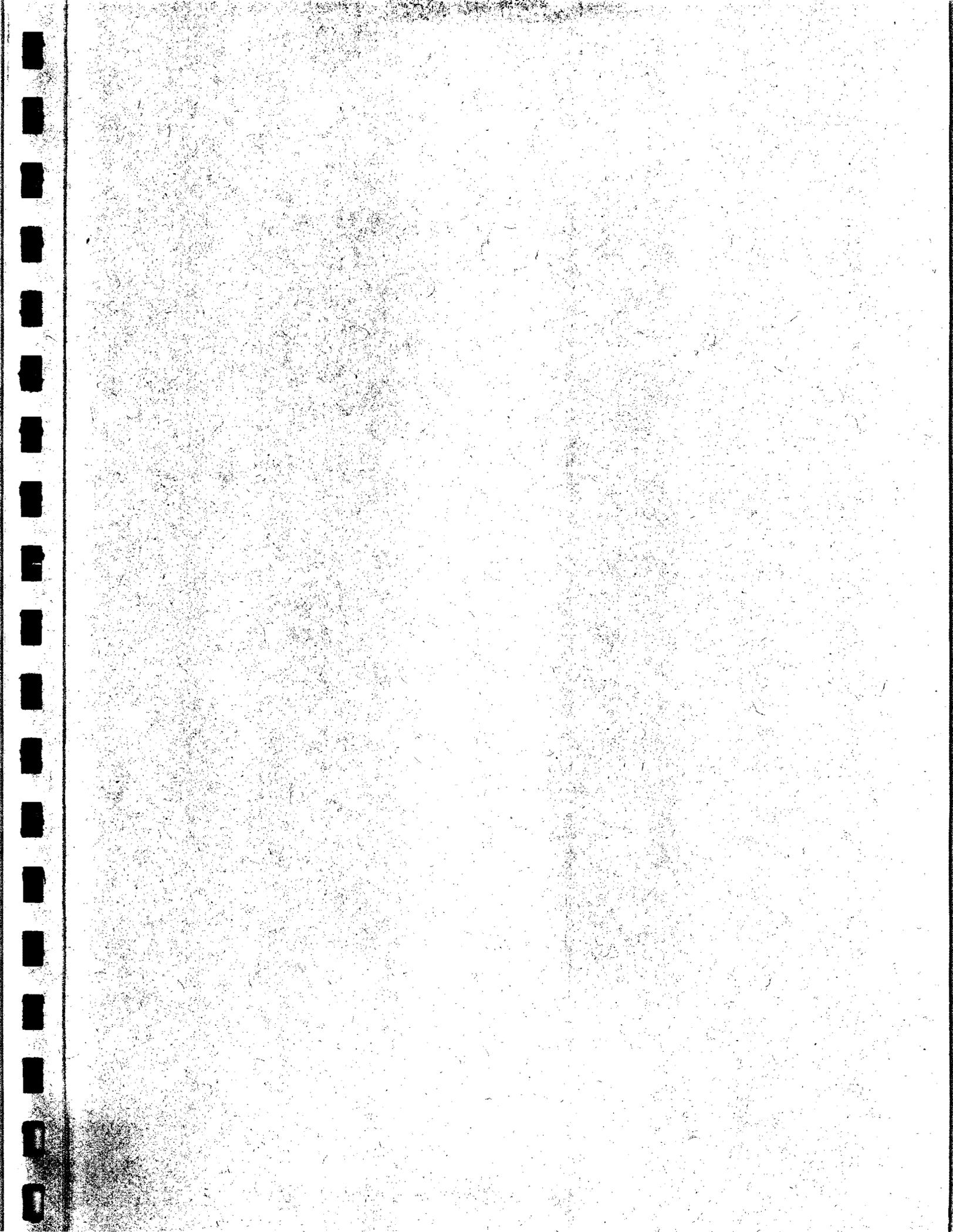
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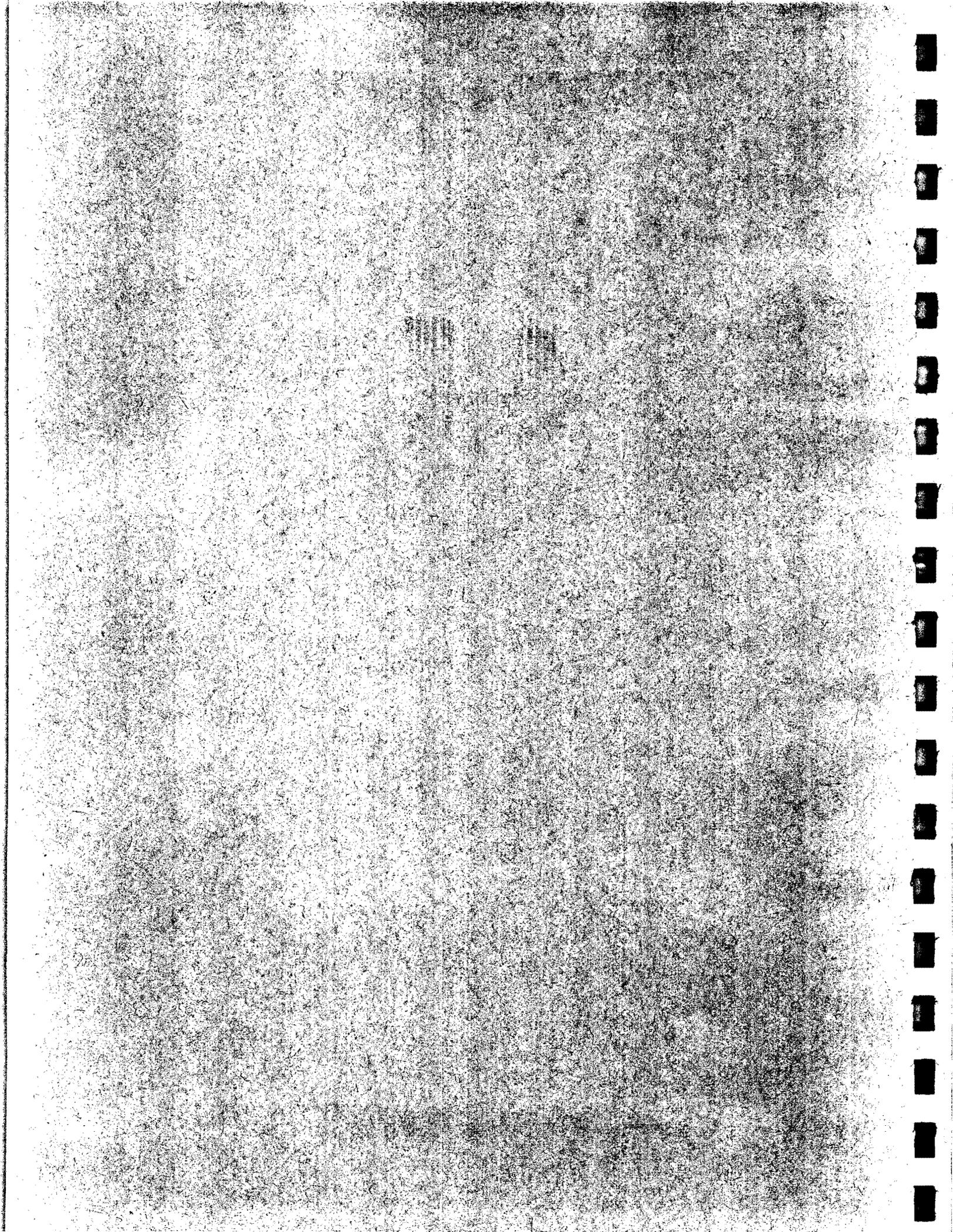
**6. Operational**

- Provide flexibility to PHAs in making line item budgeting decisions and changes;  
and
  - Revise staff to unit ratio guidelines used by HUD, for both maintenance and property management, to reflect severely distressed public housing's need for higher staff levels.
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**ENDNOTES**

- <sup>1</sup> See Appendix A "Occupancy Issues in Distressed Public Housing", Prof. Lawrence Vale, Massachusetts Institute of Technology.
  - <sup>2</sup> As defined more fully in 24 CFR Parts 905, 965 and 990 on Performance Funding System: Energy Conservation Savings, Audit Responsibilities, Miscellaneous Revisions, final rule date September 11, 1991.
  - <sup>3</sup> 24 CFR 941.406(a)(2)(ii) as referenced in HUD Notice PIH 90-16 issued March 29, 1990.
  - <sup>4</sup> HUD 7475.1 REV (Financial Management Handbook), HUD 7475.13 (Performance Funding System Handbook) and HUD 7510.1 (Low Rent Housing Accounting Handbook).
  - <sup>5</sup> "Report to Congress on Barriers to Resident Management in Public Housing," U.S. Department of Housing and Urban Development, Washington, D.C., February, 1991.
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Chapter 8

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*Evaluation and Performance Standards for  
Public Housing Management*

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Chapter 8:

# **Evaluation and Performance Standards for Public Housing Management**

## **I. INTRODUCTION**

During their site tours, public hearings and case studies, NCSDPH Commissioners have observed a relationship between severely distressed public housing and management competence. Although the Commission's definition acknowledges that severely distressed public housing is often the result of a combination of factors, it is quite clear that a strong management is required either to prevent a development's deterioration or to regain control and revitalize a public housing community.

Therefore, in addition to statutory changes to public housing program regulations, the Commission believes that a standard national system of assessing and accrediting housing agency performance should be developed. As in other such fields as higher education and health care, an accreditation system independent of the industry's regulatory body should be established to evaluate performance based on industry standards. PHAs are currently evaluated based on regulatory compliance, but such measures offer little guidance on how to improve operating systems for better results. The goal of an accreditation system is to evaluate the efficiency of systems, identify weak areas, and provide recommendations and assistance for improvements.

The system should be administered by an agency which is independent of HUD, both in terms of oversight authority and funding. The accrediting body would be authorized to develop performance standards based on those common to the industry, and would administer a system designed to provide incentives to PHAs for improving overall performance, basic systems, and daily operations. An essential element to a performance-based system is that it be based on the experience of and implemented by industry peers, rather than depending on the absolute outcome measures which are currently used.

After a brief explanation of the rationale behind an accreditation system, what follows is a discussion of the Commission's findings and the principles considered necessary for the foundation of an accreditation process. This chapter also contains a brief presentation of HUD's current management assessment program, as well as past federal and Congressional efforts at evaluating PHAs, and then makes recommendations on the establishment of an accreditation system that the Commission believes necessary to improve the management shortcomings that can lead to severely distressed public housing.

## **II. EVALUATE PHAs' PERFORMANCE THROUGH AN ACCREDITATION SYSTEM**

An accreditation system is inherently different in several important respects from a regulatory system. While a regulatory agency is concerned with verifying compliance with regulations and therefore must assign ratings on the basis of outcome measures,

an accreditation system is designed to measure the quality of performance and an organization's ability to meet goals developed internally and according to local needs. Assessment of an organization by an accrediting body is conducted by industry peers with experience in the field, and therefore technical assistance recommendations are also grounded in a practical operations analysis as well as field experience.

Public housing agencies would benefit greatly from a system of performance-based evaluation that analyze operations and individual systems rather than focuses on absolute standards. Currently, housing authorities are evaluated according to regulatory agency standards that prescribe outcome measures. Prescriptive outcome measures offer little guidance to PHAs on how to improve operations and do not allow consideration for circumstances beyond a PHA's control (or have improved but not yet shown dramatic results). Although management standards are meant to evaluate an organization's capacity to fulfill its purpose, simply measuring outcome statistics does not address the issue of process and the systems by which an organization provides its service.

Performance indicators, therefore, should be developed for use by PHAs that would serve as incentives and yardsticks for measuring competency. Such indicators would be applied to all areas of management so that a PHA's systems of data collection, tenant accounting, tenant selection, continued occupancy certification, maintenance, procurement and inventory control, and planning would all be evaluated for their contributions to the goals of quick turn-around of vacant units, total rent collection, efficient modernization activities, maintenance of accurate tenant data, competitive purchasing and accurate planning for capital improvements.

The accreditation process as applied in other industries has several components, all of which are aimed at analyzing and improving system operations. Performance measures would not be substitutes for standards in housing management, but rather would be used "to identify the need for an analytic evaluation of the quality of a particular aspect of [service] and to stimulate overall improvement in the quality of [service] provided."<sup>1</sup> Once an accreditation review has been performed, the results would be used to focus on areas within a PHA's operations which need particular attention; the accreditation agency would then provide technical assistance in a specific area.

The accreditation system should be a vehicle for providing *technical assistance*. While HUD's focus is on regulatory compliance and maintaining consistency of enforcement, obviously not all PHAs can comply with national regulations without adverse impacts in some areas of the country. Also, because of the wide variance in PHA sizes, housing agencies' needs for technical assistance vary greatly in their level of sophistication. A professional system of technical assistance would provide PHAs with the individualized attention required by the variance in local conditions and PHA histories. Thus, once a comprehensive accrediting review has been performed, the weaknesses identified in a PHA's systems would receive specific follow-up technical assistance through the accrediting agency's reviewers.

For example, severely distressed public housing developments are often located in neighborhoods with high crime rates and resident security may be at risk; perhaps during an accreditation assessment a development could be found to be sustaining a high rate of vandalism. After addressing the issue of how the maintenance department could adjust its priorities to respond to vandalism damages, technical assistance could be provided to a PHA to help organize public safety programs such as lock watch, resi-

dent patrols, safety procedures for children, and to help the PHA engage residents in these activities and coordinate with the local police department.

Peer evaluation is also an important element of accrediting systems implemented in other industries--e.g. higher education, health care and real estate--which responded to the need for better evaluative systems by establishing an industry-based, peer evaluation accreditation process. Such an accreditation system is based on participation from experienced members of the field who conduct management reviews of an agency's operations. An organization would thus be measured by the commonly accepted standards of the industry, as well as by peers who have had practice in addressing the same problems. Peer evaluation would likely be more acceptable than review by regulatory bodies whose staff may have only limited operations experience. The field of public housing has several national organizations with high levels of expertise from which it could draw for participation in the accreditation process, as well as a talented and experienced body of housing authority officials and staff.

### III. OVERVIEW OF FINDINGS AND RECOMMENDATIONS

Improved management must be a critical component of any strategy to address the needs of severely distressed public housing. The NCSDPH has observed that the conditions at severely distressed public housing developments can have a noticeable, adverse impact on a PHA and the management resources it directs toward other public housing units in its inventory which are not severely distressed. By addressing management needs and issues in severely distressed public housing, a public housing management provider (be it a PHA, a Resident Management Corporation or a private management agent) can be better prepared to address management of all of the housing units for which it is responsible for the delivery essential operating services. Therefore, it is the management requirements of public housing developments that are a major concern and focus of the NCSDPH.

Because conditions vary so widely among public housing developments, the Commission believes that public housing appraisals should be directed more toward housing *development based* operations to account more thoroughly and clearly for factors influenced by local conditions and the environment in which public housing exists. The Commission proposes that an accreditation system be structured in a way to identify more readily management problems which contribute to or accentuate conditions of severe distress. Such management problems might be the inability to adequately restore vacant units to occupancy, collect rents, undertake lease enforcement, assign and maintain adequate staffing, provide essential maintenance services, identify resident support service needs and resources to meet those needs in a community, or promote resident involvement and participation.

The Commission recommends that Congress establish a national accreditation system for public housing that is operated independently by an organization of public housing professionals. This recommendation is the result of careful consideration of management issues pertaining to conditions in severely distressed public housing. The Commission feels that an entirely new system for appraising and assessing management performance is required for most public housing, rather than a piecemeal approach which pertains only to severely distressed public housing. This change in the system for reviewing public housing organizations will not only improve assessments of severely distressed public housing, but will also result in a sounder method for addressing management performance throughout most of the public housing industry.

Most management assessment systems used by HUD tend to emphasize overall agency-wide indicators, as opposed to the specific conditions and activities at an individual public housing development. The type and level of operating services needed at one public housing development can vary from those required at another development. An accreditation system can evaluate an organization against its own needs and requirements and can separate more readily conditions or issues of concern which may exist at one housing development but not at another. Since the actions required to address agency-wide management problems and those at a public housing development can differ widely, the corresponding technical assistance or remedial measures needed should reflect the needs of a housing agency. Sanctioning an entire agency's public housing program, when problems are not present at most or all public housing developments, is not an effective approach for addressing management problems at a specific development.

The Commission feels that accountability for the public housing program must rest with the participants in the public housing industry. Any system which is operated outside the "industry" or is imposed by an outside organization, including HUD, will not provide a sound and acceptable framework for appraising management performance, set relevant performance standards, offer a process for taking strong and effective remedial measures, or to obtain focused, high quality technical assistance to address deficiencies in management performance. Neither HUD nor any other federal agency can independently address conditions in severely distressed public housing or the public housing program overall as effectively as the organizations which are responsible for the public housing program. Congress should not necessarily expect that HUD be responsible for finding all solutions for severely distressed public housing or other important problems in public housing. Rather, it should rely on the industry to provide solutions and make public housing providers and organizations accountable for addressing issues in the program. A national system of accreditation as described in this chapter provides for such an approach.

Congress, in its legislation regarding management performance and evaluation, stresses the need to use factors which are flexible and responsive to local conditions. An accreditation process is based partially on assessing an organization against its own plans and objectives. HUD has already laid the groundwork for such assessments by requiring that large public housing agencies (currently those with 250 or more units) prepare comprehensive plans. These plans must include a mission statement and corresponding objectives, and also must address both the management and capital improvement needs of a local public housing program. Thus, the accrediting body would engage PHAs in the assessment program by requiring them to conduct a self-assessment using their internally-developed goals and objectives as an initial measure.

By being required to participate in an accreditation system, PHAs will have the opportunity to attain the status of an accredited agency. Such status can be awarded or withheld pending improvements in housing management. The agency will be required to take corrective action, whether the problems are public housing agency-based or development-based, or risk not receiving accreditation. In cases where an agency does not receive accreditation or receives a qualified rating it can be required to obtain technical assistance which can be provided by its peers through the accreditation agency. If corrective actions are not taken an accreditation agency can be far more effective at pursuing actions which are now available under the 1990 National Affordable Housing Act.

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The Commission proposes that an accreditation system be phased in over five years by first making the system available to all agencies with 250 units or more of public housing (out of a total of 3,300 PHAs nationwide, approximately 800 housing authorities have 250 units or more). Organizations which meet certain standards to be set by the organization could be "grandfathered" for a period of up to three years while the initial reviews are directed toward organizations that are interested in an evaluation early in the program or have a clear need for assistance.

#### IV. INTRODUCTION TO THE REVIEW CONDUCTED BY THE COMMISSION

In examining issues affecting severely distressed public housing it has become clear to the NCSDPH that there are many factors which contribute to poor conditions in certain public housing developments. The development and implementation of sound management is one area where housing providers can give increased attention to help minimize the effects severely distressed public housing can have on residents of these communities. Management performance is not the only criteria (or may not even be a factor) in determining whether a housing development is considered to be severely distressed. Other factors, which may have little to do with the management services provided by an organization like a Public Housing Agency, may result in a public housing development being considered severely distressed under the definition developed by the NCSDPH.

In reviewing conditions of distress the NCSDPH has directed its work toward the following major areas.

1. The safety of the public housing community in terms of whether the housing development is considered by residents as a safe and desirable place to live;
2. The safety and economic and social viability of the surrounding community which pertains to the condition of the greater neighborhood in which a public housing development exists. This review includes the services available to residents of the housing development and the overall community;
3. The relationship between the local government entity and the PHA which includes issues affecting the level of services provided locally to residents of a public housing development and the cooperation between the PHA and the local government entity;
4. The degree of resident control or interest in a housing development which can include the lack of a strong resident organization or presence at a public housing development;
5. The loss of PHA control, which can be indicated by the lack of on-site management capacity, significant deterioration in the physical condition of the housing development, interference in the operation of the housing development from local government and other government entities, and a lack of social and economic diversity among the resident population;
6. The ability of the housing development to serve and function as a resident facility due to such problems as deferred maintenance, obsolete or deteriorated major systems, unit density, etc.

These factors do not necessarily result from poor property management but they certainly have a significant impact on management performance. Thus, while management of public housing often does not serve as the only cause of severe distress, in many cases a strong relationship exists between management performance and the condition of a development. At severely distressed and other harder-to-manage public housing developments, conditions tend to highlight weaknesses even in housing agencies with strong reputations for providing a high level of management services.

A fundamental responsibility of any housing manager is to control the living environment for residents' benefit. Even in the most deteriorated housing developments the presence of strong and effective management undertaken in concert with public housing residents can provide an opportunity for improvements in the quality of the living environment. The Commission does not question the need for sound management in order to undertake necessary improvements at a public housing development. Sound and effective management must accompany any investment in improvements in severely distressed public housing. However, using quantitative indicators alone as currently practiced by HUD will not provide an appropriate measure of whether there is adequate management capacity to address conditions of distress at a public housing development. Often, quantitative measures are an indication of many factors which contribute to severe distress and may not be indicative of management performance. This is often an issue for housing developments which are not considered to be severely distressed.

In reviewing housing management activities the NCSDPH has been instructed by Congress "to assess the most promising strategies to improve the conditions of severely distressed public housing projects that have been implemented by public housing authorities, other Government agencies at the Federal, State, and local level, public housing tenants and the private sector."<sup>2</sup> In keeping with this mandate the NCSDPH has attempted to examine systems for appraising management performance which have been implemented by other public and private organizations in the education and health care industries. Further, in this section of the chapter NCSDPH has directed its examination to issues of the appraisal of management performance and methods for assessing the management and operation of severely distressed public housing. Since management activities and programs do not exist in a vacuum, the NCSDPH believes that the review and appraisal of management performance must be directed toward the *housing provider* as well as the *housing developments* they operate.

Assessments of management performance must include both the quality of the services provided and the type of services provided, in order to reflect upon the operating environment. If an organization is not capable of providing certain services, or is not able to gain access to services which should be available from others (i.e. at the federal, state or local level), then any assessment of the type of services provided must account for these factors. A system which does not account for local factors and conditions ignores the constraints that an organization is operating under, and cannot provide for a sound evaluation of management performance. An assessment process must account for factors which impact the provision of essential operating services in order to determine the causes for management or operational distress. Without adequately determining the causes of distress, any effort at remedial action will have limited success. Therefore, a description of the environment in which public housing is being operated or managed, like any housing (even in the private sector), must be included in appraising performance.

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## V. PREVIOUS MANAGEMENT IMPROVEMENT PROGRAM AND ASSESSMENT EFFORTS IN PUBLIC HOUSING

In the 1970s HUD began to address the management performance of public housing providers. The first major program was the Public Housing Management Improvement Program (PHMIP), which provided funds to PHAs to undertake certain approved management improvements. This program was followed with the Target Projects Program (TPP) which was designed to link both "management" and "capital" improvements. The public housing community recognized that the needs of severely distressed public housing developments required both management and capital improvements in effectively addressing substandard conditions. The program was targeted to certain public housing developments (which in most cases would be considered severely distressed under the NCSDPH definition) so that a PHA could direct resources toward the overall improvement of the development. This program was later followed (in the late 1970s and early 1980s) with the Public Housing Urban Initiative Program (PHUIP) which in many cases was similar to TPP in that it was often targeted toward certain housing developments, although there was a separate PHA management improvement component. Both TPP and PHUIP allowed for agency-wide management improvements to be undertaken if appropriate.

One of the major objectives of the above programs was to develop model strategies that could be transferred to other housing agencies which could benefit from the development of systems funded by HUD. By developing management improvements and linking strategies (in some cases) to capital improvements it was expected that new management systems would more likely be sustained after the demonstration period had ended. By building the capacity of housing organizations and eliminating the causes of distress resulting from deteriorating physical conditions, it was hoped that the management improvements implemented by the PHA would make these organizations better-equipped to avoid the recurrence of such conditions in the future.

Many believe that the approach to the earlier programs was effective but that there were insufficient resources committed to the programs or basic operations to prevent severely distressed conditions from recurring at all but a few of the housing developments which participated in the demonstration programs. Further, due to resource limitations, conditions of distress would not always be addressed during the term of the program.

These programs were followed by the enactment of the Comprehensive Improvement Assistance Program (CIAP) which directed HUD to put increased emphasis upon the comprehensive modernization of public housing. This approach was aimed at permitting the use of CIAP funds for both management and physical improvements. This program was therefore based on a comprehensive approach to meeting the needs of a public housing development through capital improvements, management improvements and planning. In the view of many an overall lack of funds prevented the full implementation of this program. This program has been replaced for larger PHAs by the Comprehensive Grants Program which is in the process of being implemented. These programs are discussed in further detail in another chapter of the report.

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## VI. HUD PROGRAMS TO ASSESS MANAGEMENT PERFORMANCE

In the 1970s HUD began looking at the condition of PHAs in assessing whether further oversight and corrective action was needed. One of HUD's first steps was to develop a list of PHAs considered "financially troubled" and in need of increased oversight and attention. These PHAs were expected to develop financial work-out plans for improving the operations of public housing and ultimately increase operating reserves. HUD then began to focus on PHA operations, designating PHAs as "operationally troubled." The process for determining whether a PHA was operationally distressed and the work-out plans required of these PHAs was contained in a handbook issued by HUD in 1984 (7475.14).

Both of these designations were subsequently folded into a broader approach which required that PHAs designated as troubled would develop with HUD a Memorandum of Agreement (MOA), addressing conditions identified by HUD through its management review and oversight procedures. The MOA committed the PHA and sometimes HUD to actions geared toward improved performance in areas described in the MOA. These efforts are described in further detail elsewhere in this report.

In an attempt to decrease the regulatory burden on PHAs HUD developed, in the late 1980s, a list of seven indicators of PHA performance which if met would result in a PHA being relieved of certain regulatory and administrative requirements. This process was referred to as the "Decontrol Program" and contained seven measures where PHAs could be given a "recognized performer status" if the PHA met all the performance standards (HUD Handbook 7460.5 dated 10/87). These management assessment measures were:

1. **Operating Reserves:** exclusive of Tenants Accounts Receivable (TARs), are at least 30 percent of maximum Operating Reserves.
2. **Operating Expenses:** less than or equal to income.
3. **Annual Utility Consumption:** has not increased by more than five percent as compared to the average of the previous three years' rolling base consumption, which has been adjusted for variances in heating degree days (HDD).
4. **Occupancy:** PHA is a High Occupancy PHA or is meeting the occupancy goals of an approved Comprehensive Occupancy Plan (COP).
5. **Rent Collection:** annual rent collections are at least 90 percent of annual rents chargeable plus year-end rental accounts receivable.
6. **Unit Turnover:** annual average number of vacancy days per turnover is not more than 30 calendar days.
7. **Housing Inspections:** 100 percent of the dwelling units have been inspected using Housing Quality Standards (HQS) as a minimum standard.

The Decontrol Program was implemented aggressively in HUD's Region III but was discontinued by the current HUD Assistant Secretary for Public Housing following an audit by the HUD Office of Inspector General in 1989. This audit criticized the program for not being a sound measure of agency performance; and HUD staff not being consistent in designating PHAs as decontrolled (among other issues). Following the

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termination of the decontrol program HUD began reviewing other methods for better assessing PHA management performance.

## VII. CONGRESSIONAL AND HUD ACTIONS IN THE AREA OF MANAGEMENT APPRAISAL

The 1990 National Affordable Housing Act (NAHA) required that HUD develop and publish indicators to assess the management performance of public housing agencies; these indicators were meant to enable HUD to evaluate performance in all major areas of operations. Congress included the following indicators for HUD's use:

- The number and percentage of vacancies within an agency's inventory, including the progress that an agency has made within the previous three years to reduce such vacancies;
- Amount and percentage of funds obligated to the public housing agency under section 14 of this Act (i.e. modernization program) which remain unexpended after 3 years;
- Percentage of rents uncollected;
- Energy consumption (with appropriate adjustments to reflect different regions and unit sizes);
- Average period of time that an agency requires to repair and turn-around vacant units;
- Proportion of outstanding maintenance work orders, including any progress the agency has made during the preceding three years to reduce the period of time required to complete maintenance work orders;
- Percentage of uninspected units in which an agency fails to ascertain maintenance or modernization needs within such period of time as the Secretary deems appropriate;
- Any other factors that the Secretary (of HUD) deems appropriate.

These factors were used by HUD to develop a set of national review standards to be applied in assessing the performance of PHAs. They are outlined in the proposed regulations for the Public Housing Management Assessment Program (PHMAP).

The PHMAP-proposed rule was first published for public comment on April 17, 1991 and essentially included 39 measures on which PHA performance would be evaluated. The factors were developed by a HUD working group which, it appears, was created as a part of the HUD "strike force" used to address problems uncovered with certain PHAs in New Jersey. The initial draft of PHMAP factors was circulated in a report issued in May, 1990. Following this draft a contractor was apparently engaged to assist in the further development of the factors which were eventually published in the *Federal Register*.

In response to concerns that the proposed PHMAP was using far too many indicators, Congress included language in HUD's FY '92 appropriations bill that apparently intended to reduce the number of factors used to assess PHA performance. The appropriations bill directs HUD to employ up to twelve factors in assessing agency perfor-

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mance (which would appear to be five more factors under "H" above in addition to factors A through G). The bill also indicates the following:

"The Secretary shall: (1) administer the system of evaluating public housing agencies flexibly to ensure that such agencies are not penalized as a result of circumstances beyond their control; (2) reflect in the weights assigned to the various indicators the differences in the difficulty of managing individual projects that result from their physical condition and their neighborhood environment; and (3) determine a public housing agency's status as troubled ... based upon factors solely related to its ability to carry out that [modernization] program."

The above changes appear to reflect a desire on the part of Congress to have assessments of management performance based in some measure on local conditions and the individual circumstances of a PHA. Accordingly, HUD indicated that it would reduce the number of factors used in the PHMAP assessments. A draft of the final rule did incorporate changes based on the new appropriations bill as well as the public comments received concerning the proposed rule.<sup>3</sup>

The draft final rule indicates that there will be twelve measures three of which employ more than one factor (i.e. modernization, development and annual unit inspection and condition). The twelve measures in the draft final rule are:

1. Vacancies.
2. Rents Uncollected.
3. Annual inspection and Condition of Units and Systems.
4. Resident Initiatives.
5. Modernization.
6. Unit Turnaround.
7. Energy Consumption.
8. Outstanding Work Orders.
9. Tenants Accounts Receivable.
10. Operating Reserves.
11. Routine Operating Expenses.
12. Development.

Four of the above measures are given a high weight (vacancies, rents uncollected annual unit inspection and resident initiatives) and two are given what is called a medium weight (modernization and unit turnaround). Four of the above measures have been added by HUD to those contained in the 1990 NAHA. These measures are resident initiatives, operating reserves, routine operating expenses and development. The measures which cover more than one indicator are described below:

- A. **Modernization:** covers unexpended funds over three years, timeliness of fund obligation, contract management, quality of physical work and budget controls.
- B. **Development:** covers quality of contract administration, timeliness of development, quality of physical work and budget controls.
- C. **Annual Unit Inspection and Condition:** system to track inspection/repair of units, annual inspection of units, correction of unit deficiencies and inspection and repair of systems.

The three measures above cover a total of thirteen overall indicators. These indicators are used to measure the entire PHA and are not necessarily housing development-based.

In conducting assessments of PHAs, HUD has been using a Handbook (HUD 7460.7 - Field Office Monitoring of PHAs) as a guide for undertaking its reviews. This handbook covers such areas as management of field office monitoring activities, procedures for on-site reviews, management reviews, maintenance reviews, utilities reviews, initial maintenance/utilities reviews, actions subsequent to review, the relationship between the CIAP reviews and reviews of other functional areas, troubled PHAs, and sanctions. It would appear that the handbook will be replaced or substantially modified based on the final rules published for PHMAP. It provides for PHAs (which need to take corrective action in one or more areas) to develop action plans to be reviewed and approved by HUD.

In 1985 HUD's Office of Policy Development and Research hired a contractor to develop a *Guide to Management Reviews of Public Housing Agencies*. This guide did not rely on the use of quantitative performance measures but emphasized assessing an organization based on its own progress and goals. This document which was developed independently for HUD offers an approach more in keeping with a review and appraisal based on qualitative measures of performance.

## VIII. FACTORS TO BE CONSIDERED IN THE ASSESSMENT OF MANAGEMENT PERFORMANCE

In examining issues pertaining to the operation of severely distressed public housing the NCSDPH has visited a number of cities and reviewed the operations of many public housing developments. It is clear from the site visits and public hearings that factors outside the direct control of public housing operators which have a profound impact on housing management. These factors include laws, regulations, and activities at the state and national level which can impact the management of public housing.

### A. Peer Review

The Commission is concerned that the current and proposed systems for conducting management reviews do not include individuals from the entire public housing industry especially those who operate public housing. Since management is a responsibility of PHAs, RMCs and other agencies, HUD should not be the only organization which analyzes and assesses performance.

A system of peer review or accreditation was proposed as early as 1983 in a report by the U.S. Senate Committee on Banking, Housing, and Urban Affairs (Report 98-142). This report provided for the establishment of a system of "Public Housing Accreditation and Operating Subsidies." The objective of the bill was to undertake a major restructuring of the public housing program in order to assure "its continued viability, to enhance professionalism of public housing authorities, and to add incentives for the management improvements to the system for distributing operating subsidies".

The appraisal of management performance would benefit from the participation of other organizations and professionals in the housing industry. There are a number of organizations which are already actively involved in providing essential operating ser-

vices to public and subsidized housing developments, or which participate in a significant way in the overall administration of programs. These organizations include the National Association of Resident Management Corporations (NARMC), the Council of Large Public Housing Authorities (CLPHA), the Public Housing Authorities Directors Association (PHADA), the National Association of Housing and Redevelopment Officials (NAHRO), and the National Tenants Organization (NTO). They could participate in peer reviews and effectively organize assessments and technical assistance where remedial actions appear necessary. In this way the public housing industry could police itself by having these organizations participate in both the appraisal process and in the setting of corrective actions.

#### **B. Local Conditions**

On this issue the Commission agrees with Congress that management appraisal and performance reviews need to be conducted in a manner which is flexible and sensitive to local conditions. There is a concern that a uniform and detailed set of standardized performance measures broadly applied to public housing operators may give results which are not necessarily representative of performance. The same set of indicators may not be appropriate for assessing all organizations or even some organizations. There is a profound need to have a system which holds public housing operators accountable for performance, but which can still be responsive to local conditions and circumstances that affect the operations of a public housing development.

#### **C. Advances in PHA Management Capacity**

The history of a public housing organization or a public housing development must be considered when determining the effectiveness of management performance. Using standards which are treated more in an absolute sense may not adequately reflect the progress made by an agency or the quality of the management systems and personnel that have been put in place. For example, if a public housing program has had a high vacancy rate or high collection losses, merely judging the effectiveness of the agency based on its current vacancy level or collection losses will not provide a clear indication of the performance of a certain management team at either a PHA or RMC. Performance measures should be structured to reflect progress compared to the condition of a particular agency or public housing development. This approach also seems more consistent with the language in the recent FY 92 HUD appropriations bill. It is appropriate to assess the effectiveness of management that is in place rather than hold a current management team entirely responsible for previous conditions which may have resulted from the actions of others, including HUD.

The Commission is also concerned that any system of management performance appraisal must sufficiently account for the complexity of public housing operations. Issues of particular importance to the public housing program and contribute to its complexity include selection of residents, collection of rents, the maintenance of the housing units, comprehensively rehabilitating public housing units, the maintenance of occupancy and so on. For example, a recent issue of the *Housing and Development Reporter* indicates that the national vacancy rate in privately owned garden style apartment buildings was over 10 percent - yet public housing organizations are expected to strive for vacancy rates of between two-to-three percent. The issues and expectations relating to the demands on public housing providers and the complexity of the program should be considered in assessing management performance.

In keeping with the need to account for the complexity of public housing operations the Commission is especially concerned whether management appraisal systems address conditions in severely distressed public housing. As mentioned before, factors pertaining to distress or contributing to housing developments being "hard to manage" need to be given careful and full consideration. Some of the factors which contribute to conditions of severe distress and require consideration in assessing management performance are listed below:

1. **Physical condition of the housing:** Housing that is substantially in disrepair, functionally obsolete due to design or otherwise limited in terms of its suitability for occupancy must be considered when appraising the management performance of on-site staff and the PHA or RMC.
2. **Manageability of the housing and the conditions which pertain to the service needs of the households in occupancy:** The level of crime in a community, the service needs of the individual households (e.g. disabilities, unemployment, child care, etc.), the availability of local support services (police protection, outside social services and related support), the economic distress of an area (overall employment opportunities, poverty impacted areas, etc.) and related factors need to be considered in assessing the manageability of housing developments. These types of factors which help determine whether a housing development is hard to manage can be difficult to systematize into an inflexible evaluation process. This is particularly the case for a system which attempts to quantify performance by using uniform factors applied to all housing in order to develop a numerical rating for purposes of comparison.
3. **The level of funding and other direct forms of financial support:** This can have a significant and profound impact on the ability of a housing organization to institute the types of management changes and systems needed to address conditions at severely distressed housing developments. There is concern over the level of funding provided for operations through the Performance Funding System. Also, issues pertaining to the full funding of Performance Funding System eligibility are of concern. Finally, funding for rehabilitation of public housing and needed support services are factors which need to be accounted for in appraising management performance.

The above summarizes some of the issues which the Commission feels must be considered in any appraisal of public housing management performance. The Commission also notes that the level of regulation and statutes which govern the operation of public housing are related to issues of complexity of the program.

Based on the Commission's review and findings, a system of peer review and accreditation of public housing management should be pursued. Such a system would be better suited to the use of an evaluation process which would be directed more toward the individual performance of the housing provider organization rather than one that is directed toward the application of uniform national standards that lend themselves to a quantified rating system. The Commission does not oppose national standards or the use of quantified ratings; in many cases, however, there appears to be a need for a move toward the use of qualitative as opposed to quantitative criteria in the evaluation of management performance, especially as it relates to severely distressed public housing. Clearly any system of evaluation must have some basic threshold level for which an organization must be held accountable. Otherwise, the process of review and evaluation would become so ambiguous that it would be of limited value. Therefore, a system of accreditation must account for general or threshold requirements while having

ture for both organization-wide and more narrowly-focused reviews of public housing operations.

Unlike a regulatory or compliance review, an accreditation process can be structured comprehensively to be undertaken either on a periodic basis or in a more frequent/focused manner. In other words, higher education conducts a comprehensive review no less frequently than every ten years but can require more focused reviews more often (i.e. to address certain problem areas, or at the request of the organization being reviewed to provide assistance and advice). The accreditation agency also can indicate whether consultant assistance or other outside expertise is necessary. This is particularly relevant to public housing organizations, since focused reviews can be development-based or even management system-based. Current management appraisals or performance review systems for HUD-operated public housing do not necessarily provide this type of examination except on a regulatory or other compliance basis. The focus of accreditation is on performance and effectiveness, not quantifying activities and checking on compliance.

The Commission feels that an accreditation process should replace the current system used by HUD. An accreditation system could permit greater interaction between professionals who are interested in cooperating with one another. The requirement for participation in a national system of accreditation could be limited to certain size PHAs, such as those with 250 or perhaps 500 or more public housing units. It is these organizations which the Commission feels may benefit most from accreditation ratings and activities. Moreover, these PHAs are more likely to be operating larger-and harder-to-manage housing developments that would benefit from focused reviews and assistance from qualified professionals.

With accreditation directed toward organizational capacity and the effectiveness of management systems, increased reliance can be placed on the certifications of housing organizations with respect to their activities and programs. This reliance on the certifications by housing organizations can be verified more easily by the compliance components of audits, rather than consuming the time of those participating in the accreditation process or HUD. For example, HUD could conduct its own post-audit or even include additional criteria for compliance checks undertaken as a part of the annual audit conducted by Independent Accountants.

Accreditation would increase the role of housing professionals and experts in the performance appraisal of housing organizations. The expertise in the operation of public housing programs, like most profession, often exists in those who are actively working in the profession. Regulators who monitor compliance may not be experienced in the direct operational aspects of public housing management. This appears to be the case with the education and health care (hospital) industry and a reason for the use of accreditation systems.

The Commission is interested in the use of an accreditation process to facilitate the deregulation of the public housing program and to enable public housing providers to have greater flexibility in operating programs. Efforts at decontrol have not been regarded as successful by HUD in the past. As indicated above, a previous decontrol program was suspended by the current administration at HUD following a critical review by the HUD Office of Inspector General. However, an accreditation process could offer some important methods for achieving greater flexibility in the operation of public housing programs if it is found that the accreditation system provides a sound basis for assessing the performance of housing organizations. One factor in HUD's

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decision to terminate the decontrol program was the inability of the program to ensure that PHAs that performed well were in effect those which were decontrolled. HUD staff were involved in making these determinations, not the public housing community.

In summary there are a number of principles to be considered as a part of developing a national system for public housing accreditation. The principles discussed above are summarized below:

1. A system needs to be focused toward individual agency performance and effectiveness.
  2. The system should be one that can be tailored or adjusted to more specific concerns such as a focused review of a severely distressed public housing development. In other words, accreditation should provide a rating for an agency. An agency that is found deficient would be required to undergo a follow-up review focused on the one or more areas requiring improved performance.
  3. The emphasis should be on qualitative instead of quantitative evaluation criteria although all agencies should be evaluated against certain defined threshold performance measures.
  4. The process should promote cooperation and positive interaction among those directly involved in public housing organizations.
  5. The process should provide for threshold or general requirements for participation but this should not be the only focus of performance appraisals.
  6. The process should promote the organization having a plan and systems in place as a prerequisite to performance appraisals resulting in accreditation. In fact, the process should encourage a strong organizational structure as a basis for obtaining the full benefit of an accreditation system as opposed to having the system be based on punitive actions resulting from the lack of organizational capacity.
  7. The system should be directed toward strengthening public housing organizations and offer benefits to organizations that are a part of the system.
  8. The process should account for the dynamic nature of the programs and organizations which operate public housing.
  9. Accreditation should account for local conditions and circumstances by measuring an organization against its own plan and mission statement.
  10. The process should provide a basis for seeking assistance and regular interaction with skilled professionals who can provide assistance.
  11. The system should promote a more efficient method for compliance reviews by providing for certifications by public housing organizations and confirmation of compliance through the use of post-audit compliance reviews as part of the annual financial audit.
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12. The process should enable HUD to address itself to regulatory and monitoring activities, as opposed to supervisory functions which HUD is not necessarily set up to perform.
13. The process should provide (overall) a more sound overall means for deregulating certain key elements of the public housing program in a manner which still promotes accountability on the part of public housing organizations.
14. Public housing organizations should be called upon to oversee the accreditation process and establish the performance measures or standards to be used in evaluating public housing agencies.

The NCSDPH Management Standards and Accountability Committee developed the above principles to be used in developing a more formal set of proposals for establishing a system for accreditation.

## X. METHODS AND PERFORMANCE MEASURES

Some of the methods which could be used in undertaking an accreditation process relate to the principles described above. An organization would be expected to have a mission statement and operating plan. The current Comprehensive Plan for Modernization to be replaced by the Comprehensive Plan, could be used as a basis for the operating plan of a public housing organization. The plan would need to be based on the individual needs of the organization and clearly indicate the standards under which the organization should be appraised. Some specific standards must exist which are imposed by the organization undertaking the accreditation review. However, these standards may relate more to the areas where an organization is to be measured, rather than actual quantified measures. For example, the progress the organization is making toward meeting a certain percentage of rent collection could be the criteria. The standard could be judged based upon the characteristics of the population served by the housing organization.

The NCSDPH believes that an organization comprised of members of the public housing industry can be more effective in identifying and taking actions to address significant management problems. The NCSDPH notes such cases such as East St. Louis, Illinois, where several years of egregious management conduct finally resulted in the "takeover" of that agency by HUD and its management agent. The Commission believes that had a strong system of accreditation been in place, several years would not have passed before actions were taken outside of the agency.

Clearly, establishing a national system of accreditation alone will not solve all of the management problems of public housing or even of severely distressed public housing developments. Moreover, even a separate and well-funded organization for assessing management performance consisting of public housing professionals must be monitored and controlled, so that it does not become a group of "insiders" who are not accountable for the systems and methods used for evaluating their peers. The NCSDPH believes that the organization must consist of all major groups of public housing residents and PHAs and that the terms in office of any governing board must be staggered. Further, the Commission recommends that Congress direct the General Accounting Office to conduct both a comprehensive performance and financial audit of the organization at least every three years. An important step toward improving management, performance, and accountability in public housing will be to insure that the organiza-

tion responsible for appraising management performance is also held fully accountable for its own performance.

It would seem that the accreditation organization would require some form of administrative staff to run the organization, set review dates, recruit or select individuals to participate in the reviews and so on. Such an organization would exist to operate the accreditation system, rather than administer the evaluations. This method of operating the organization would be consistent with that used by those involved in the higher education accreditation. Experts would come from those experienced in the operation of the public housing program. Organizations participating in the accreditation system would be expected to permit their staff to participate in accreditation reviews.

Formal reviews for purposes of accrediting public housing organizations would occur periodically (i.e. every five years) with interim or focused reviews occurring more frequently. The more-focused reviews could occur at the request of the public housing organization, or as a result of the findings and recommendations of the accreditation review team. The focused reviews would be necessary to address conditions of concern or which require *surveillance* in order to maintain an organization's accreditation.

Participating agencies would be required to provide self assessment reviews on an interim basis, in preparation for a comprehensive review by the accreditation organization. This could easily be accomplished as part of the annual update of the Comprehensive Plan. These agencies would be required to meet certain threshold requirements. The requirements would include the maintenance of key operational data and systems. Such systems could be a work order system measuring turn-around time, completion of maintenance work items, financial information (perhaps at the housing development or cost center level), information on housing inspections, financial position, rent collection, staffing, position qualifications and so on. The presence of a sound management information system or at least a method to obtain management information would greatly facilitate a review of any housing organization.

Other requirements might include the maintenance of a housing development based property management plan. The Commission is quite interested in the development of a system for assessing public housing developments and severely distressed public housing developments in particular. The development and maintenance of property management plans would be quite useful in the on-going appraisal of efforts to address conditions in severely distressed public housing developments. Conditions at the housing development level cannot be addressed and measured without a detailed plan for operations and improvements.

The accreditation organization could be actively involved in directing assistance to public housing organizations through the network of housing professionals it will be required to maintain. In addition to appraising performance the organization would therefore be in the position of assisting the agency in developing a strategy for addressing deficiencies in its operation. A clear objective of the accreditation systems reviewed so far is whether

... the institution is following realistic plans to acquire and organize any additional resources needed to accomplish its stated purposes.<sup>5</sup>

In addition, an accreditation organization must examine both the housing organization and the local conditions and circumstances to determine whether the organization can continue to accomplish its stated purposes.

The accreditation agency can keep apprised of developments at organizations participating in the accreditation program in part by relying on the filing of annual reports as well as the annual audits of the organizations. The use of different levels of accreditation would also assist in determining which organizations should receive closer scrutiny or be examined more frequently through the use of a review focused on a particular aspect of the public housing organization's operation.

A system of accreditation is primarily based on measuring an organization against its own set of objectives. However, there are some basic performance areas that any organization in housing should be measured against. Two of the four measures added by HUD in the latest proposed PHMAP rule pertain to financial condition (operating reserves and routine expenses). The areas outlined in the National Affordable Housing Act of 1990 mentioned in an earlier section of this chapter provide a good basis for beginning to set threshold performance measures.

Indicators contained in the 1990 NAHA do not include specific thresholds or levels that are recommended for HUD to use in its management assessment program. An area that seems to be important in most housing organization performance appraisals is financial management systems and the degree and quality of resident involvement. The indicators of performance described in the 1990 NAHA form a good starting point for a performance appraisal process under a system of accreditation.

## XI. RECOMMENDATIONS

### 1. Organization of Accrediting Body.

The Commission recommends that Congress establish an independent accreditation body to evaluate all PHAs (Other housing agencies, private and non-profit, could voluntarily participate as well). The accreditation body's main function would be assessment of PHAs, technical assistance based on assessment findings, and research on improvements in public housing management.

To ensure its independence, the accreditation organization should be a non-profit corporation created and funded separately by Congress. It should have a governing board whose members serve fixed terms that would expire on a rotating basis, perhaps every two-to-four years. Representatives on the governing board should come from organizations already active in the area of public housing. Such organizations include the National Association of Housing and Redevelopment Officials (NAHRO), the Public Housing Authorities Directors Association (PHADA), the Council of Large Public Housing Authorities (CLPHA), the National Association of Resident Management Corporations (NARMC) and the National Tenants Organization (NTO). This governing board would provide representatives from throughout the public housing industry. The organization would require administrative staff, and reviewers would be practitioners in the industry such as PHA staff and private property sector property managers.

### 2. Evaluation Methodology.

Participation in the accreditation process should be mandatory for all PHAs. Initially, PHAs should be required to undergo a comprehensive evaluation and be measured against industry performance standards as well as the PHAs own self-assessment. Following the comprehensive evaluation, PHAs should continue to receive technical assistance through targeted reviews of specific areas identified as weaknesses. Ratings for PHAs as a result of an accreditation review should also reflect the dynamic aspect

of performance. In other words, the rating categories should reflect that participating PHA's level of effort in improving its operations and moving towards its goals. The three rating categories might be:

- **Accredited:** A high-performer PHA has excellent systems and performs well in all areas;
- **Conditional Accreditation:** A PHA performs adequately but requires improvement in specific areas and would receive a focused interim review of these problem areas; and
- **Accreditation Denied:** A PHA performs poorly and shows insufficient evidence of trying to improve, however an accreditation organization would provide technical assistance and based on the review to help a PHA work towards accreditation.

With emphasis on continuous improvement, the accreditation process must be designed as an on-going effort. PHAs would receive comprehensive reviews of their operations periodically, say every three or five years, and in the interim would be reviewed for specific problems or weaknesses identified in the comprehensive review. Performance measures would thus be used to track a PHA's progress in improving particular aspects of its operations. The accreditation process would also require self-assessment by PHAs to ensure involvement of PHA staff, and motivate the PHA to improve and monitor its own performance. Such rating would be used to help determine the frequency and focus of further reviews, as well as target where technical assistance is needed. In cases where an organization does not receive accreditation, technical assistance and corrective actions would be mandatory. It is recommended that all public housing organizations which operate more than 250 units be required to participate in the national system of accreditation.

A technical assistance component and process must be established by the accreditation organization so that it can begin to address issues pertaining to the operation of public housing. This component would be voluntary for organizations receiving provisional or full accreditation ratings. For those not receiving accreditation technical assistance, a corrective action work plan will be mandatory. The accreditation organization will also need to establish a system for taking remedial action as when required based on the reviews by agencies participating in the national system of accreditation.

### 3. Development of Standards.

The first task of the organization should be to establish threshold standards to measure housing management performance and to assign ratings under an accreditation system. An accreditation process would stress **qualitative criteria for evaluation rather than quantitative standards**. Currently, evaluations of PHAs are based chiefly on applying universal standards to all PHAs that allow only for "yes" or "no" answers or absolute numerical standards on the part of evaluators. There is a baseline of performance that is required of all PHAs, but the current system makes little differentiation between those which barely meet the baseline and those with outstanding performance, nor does it provide any great incentive to be an "over achiever." An accreditation process would be designed to measure an agency's progress towards meeting specified goals rather than meeting statistical standards. Performance indicators for PHAs would be derived from standards commonly accepted in the real estate management field.

### 4. Implementation

The nonprofit accreditation body should establish a schedule for assessing the approximately 800 housing agencies required to participate in the system of accreditation. Agencies to be reviewed first should be selected on current indicators of performance

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measured against threshold standards. Agencies that measure well against the thresholds could be provisionally accredited under the system for up to 3 years. Therefore it is proposed that all of the initial reviews occur within 3 years of the actual establishment of the accreditation body.

The Commission recommends that Congress authorize an accreditation system in 1992 for implementation in 1993. Congress should appropriate "seed" funding to create and operate this nonprofit accreditation organization. The life of the demonstration would be 5 years, and subjected to independent evaluation. Upon favorable evaluation, the accreditation body would secure a permanent source of funding. All efforts would be taken to obtain funding from non-governmental (and impartial) sources. If all reasonable efforts have been taken and sufficient funding cannot be secured, Congress should authorize such funding through the PFS, specifically through an increase in public housing operating subsidy. The costs of participating in the accreditation system would be accommodated in the same manner as HUD covers the actual costs of required annual audits of PHAs and RMCs.

To start, the non-profit accreditation agency will need to establish a schedule for reviewing the 800 housing agencies. By requiring only housing organizations with 250 units or more the number of PHAs and related organizations included in the accreditation system will be far less than the total number of PHAs nation-wide which is approximately 3,000. Those agencies which measure well against the thresholds could be "grandfathered" under the system for up to three years. Therefore, virtually all of the initial reviews would need to occur within three years following the actual establishment of the accreditation organization.

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*Appendix A:***Summary of Accreditation Process for PHAs****I. PERFORMANCE-BASED EVALUATION OF PHAS**

As discussed in the main part of Chapter 8, currently housing authorities are evaluated according to regulatory agency standards that prescribe outcome measures. Public housing agencies would benefit greatly from a system of performance-based evaluation that would analyze operations and individual systems rather than focus on absolute standards. Prescriptive outcome measures offer little guidance to PHAs on how to improve operations and do not allow consideration for circumstances which are beyond a PHA's control or have improved but have not yet shown dramatic results. Although management standards are meant to evaluate an organization's capacity to fulfill its purpose, simply measuring outcome statistics does not address the issue of process and the systems by which an organization provides its service.

Performance indicators, therefore, should be developed for use by PHAs that would serve as incentives and yardsticks for measuring competency. Such indicators would be applied in all areas of management so that a PHA's systems of data collection, tenant accounting, tenant selection and continued occupancy certification, maintenance, procurement and inventory control, and planning would all be evaluated for their contributions to the goals of quick turn-around of vacant units, total rent collection, accurate processing of applications, efficient modernization activities, and accurate planning for capital improvements.

Regulatory compliance as conducted by HUD focuses solely on PHAs' conformance to HUD policies derived from regulations, which leaves several gaps in providing assistance to PHAs. Obviously regulations cannot be applied across a group of organizations diverse in size and resources without adversely affecting some members of the group, yet HUD does not always appear to have the monitoring capacity and technical proficiency to allow exceptions to its regulations. HUD also lacks the capacity to provide technical assistance on a national level to all PHAs, and thus many are left to figure out on their own how to achieve the standards imposed on them from a central, regulatory, non-operations office. HUD has demonstrated an historic inability to evaluate PHAs effectively, and has also failed to decisively take control of troubled housing authorities that have breached their Annual Contributions Contract.

PHAs themselves and HUD Regional and Field Office staff have in fact made recommendations that reforms based on performance indicators and third party evaluation be implemented. In a summary of successful and desirable improvement strategies culled from PHA and HUD Regional and Field Office staff discussions, such recommendations include:

- independent third party management review to gain support for corrective actions by all parties;
- declaration of a breach of the Annual Contributions Contract and the hiring of a competent management firm to operate the PHA;
- development/negotiation of achievable targets in Action Plans and MOAs;

- monthly progress review meetings between the PHA and HUD staff; more persistent follow-up; and
- encourage/arrange for the PHA to visit another PHA performing well in those areas in which the subject PHA is performing poorly.

All of these recommendations indicate that PHAs need a higher level of attention to management operations than they are currently receiving, and that an objective, third party source of evaluation with experience in property management is highly desirable.

## II. ACCREDITATION PROCESS

Other industries, such as higher education, health care and real estate, have responded to similar problems by establishing an industry-based, peer evaluation accreditation process. Such an accreditation system is based on participation from experienced members of the field who conduct management reviews of an agency's operations. An organization would thus be measured by the commonly accepted standards of the industry, as well as by peers who have had practice in addressing the same problems. Peer evaluation would likely be more acceptable than review by regulatory bodies whose staff may have only limited operations experience.

Indeed, Congress has already recommended that a Public Housing Accreditation Commission be established. In a report written by the Senate Committee on Banking Housing, and Urban Affairs (Committee Report No. 98-142 to accompany S. 1338, The Housing and Community Development Act of 1983) recommended that an Accreditation Commission be formed to "represent housing authorities, local governments, and low-income tenants." (Cmte. Report No. 98-142, p. 4) As stated earlier in this chapter, this Commission would be charged with three tasks:

- to establish standards for accrediting PHA's which are efficiently and professionally managed;
- to establish and implement procedures for evaluating PHAs against those standards; and
- to establish remedies or sanctions for PHAs which do not meet the standards and thus do not become accredited. (Cmte. Report No. 98-142, p. 4)

As part of an accreditation process, performance indicators would be used to help a PHA measure progress towards the organization's goals. Performance indicators would also act as incentives. In fact, the Joint Commission on Accreditation of Healthcare Organizations, which has been operating since 1951, is now moving away from applying standards that are focused on "structures and processes of health care" and plans to place more emphasis on "performance by focusing on the execution of processes and their outcomes." The Joint Commission's rationale, and one which appears to apply in part to public housing, is that

Although performance measures or indicators are not absolute measures of the quality of patient care provided, they should be used to identify the need for an analytic evaluation of the quality of a particular aspect of care and to stimulate overall improvement in the quality of care provided. (Committed to Quality, Joint Commission on Accreditation of Healthcare Organizations, 1990, p. 19)

An accreditation process would stress **qualitative criteria for evaluation rather than quantitative standards**. Currently, evaluations of PHAs are based chiefly on applying universal standards to all PHAs which allow only for "yes" or "no" answers or absolute numerical standards on the part of evaluators. There is a baseline of performance that is

required of all PHAs, but the current system makes little differentiation between those who barely meet the baseline and those with outstanding performance, nor does it provide any great incentive to be an "over achiever" PHA. An accreditation process would be designed to measure an agency's progress towards meeting specified goals rather than its performance according to statistical standards. Performance indicators for PHAs would be derived from standards commonly accepted in the real estate management field.

In contrast to the regulatory process for which HUD is responsible and which is inherently mandatory for all PHAs, a accreditation process would work best (and is practiced in the other fields mentioned above). As stated by the Joint Commission on Accreditation of Healthcare Organizations, "organizations cannot excel . . . unless services are provided in the context of an organizational culture that places a high priority on continuous quality improvement." (*Committed to Quality*, p. 19) Only such a process will ensure that those PHAs that truly desire to improve, will be motivated to make the changes necessary to perform on a higher level.

With emphasis on continuous improvement, the accreditation process must be designed as an on-going effort. PHAs would receive comprehensive reviews of their operations periodically, say every three or five years, and in the interim would be reviewed for specific problems or weak systems identified in the comprehensive review. Performance measures would thus be used to track a PHA's progress in improving particular aspects of its operations. The accreditation process would also require self-assessment by PHAs to ensure involvement of PHA staff, to ensure that the PHA is motivated to improve and to help a PHA monitor its own operations.

Ratings for PHAs as a result of an accreditation review would also reflect the dynamic aspect of performance. In other words, the rating categories should reflect that participating PHA's level of effort in improving its operations and moving towards its goals. Three main categories could be:

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A detailed, industry-based evaluation must also allow for consideration of local circumstances that may be beyond the PHA's control or that are dominated by federal regulations but which may not apply to a particular locality. For example, in a certain city there may be a low demand for elderly housing, and therefore the PHA has trouble filling units. The vacancy turn-around times for elderly developments would thus appear to be excessively long, but the PHA may be in the process of exploring alternative uses for those units.

Particularly distressed developments may also benefit from an accreditation process, to the extent that conditions at these developments are exacerbated by poor PHA management or that a PHA is simply inexperienced with a certain level or magnitude of problems. Perhaps a PHA has been down-rated or criticized by HUD solely because of conditions at a distressed development, but has not been provided with sufficient guidance on how to address the problems. Technical assistance provided through the accredi-

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tation process would help PHAs address project-specific problems and distress. Improvements in these areas would then indicate improved performance on the part of the PHA as a whole.

### III. BENEFITS OF AND INCENTIVES FOR ACCREDITATION

Housing authorities would benefit directly in several ways from being approved by an accreditation process. The most visible benefit would be public recognition by an objective non-profit organization. Another proposed benefit is exemption from HUD regulations if the PHA is demonstrably competent and a high performer according to the accrediting body's criteria. A PHA would also have the advantage of receiving consultation and technical assistance, and individual attention in an organizational review of its strengths and weaknesses. If a PHA is having problems complying with HUD regulations, an accreditation review will also serve as an objective assessment of how much the PHA is trying and able to address the problems, and whether it should be eligible for funds that might help resolve the problems. For "high performer" PHAs, accreditation by a national body would also be a signal to funding sources that a PHA is an efficient organization capable of administering grant funds and would therefore enhance a PHA's eligibility for funds.

The accreditation process itself would be designed to be a self-assessment process, in that when PHAs apply for an accreditation review they would be required to produce evidence of minimum level of effort. For example, in preparation for an accreditation review a PHA would be required to submit documents on its organizational structure and basic policies. If these suffice, the review would examine in greater detail a PHA's policies in all departments; if not, the PHA would be given, upon request, remedial assistance to work towards that minimum level of organizational proficiency. For PHAs that pass that initial threshold test but have problems with specific systems, they could be approved for accreditation on the condition that they develop a corrective action plan and make certain improvements within, say, six months; a follow-up review would be conducted to determine its progress and then full accreditation might be granted.

A national-level non-profit Accreditation Commission could also serve as the information repository for a broad range of public housing activities. For example, the Joint Commission on Accreditation of Healthcare Organizations is considering establishing an interactive performance database between the Joint Commission and accredited organizations.

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**ENDNOTES**

- 1 *Committed to Quality*, Joint Commission on Accreditation of Healthcare Organizations, 1990, p. 19.
  - 2 Department of Housing and Urban Development Reform Act of 1989, Public Law 101-235, December, 1989
  - 3 HUD issued a comprehensive PHMAP Handbook (7460.05) in March, 1992.
  - 4 *Accreditation Handbook*, Commission on Institutions of Higher Education, pg. 12
  - 5 *Accreditation Handbook*, Commission on Institutions of Higher Education, pg. 19
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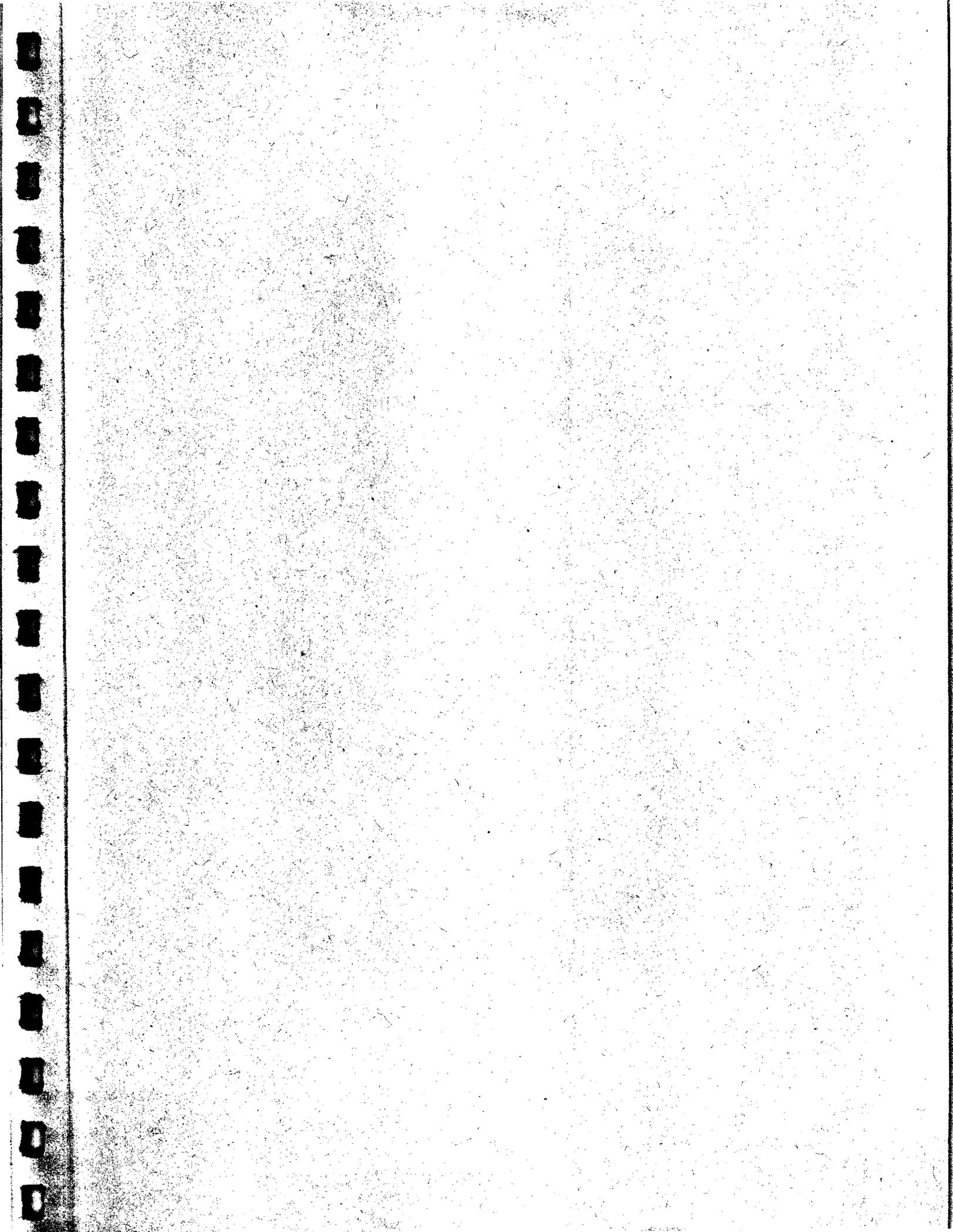
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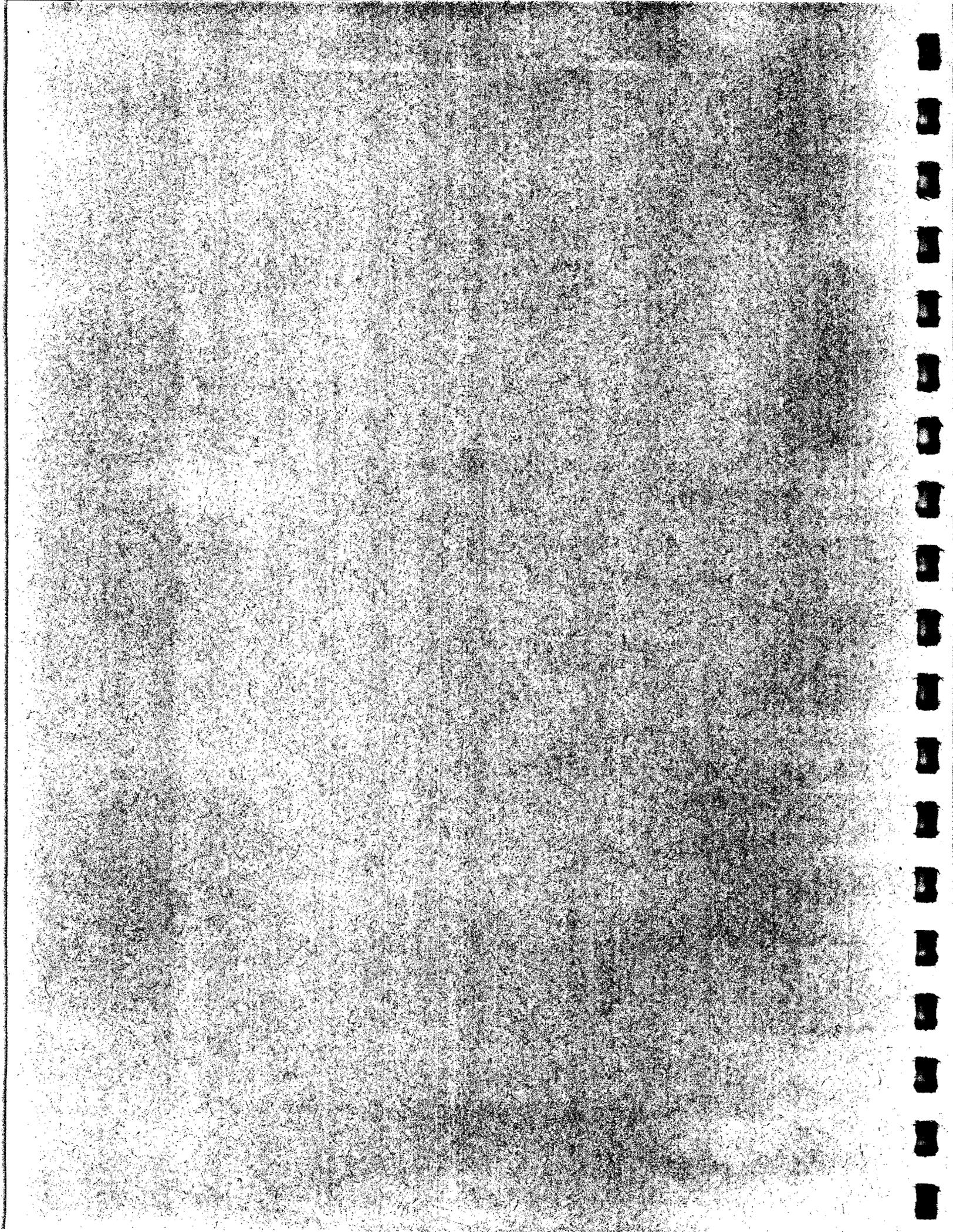
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**CHAPTER NINE**

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Chapter 9:

# ***Non-traditional Strategies for Severely Distressed Public Housing***

## **I. INTRODUCTION**

As the requirements for operating the public housing program have changed so must the approaches required to address the needs of severely distressed public housing. The public housing program is a highly regulated environment in which the federal government applies a uniform set of administrative procedures to all housing agencies' operations. The Commission's research has shown that all public housing agencies are not alike and do not share the same need, goals or objectives. A broad look must be taken at how regulations can be modified to allow high performing PHAs flexibility, encourage participation of other management entities, and allow PHAs to participate in other housing programs. These efforts must include steps for PHAs and others pursuing non-traditional methods for providing social and support services, rehabilitation of housing units and leveraging of other resources to support the revitalization of severely distressed public housing.

There are more than 3,000 PHAs nationwide, and with encouragement from HUD and Congress more housing organizations are becoming involved with the operation of public housing. For example, Resident Management Corporations (RMC) are increasing in number and are subject to the same rules as PHAs in operating public housing.

The tendency to address specific problems of public housing through legislation has contributed to the level of regulation. Congress has, on a number of occasions, been called upon to enact legislation to address problems which could have been addressed through administrative action or regulations. This "broad brush" approach has resulted in legislation that is applied across the board to the public housing program or to large portions of the program. These rules are often applied in the same, and at times inflexible, manner. In these cases, HUD may be directed to address an issue based upon a legislative mandate. If the Administration expresses little interest in a particular issue, or addresses an issue in an unacceptable way, public housing providers or members step in. Even HUD officials have expressed frustration with Congressionally mandated requirements and ensuing regulations that limit the new program flexibility or implementation of regulations. The time frame for implementing new laws through the regulatory process can be quite lengthy especially if the new legislation is not favored by HUD. This process harms residents as well as the housing providers who must find ways to apply new rules and still allow themselves to operate their housing programs effectively.

## **II. ENCOURAGE PARTICIPATION OF OTHER ORGANIZATIONS IN THE PUBLIC HOUSING PROGRAM**

The public housing program needs the participation of more organizations (public, private and non-profit) to increase the resources available to PHAs and residents. In other words, public housing regulations should be more flexible and provide incentives for other organizations to coordinate with PHAs and invest their energies in joint pro-

grams. In considering what makes a public housing development severely distressed, the Commission has included factors that relate not only to the traditional physical condition and management factors but also those which relate to family distress and crime. There is a strong need to attract the support and involvement of organizations that can provide assistance to address the unacceptable living conditions in severely distressed public housing. Additional support is needed in, but not limited to housing management, the provision of social and support services, development of new housing, neighborhood revitalization and public safety. With the growing problems of distressed households, poor physical conditions and a lack of social and support services, the traditional resources and activities typically available to PHAs have become too limited.

Because of these restrictions, some PHAs have supported or participated in the creation of non-profit corporations to undertake activities generally not available to PHAs. Examples of these types of programs and activities are the creation of housing development corporations (HDCs). HDCs can build affordable housing or to work with PHAs to use existing funding (such as through Project-Based Section 8 assistance) to provide financial support for the operation of public housing. Other PHAs have taken steps to pursue the creation of non-profit corporations designed to provide social and support services and attract foundation grants to cover the cost of the services. Some HUD Field Offices have discouraged the use of operating funds to create these types of organizations and programs, including the retention of arbitrage earnings on bond issuances to raise funds to cover the costs of such innovative services.

HUD has acknowledged the potential for RMCs to use resources creatively by encouraging the use of excess funds (all or a portion of residual receipts, as defined by regulation) to promote programs and activities beneficial to public housing residents. RMCs are permitted to use "excess revenues" for purposes of improving maintenance or operation of a housing development, establishing business enterprises that employ residents or acquiring additional housing units for lower income families.<sup>1</sup> These funds can be used in a more flexible manner than those which must stay with the public housing development operating budget. These rules improve the flexibility of the RMC to meet the needs of the housing developments. However, more flexibility is needed to allow other agencies or organizations to participate in assisting RMCs and PHAs.

Eligible PHA activities and programs for treating conditions in severely distressed public housing must be expanded. In Chapter 3 of this volume the NCSDPH strongly recommends that a non-profit corporation be established to attract and coordinate the provision of social and support services to severely distressed public housing developments. One of the main objectives to this approach is to create a sense that the organization is a community-based operation designed to provide residents with an opportunity to coordinate the provision of needed social and support services.

The creation of the non-profit corporation is not only intended to offer an organizational framework to help insure meaningful resident participation. This framework will also ensure a measure of resident control over the delivery of service programs to their developments and the community. One of the factors that the Commission cites in its definition of severe distress is a loss of control over the development. When this situation occurs the ability of the PHA and the residents to effectively demand services and secure needed resources is greatly limited. In addition, the many institutions which are intended to serve the needs of the development are generally not called upon or perhaps not even expected to fulfill their responsibilities to these public housing communities.

One type of non-profit corporation that is actively involved in community revitalization, and the provision of affordable housing, is the community development corporation (CDC). These non-profit corporations are often concerned with developing affordable housing and are gaining recognition by local public and private institutions. The board of directors is typically comprised of neighborhood residents, business representatives and community leaders. As an outgrowth of activist movements of the 1960s and 1970s, CDCs undertake challenges ranging from providing social services, to developing housing, to initiating commercial and retail activity in abandoned city areas. In the past decade, CDCs have surpassed the U.S. Department of Housing and Urban Development in becoming the top developer of low-income housing in the country.<sup>2</sup>

Two major functions of CDCs include the *development* and *rehabilitation* of affordable housing. These organizations become involved in the management of low and moderate income housing as well as the provision of housing counseling to local neighborhood residents. Some CDCs engage in long term neighborhood planning which includes economic development activities. CDCs often rely heavily on fund raising from the private sector (local businesses), foundation grants, government programs and tax benefits (i.e. through syndication) as a part of housing development. In at least one city, the local PHA purchased units in a condominium complex developed by a CDC for use as scattered site low income rental public housing.

To date, few CDCs are involved in housing revitalization efforts or even housing management efforts on the scale of many of the severely distressed public housing developments studied by the NCSDPH. These organizations often start small and work with programs that are neighborhood-specific and are constrained by the funds available to address all the issues and concerns identified by a CDC's board and staff. Some PHAs have been hesitant to involve CDCs in the actual management and revitalization of housing developments due to a CDCs' lack of experience or expertise in operating large, very-low income housing developments. Despite these concerns, the NCSDPH is interested in greater community involvement in the development of programs to revitalize severely distressed public housing and the surrounding neighborhoods, and has provided recommendations which could be used to promote the involvement of the non-profit sector.

The involvement of organizations such as CDCs could occur both in the redevelopment of public housing and in the development of comprehensive social service programs. The NCSDPH has recommended the use of 15 year project-based Section 8 assistance as a means for developing replacement housing in the neighborhoods containing severely distressed public housing. This type of development (especially when it involves scattered site or small housing developments) could be undertaken by CDCs. Another proposal uses tax credits through a sale/lease back system (discussed later in this chapter) which could involve CDCs in partnership with PHAs. It is important to note that the NCSDPH believes that the more organizations with a vested interest in the revitalization of severely distressed public housing, the greater the resources available to meet the needs of this housing. Further, the involvement of CDCs can and should occur along with the involvement of RMCs and is not meant to be promoted as an alternative to the involvement of RMCs. In fact, many RMCs have strong relationships with CDCs operating in their communities.

The creation of a non-profit Community Planning and Services Council is needed so that a highly participatory and flexible organization can be created to accurately assess the needs of the residents, and to identify and coordinate the required services. PHAs

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can be used as "platforms" in a dynamic and flexible environment to promote innovative and entrepreneurial approaches to addressing conditions of severe distress. The involvement of PHAs and residents in the establishment of non-profit corporations is not new, but this type of local coordination should be more explicitly supported. A local non-profit services planning organization would provide greater opportunities to coordinate existing programs and leverage charitable contributions from foundations, corporations and other public organizations.<sup>3</sup> Allowing PHAs to use operating funds and RMCs to use excess revenues to provide "seed" funding for these endeavors would promote the creation of non-profit service corporations for severely distressed public housing.<sup>4</sup>

### III. ASSESSING LOCAL NEEDS

The Community Planning and Services Model approach is discussed in Chapter 3, outlines a process which covers the planning and creation of the non-profit corporation using a partnership approach involving all programs that affect severely distressed public housing. Having the ability to involve all the participants is critical to the success of any effort as complex and large as that of revitalizing severely distressed public housing. The planning process must include a program for identifying the social support service needs of public housing residents as well as the method of service delivery. Too often, programs funds do not provide for sufficient resources and time for planning which must be encouraged if program funds and resources are to be used effectively. The holistic human services approach requires that there be a process that promotes maximum participation by residents and others and also allows for the identification of the services and programs needed by the community.

A major problem in addressing the service needs and in identifying various program approaches is the lack of data on certain critical aspects of the public housing program. During the course of the Commission's research there was a significant lack of information on distressed households living in severely distressed public housing. Some of the problems with gathering data and information are not limited to the public housing program. Better information is needed in the areas of family distress and crime and public safety in order to identify service needs as well as to better identify severely distressed public housing developments. The lack of data and information not only makes it more difficult to assess the service needs of developments but also hinders accurate evaluation of the success of such programs. Some programs may not begin and others may have been terminated because a lack of data prevented adequate justification for spending program funds. In fact, some programs in the human services and housing area may have been successful in the past but have been eliminated (due to lack of data) in the last decade. These programs need to be re-evaluated using appropriate data.

The NCSDPH has recommended that funds be made available for a comprehensive study of factors affecting severely distressed public housing. Public housing policy makers and program administrators require information in order to make important decisions concerning treatment programs for public housing. HUD must assist in the effort to develop and maintain a sufficient base of data on public housing. Therefore, the NCSDPH has recommended a substantial amount of funding for the development of a process to collect and maintain data. It seems unreasonable to expect public housing providers to go into the next century without a sound and well developed data base on factors and items that pertain to severe distress and public housing operations. Further data collection would facilitate implementing the objective point system developed by

the NCSDPH to identify severely distressed public housing. Data collection would also assist in administering the point-based Public Housing Management Assessment Program, as HUD could develop a national database of public housing management statistics. The proposed separate HUD unit on severely distressed public housing should be charged with maintaining and analyzing data on the developments. The Commission feels it is critical that a set of procedures and process for sustaining the data base and for distributing information be established. Too often, once a study is completed and a process developed there is not sufficient follow-up and support to sustain such a system of collecting and maintaining data. This is one reason why the Commission proposes a separate unit in HUD administer the programs for severely distressed public housing. It is further suggested that HUD's Office of Policy Development and Research coordinate the initial study as well as conduct a field test of the NCSDPH definition on severely distressed public housing.

As indicated in other chapters of this volume, until sufficient data can be gathered and used in the categories included in the definition on severely distressed public housing, PHAs should be permitted to submit narrative justifications as to why a development should be designated as severely distressed and be given the type of assistance outlined in the NCSDPH National Action Plan. The Commission expects that this approach to defining severely distressed public housing will only be temporary, that the indicators can be modified where needed. Funds are requested in the National Action Plan to support HUD in undertaking a study to determine the appropriate methods for gathering and maintaining information on the categories of indicators contained in the Commission's definition.

The definition developed by the NCSDPH attempts for the first time to assess factors relating to management and physical conditions and also includes factors pertaining to security and family distress. Efforts are especially needed to gather meaningful information on what are considered the more non-traditional factors pertaining to indicators of distress. The non-traditional indicators are families living in distress and rates of serious crimes in the developments. For families living in distress the NCSDPH has attempted to use items such as the percent by which the development school drop-out rate exceeds the city drop-out rate, the percent by which the development's unemployment rate exceeds the city rate, and the average median income below certain specified percentages of the local median income in the area in which the public housing development is located. These indicators require further study and refinement and, in many cases, the ability of PHAs to obtain this type of data is limited. It may be that based on the study recommended by the NCSDPH, the specific types of data to be collected will change and the items included in the definition will be modified. Appendices contain summaries of some additional work that was undertaken on behalf of the NCSDPH on indicators of severe distress under the category of "families living in distress" (Appendix C: Summary of Report: Review of Indicators Pertaining to Family Distress).

As indicated above, another indicator is rates of serious crime, including crime rate and violent crime. The items under the category of rates of serious crime are development crime rate vs. city crime rate, development drug-related crime rate vs. city-wide drug related crime rate, development violent crime rate vs. city-wide violent crime rate, and access to buildings controlled by security. The research conducted by the NCSDPH clearly indicates that serious crime has a significant effect on residents living in severely distressed public housing and in severely distressed neighborhoods. Appendix D contains a summary of additional research that was conducted on this category of indicators for the NCSDPH (Appendix D: Using Crime Statistics to Identify Distress in Public Housing).

#### IV. HOUSING MANAGEMENT ALTERNATIVES

In Chapter 8 some of the more significant regulatory and statutory barriers to providing more traditional housing services are discussed. While PHAs are learning how to make use of the resources available, they have already shown considerable creativity and innovation which could be enhanced with additional resources. Steps are needed to examine how PHAs can participate (directly and indirectly) in the provision of services that are typically available to other organizations. Better access to programs such as HOME, low income tax credits and CDBG can allow PHAs to bring in more resources to treat conditions in severely distressed public housing. Congress took an important step when it provided, under the 1990 National Affordable Housing Act, that PHAs be a part of the process for developing the Comprehensive Affordable Housing Strategies (CHAS) prepared by local governments. PHAs and others involved in providing programs to treat severely distressed public housing and the neighborhoods in which these developments are located must also be given greater access to other funds and programs to assist them in undertaking public housing revitalization efforts. In this regard, the Commission has recommended in Chapter 3 that enterprise zones be linked to severely distressed public housing developments so that the developments can have greater access to economic development assistance.

Throughout the public housing community there is a strong interest in promoting cost effective housing management approaches. Some discussions have occurred in recent years regarding the role of private management companies, RMCs, and non-profit housing corporations as well as PHAs in the management of public housing. The Commission finds that some of the approaches to addressing the needs of severely distressed public housing have included a non-traditional (i.e. non-PHA) form of housing management. A turn-around of a formerly severely distressed public housing development included the management of the property during and after redevelopment by a private management company (as one component of the overall revitalization program). Another turn-around effort attempted to take a similar approach as a part of an interim step toward developing a form of management with greater resident participation but had difficulty locating an acceptable private management firm. Some PHAs have contracted with community housing organizations and other groups to manage public housing.

The various forms of housing management discussed above need to be studied in a thorough and comprehensive manner. The ability to effectively manage certain public housing developments is high on the list of potential causes of severe distress. When assessing conditions at a severely distressed development it is important to distinguish between a development that is distressed for reasons beyond the control of the PHA, and a development that is distressed because the PHA operates with inadequate management systems or financial resources. The Commission believes that a demonstration program and study of alternative management techniques which covers the cost effectiveness of the management of severely distressed public housing by private management companies, non-profit corporations and RMCs must be conducted.

The housing management demonstration mentioned above must be based on actual management experience and must measure both the operating costs and the property conditions, resident satisfaction and perceptions of the development and management operations by the community, funding agencies and others. In order to adequately study these alternative forms of housing management, there must be both an initial review and follow up evaluation. Too often, studies of this kind are partially undertaken with no time frame for conducting a longer term follow-up review. Public housing is a

valuable national resource which requires sound management as a part of any effort to preserve this housing. The study and demonstration must be conducted such that analysis, findings and recommendations can be sound and provide long term benefits for the public housing program.

One objective of this chapter is to discuss ways in which resources and PHAs capacity can be expanded to treat conditions in severely distressed public housing developments. The Commission is interested in a demonstration program that would enable PHAs to leverage outside public and private funding as part of a program for revitalizing a severely distressed development. There is no single strategy that can or should be followed by all PHAs in addressing the needs of severely distressed public housing. As discussed in Chapter 7, a work out plan<sup>5</sup> that addresses the viability of a particular housing development must consider the conditions and factors contributing to the state of severe distress at that particular property. Work out plans need to be tailored to meet the specific needs of the property and detail the corrective actions required as a result of conditions in the neighborhood and other related issues.

One of the options available to treat severely distressed public housing should be the sale and lease back of all, or a portion of a development, to a private and/or non-profit community development corporation. This should first be undertaken as a demonstration administered by HUD's separate unit for severely distressed public housing. This demonstration effort and the development of the entire property work out plan must be undertaken in consultation with the residents. Under the demonstration, a limited partnership would retain the title and rehabilitate the property with Comprehensive Grant Program funds, HOME funds, tax credits, and other federal resources. After rehabilitation, the limited partnership would lease the buildings or development back to the PHA.<sup>6</sup> After the tax credit holding period, the limited partnership would sell the property to the residents or to the PHA.

This demonstration is one approach to involving other federal resources, the community, and the private sector in helping PHAs have a wider range of options for treating severely distressed public housing. The PHA, like any housing owner and operator, must be given the opportunity to develop a program which best meets the needs of the residents and community while preserving the much-needed low income housing resources. A version of this approach has been undertaken as a part of the revitalization of the former Columbia Point housing development in Boston which was converted to the new, mixed income Harbor Point community. This redevelopment program was not studied by the NCSDPH in its case study effort. However, some of the elements of the approach taken in this revitalization program may offer some interesting models for future revitalization efforts.

Along with increased responsibility and resources there must be increased accountability. As a part of a program for directing the management evaluation of PHAs to be based more on qualitative criteria, a demonstration designed to create a national accreditation body has been proposed. The principles of the national system of accreditation would allow the accreditation body to evaluate a PHA (or other participating housing provider) based on its mission and goals which should include the success of innovative programs. This process would assist in improving the accountability of housing organizations subject to accreditation review and evaluation. The Chapter 8 working paper on management standards and evaluation of the operating performance of housing organizations covers the accreditation system proposals in further detail.

## V. SUMMARY

This chapter has attempted to look at a number of critical areas that require attention if PHAs and others involved in the operation of severely distressed public housing are to have improved "tools" for treating these housing developments. The work of the NCSDPH notes that there has been a "broad brush" approach to legislation which in some cases has resulted in public housing providers having to address legislative mandates in ways that may not apply fully to their individual circumstances. This legislative approach and the process of setting regulations over the history of the public housing program has contributed to a rigidity in the operations of public housing. Many of the NCSDPH's recommendations included in both this report and the Final Report are designed to address problems pertaining to the rigidity of public housing operations.

The NCSDPH believes that there is a role for non-profit entities in the program for treating severely distressed public housing. The roles for these organizations vary and must be developed in conjunction with the PHA. However, in certain cases PHAs also need to consider alternatives to conventional methods of housing management by involving other types of housing management providers. A study of alternative forms of management is needed in order to assess the approaches that can be taken in providing alternatives to PHA operation of public housing.

More data on public housing and on severely distressed public housing, in particular, is needed. The NCSDPH has undertaken a number of studies regarding the operation of public housing in order to better understand the needs of severely distressed public housing. It is clear that further study and information on public housing is needed. Further, the NCSDPH believes that more information is needed in order to fully implement the point system recommended for identifying severely distressed public housing. The NCSDPH has recommended that the definition on severely distressed public housing be field tested.

PHAs need to take steps to leverage other funding and resources. The NCSDPH has recommended a number of new ways in which private sector and other support can be leveraged as a part of an overall program to treat severely distressed public housing. To supplement the funds and programs being recommended by the NCSDPH, program changes need to be made to attract other funding and resources from agencies other than HUD.

## VI. RECOMMENDATIONS

The following recommendations reflect other strategies that the Commission believes can be pursued to address the problems of severely distressed public housing.

### 1. Data Collection Study

Congress should authorize HUD's Office of Policy Development and Research to undertake a study to determine the appropriate methods for gathering and maintaining data on the categories of indicators contained in the Commission's definition of severely distressed public housing.

### 2. Regulatory and Statutory Barrier Review

Congress should authorize HUD to review and examine the regulatory and statutory barriers to addressing the needs of severely distressed public housing. Barriers imped-

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ing the access of PHAs to other funding and support as well as ways to promote private sector and other public organization support for improving the conditions of severely distressed public housing need to be investigated.

### **3. Alternative Management Demonstrations**

Congress should authorize a demonstration of alternative management techniques to study further the cost-effectiveness of management of severely distressed public housing by private management companies, non-profit corporations, and RMCs.

### **4. PHA Capacity Enhancement**

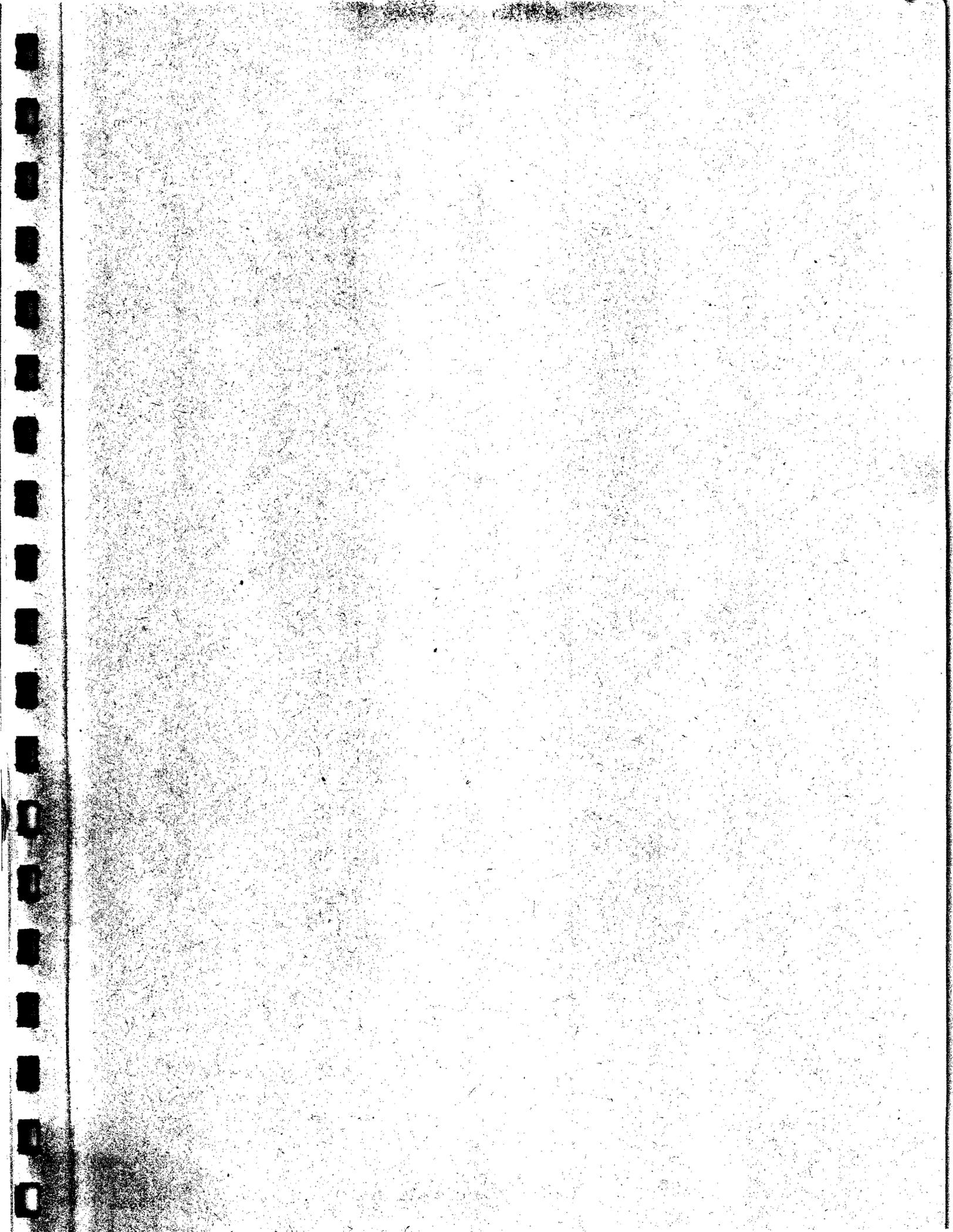
Congress should take steps to authorize expanded resources and capability of the PHA, through partnership with the private sector, to address the revitalization of severely distressed developments by permitting the sale and lease back of public housing and the use of a separate allocation of low income tax credits to support the approach to revitalization described below.

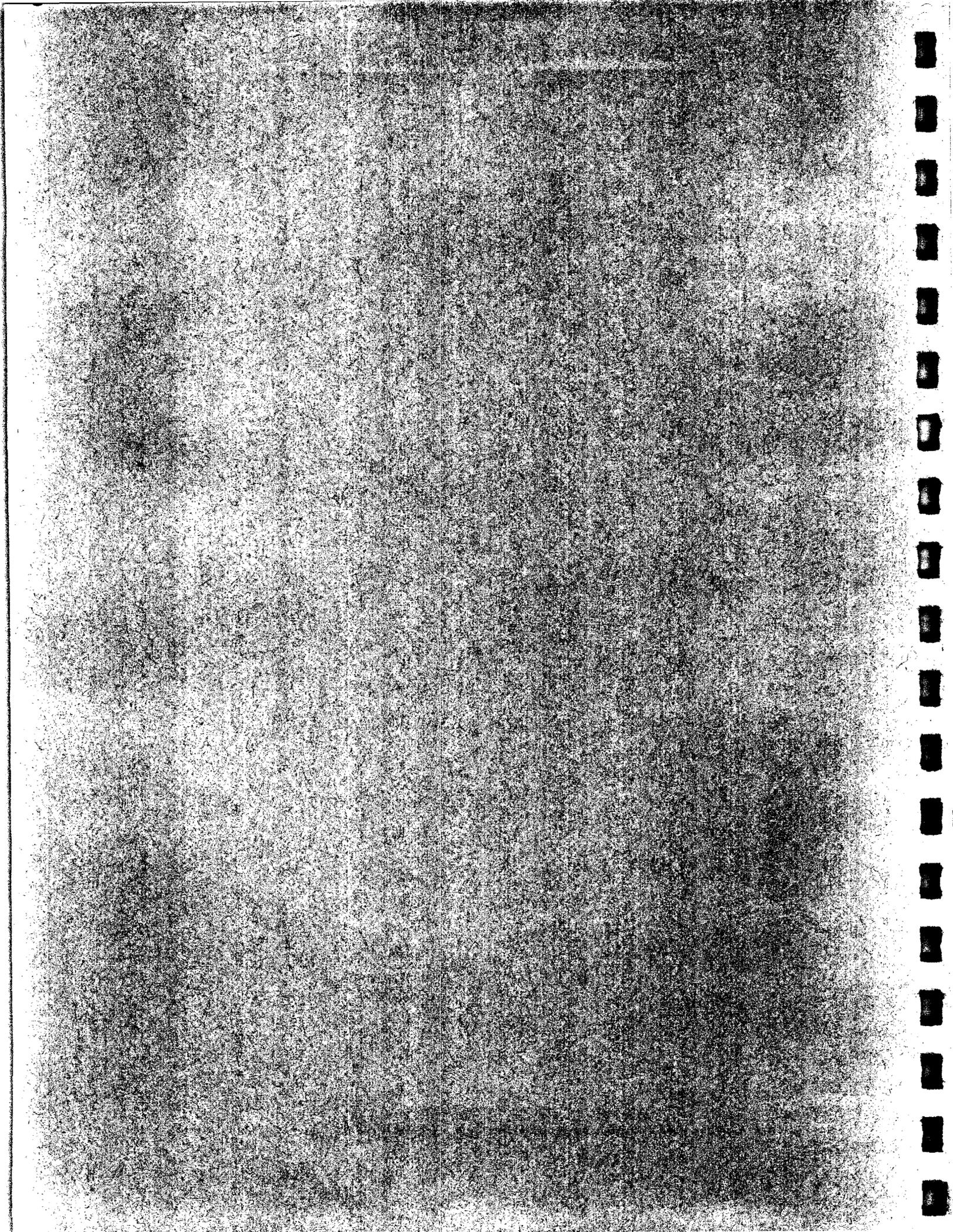
Congress should authorize, on a demonstration basis, the sale and lease back of severely distressed public housing developments or buildings to private and/or non-profit community development corporations in consultation with residents of the development.

- The PHA would enter into a contract to sell the buildings to a limited partnership while retaining title to the underlying land.
  - The partnership would rehabilitate the buildings in consultation with residents and the PHA and utilize available Comprehensive Grant Program funds, HOME funds, and other federal resources to comprehensively address the needs of the development.
  - After rehabilitation, the partnership would lease the buildings or development back to the PHA for the applicable holding period required by the federal tax code, so that investors who purchase tax credits will not be adversely affected.
  - During the investor holding period, funds would be allocated by the PHA and limited partnership to train residents in property management so that after sufficient training, if desired by the residents, the property could ultimately be managed by residents.
  - After the tax credit holding period, the limited partnership would sell the property to the residents or back to the PHA.
  - This demonstration would require the creation of a separate allocation of tax credit authorization, so that privately assisted housing production would not be negatively affected.
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## ENDNOTES

- <sup>1</sup> 24 CFR Part 964 covers the requirements for retention of excess revenues and the use of retained revenues by Resident Management Corporations.
  - <sup>2</sup> Fact Sheet, "About CDCs", Local Initiatives Support Corporation, New York, New York, 1991.
  - <sup>3</sup> One such model is the Committee for Boston Public Housing which has experienced success in obtaining foundation and other support for public housing residents. The general purpose of this 501(c)(3) corporation is to upgrade the social, cultural, economic and physical environment of the tenants of the Boston Housing Authority.
  - <sup>4</sup> The Commonwealth of Massachusetts is currently considering proposed legislation that would provide "seed" and technical assistance funding for non-profit corporations to work in partnership with housing authorities in creating affordable housing or in developing social and support services programs for low income households.
  - <sup>5</sup> The term "workout" is often used for distressed privately owned housing and is taken from the corporate world's practice of restructuring failing and bankrupt companies by bringing in a temporary, outside management team.
  - <sup>6</sup> It is assumed the units would still receive PFS operating subsidy or, if available through HUD, another similarly acceptable form of financial support.
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Chapter 10

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*Conclusion: Summary of National Action Plan*

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*Chapter 10:*

# **Conclusion: Summary of National Action Plan**

## **I. SUMMARY OF NATIONAL ACTION PLAN**

As one of its products, the National Commission on Severely Distressed Public Housing was directed "to develop a National Action Plan to eliminate by the year 2000 unfit living conditions in public housing developments determined by the Commission to be severely distressed." The Commission's National Action Plan was presented to Congress as part of the Commission's Final Report, and published in August, 1992.

The National Action Plan contains policy recommendations for the public housing program that include objectives for improving HUD's and PHAs' ability to address severely distressed public housing and funding estimates for implementing the policy changes.

The Working Papers contained in this volume and the Case Studies, published in a separate volume, represent the research base from which the Commission drew its conclusions and developed appropriate recommendations. What follows below is a summary of the objectives stated in the National Action Plan. In the National Action Plan, these objectives are grouped into three policy groups that reflect the categories of indicators in the Commission's definition of "severely distressed public housing":

1. Addressing the Needs of Residents (which includes recommendations for both resident services and security improvements);
2. Addressing the Physical Conditions; and
3. Addressing the Management Needs.

At the end of this summary of objectives is an annotated summary of funding recommendations.

## **II. ADDRESSING THE NEEDS OF RESIDENTS**

The Commission believes that more funding is needed for support services for residents of severely distressed public housing developments. Therefore, as **Objective One**, the Commission calls upon Congress to authorize changes in the use of operating funds for social services and in the calculation of an Allowable Expense Level for severely distressed public housing developments. The Commission also calls upon Congress to authorize changes to other funding programs such as drug forfeiture funds, Public Housing Drug Elimination Funds and Youth Sports Grants to benefit residents more directly. The funding should accompany changes in the way social services are provided and in the way residents participate in providing the services.

**Objective Two** is the authorization by Congress to create a system that provides for coordination between HUD and other Federal agencies for delivering support and hu-

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man need services at the development level. The Commission also urges Congress to authorize HUD to develop regulations that require PHAs to solicit resident input prior to eliminating any social or human need program.

**Objective Three** for the Commission is the promotion of economic development opportunities for residents of public housing by creating programs and workshops to encourage the formation of resident-owned and operated businesses, by creating opportunities for PHAs to contract for services with residents, and by creating jobs with PHAs for residents in severely distressed developments. The Commission also urges Congress to authorize the inclusion of severely distressed public housing developments in local enterprise zones.

### III. ADDRESSING PHYSICAL CONDITIONS

**Objective One** for the Commission is to provide sufficient funding to enable PHAs, with the help of residents and other public and/or private entities, to eliminate unfit living conditions in severely distressed public housing developments. Many of these units/buildings have deteriorated to such a degree that they no longer provide safe, sanitary, and decent shelter. The Commission urges Congress to authorize, through new legislation, a separate funding program based on a redefined MROP program. The Commission recommends that Congress authorize funds for the program allowing significant latitude to PHAs for rehabilitation or replacement of existing units. However, the Commission supports the replacement of all units lost through demolition or disposition. Where an RMC exists, its plan must be given preference with regard to proposals offered for the development of replacement housing. The Commission would also like HUD to prepare regulations and a handbook for the revised MROP program.

As **Objective Two**, the Commission calls for effective national leadership and guidance to PHAs in the planning, design and ongoing operations required to turn-around and manage severely distressed public housing by establishing a new administrative unit within HUD to direct all efforts associated with the rehabilitation of severely distressed public housing developments. This new unit should be required to collect data on and to evaluate the efforts to date in turning around severely distressed public housing.

**Objective Three** is the establishment of a model planning process to be used by PHAs in eliminating the causes of severe distress in public housing, and in ensuring that appropriate issues and options are addressed. The rehabilitation of severely distressed public housing requires skills and knowledge beyond those needed for standard modernization activities. There are many critical decisions and considerations facing PHAs, including: the general causes of distress; the organization and mobilization of a planning process; the identification of the root causes and severity of planning and design problems; the definition of the level of intervention; and treatment approaches necessary to eliminate root causes of distress. Planning funds would be authorized through the modified MROP program and would be made available to PHAs with developments designated as severely distressed. Resident participation and involvement at all stages of this turn-around effort is a basic requirement.

**Objective Four** calls for incentives to achieve coordination among government programs that support the rehabilitation of severely distressed public housing, therefore strengthening HUD and PHA capital investment efforts. Severely distressed public housing is typically located in deteriorated, service-poor neighborhoods that also suf-

fer from general disinvestment. The separate HUD unit proposed under Objective Two would serve as the coordinating office. The Commission believes that 15-year Section 8 project-based assistance (through appropriations) should be used to fund replacement housing in neighborhoods containing severely distressed public housing in order to support the rehabilitation or creation of privately owned or non-profit housing for low-income families.

**Objective Five** calls for addressing the limitations imposed by the use of HUD's TDC guidelines for severely distressed public housing and provides opportunities for waiving these guidelines in an effort to support the successful turn-around of severely distressed developments. The Commission believes HUD should be flexible in granting waivers for viable revitalization programs that require expenditures in excess of 100 percent of TDCs, and would also like administrative guidelines developed that would establish criteria for granting such waivers.

#### IV. ADDRESSING MANAGEMENT NEEDS

**Objective One** calls for the adjustment of PFS to reflect the current needs of severely distressed public housing. The performance contracting rules promoting private investment in energy conservation improvements should be modified to benefit certain high-vacancy severely distressed public housing developments. The Commission calls upon Congress to authorize modification of the PFS to include the provision of security and other services for severely distressed public housing developments. HUD should also be authorized to change the method for calculating AELs for severely distressed public housing developments so that they are determined based on the costs of services they require.

**Objective Two** is to develop a new system to appraise the performance of housing organizations. HUD's evaluation of performance focuses on agency-wide operation and does not weigh the operation of individual public housing developments. Therefore, the Commission supports the establishment of an independent accreditation body. Monitoring systems should be directed toward the operation of housing developments to address more effectively the problems with severely distressed public housing. Other Commission initiatives include a newly funded program established to provide monies for management improvements so that PHAs do not have to choose between funding management or capital program expenses. PHAs should also be granted a one-year extension, if requested, for implementing a cost center or development-based accounting system. Such a system would be extremely useful in developing the management plan and justifying the costs of services discussed under Objective One.

**Objective Three** is the amendment of public housing rent calculation and income eligibility regulations so as to promote income mixing at developments and to encourage residents to seek employment. Efforts need to be taken to implement the working household deduction authorized under the National Affordable Housing Act of 1990. The Commission calls upon Congress to authorize HUD to modify the regulation governing maximum rent levels and to authorize HUD to modify income eligibility regulations to allow mixed income developments which would raise the percentage of low-income families in proportion to very low-income families, thus promoting stable housing communities. The Commission also recommends that the provisions of Title VI of The Civil Rights Act be amended to allow greater flexibility in using local preferences for the selection of households for severely distressed public housing as part of an overall revitalization strategy.

## V. OTHER STRATEGIES

**Objective One** is the encouragement of PHAs to pursue private, non-profit management of severely distressed public housing developments where it would result in improved operation of the housing units. The Commission advises Congress to authorize a demonstration of alternative management techniques in order to study the cost-effectiveness of private management companies, non-profit corporations, and RMCs in managing severely distressed public housing. The Commission also calls upon HUD to develop a process for measuring the effectiveness of public housing management by non-PHA providers and to provide a report to Congress on its findings and recommendations for managing severely distressed public housing.

**Objective Two** is to address the critical lack of data on all public housing, and particularly on severely distressed public housing. Many organizations agree that there is a lack of important data and information needed to conduct evaluations of severely distressed public housing and to assess in detail all of the service needs and treatments required to address unfit living conditions in these developments. The Commission, therefore, asks Congress to authorize and fund a study, to be conducted by HUD's Office of Policy Development and Research, to determine the appropriate methods for gathering and maintaining information on the categories of indicators contained in the Commission's definition of severely distressed public housing.

**Objective Three** is to have Congress authorize HUD's new unit on severely distressed public housing to review and examine ways to promote support by the private sector and other public organizations for addressing the needs of severely distressed public housing. Barriers impeding the access of PHAs to such funding support, including regulatory and statutory barriers, need to be investigated along with steps to eliminate certain impediments already identified by the Commission.

**Objective Four** is to have Congress authorize a new partnership program between PHAs, non-profit organizations, the private sector, and residents in order to attract additional resources and involvement in treating severely distressed public housing. The program would permit the sale and lease back of public housing and the use of a separate allocation of tax credits to support the rehabilitation of all or portions of severely distressed public housing developments. The program would call for the PHA leasing the buildings from a limited partnership created to rehabilitate the property with the use of tax credits and other funds. The PHA would retain ownership of the land on which the buildings are located to ensure that the PHA will have an appropriate level of control over the rehabilitation program without interfering in the ability of the limited partnership to "package" resources to revitalize the units as well as to carry out the program. The Commission recommends that Congress direct HUD to conduct a demonstration program on the sale and lease back of severely distressed public housing developments or buildings to private and/or non-profit community development corporations in consultation with residents of the development. After rehabilitating the buildings and/or developments, the limited partnership would lease the buildings or development back to the PHA for the holding period required by the Federal Tax Code, in order to protect investors who purchase tax credits. After the tax credit holding period, the limited partnership would sell the property to the residents or back to the PHA.

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## VI. FUNDING REQUESTED

### A. Addressing the Needs of Residents

**All Programs and Initiatives.** No funds are included under this category since the action plan provides for funding supporting resident services and initiatives to be included either as a part of the funding requested for other objectives or through the reallocation of existing agency funds. Overall, it is important to note that the Commission has requested as a part of other programs or through redirecting existing funds a substantial amount for resident services and initiatives.

### B. Addressing Physical Conditions

**Capital Improvements.** The Commission has requested a total of \$7.5 billion in 1992 dollars for capital improvements. The \$7.5 billion includes approximately \$1.9 billion (or 34 percent of the total) for "soft costs" which are in addition to the \$5.6 billion for "hard" construction costs and administration. The soft costs consist of planning, construction phasing, relocation, stabilization and a standard contingency.

**A new separate unit within HUD for Severely Distressed Public Housing.** The incremental cost of creating this new administrative unit within HUD has been estimated to be approximately eight person years per year or \$800,000.

**Local Incentives.** These incentives will promote neighborhood-wide revitalization efforts and community support of the redevelopment of severely distressed public housing. The Commission found that there was a strong relationship between neighborhood conditions and the conditions found in many severely distressed public housing developments. An amount of \$10 million per year is requested to support activities that relate to linking revitalization of severely distressed public housing and neighborhood improvements.

### C. Addressing Management Needs

**Security.** The Commission found that residents and PHAs felt there needed to be more funds and resources directed toward public safety and security services. In conducting its analysis the Commission believes that substantial support for programs and activities that increase resident safety and address the problems of crime and drugs is needed in order to improve conditions in severely distressed public housing. The costs of additional security services is \$93 million per year and was estimated by taking the highest per capita sworn police offer for personnel expenses for the 10 largest police departments in the country for 1987 and multiplying the amount by the number of public housing units estimated to be severely distressed, using a hypothetical household size of 3.5 persons per unit.

**Maintenance, Operations and Support Services.** The Commission believes that the funds made available for the operation of severely distressed public housing under the Performance Funding System (PFS) are too low. In order to better provide for improved management, maintenance and resident services, additional funds should be made available for severely distressed public housing. The Commission has proposed that a separate Allowable Expense Level (AEL) be established (see chapters three and four for more details) for severely distressed public housing developments in a manner that is similar to that established for housing developments managed by RMCs. The

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expense level for the development would be based on the operating services defined in a management plan for the property. It is estimated that an amount equal to approximately \$50 per unit per month or \$52 million per year be made available.

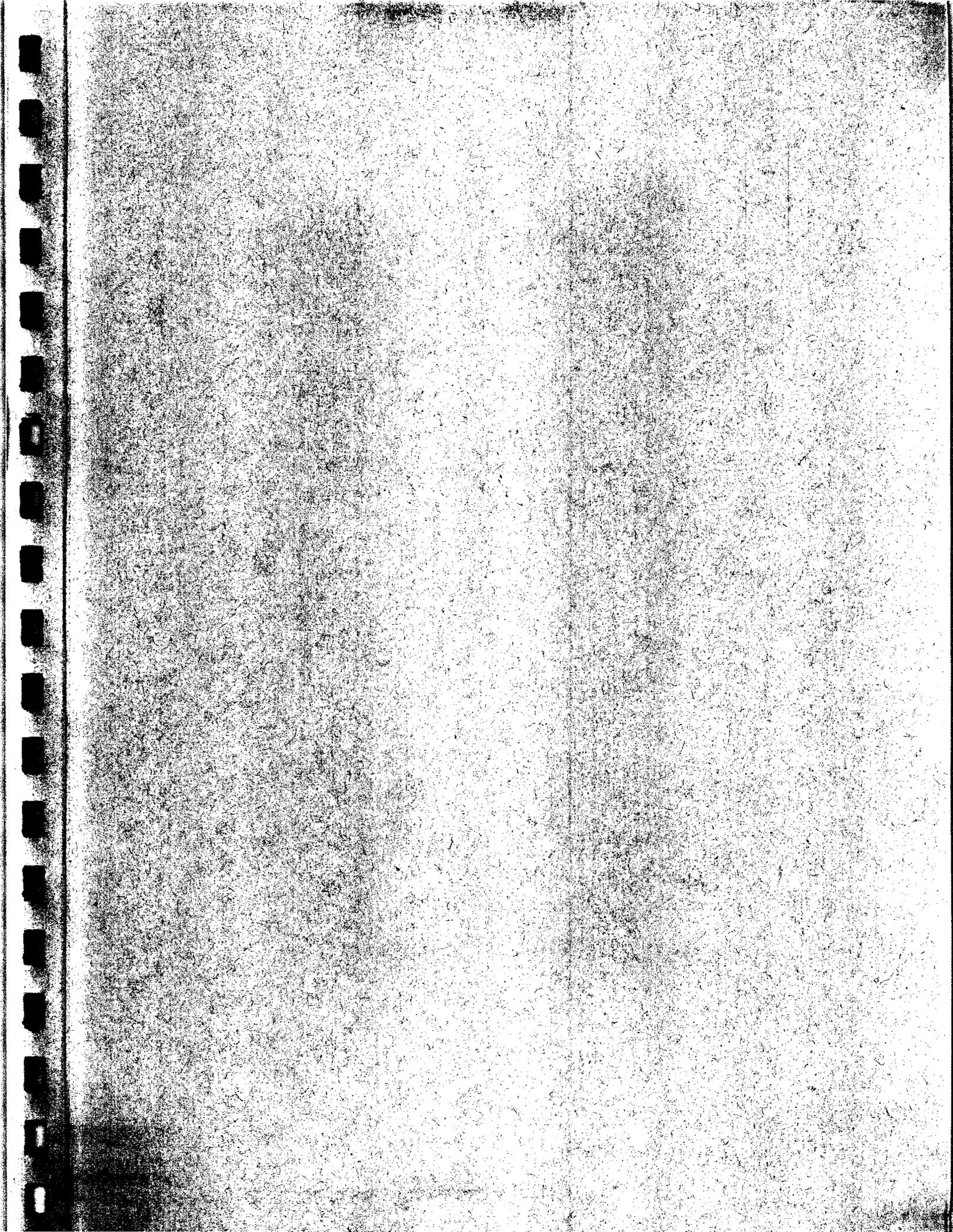
**Management Improvements.** The Commission has recommended that \$130 million per year be made available to support additional management improvement efforts as well as the implementation and operating costs of a national accreditation organization.

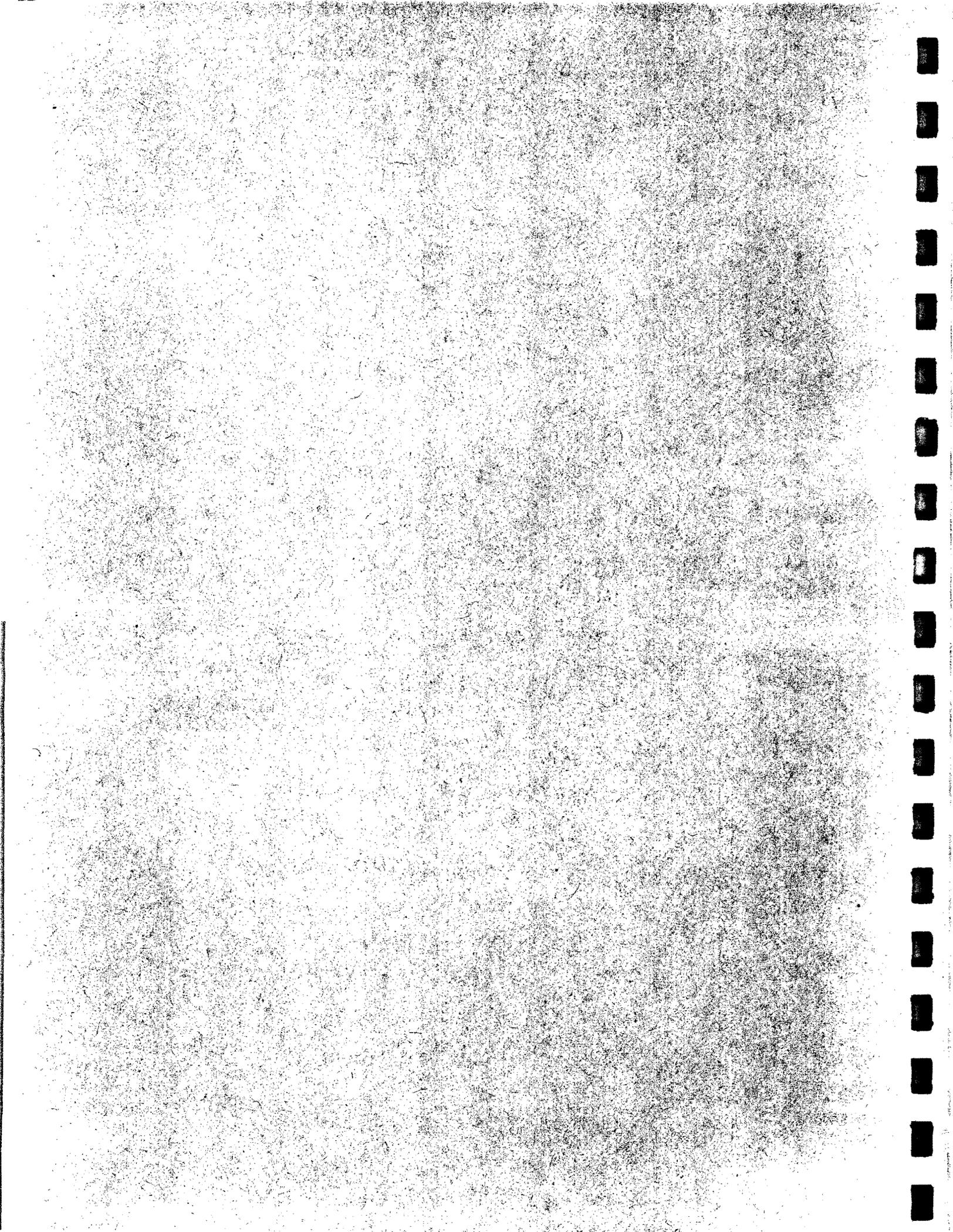
#### **D. Other Strategies**

**Study of Severely Distressed Public Housing.** Undertake a study of severely distressed public housing in the areas of data collection and regulatory and statutory barriers as well as alternative forms of housing management. A total of \$2.5 million is authorized for these activities.

**Sale and Lease Back Demonstration.** The Commission proposes that a demonstration covering the sale and lease back of severely distressed public housing developments or buildings to private and/or non-profit community development corporations be undertaken with the use of tax credits as a way of leveraging other funds and resources for the revitalization of severely distressed public housing. An amount of \$21.8 million per year is requested which is equal to a level of participation of approximately 5,000 units over a ten year period.

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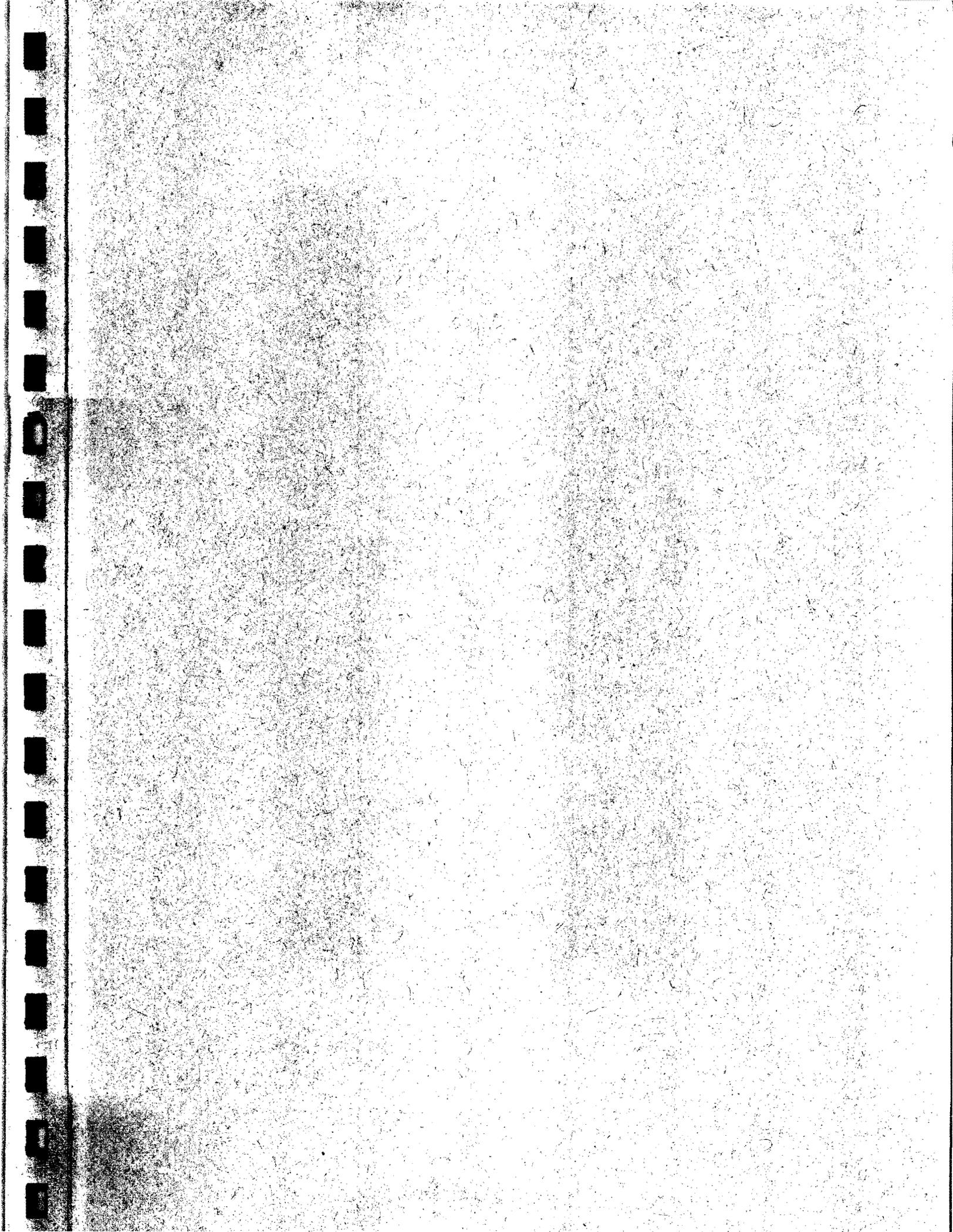


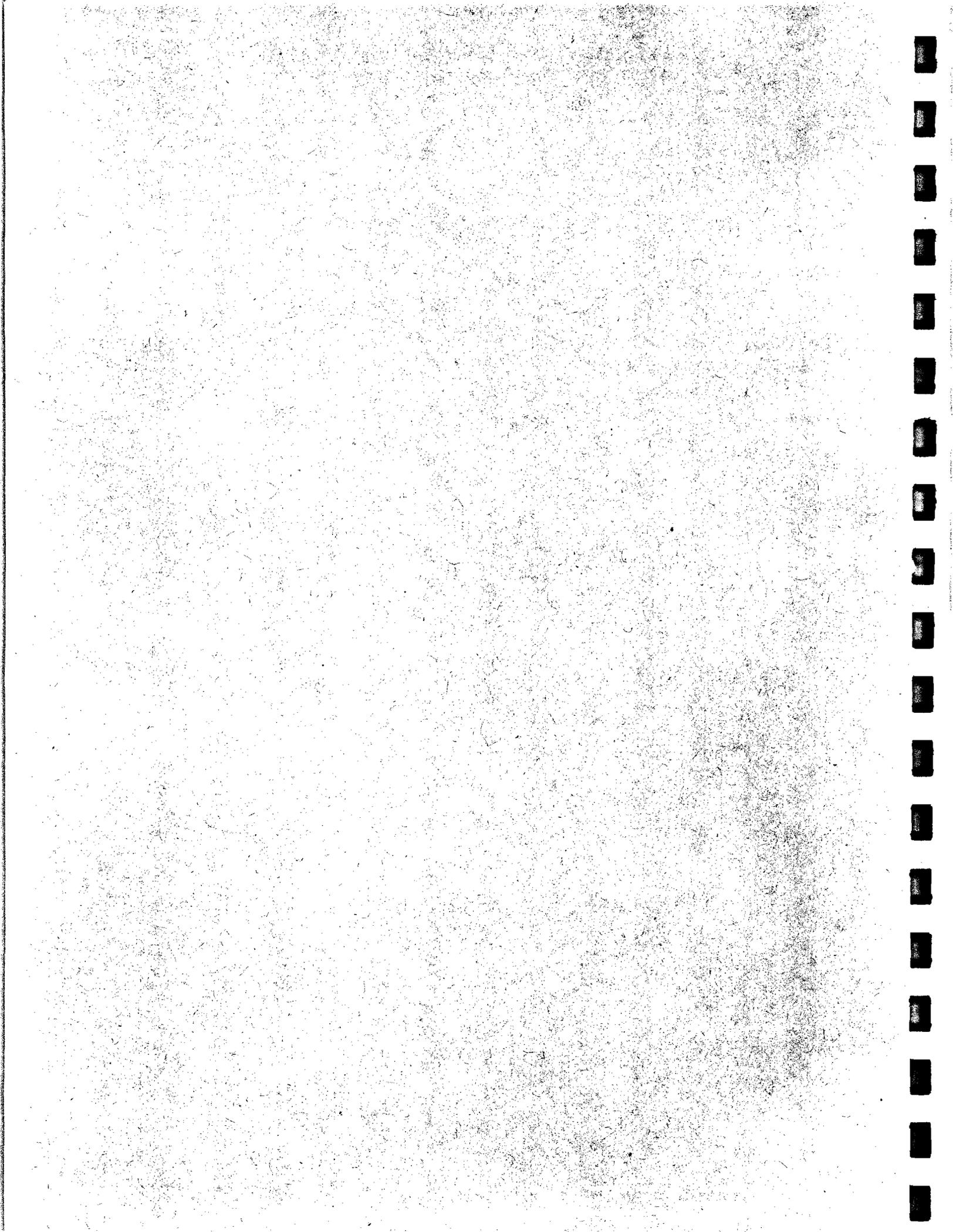
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**EXHIBIT 1****Acronyms of Public Housing Terms**

ACC	Annual Contributions Contract
AEL	Allowable Expense Level
AUEL	Allowable Utilities expense Level
AMDR	Average Monthly Dwelling Rental
CDBG	Community Development Block Grant
CFR	Code of Federal Regulations
CGP	Comprehensive Grant Program
CHAS	Comprehensive Housing Affordability Strategy
CIAP	Comprehensive Improvement Assistance Program
COP	Comprehensive Occupancy Plan
DU	Dwelling Unit
FY	Fiscal Year
FFY	Federal Fiscal Year
GAO	General Accounting Office
HOME	Home Investment Partnership Act
HOPE	Homeownership Opportunities for People Everywhere
HUD	Housing and Urban Development
IOP	Initial Operating Period
IPA	Independent Public Accounting
MNA	Management Needs Assessment
MROP	Major Reconstruction of Obsolete Properties
NAHA	National Affordable Housing Act of 1990
OMB	Office of Management and Budget
ORI	HUD Office of Resident Initiatives
P-BA	Project Based Accounting System
P-BB	Project Based Budgeting
PD&R	HUD Office of Policy Development and Research
PFS	Performance Funding System
PHA	Public Housing Agency
PHDEP	Public Housing Drug Elimination Program
PHMAP	Public Housing Management Needs Assessment
PHMP	Public Housing Modernization Program
PNA	Physical Needs Assessment
PUM	Per Unit Monthly (cost)
RC	Resident Council
RIC	Resident Initiatives Coordinator
RMC	Resident Management Corporation
RO	Resident Organization
TAR	Tenant Accounts Receivable

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60 61 62 63 64 65 66 67 68 69 70 71 72 73 74 75 76 77 78 79 80 81 82 83 84 85 86 87 88 89 90 91 92 93 94 95 96 97 98 99 100





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Appendix A:

# ***Occupancy Issues in Distressed Public Housing***

## **I. INTRODUCTION**

This paper is intended to provide an overview of the demographic changes in public housing occupancy over the past twenty years and to identify and outline a broad range of design, management and service delivery issues that are raised as PHAs attempt to meet the current and future needs of the four million Americans living in 1.4 million public housing units nationwide.

Where "severe distress" occurs in public housing, it affects both individual human beings and collective communities. Moreover, such distress has both social and physical dimensions, dimensions that can mutually reinforce one another. Thus, in the course of documenting the striking shift toward increasingly poorer families in public housing, this paper attempts to explore the broader implications of the changes in occupancy for community viability. What follows is more than a statistical abstract; it is an attempt to demonstrate not only 'who lives in public housing' but also how and why this matters.

In all this, we are assuming that the tenant characteristics of those public housing developments judged to be "severely distressed" do not differ dramatically from overall national trends but, instead, constitute reflections or exacerbations of those larger trends. No recent generalizable surveys have attempted to separate out tenant characteristics in "severely distressed" developments from those in developments lacking such distress, and our assessment of the applicability of national occupancy trends to "severely distressed" sites relies on a collection of individual reports (collected by the NCSDPH and others) about occupancy figures from a variety of developments judged to be "severely distressed."

This paper proceeds in several parts: first is an overview of key findings, followed by a discussion of trends in the occupancy of public housing, with a special focus on large urban public housing agencies (PHAs) where the majority of "severely distressed" public housing is assumed to be located. Next is an account of the evolution of thinking about admissions and assignment criteria, encompassing policy decisions that have mandated or allowed preferences for certain groups of people, as well as screening procedures that have attempted to sort out issues of desirability from those of eligibility. Closely tied to this is a discussion of the role of eviction procedures in improving "severely distressed" public housing. Finally, the paper considers the inter-relationships between "severely distressed" populations and issues of public housing management, design and social service delivery.

## **II. KEY FINDINGS**

The majority of public housing tenants are very poor and getting poorer, whether or not they live in public housing that is judged to be "severely distressed." In the vast majority of large public housing authorities, average household income has been declining, at least since the mid-1980s. Nationwide, it is estimated that more than eighty percent of the non-elderly public housing population now lives below the poverty threshold, and that a majority of households in large public housing authorities have incomes below 20 percent

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of the local median. During the last decade, there has been an especially marked increase in public housing households receiving less than ten percent of the local median income, a key indicator of extreme economic disadvantage; in 1981 this group constituted only about 2.5 percent of the total population, but by 1991 the figure had ballooned to almost 20 percent. A decade ago, whites, blacks, and Hispanics in public housing were all about equally likely to have incomes in this lowest income category; ten years later, these very poorest households are now disproportionately more likely to be headed by blacks or Hispanics than by whites.

**In large public housing authorities, approximately two-thirds of non-elderly families are headed by single women.** Seen as a percentage of only those families with dependent children, the preponderance of female-headed households is even more overwhelming. The national average is 85 percent, and surpasses 95 percent in some cities. And, as of 1991, more than 86 percent of such female-headed families with children had incomes below the poverty threshold. About three quarters of public housing families report receiving no income from employment, and a growing majority of non-elderly public housing families receive welfare. Waiting list data suggest that these trends will only become exacerbated.

**These trends identify a population that is ever more vulnerable, both economically and physically.** Because public housing has been asked to bear special responsibility to shelter the poorest of the poor, there has been an aggregation of particularly vulnerable households in many multi-family developments.

**Tenant characteristics and management/design considerations are intimately tied to one another in ways that can mutually reinforce distress.** As relatively stable communities comprised of older residents have been supplanted by rapidly changing, younger, multi-problem families affected by drug-related violence, the management capacity is stretched to the limit. As management fails to respond constructively to social and environmental problems, the dynamic of severe distress can develop in full.

**Decisions about tenant screening and procedures for tenant eviction can have a profound effect upon the occupancy of public housing, and upon the viability of its design, management and service delivery systems under severely distressed conditions.**

### III. DEMOGRAPHIC TRENDS IN PUBLIC HOUSING

We have reviewed surveys and studies conducted by or for a wide variety of groups concerned with public housing, including HUD, NAHRO, the Council of Large Public Housing Authorities (CLPHA), the Urban Institute, and the Citizens Housing and Planning Association (CHAPA). Our aim in doing so was to determine the availability and quality of historical data on public housing occupancy to provide evidence of trends. The findings of these studies and surveys were then aggregated and compared with the most current data available.

Unfortunately, the level and quality of data is, as of April, 1992, far from fully satisfactory. An extremely useful and well-conceived 1986 report on *Tenancy and Costs in Public Housing* by the Citizens Housing and Planning Association concluded that "Accurate and up-to-date information on public housing nationwide is largely unavailable" (CHAPA, 1986:2). Six years later, this remains the case, at least in terms of demographic trends. Though the release and analysis of the 1991 HUD Multifamily Tenant Characteristics System (MTCS) data (which provides a national demographic profile of nearly three quarters of a million public housing households), coupled with the results of two large-sample surveys conducted in the spring of 1992 by NAHRO and by

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CLPHA (with collaboration by NAHRO and PHADA) do promise a fuller picture of the current situation, comparable national data for the past decade do not exist. Since the results of the two 1992 surveys were not available to the NCSDPH at the time this report was put together, those interested in a more current picture of the national public housing population must await these additional sources of information. Still, despite inadequate and sometimes unreliable survey data that is often based on inconsistent definitions of key terms, several general demographic trends in the occupancy of United States public housing seem clear, and a fairly detailed picture emerges of the current and projected public housing population.

#### A. Income

The majority of public housing tenants are very poor and getting poorer. It is clear that the incomes of public housing tenants have been declining for more than a decade. Nationwide, it is estimated that more than 80 percent of the non-elderly public housing population now lives below the poverty threshold, and that a majority of households in large public housing authorities have incomes below 20 percent of the local median (HUD, 1992). If one considers only the non-elderly public housing population, the skew toward lowest incomes is even more dramatic: nearly one quarter of such families report incomes below 10 percent of the local median. And, in some very large PHAs, more than eighty percent of the public housing population reports incomes below 20 percent of this local median.

Moreover, the connection between low income and 'high distress' seems clear. The 1992 report on *The Modernization Needs of Severely Distressed Public Housing* by ICF suggests that those family developments judged as most distressed (defined as having renovation costs estimated in excess of 60 percent of total development costs) tend to house populations of lower average income than do those developments where estimated renovation costs are lower (ICF, 1992).

TABLE 3-1

**PERCENT OF PUBLIC HOUSING HOUSEHOLDS IN EACH INCOME RANGE**  
(With income expressed as a percent of the metropolitan area's median income)

	0-10%	10-30%	30-50%	>50%
1974	1.35	60.50	27.70	8.60
1981	2.50	65.20	23.60	7.00
1991	19.26	57.27	17.21	6.25

From HUD, *Trends in Subsidized Housing*, 1983; HUD, 1992.

The data in Table 3-1 suggest that, although families earning up to 80 percent of their metropolitan area's median income were eligible to receive public housing assistance, a substantial and increasing majority of public housing residents have earned less than 30 percent of this median income for many years. In 1981, according to HUD, 91.3 percent of households had incomes below 50 percent of median (HUD, 1983); ten years later, about 90 percent of households had incomes below 40 percent of area median (HUD, 1992). Between 1974 and 1991, then, there has been a dramatic decline in household incomes relative to the local median. Most striking is the escalating percentage of families reporting less than ten percent of local median income. Though the percentage of residents below ten percent of median nearly doubled between 1974 and 1981, those in

lowest income category still constituted a tiny proportion of the total. Since then, however, families in this most destitute group have ballooned from only 2.5 percent of the total to nearly 20 percent, a key indicator of increasing extreme economic disadvantage.

Nationwide, HUD estimates that about three quarters of the public housing population now live below the poverty threshold, and that the average non-elderly family's income is equivalent to approximately 67 percent of this poverty threshold (HUD: 1992). Within this, far and away the most impoverished sub-group of families are those headed by females with dependent children (see Section III C). Eighty-six percent of such families report incomes that fall below the poverty threshold, and most fall below this level quite substantially; on average, the income of such families places them at only 57 percent of it.

1991 HUD MTCS data for a sample of 13 larger urban PHAs (including those visited by the NCSDPH staff) demonstrate a similar distribution of income levels for a group of PHAs that more closely approximate the profile of severely distressed public housing locations than does the broader HUD sample. Of these thirteen PHAs, ten report that a majority of non-elderly households have incomes below 20 percent of area median, and two (Cleveland and New Orleans) report that nearly three-quarters of all such households have such very low incomes. In New Orleans, as an extreme, more than 60 percent of these households reported income below 10 percent of the local median. Current data have also been collected for many of the individual developments visited by the NCSDPH.

**TABLE 3-2**

**PERCENT OF PUBLIC HOUSING HOUSEHOLDS IN EACH INCOME RANGE**  
(With income expressed as a percent of the metropolitan area's median income)

<b>Distressed Developments</b>	<b>Below 10%</b>	<b>Below 20%</b>
Desire Development	58%	79%
the Olde Cedar Development	12%	67%
<b>Turn-around Developments</b>	<b>Below 10%</b>	<b>Below 20%</b>
Robert B. Pitts Plaza	0%	57%
Steamboat Square	1%	21%

Source: HUD, 1991 MTCS data. Note: comparable data for other developments visited by NCSDPH were unavailable from HUD.

Table 3-2 shows that the 'distressed' developments visited by NCSDPH do not all exhibit the national trend toward very low incomes. Both, however, almost exactly mirror the income distributions of their respective PHAs. Taken together, these data suggest that severely distressed developments do not house populations who have markedly lower incomes than households in other developments within the same PHA. In the two turn-around sites included in Table 3-2, however, the percentage of households reporting incomes of less than 10 percent of local median is somewhat lower than the average of their respective PHAs, suggesting that the turn-around process may well be associated in some way with slightly higher income, low-income groups (though no causality can be inferred from these data).

**Declining Household Income.** In another effort to determine whether net annual household incomes of public housing families have been declining in recent years, we analyzed PHA budget data from a nationally diverse sample of 25 large PHAs for 1980-81, 1985-86 and 1990-91 supplied to the Council of Large Public Housing Authorities (CLPHA). Average net yearly household income in public housing (as imputed from average monthly dwelling rental charge per unit and taking into account the required percentage of income to be paid in rent) varies widely from one PHA to another, with significant regional variation [See Appendix A]. For example, the most recent average incomes of public housing households in this sample were four times higher in New York City than in Mobile, Alabama. Given such wide variation across cities having very different income profiles, actual dollar amounts reveal little that is nationally generalizable. Instead, we examined the trajectory of tenant income during the past decade in inflation-adjusted dollars for each city. Analysis of the PHA budget data suggests that fully two-thirds of the PHAs surveyed experienced a clear decline in the income of public housing households in real dollars between 1980-81 and 1990-91. Even more striking is the situation since 1985-86: while many PHAs actually experienced a rise in average household incomes in the early 1980s, average household income (in constant dollars) has dropped in 80 percent of the PHAs in the sample during the past five years. In some cities, this drop has been so marked as to constitute an absolute decline in income, even without adjusting for inflation.

While most examples of severely distressed public housing developments may well have experienced the usual pattern of declining incomes, it is worth noting the situation in the Commonwealth Development, one of the NCSDPH's case study 'turn-around' sites. Here, in contrast to national trends and the trends in most PHAs, the distribution of income groups has shifted toward higher incomes during the past decade. In 1992, for instance, 25 percent of the Commonwealth Development's households were in the high income tier (compared to only five percent in 1981, prior to redevelopment) and 61 households reported incomes of more than \$35,000. There has been a corresponding decline in the percentage of families in the lowest tier of incomes between 1981 and 1992. Taken overall, the income statistics for the Commonwealth Development are now higher than the average for the Boston Housing Authority's family conventional public housing. In the lowest income tier, 52 percent of the Commonwealth Development residents—as compared to 60 percent of the Boston Housing Authority families overall—reported incomes below \$10,000 and one fourth of the Commonwealth Development residents—as compared to only one fifth of the Boston Housing Authority families—reported incomes over \$20,000 (See Commonwealth Development Case Study, NCSDPH, 1992). Such a trend, in itself, says nothing about the role of the redevelopment process with regard to these changes in income.

**Income By Race and Ethnicity .** The trend toward increasingly low incomes affects all major racial and ethnic groups who live in public housing. Whites, blacks and Hispanics in public housing have all experienced a decline in income relative to local median since at least 1974 [See tables in Appendix B]. Figures from 1974 and 1981 show some variation in income of public housing residents by race and ethnicity, but suggest no dramatic discrepancies (HUD, 1983). In both 1974 and in 1981, for example, incomes of Hispanics in public housing were relatively higher than those of blacks or whites, though a majority of Hispanics still had incomes below 50 percent of local median. And, contrary to the popular image of blacks as predominant among lowest income groups in public housing, these data suggest that, taken nationally, blacks and whites were approximately equally likely to have incomes under 30 percent of area median, during the middle and late 1970s.

This situation seems to have changed dramatically during the last decade, based on evidence from the 1991 HUD Tenant Characteristics data. Based on reports from a national database of a half million non-elderly public housing households, it would seem clear that the very poorest households are now much more likely to be headed by blacks or Hispanics than by whites. Nationwide, black families (25.6 percent) are about twice as likely as whites (13.57 percent) to report incomes that place them in the lowest category (less than 10 percent of the area median). Income levels for Hispanics in family public housing are now likely to be even lower, with more than one-third of all such households reporting incomes in the lowest category, about two-and-a-half times the rate for whites [See Tables in Appendix B].

#### **B. Source of Income**

More than three quarters of public housing families report receiving no income from employment, and a growing majority of public housing families receive welfare. Such findings are rooted in larger economic trends affecting inner-city areas where most large public housing developments are located. Manufacturing jobs that once provided opportunities for young people in such places have "largely vanished from the economy, replaced by thousands of low-paying jobs that often exist in the suburbs beyond the reach of poor neighborhoods" (Anderson, 1991: 381).

Surveys conducted over the past fifteen years have consistently shown that only about one quarter of all public housing residents have reported employment as their primary source of income. A 1976 survey of public housing tenants in twenty large cities found that 70 percent of households were supported primarily by welfare (AFDC, SSI) or social security rather than wages and salaries (Struyk, 1980: 48). Similarly, a 1984 survey of 47 large PHAs found that "almost three-quarters of public housing families are not supported by a working member," and that only four percent of PHAs surveyed had 50 percent or more employed households. The majority of PHAs (55 percent) reported that between 25 percent and 49 percent of the heads of household were employed, and 38 percent of the PHAs reported that less than 25 percent of the heads of household were employed. (CHAPA, 1984: 11-12). NAHRO's 1989 survey of a sample of 202 large PHAs found that 24 percent of public residents reported "earned income." HUD's Tenant Characteristics data for 1991 confirm this finding; about 30 percent of non-elderly public housing households were reported as "receiving wages." Since the HUD database includes PHAs of moderate size (500 or more units) as well as the larger ones where higher rates of unemployment are likely to be found, the 30 percent figure overstates the percentage of employment in PHAs where most severely distressed public housing is found. A sub-sample of HUD-reported data on 13 large urban PHAs more accurately matches the profile of distressed public housing (and also more closely approximates the 1984 CHAPA sample). On average, HUD data for these cities show only about 26 percent of non-elderly households report receiving wages. More striking, though, is the extreme variation within the group; in Cleveland (Cuyahoga Metropolitan Housing Authority) only 9.25 percent of such households reported earned income, whereas in New York City—the nation's largest PHA—45.35 percent reported wages. In other words, there was almost a fivefold difference between these two very large PHAs. Neither extreme is typical, but they do seem to mark the ends of a continuum of unemployment that remains high at both ends. While the 1984 CHAPA sample does not contain exactly the same PHAs as the 1991 HUD sample, comparison between the two suggests that about three quarters of the heads of household in large urban PHAs continue to be unemployed.

TABLE 3-3

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**PERCENT OF PUBLIC HOUSING HOUSEHOLDS REPORTING  
INCOME FROM WAGES**


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**Distressed Developments**

Desire Development 16%

Olde Cedar Development 17%

**Turn-around Developments**

Robert B. Pitts Plaza 33%

Steamboat Square 38%

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Source: HUD, 1991 MTCS data. Note: comparable data for other developments visited by NCSDPH were unavailable from HUD.

The data from Table 3-3 for four sites visited by the NCSDPH confirm high levels of unemployment, but also suggest a correlation between turn-around sites and markedly higher percentages of wage-earning households.

**Welfare.** Welfare, defined to include any or all of payments from Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI) or General Assistance (GA), tends to be the dominant source of income for families in public housing family developments. Surveys suggest that this has been the case for at least fifteen years. Raymond Struyk's analysis of 1976 data for twenty large PHAs found that 43 percent of public housing households reported welfare payments (AFDC or SSI) as their primary source of income (Struyk, 1980). A 1979 Urban Institute study found that about 59 percent of families in public housing were receiving welfare (defined as AFDC, Supplemental Security Income and General Relief) (Sadacca and Loux, 1979). Similarly, the 1984 CHAPA study concluded that about 44 percent of families were receiving AFDC, but did not specify how many were receiving other forms of welfare assistance. Looking at only those authorities managing at least 5000 units (but eliminating the New York Housing Authority), the CHAPA figure is somewhat higher—about 50 percent. This survey made no attempt to probe the details of AFDC support. Its authors note that

Although a substantial portion of the residents at the authorities surveyed receive AFDC benefits, the survey data is not adequate to calculate the average level of dependence, the average length of time the residents have received assistance, the proportion of recipients who are employed, or the number of recipients who remain at home to care for children under six years of age (CHAPA, 1984, p. 12).

More in depth analysis of these dynamics would greatly enhance the descriptive power of welfare payments as a significant aspect of the tenant profile.

There is as yet, for instance, no clear evidence that the reliance on welfare as the principal source of income is higher in severely distressed developments than in less troubled places. In fact, the report prepared for NCSDPH by ICF concluded that this reliance was "not appreciably higher in high needs developments than in other segments of the stock"

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(ICF, 1992). Such a finding, which may well hold true generally, did not always comport with the findings from NCSDPH site visits. In the Olde Cedar Development, judged to be severely distressed, 53 percent of families were reported to receive AFDC, a figure two-and-a-half times greater than the PHA average [See Appendix C, Table C-2]. Also worth noting is the case of the Commonwealth Development, a turn-around site, where the percentage of families receiving AFDC in 1981 (prior to redevelopment) was 48 percent; eleven years later, after redevelopment, that figure is only 14 percent [See Appendix C, Table C-1]. In another turn-around case, Steamboat Square, however, the percentage of welfare recipient families has continued to rise in the years since redevelopment, from 32 percent in 1986 to 48 percent in 1991. Yet these figures are still lower than the figures for the Albany Housing Authority as a whole, which reported 43 percent welfare recipients in 1986 and 57 percent in 1991. In short, the trend at this development seems to closely parallel the trajectory of agency-wide figures for the housing authority, even though the percentages of welfare recipients have been consistently below the PHA average [See Appendix C, Table C-4].

TABLE 3-4

**PERCENT OF PUBLIC HOUSING HOUSEHOLDS REPORTING  
INCOME FROM ASSISTANCE PROGRAMS AND PENSIONS**

Distressed Developments		PHA-wide*	
Desire Development	87%	HANO	87.42%
Olde Cedar Development	85%	CMHA	92.54%
Turn-around Developments		PHA-wide*	
Robert B. Pitts Plaza	70%	SFHA	79.07%
Steamboat Square	65%	SFHA	57.32%

Source: HUD, 1991 MTCS data. Note: Comparable data for other developments visited by NCSDPH were unavailable from HUD.

\* These data are for non-elderly families

HUD's 1991 MTCS data, used to compute Table 3-4, unfortunately do not yet help to clarify fully the nationwide pattern of income sources for households in family public housing. Because the data collection instrument (HUD-form 50058, Tenant Data Summary) lacked sufficient numbers of categories, and because respondents were confused about the names of the various types of public assistance, HUD has been forced to group all such non-employment sources of income under the single category of "pensions or assistance" for the purposes of analysis. However, even though the HUD data currently provide little information about the specific breakdown of public assistance payments in non-elderly public housing, the national data do show that about two thirds of all such families receive some form of assistance. Analysis of 1991 HUD data for non-elderly families in thirteen large and very large PHAs reveals even higher percentages of families receiving such assistance. In many cities, three-quarters of all such families receive assistance payments; in some the figure surpasses 90 percent. Table 3-4 reveals very high percentages of households reporting assistance payments in distressed developments, and somewhat less elevated percentages for turn-around sites. The results of the 1992 CLPHA, NAHRO, and PHADA survey should be consulted to obtain current figures on the frequency of reliance on specific assistance programs.

### C. FAMILY COMPOSITION

The composition of families in public housing has become increasingly dominated by female-headed households, reflecting a national trend among America's poor, whether or not they happen to live in public housing. Whereas 25 percent of America's poor were living in female-headed families in 1960, by 1980 about 35 percent were, and, by 1987, the figure may have reached 40 percent. Some sociologists argue that such a trend is related to patterns of male unemployment since, "without a decent job, men are undesirable marriage partners." In any case, the resulting pattern of divorce, single-parent families and out-of-wedlock births leaves all too many children "with impaired financial support, inadequate adult supervision and instruction, compromised security, fewer alternatives for establishing intergenerational relationships, and fewer adult role models" (Peterson, 1991: 7, 16, 19).

What is true of America's poor in general is even more strikingly the case among public housing residents, especially those living in the largest PHAs. As of 1991, according to HUD figures, female-headed households with dependent children accounted for two-thirds of all non-elderly households (HUD, 1992). The fourteen large PHAs visited by the NCSDPH almost exactly typified the national average in this regard. The instance of female-headed families as a percentage of all non-elderly households in this sample varied from a low of 49.3 percent in Boston to a high of 86.1 percent, averaging about 64 percent.

Seen as a percentage of only those families with dependent children, the preponderance of female-headed households is even more overwhelming. The national average is 85 percent, and is even higher—about 90 percent—in the fourteen large PHAs in the NCSDPH sample. In Chicago and St. Louis, the proportion reaches nearly 95 percent, and in New Orleans it soars to almost 98 percent (HUD, 1992). Based on the findings of earlier surveys, the pattern of female-headed households would seem to be deeply-rooted and on the rise.

Surveys conducted in 1979, 1984 and 1989 confirm that a substantial majority of households in family public housing were headed by single-parents, and that such households are overwhelmingly female-headed. Though the various studies frequently use different terminology and define their target groups differently, the overall trend seems clear in spite of the lack of directly comparable data. In 1979, an Urban Institute study found that approximately three-quarters of public housing households (including both family and elderly) were female-headed, and that less than 12 percent of families receiving welfare had a male head present. The 1984 CHAPA survey of family public housing found that nearly 70 percent of units were occupied by female-headed households. Eighty-four percent of the PHAs in their sample reported 50 percent or more female headed families, indicating a clear nationwide pattern. Half of the PHAs reported 75 percent or more female-headed households and 22 percent reported 90 percent or more female-headed households, indicating that this kind of household is the rule in public housing in many American cities (CHAPA, 1984:10). At a time when only 8.3 percent of families with children nationwide were headed by a single parent, NAHRO's 1989 survey of 202 PHAs reported that, in public housing, just over three-quarters of families with children living in public housing were headed by a single parent (NAHRO, 1990). In the Chicago Housing Authority, for instance, the percentage of single-parent families (i.e., female-headed) has risen from about 58 percent in 1976 to 74 percent in 1991 (Struyk, 1980; HUD, 1992). HUD-supplied figures should be compared with the results of the 1992 NAHRO survey once these results become available.

HUD's 1979 study of *Problems Affecting Low-Rent Public Housing Projects*, which divided its sample of 700 projects into those judged "untroubled," "relatively un-

troubled," and "troubled," would seem to be the only national study that has attempted to relate the percentage of female-headed households to development conditions. While this study found a much smaller overall percentage of female-headed households in public housing than all other figures seem to suggest, it also found that those developments that did have greater than 75 percent female-headed households were twelve times more likely to be classified as "troubled" than as "untroubled" (Jones et al., 1979:44). This study also found that the "Predominance of single parent female headed families versus two parent headed families" to be the most frequently mentioned problematic aspect of tenant attributes or behavior in those developments judged as "troubled," at least in the eyes of HUD field office staff (Jones et al., 1979: 87). In 1979, this could still be considered an oddity; by 1991, such predominance was the rule—for most entire PHAs as well as for most developments within them.

The NCSDPH case studies seem clearly consistent with such findings; for example Ida B. Wells was comprised of 90 percent female-headed families as of 1991 and the Commonwealth Development, prior to redevelopment, housed 84.3 percent single-parent families [See Appendix C]. During that same time period (the late 1970s) the Boston Housing Authority already had eight developments with more than 90 percent single-parent, female-headed families. Table 3-5 suggests that such families are predominant in distressed developments but are also found in roughly similar proportions across the broader PHA in which they are located. For the two turn-around developments included in Table 3-5, however, the percentage of female-headed households with children seems to be noticeably lower than the PHA average.

TABLE 3-5

**PERCENT OF FEMALE-HEADED, NON-ELDERLY PUBLIC HOUSING HOUSEHOLDS WITH CHILDREN**

Distressed Developments		PHA-wide	
Desire Development	99%	HANO	97.8%
The Olde Cedar Development	95%	CMHA	93.7%
Turn-around Developments		PHA-wide	
Robert B. Pitts Plaza	70%	SFHA	83.6%
Steamboat Square	65%	AHA	89.9%

Source: HUD, 1991 MTCS data. Note: comparable data for other developments visited by NCSDPH were unavailable from HUD.

The NCSDPH case studies also confirm trends toward families headed by younger single females, and reveal other changing patterns of household composition. At the Commonwealth Development, the period before redevelopment was characterized by an increase in the youthfulness of household heads, coupled with a dramatic rise in mean family size. In the decade since redevelopment began, however, the mean family size has dropped. Taken together, this recent pattern of increased numbers of younger, smaller families seems to be very prevalent in family developments. In characterizing the residents of the Ida B. Wells development, for example, the manager noted that the new single mother households are becoming much younger in age; this average age is estimated at 22 years. Fifty-two percent of the population is under the age of 19. Contrary to the common perception of severely distressed public housing as being comprised primarily of large families, the majority of the households at Ida B. Wells are small; 52 percent include only one or two persons. Only 5 percent of the households have more than five persons. In

general, there is a strong demand at Ida B. Wells for one bedroom by single males on general assistance who previously resided in roominghouses or single room occupancy lodgings. The greatest demand for units is in the two bedroom to three bedroom range; the manager believes there is an ample supply of four bedroom and five bedroom units to meet waiting list needs (See Ida B. Wells Case Study, NCSDPH, 1992).

At the Albany Housing Authority, too, there has been no increase in the number of resident families with four or more children during the past five years, and units of more than 3 bedrooms comprise only three percent of the future demand (though such large units make up almost eight percent of the units in that the AHA's family development inventory), according to data from the AHA's 1992 waiting list. The greatest demand in this city, regardless of race or ethnicity, is for one- and two-bedroom units (Albany Housing Authority, February 1992). Thus, the apparent decline in family size may be more than a passing statistical quirk; it may indicate a significant discrepancy between the mix of families who want to live in public housing and the mix of units a PHA has available to house them. It does, however, also reveal that the trend toward female-headed families is not a trend toward larger families. On the contrary, 1991 HUD national figures indicate that, on average, female-headed families with dependent children have fewer children (2.25) than do male-headed families (2.51) (HUD, 1992).

TABLE 3-6

## AVERAGE HOUSEHOLD SIZE (number of persons)

Distressed Developments		PHA-wide*	
Desire Development	4.3	HANO	3.25
Olde Cedar Development	3	CMHA	2.32
Turn-around Developments		PHA-wide	
Robert B. Pitts Plaza	3.7	SFHA	2.90
Steamboat Square	2.1	AHA	2.56

Source: HUD, 1991 MTCS data. Note: data for other developments visited by NCSDPH were unavailable from HUD.

\* These data are for non-elderly families.

The data in Table 3-6 seem to suggest that distressed developments may well tend to house somewhat larger families than the PHA-wide average. The two turn-around sites in Table 3-6 show one where this pattern remains the case and one where the turn-around development houses, on average, smaller families than does the PHA as a whole. The individual case studies should be consulted for potential insight into the relationship between the turn-around process and changes in family size.

**Special Needs Populations.** A 1989 NAHRO survey found that approximately nine percent of the units managed by PHAs housed physically disabled, emotionally disabled or mentally retarded people who were living alone (NAHRO, 1990: 5). Federal regulations currently require housing authorities to house persons with disabilities together with the elderly in the same developments. While the NCSDPH's mandate focuses attention on public housing's family developments, the issue of housing the elderly and younger disabled together extends beyond elderly housing developments, and deserves some mention here. A special NAHRO survey on this issue indicated that "75 percent of PHAs indicated that housing the disabled and elderly together had presented problems." NAHRO reports that "Some elderly residents are uncomfortable with their younger,

disabled neighbors, in part because the lifestyle of younger people is very different. Elderly people are also more likely to be alarmed by any unusual behavior. Their concerns have led to higher turn-over rates among the elderly in some developments where younger disabled people are housed" (NAHRO, 1990: 5). Others fear far more than a 'conflict of lifestyles,' viewing the co-presence of elderly and younger disabled populations as allowing a dangerous intrusion of mentally ill and drug-addicted persons into formerly stable housing environments. At the crux of the issue is the fact that legislation permitting "disabled" persons to be classified as eligible for "elderly" housing failed to anticipate the rapid deinstitutionalization of patients from state mental hospitals that occurred in the 1980s. In the absence of adequate alternative housing, many of these persons gravitated toward public housing, where they received inadequate supportive services and were exposed to increasing levels of crime and drug activity.

It would seem clear from various PHA reports that the co-presence of younger disabled populations with the elderly has risen dramatically since the early 1980s, as have concerns about the advisability of this policy. Much more detailed and current information about the status of persons with disabilities in public housing should be available once results from a large sample survey sent out by CLPHA, NAHRO and PHADA in the spring of 1992 have been analyzed, but the pattern is already clear. The Minneapolis Housing Authority, for example, reported in 1989 that the percentage of disabled residents tripled during the 1980s, from eight percent in 1980 to 24 percent in 1988. Nearly two thirds of their 1989 applicants for high-rise housing were disabled persons under the age of 62, of whom 68 percent reported suffering from mental illness or mental retardation (Minneapolis PHA, 1989). Such a situation is hardly unique. The executive director of the Lowell (Mass.) Housing Authority noted in April, 1992 that 22.5 percent of the occupants of that PHA's elderly developments were disabled people under age 62, and that more than half of these are recovering drug addicts or alcoholics. "These elderly people are living in fear," he commented. "A lot of them won't use the elevators and they stop coming to functions because they are afraid to be around these people. We're not against taking care of disabled people, but mixing them with the [elderly] is a problem" (Anderson, 1992). Recently, acts of violence against elderly residents by younger mentally ill residents have received widespread publicity. Though some commentators claim that such reports have been exaggerated and that most crimes against the elderly are perpetrated by non-residents, this issue continues to be a matter of considerable debate.

Responding to the growing concern of public housing officials and the public, a bill was introduced in the U.S. House in March, 1992 (H.R. 4435) that would allow PHAs to designate separate housing for elderly persons and for the non-elderly disabled, as well as designate housing for mixed populations. As part of this, officials would be allowed to establish a set of "essential terms of tenancy" to screen potential new tenants to determine the possibility of a direct threat to neighbors, based on past history of criminal behavior, disturbances or destruction of property (*Housing and Redevelopment Reporter*). Another bill being drafted in April 1992 was expected to propose complete separation of the elderly from young and middle-aged adults with disabilities. Praised by senior citizens' groups, such legislation has alarmed mental health policy groups who fear that such action could lead to increased housing shortages for the mentally ill and substance abusers. Advocates of the legislation concede that "the disabled might have a harder time finding housing" but contend that "the right of the elderly to live free of fear outweighs the rights of former drug abusers and the mentally ill to have access to public housing" (Anderson: 1992). Whatever the outcome of legislation, the issue highlights an important way that the changing mix of residents in public housing can have profound consequences for public housing management, service provision and quality of life in public housing developments.

#### D. Race and Ethnicity in Family Public Housing

All available data seem to suggest that most large public housing authorities house predominantly minority populations and that the percentage of minorities continues to increase. Notwithstanding this, the racial and ethnic composition of the public housing population varies dramatically from city to city and region to region. At one extreme, there are large PHAs (such as those in Richmond and New Orleans) that report populations that are 99 percent black; at the opposite extreme, there are large PHAs (such as those in Boston and Tacoma) reporting populations whose plurality is white (CLPHA, 1992; HUD, 1992).<sup>16</sup> Nationwide, 1991 HUD data for more than 500,000 non-elderly families suggest that the public housing population is approximately 15.75 percent white, 61.67 percent black, 19.78 percent Hispanic, 2.7 percent Asian or Pacific Islander and .34 percent American Indian (HUD, 1992).

All major surveys and studies of the past two decades have found a similar regional diversity and clear national pattern. The 1979 Urban Institute study comparing public housing tenant characteristics in 1974 and 1979 found little change in the racial composition of a family public housing population that was then about 60 percent black, 25 percent white and 15 percent Hispanic (Urban Institute, 1979). Further analysis of these data suggested that PHAs in large cities contained higher percentages of minority tenants— 73 percent black, 16 percent white and 10 percent Hispanic, though these percentages varied greatly from one PHA to another (Struyk, 1980:48).<sup>17</sup>

A 1984 survey of the racial and ethnic origins of families in public housing, using a nationally diverse sample of 59 of the nation's 133 largest housing authorities, found that more than 80 percent of the population was non-white. Of those PHAs managing over 5,000 units, this survey found that nearly 93 percent of those housed were non-white (CHAPA, 1984: 4-5). More than one quarter of the authorities in the sample reported populations that were 90 percent or more black; two thirds of these reported populations that were more than 95 percent black. Most of the latter subgroup were located in southern states, which have a disproportionate number of PHAs. Overall, nearly two thirds of the PHAs in this sample reported that more than 50 percent of their units were occupied by black families.

Similarly, NAHRO's 1989 survey of 202 PHAs found that 81.7 percent of households were headed by non-whites. In 13 of the largest PHAs, each managing more than 9,000 units, the proportion reached 90 percent (NAHRO, 1990: 60). Data from the first 17 large PHAs that responded to CLPHA's 1992 survey also portray a similar pattern: of those living in family developments, 17.4 percent were reported as white/European, 75.6 percent as African Americans, 1.9 percent as Asians, 3.7 percent Hispanics, and .5 percent Native American.



TABLE 3-7

## RACIAL AND ETHNIC COMPOSITION OF HOUSEHOLDS

## Distressed Developments

	White	Black	Hispanic	Asian/Pacific	Native Am.
Desire Development	-----	100%	-----	-----	-----
HANO*	.11%	99.5%	.37%	.01%	.01%
Olde Cedar Development	27.5%	18.8%	5.6%	45.5%	2.6%
	31.5%	21.7%	4.9%	40.1%	1.9%
CMHA*	-----	96%	2.0%	1.0%	-----
	6.93%	90%	2.9%	.16%	.05%

## Turn-around Developments

	White	Black	Hispanic	Asian/Pacific	Native Am.
Robert B. Pitts Plaza	7%	74%	9%	11%	-----
SFHA*	6.4%	69.5%	8%	15.8%	.37%
Steamboat Square	36.4%	58.8%	2.9%	2%	-----
AHA*	16.2%	76.7%	5.6%	1.4%	.1%

Source: HUD, 1991 MTCS data. Note: comparable data for other developments visited by NCSDPH were unavailable from HUD.

\* These data are for non-elderly families.

Table 3-7 again demonstrates the racial and ethnic diversity of PHAs and individual developments, and suggests that the NCSDPH case study sites were fairly accurate mirrors of the PHAs in which such developments were found. Taken overall, the NCSDPH PHA visits would seem to provide an accurate microcosm of the racial and ethnic composition of family public housing nationwide. The PHAs visited by the NCSDPH tell many different stories about changes in racial and ethnic composition. In the Boston Housing Authority for instance, the black population of public housing has remained virtually constant since at least 1975, though there has been a tripling of Hispanic and Asian participation, and a substantial drop in the white population [see Appendix D, Table D-3]. Within this PHA, the Commonwealth Development is currently one of the most racially and ethnically diverse to be found anywhere. As of 1992, it was 40 percent white, 38 percent black, 14 percent Hispanic and 7 percent Asian. This diversity, however, is a far cry from the profile of the development in 1969, when it was 92 percent white. The trend toward increased minority residence is also clearly apparent in Steamboat Square, which was 49 percent white and 45 percent black in 1986 and, by 1991, was 62 percent black and only 33 percent white [see Appendix D, Table D-5]. This trend puts Steamboat Square more in line with the prevailing racial and ethnic composition of the PHA as a whole, which has had a population that is more than 70 percent black for many years.

Other PHAs visited by the NCSDPH have housed overwhelmingly minority populations for decades. The developments managed by the Chicago Housing Authority, for instance, were 82 percent black as of 1973, and that percentage has remained relatively constant for twenty years [see Appendix D, Table D-4]. Ida B. Wells was 100 percent

black as of 1984, and remained nearly 97 percent black seven years later. Liberty Square was 98.5 percent black in 1992 [see Appendix D, Table D-8]. Similarly, residents in the Cuyahoga Metropolitan Housing Authority were 81 percent black as of 1986 and 90 percent black as of 1991; within this PHA, the Olde Cedar Development was 96 percent black in 1991 [see Appendix D, Table D-6]. In short, notwithstanding the existence of some PHAs that serve almost entirely members of one racial group, the PHAs and developments visited by the NCSDPH exhibit wide-ranging racial and ethnic composition, both within PHAs and between them.

**Regional Variation in Racial and Ethnic Composition.** There is some significant regional variation in the racial and ethnic composition of public housing. In 1984, CHAPA surveyed 14 PHAs in the Northeast (not counting New York), nine in the North Central Region, five in the Northwest, 24 in the South and 11 in the Southwest. This survey found that, though whites occupied about 14 percent of the units in the nationwide sample, they occupied nearly a third of the units in the Northeast and Northwest samples but only about eight percent of the units in the South. The presence of Hispanics was even more variable across regions, ranging from a high of 37 percent in the Southwest to a low of only one percent in the North Central. Asian families comprised more than ten percent of occupants in the Northwest PHAs, but were almost entirely absent in the statistics furnished by the PHAs in the South (CHAPA, 1984:7-9). NAHRO's 1989 survey revealed similar patterns of diversity. For example, while public housing residents in the Mid-Atlantic region were quite likely to be black (60 percent) or Hispanic (22 percent), residents in the Pacific/Southwest region were even more heterogeneous—34 percent black, 22 percent white, 21 percent Hispanic and 18 percent Asian. Moreover, many PHAs face special circumstances. In St. Paul, for instance, Hmong refugees from Laos—who began arriving in the late 1970s—comprise more than 59 percent of the population of that city's housing developments (NAHRO, 1990: 3).

The 1991 sample of fourteen large PHAs (including those visited by the NCSDPH) is consistent with such regional diversity. The racial and ethnic breakdown of these cities by region reveals examples of relatively high concentrations of Asian households in PHAs in the West/Northwest such as San Francisco (25.75 percent) and Tacoma (32.83 percent). Higher percentages of households classified as "Hispanic" were found in the south (38.49 percent in Miami), as well as in New York City (35.09 percent). In short, public housing residents are a racially and ethnically diverse group who reflect regional demographic patterns and circumstances unique to each PHA.

#### **E. Length of Residence in Public Housing**

One measure of the stability of a tenant population is the length of time residents have lived in public housing. Such figures can reveal patterns of long-term residency (over twenty years) or, conversely, tendencies toward rapid turnover. In general, a core group of long-term residents can be conducive to socially stable communities in public housing, just as it is in the private sector. At the other extreme, a highly transient population (residing for less than five years) can work against the establishment of viable communities. Still, while long-term residency may be an indicator of social stability, it may also be an indicator of desperation: many families remain in public housing for multiple generations simply because they cannot afford any other alternative. Increased length of tenure for those who are most economically disadvantaged may bring instability as well.

According to 1991 data reported by HUD, there is wide variation in the distribution of households by length of residence in public housing. Nationwide, HUD estimates that, as of 1991, about one quarter of all non-elderly public housing households have been in residence for less than one year. At the opposite extreme, about eight percent have been in public housing for more than twenty years [See Appendix E]. Table 3-8 shows the

extremes of residence for five of the sites visited by the NCSDPH, revealing both very high recent turnover as well as evidence of significant long-term residency.

TABLE 3-8

**LENGTH OF RESIDENCE IN PUBLIC HOUSING (showing extremes only)**
**Distressed Developments**

	less than 1 year	more than 20 years
Desire Development	5%	29%
HANO*	16.4%	15.57%
Olde Cedar Development	39%	5%
CMHA*	26.6%	3.4%

**Turn-around Developments**

	less than 1 year	more than 20 years
Robert B. Pitts Plaza	72%	7%
SFHA*	26%	8%
Steamboat Square	28.4%	4.3%
AHA*	31.1%	1.82%

Source: HUD, 1991 MTCS data. Note: comparable data for other developments visited by NCSDPH were unavailable from HUD.

\* These data are for non-elderly families.

One important measure of the pattern of residence is the turnover rate. The 1989 NAHRO survey found that the thirteen largest PHAs had about a ten percent turnover rate, which was about half that of the vast majority of PHAs in their sample (NAHRO, 1990: 24). Though the NCSDPH case studies did not systematically explore this variable, there is some evidence of the trend in at least one development. The official statistics from the Chicago Housing Authority show a monthly turn-over rate averaging approximately 12-15 units per month at the distressed Ida B. Wells development, although the PHA's manager feels this may be under-reported, particularly in the old section of Ida B. Wells where the maze-like configuration makes it difficult to observe move-out activities (see Ida B. Wells Case Study, NCSDPH, 1992). Turn-over is probably in the range of 150-200 families per year, or five to seven percent of total units annually. Further and more detailed exploration of the patterns of entry and exit into severely distressed developments could shed much light on the ways that the development is managed and on the ways it is perceived by its residents.

**F. Vacancy in Public Housing**

One of the most important aspects of public housing occupancy is non-occupancy. A 1989 NAHRO survey estimated that 5.6 percent of the current public housing stock (equal to about 78,000 units) was vacant (NAHRO, 1990: 23). This figure actually compares favorably to the average vacancy rate for private housing in the communities surveyed, which was 6.9 percent. The vacancy rate for public housing at a national level, however, says little about the dynamics of a problem that is closely tied to the operations

of an individual PHA and to the developments within in it. Not surprisingly, the NAHRO survey found "significant variation" among the PHAs surveyed: 40 percent reported a vacancy rate of three percent or less, while 23 percent reported a vacancy rate of greater than ten percent. Of the largest PHAs (those managing more than 9,000 units), nearly two-thirds reported vacancy rates above ten percent (NAHRO, 1990: 65). There are many different partial explanations for high vacancy rates. The 1989 NAHRO survey found that "perhaps the most common explanation" was that units were under-going or needed modernization. Taken together, the reports from the 13 largest PHAs suggested that their average vacancy rate would be reduced to seven percent, if they received full modernization funding.

The NCSDPH site visits to housing developments showed no necessary correlation between high distress and high vacancy, but revealed a clear pattern of problems associated with escalating vacancy in most cases. While the Salishan Development is arguably distressed, it still retains full occupancy and has the most rapid turnover rate of any development in THA's inventory. The more common pattern in severely distressed housing is escalating vacancy; Ida B. Wells has a current vacancy rate of 20 percent while the Desire Development is suffering from major deterioration and is 50 percent unoccupied. Moreover, before they were redeveloped, vacancy rates reached 52 percent at the Commonwealth Development and 70 percent at Steamboat Square. Often, developments with such high vacancies cannot be secured, attracting illegal drug activity and enabling a cycle of vandalism and abandonment to continue.

#### G. Future Trends in the Public Housing Population

The future profile of the public housing population is, in large part, a function of federal admissions policies and national economic and demographic trends. Given these, however, there is also likely to remain significant diversity in tenant demographics between and among authorities, as well as within them. The tenant population in a large urban authority such as Philadelphia's, for instance, will differ radically from a small city authority in a Western state. Local and regional economic and market conditions as well as local politics also help insure that no national picture of public housing demographic trends will accurately reflect all segments of the housing stock equally well.

If it is assumed that severely distressed sites are predominantly located in major cities having large public housing authorities, the picture of future public housing occupancy stands out in clearer relief. Such cities continue to experience a net outward migration from their central areas where most of their public housing stock is located, and the remaining population is disproportionately poor. With the move on HUD's part to focus public housing on only the most needy, the demographic trends toward lowest income, minority, female-headed households seem destined to continue.

One way to measure this trend is to trace the changing demographic profile of the more than one million people on the nation's housing authority waiting lists. To do so, however, is fraught with difficulties. Few PHAs have reliable current figures of waiting list populations that break down that population into detailed demographic categories. Still fewer PHAs, if any, have kept reliable historical records of waiting list tenant characteristics that would enable clear identification of how the composition of such waiting lists is changing. A 1984 CHAPA survey of a nationally diverse sample of 59 large PHAs found that about 30 percent of these authorities reported waiting lists that were at least 90 percent comprised of black families, whereas only 26 percent reported that their current public housing population was at least 90 percent black.

Consistent with the previously mentioned regional differences in the racial and ethnic composition of public housing residents, the highest percentages of minorities on the

waiting lists were found in southern PHAs where, on average, only about six percent of all those listed described themselves as white, whereas waiting lists were approximately 16 percent white in the Northeast, 20 percent white in the Southwest, and 24 percent white in the North Central (CHAPA, 1984:7-9). In the Northwest, as an extreme, the 1984 data indicated that whites occupied nearly one third of public housing units and that the waiting lists were more than 43 percent white. Thus, in contrast to other regions where the waiting lists pointed decidedly toward increased occupancy by minorities, in the Northwest just the opposite seems to hold true though, even in this region's PHAs, whites still seemed likely to remain in the minority.

There was, not surprisingly, significant regional variation in the types of minority groups found on PHA waiting lists. The percentage of blacks ranged from a high of approximately 89 percent in the South to a low of about 28 percent in the Southwest; the percentage of Hispanics ranged from a high of about 16 percent in the southwest to less than four percent in the North Central, Northwest and South. Asians comprised between 16-18 percent of the 1984 waiting list populations in the Northwest and Southwest, but only about one-fourth of one percent in the South.

**Waiting List Family Composition.** The 1984 CHAPA study of waiting lists found that few authorities kept information about family characteristics and concluded that it was "impossible to develop an accurate estimate of the number of female-headed households on the waiting list for public housing" (CHAPA, 1984: 10). Forty-five percent of the PHAs surveyed in 1984 reported that, as part of their waiting list procedures for all applicants, they collected data on family size, age of members, race of family, income, source of income, current housing status, medical information that could affect the need for housing, disabled or handicapped status, veteran status, past occupancy in public housing, and past criminal activity. Thirty-eight percent of the PHAs in this sample reported collecting all of the above except for data on past criminal activity, and 12 percent said that they collected all of this data except for information on veteran's status. Some authorities also collected information about prior housing history (ten percent); landlord references (13 percent); amount of assets (ten percent); eviction history (three percent); amount of rent currently being paid (three percent); and conviction records (three percent). It is possible that a higher percentage of authorities collected information on these latter set of categories, but did so for some rather than all applicants.

Three quarters of the authorities surveyed by CHAPA in 1984 reported that their waiting lists had more than 75 percent households headed by members of minority groups. "Seventy-seven percent of all the families on the waiting lists were black" and, given that blacks "have a higher incidence of unemployment and female-headed households and a lower average income, it is likely that these demographic characteristics will continue to be predominant in the public housing population in the future" (CHAPA, 1986:36).

The 1992 CLPHA, NAHRO and PHADA survey included questions about PHA waiting lists included for the purpose of this report at the request of NCSDPH consultants. Unfortunately, the response to the survey by PHAs was unusually slow, and the results were not available in time to be included here. The results of this part of their survey should shed some light on the nature of the waiting list populations at a wide variety of large PHAs, though there is reason to believe that the quantity and quality of PHA record-keeping on such matters may well be rather limited. Still, analysis of waiting list demographics is certainly well worth pursuing, especially if PHAs are encouraged to keep more complete and accurate records. If such records were reliably available, they could provide important evidence of potential future trends in income, source of income, family composition, racial and ethnic composition, and special needs populations. Such projections could help clarify the appropriate mix of units and services required as PHAs pursue efforts at modernization and redevelopment. Tracing the nature of demand by



unit type can help predict profound changes in the public housing population, as the following example (Table 3-9) suggests.

**TABLE 3-9**

**CUYAHOGA METROPOLITAN HOUSING AUTHORITY  
WAITING LIST by UNIT TYPE for NON-ELDERLY CERTIFIED APPLICANTS**

	1975	1980	1985	1991
0 bedroom	12%	52%	7%	0%
1 bedroom	15%	18%	30%	48%
2 bedroom	42%	22%	43%	20%
3 bedroom	18%	7%	19%	28%
4 bedroom	12%	1%	.7%	.4%
5 bedroom	5%	.2%	.2%	.6%
6 bedroom	.1%	0%	.2%	.2%

Source: Cuyahoga Metropolitan Housing Authority, Department of Program Planning

Close analysis of the waiting list trend could help the CMHA anticipate the decline in the demand for the largest units and plan for the particularly strong rise in the number of non-elderly singles. The CMHA reports that most of the latter are young and receiving General Assistance, and that "it has been difficult to provide the type and level of social service support needed to successfully house this group."

#### **IV. ADMISSIONS AND ASSIGNMENT CRITERIA**

To a large extent, the composition of tenant populations in public housing is a function of local housing markets, the nature of the eligible population, and the type and condition of an authority's stock. Beyond these factors, however, public housing occupancy is affected by the PHA's priorities for admission and assignment. Many of these priorities are mandated at the state or federal level, while other goals, procedures and policies are subject to some discretion at each PHA. Taken together, decisions about tenant screening—as well as procedures for tenant eviction (discussed in Section V)—can have a profound effect upon the occupancy of public housing, and upon the viability of its design, management and service delivery systems under severely distressed conditions.

##### **A. The Evolution of Tenant Screening Policies**

Since the origins of the public housing program in 1937, individual PHAs have gradually lost the high degree of discretion that once characterized their admissions and assignment policies. These policies have become increasingly controlled by statutes, regulations and contractual requirements that identify priority categories and establish screening criteria. Such changes reflect evolving attitudes toward who public housing should serve, and mark a shift away from the spirit of early programs targeted at the "submerged middle class"—those working poor who could afford to pay the rents. With the passage of the 1949 Housing Act, individual PHAs faced the first inroads into their considerable

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freedom to choose tenants and to place them in developments. The 1949 Act introduced the first priority categories, mandating preferences to veterans and to those displaced by government slum clearance schemes. This Act also introduced the notion that there should be some common agreement on acceptable and unacceptable admissions criteria, by prohibiting discrimination against those receiving welfare.

As the public housing population shifted, during the 1950s and 1960s, from one comprised of primarily working class whites to one increasingly dominated by poorer, minority families, rent levels proved increasingly unable to cover operating costs, but pressures mounted to serve poorer families. Still, PHAs retained considerable latitude over tenant screening procedures. In rescinding the requirement that all over-income families be evicted, the Housing Act of 1961 recognized the valuable contribution of long-term residents who often provided stability and community leadership.

Landmark civil rights legislation in the early 1960s required PHAs to eliminate discrimination in housing developments, though implementation of such laws required decades of intervention by the courts. In an effort to insure that PHAs continued to serve a broad range of "low income" groups and "avoid concentrations of low-income and deprived families with serious social problems," the Housing and Community Development Act of 1974 established the category of "very low income"—defined as those families having incomes less than 50 percent of their area's median income. In contrast to this group, "low income" families were defined as those receiving between 50-80 percent of the area's median, with the intent being that PHA selection criteria be manipulated to make certain individual housing developments have families from both of these income categories. As one analysis concludes, "The provisions were clearly precipitated by increasing concern over the impact of isolating the poor in dense, high-rise urban developments, by the precarious financial condition of many authorities, and by the growing number of court cases making it difficult or impossible for authorities to discriminate against or favor certain families on the basis of income" (CHAPA, 1986: 47).

In the 1980s, HUD policy shifted again—this time back in the direction of serving those families having lowest incomes. 1984 HUD regulations prohibited families making between 50-80 percent of area median income from being admitted to any units completed after October 1, 1981, without prior approval of HUD. As a 1990 NAHRO report concluded, "This change altered the socio-economic composition of public housing. Families with incomes between 50 and 80 percent of the area median income—including working people who bring financial and social stability to developments—were unable to replace families moving out, many of whom had working members" (NAHRO, 1990: 2).

This change was not the first way that Congress discouraged the 'higher income' pool of public housing tenants in the 1980s. The 1981 Congressional decision to require all tenants to pay 30 percent of their adjusted income in rent amended a statute that stipulated only that rents could not be more than 25 percent of income. This shift may also have served as a disincentive for higher-income tenants to remain since, under the old system, they could be encouraged to remain by setting "ceiling rents" below 25 percent.

At the same time, Congress and HUD reiterated and expanded upon a system of federal preferences, an additional variable that affects which households can obtain a public housing unit. As of 1981, preferences were given to elderly and disabled people as well as those who had been involuntarily displaced. The Housing and Community Development Act of 1987 further specified preferences for those on waiting lists who were living in substandard housing (or had no housing at all), those who had been involuntarily displaced, and those paying more than fifty percent of their income for rent.

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**Income-Mixing in Public Housing.** At the heart of concerns about admissions and assignment criteria is a sense that there is a clear connection between high concentrations of very poor families and serious social and physical environmental problems. Few would dispute the existence of higher crimes rates, greater social unrest and lower levels of property maintenance in lower income communities; the controversy here revolves around who or what is to blame for such distressed conditions. Some commentators prefer to stress the instability of very poor families, charging that they lack initiative, are unable to delay gratification, and are disinterested in pursuing long-term opportunities that provide alternatives to welfare. Others regard this as unfairly "blaming the victim" for the problems that stem from low incomes, and argue that the central difference between the non-poor and the poor is not a lack of morals but a lack of money. The latter stress a persistent, structural absence of employment opportunities in low-income communities (Wilson, 1987), and point out that distressed conditions are also driven by the withdrawal of vital neighborhood services (such as police protection) and by the neglect of housing managers and landlords.

Caught in the crossfire of such arguments, proponents of income-mixing in public housing have been hit with charges of implicit discrimination against the unemployed. Though the regulations define eligibility based on income rather than on source of income, there remains a correlation between higher low-income families and the "working" poor, whereas "very low income" families are more likely to be those relying on government assistance programs. While some argue that income-mixing is necessary to recreate and/or sustain viable communities, others worry that it reinforces "demeaning assumptions about welfare recipients, places the burden of the system's failures on the poor, and pits the poor against the poor in the struggle for affordable housing" (CHAPA, 1986: 75-6). Tradeoffs between the needs of very low income individuals and the need to build communities that do not suffer from the effects of high levels of unemployment can never be easily made. A recent survey on the impact of preference rules favoring the most troubled populations showed "overwhelming agreement" among PHAs that families who qualify for public housing should not be stratified as "needy" and "needier." As a 1990 NAHRO report concludes, while "policy makers have been well-intentioned in trying to serve the most needy," PHAs reported that "the preference rules have inadvertently penalized the working poor, reducing their opportunity to obtain affordable housing" (NAHRO, 1990: 8).

Questions about the implementation of income-mixing policies also remain salient. The 1984 CHAPA survey explored PHA attitudes toward income mixing within developments by asking respondents to identify the objectives of their tenant assignment policies. They found an intriguing discrepancy: "While 91 percent of PHAs said that maintaining an economic mix was a selection priority only 30 percent said that achieving an economic mix was important in assigning tenants to developments" (CHAPA, 1984:16). Since income-mixing of this kind must occur at the level of the individual development if it is to meet its purpose, the divergence in these numbers seems quite significant. CHAPA conducted follow-up interviews and concluded that this gap results from several factors: (1) Income-mixing was thought to be a desirable objective but there were too few higher-income tenants on the waiting lists to implement it; (2) Some authorities did not wish to advance the position of certain tenants on their waiting lists in order to accomplish this objective; and (3) "It appears that authorities with both the policies and adequate applicants to achieve income mixing represent a small number of large housing authorities which responded to the survey" (CHAPA, 1984, 17). If income-mixing is to be pursued as policy, its potential for viable implementation—rather than mere statutory lip-service—must be carefully considered.

## V. EVICTION

If control over tenant screening and assignment criteria are the main tools for influencing public housing occupancy at the “front end,” policies and procedures for eviction constitute a strong rear guard action that also affects who lives in public housing. Since the 1970s, there seems to have been a transformation of opinion regarding eviction’s utility as a policy tool. In 1975, for example, Richard Scobie’s book, *Problem Tenants in Public Housing: Who, Where, and Why Are They?*, stressed “identification and rehabilitation” of problem families and the word “eviction” received only the briefest of mentions (Scobie, 1975). Political opposition, legal liabilities and an absence of evidence that the process really worked combined to make eviction strategy of marginal utility in anti-crime efforts in the seventies, whereas HUD policies in the early 1990s emphasize streamlining of evictions in drug-related cases.<sup>26</sup> HUD’s survey of public housing authorities and their experience with drugs highlights the centrality of eviction in their enforcement approach and the degree to which the concern for political opposition and legal niceties are no longer tolerated with equanimity. Glitches in the eviction system—legal, procedural, legislative and regulatory—are viewed by the PHAs as “impediments,” not safe-guards to due process.

Notwithstanding this, focusing on what Washington, D.C. can do to ease implementation obscures the fact that the capacity to carry out timely eviction against a party arrested for drug trafficking is essentially a function of institutional relationships at the local level. How these relationships play out is a function not so much of Congressional legislation and HUD regulations, but rather of local politics, institutional perspectives and the configuration of drug trafficking in the community. The “successful” outcome of an eviction process depends on the close working relationship among four functionally independent organizations: (1) the housing system, (2) the police department, (3) the court system, and (4) the housing advocates and legal service system.

## VI. OCCUPANCY ISSUES AND THE CAUSES OF SEVERE DISTRESS

Concerns about security dominate most discussions about life in severely distressed public housing developments. Though there are no aggregate figures for the costs associated with security measures specifically for severely distressed developments, a recent survey found that the largest PHAs (those managing more than 9,000 units) spent more than four times as high a percentage of their budgets on security as did small PHAs (NAHRO, 1990: 63). Some authorities have their own security or police forces; some hire residents to provide part-time security by standing guard at the entrances to the development, often in enclosed booths. Many developments make use of electronic surveillance systems and have established “resident safety teams” (CLPHA, 1986: vii). The New York City Housing Authority established its volunteer Tenant Patrol Program in 1968 as “an organized medium for tenants to work together” to reduce loitering and crime by “keeping a vigilant and watchful eye on suspects and intruders.” In the 1980s, the Pittsburgh Housing Authority instituted its “Safe Team” program in which the local police department teaches families how to keep an eye out for potentially criminal behavior and “potential dangers” within their development (CLPHA, 1986: 37-8). The Philadelphia Housing Authority introduced “Operation Secure,” which involved restructuring the entrances to all family developments, including security booths with 24-hour guards and electronic surveillance equipment (CLPHA, 1986: 35).

The combination of crime, fear, and violence that permeates many such places cannot be extrapolated from demographic tables in any kind of linear way, yet the demographic variables that seem to matter most—namely the increase in lower-income, younger, female-headed households—reveal a population that is ever more vulnerable, both

economically and physically. Given an absence of legitimate employment opportunities, illicit activities both threaten and beckon with high risks and the potential for high financial rewards. In this context, "occupancy" of public housing may bear little resemblance to the demographic profile reported by HUD and others. Such statistics cannot account for the 'occupation' of public housing by rival gangs, whose members may or may not be public housing residents. In the past decade or so, the increase in drug-related violence, coupled with the spread of AIDS, raises the question of whether conditions in severely distressed public housing are qualitatively worse than the situation ten or twenty years ago. Though promulgation of "crime reduction strategies" in public housing began in earnest in the 1970s, the dramatic rise in the buying and selling of crack cocaine since the mid-1980s may well constitute a management and service delivery problem of unprecedented scale.

#### A. Drugs, Security And Management Problems

For many reasons, a significant number of public housing developments face drug and security problems that are even worse than those found in the private sector. A NAHRO National Drug Survey conducted in 1988 found that 77 percent of the largest PHAs reported drug and alcohol problems (NAHRO, 1990: 53). Because public housing has been asked to bear special responsibility to shelter the poorest of the poor, there has been an aggregation of particularly vulnerable households in many multi-family developments. If such housing is considered to be a "last resort," judges have been historically reluctant to allow evictions for "cause" (i.e. disruptive behavior including drug-related activity) because they perceive no other place than the street for such families to go, and because competent legal service lawyers have historically been willing to defend all kinds of public housing tenants against eviction. With evictions slowed or stalemated, and disruptions frequently perpetrated by non-residents, there is a breakdown of management capabilities in such developments and a corresponding inability to enforce patterns of tenant behavior that would challenge drug traffic. The absence of a sense of community in many severely distressed public housing developments and the alienation of residents from issues of control and mutual responsibility contributes to the difficulties of its management. The resulting 'disorganized' multi-family developments then present even more tempting opportunities for 'outsiders' to utilize the development as a base of drug operations.

Even before the most recent rise in violence, crime and fear of crime brought on by the rise of drug trafficking in public housing, these issues were of central concern to residents, especially those in high-rise developments. In a 1985 analysis of HUD's evaluation of data on these issues, CLPHA's Wayne Sherwood showed that HUD had worked hard to maneuver the figures to cast the best possible light on the quality of life in the nation's family public housing. Using HUD's own statistics, he pointed out that: 44 percent of people in high rise developments felt unsafe; 61 percent of all households thought crime was a big or very big problem; and roughly 65 percent of all households in high rises saw drug use and sale as a big problem. Sherwood capped his analysis with the following:

The absolute magnitude of the figures showing the residents' fear of crime, and experience with crime . . . in public housing, is devastating. . . HUD's waffly statements *seem designed only to avoid acknowledging the seriousness of the magnitude of the crime problem in public housing* [emphasis in original] (Sherwood, 1985: 5-7).

Another early warning sign can be found in the 1988 Abt Modernization Needs Study (based on 1985 data) which suggested that high incidences of drug activity were disproportionately linked to developments exhibiting high modernization needs (Abt, 1988). In

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case studies of severely distressed developments conducted for the NCSDPH in 1991-92, drug issues consistently emerged as the number one problem for PHAs.

The current nationwide push to oust drug traffickers from public housing can be seen as simply the most recent effort to "reclaim the turf" in troubled low income developments with crime reduction and community building strategies. Those interested in a thorough and provocative discussion of such strategies should refer to MIT Professor Langley Keyes' 1992 book, *Strategies and Saints: Fighting Drugs in Subsidized Housing*. "The drug issue" has focused attention once again on the "quality of life" in government subsidized housing and on the role of design, management, security, tenant organization and services in responding to the challenge of social disruption, crime and fear. While continuities with past crime reduction efforts remain, it is important to bear in mind how the meaning of "crime reduction strategies" may be critically transformed by the realities of today's inner city. There is no question but that the goals of public intervention are the same: to make the space safe for the law-abiding people living in it; to create a community in which law breaking is not a tolerated norm; and to establish a setting in which residents have some sense of control over events in their development. Yet today's drug environment in much of severely distressed public housing represents a more violent and disruptive world than that confronting the crime-reduction specialists in the late seventies.

As Keyes has convincingly maintained, a number of elements seem different (Keyes, 1992). First is the nature of violence—there is killing rather than simply fighting among gang members over turf control and the domination of the drug trade that accompanies that control. Shoot-outs that are unpredictable in time and place mean that people are afraid of being hurt not only when outside their unit but, in some extreme cases publicized on national television, even when in their apartment. Second, enormous profits are possible for participation in drug trafficking, money and status that are enticing to young people whose family income is, on average, even lower than a decade ago. A third factor complicating the drugs and security situation in the 1990s is rooted in the uniquely destructive nature of crack. Crack is not simply the current drug of choice but, in addition, is uniquely destructive because: it is cheap, lends itself to a "cottage industry" for production purposes, is easily accessible and highly profitable, is more accepted by women than needle induced drugs, and produces both violent responses and compulsive use. Taken together, the spread of crack raises concerns that the drug culture can become a dominant way of life for people in a development rather than the unacceptable behavior of a significant minority—it can mark the wholesale conversion (as it were) of developments to the drug mentality. Finally, drugs must now be seen as an broader public health issue interwoven with the challenge of AIDS, infants affected by their parents' substance abuse problems, vulnerability to disease and malnourishment.

#### **B. "Problem People" in Severely Distressed Public Housing**

A decade ago Professor Keyes wrote a paper entitled "Problem People in Public Housing." Comparing the United States, Great Britain, Holland, and Sweden, the research "explored who these people are, why they are in public housing, what they do that makes them a problem, and how they are dealt with by the authorities." His operational definition of "problem people" was "individuals who consistently terrorize, antagonize, or violate the rights of other residents of the development in which they live" (Keyes, 1982). This research focused on the dynamic role of problem tenants in the public housing system with particular emphasis on their role in what now would be termed "severely distressed" developments. The work frames fundamental questions about public housing occupancy by asking which tenants create problems in public housing and why. In a chapter entitled "Problem People: the Definitional Briar patch," Keyes organized

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definitions of "problem people" into two broad categories: "group membership: who they are" and "personal action: what they do."

"Who they are" identifies problem people by virtue of their membership in some presumed problem category (e.g., welfare mother, deinstitutionalized mental patient). An example of the use of this definition for housing policy is Oscar Newman's discussion of the appropriate ratio of welfare to nonwelfare families in a given development (Newman, 1975). By contrast, "What they do" defines people as problems in terms of behavior within the housing development (e.g., anti-social behavior, destruction of property, criminal activity). In practice, the two concepts are often conflated. In the 1979 HUD study of *Problems Affecting Low-Rent Public Housing*, for example, one of the major "problem subtypes for troubled projects" lumps together as a single category the issues of "tenant attributes and behavior." Such a classification system combines under a single heading behavioral factors such as "property damage" with attributional factors such as "predominance of single parent female headed families," "large number of teenagers," "most families receiving public assistance," and "predominance of very low income tenants" (Jones et al., 1979: 87). To combine factors in this way does not establish causality between the two sets of factors, but does imply that they are often interrelated.

In this regard, maintaining a distinction between tenant attributes ("who they are") and tenant behavior ("what they do") seems to be some use as a warning against condemning whole groups of individuals based on their group membership rather than on their own actions as individuals. Even so, maintaining such a distinction becomes less of an issue as increasing proportions of the population of severely distressed public housing fall into such presumed problem categories, especially if "very low income" is included as one of them. Increasingly, then, both non-problem individuals and problem individuals fit into the same large categories of disadvantage. In this context, the effect of any increased presence of destructive "problem people" in severely distressed public housing is exacerbated by the increased vulnerability of non-disruptive people, who themselves also come— in ever-higher proportions— from such disadvantaged groups.

Historically, problem people have constituted a central concern in severely distressed public housing; they have exerted an impact well beyond their numbers in many such places. The 1979 HUD study of *Problems Affecting Low-Rent Public Housing Projects*, for example, reported the contentions of public housing managers that "the overall quality of the living environment in a public housing project can be seriously impaired by only one or a few disruptive tenants who perhaps could have been screened out or evicted" (Jones et al., 1979: 95). That impairment can best be understood by examining the roles played by tenants and management in the organization of "non-problem" developments where a clear understanding exists between tenants and landlord as to mutual expectations. Tenants can be presumed to: (1) pay the rent on time; (2) obey the rules and regulations of the development; and (3) cooperate with their neighbors around issues of common concern—trash collection, security, etc. Management's side of the equation is to: (1) maintain the premises and grounds (2) provide repair service with all due speed (3) deal swiftly and equitably with households who violate the regulations governing behavior on the development.

On a non-problem project both management and tenants understand what is expected of the other and perform more or less accordingly (see Sadacca and Loux et al., 1974). That set of expectations represents the "rules of the subsidized housing game" and defines the moves to be taken by tenants and management and the consequences for improper moves. Unlike an "ordinary development," a problem project lacks the ability or willingness of either party to make the proper moves. The game is not played according to the rules. On the management side maintenance and repairs do not get carried out with due speed. Management cannot effectively control rule-breaking on the part of tenants. Tenant

performance strays equally from the rules of the game. Rent arrearages build up and public spaces are abused. This is not to say that everyone in a severely distressed development is a problem person. Twenty years ago, Richard Scobie's 1971 analysis of the situation in Boston public housing projects found that "problem tenants" (as identified mostly by management) constituted only about five percent of the residents (Scobie, 1975). At the beginning of the 1980s, the prevailing image among both tenants and residents interviewed by Langley Keyes was that it was a "ten to fifteen percent problem" even in the most difficult problem project—though that minority of tenants had a powerful impact on a development where there were a host of other problematic issues.

Ten years ago, then, the image of a "problem project" was one in which the vast majority of the people simply wanted "peaceful enjoyment." Problem people were perceived as a small percentage of the residents from the development who carried out crime, instilled fear and were often violent. Now, in the eyes of some seasoned observers, that "small percentage" has blossomed into the majority (Keyes, 1992). Since severely distressed public housing in the current world of drugs means a "drug-infested" development, the issue is how far and how fast has the drug trafficking spread. The traditional image of the process of becoming a severely distressed development is that of a slow slide to the bottom of the pecking order. With drugs the transformation can come much more rapidly, and once-reliable developments can become overwhelmed in a very short period of time. When a "5 to 15 percent problem" becomes a "majority" problem, the meaning of problem project changes dramatically and the strategy for doing something about it changes as well. Wholesale eviction under the cover of rehabilitation has been one approach undertaken—although rarely articulated as such. Turning the building over to the tenants has been another a process which frees up the regulatory and legal processes to make it much easier to evict and screen than in ordinary authority-run developments.

### C. Policy And Cost Implications Of Tenant Characteristics: A Cautionary Note

Some housing researchers have argued that the costs of providing housing services varies depending on the nature of the tenant population. Following the logic of Keyes' distinction between 'Who they are' and 'What they do,' they have tried to associate "problem people" with some negatively-associated demographic classification rather than with the negative actions of particular individuals. According to the 1979 HUD study of *Problems Affecting Low-Rent Public Housing*, for instance, "a large number" of project managers stressed that the "growing number of single-parent families," who could not adequately supervise their children had a negative impact on project maintenance costs (Jones, 1979:95). Other studies have attempted to quantify these kinds of relationships. The CHAPA analysis of 84 public housing developments in New York City concluded that "it is 3 to 5 percent more expensive to house single-parent, welfare and certain other types of family types than to house the elderly or other family types," though their studies of developments in Boston and Norfolk "did not demonstrate a clear or consistent relationship between costs and tenant characteristics" (CHAPA, 1986: 4, 156). CHAPA and others remain very cautious about attributing additional costs to specific tenant characteristics. As CHAPA concludes, "...it may be impossible to find definitive answers or clear-cut causal relationships between costs and tenant characteristics. However, enough studies have found some evidence of a relationship to warn federal (and other) officials that policy decisions with regard to tenant income cannot be made in a vacuum and may indeed have serious economic consequences" (CHAPA, 1986: 5).

The central issue here is more than the question of a direct financial link between types of tenants and the costs of housing them; it raises basic questions of policy over who public housing should attempt to serve. Some public housing advocates stress that it is more costly to serve needier families and that these cost differentials are not recognized by the federal policies. They argue that the added costs include not only the financial expendi-

tures for maintenance, management, social and protective services but also loss of public support for the program and social costs of maintaining isolated communities of poverty and unemployment. Other public housing proponents contend that PHAs should not seek to limit their intake of needier tenants for such reasons. They argue that policies such as income mixing unfairly and unnecessarily discriminate against those with the greatest need, and that factors such as management competency, and project design and location — not tenant characteristics — determine project viability (CHAPA, 1986:1). This paper argues that these two sets of factors affecting project viability— tenant characteristics and management/design considerations — are not necessarily alternative explanations, but in fact are intimately tied to one another in ways that can mutually reinforce distress.

## VII. IMPACTS OF DEMOGRAPHIC SHIFTS ON THE MANAGEMENT OF PUBLIC HOUSING

As relatively stable communities comprised of older residents have been supplanted by rapidly changing, younger, multi-problem families affected by drug-related violence, the management of severely distressed public housing faces increased costs to maintain the development and to insure public safety, including costs for in-house police and guards. Where the level of disruptive behavior is especially high, managers manage people rather than property.

### A. Loss Of Control By Management

In the life of a severely distressed housing development nothing symbolizes uncertainty and unwillingness more profoundly than the failure of management to enforce the rules of behavior accepted by the majority of the tenants. On-site management's inability to deal with security issues—including drug dealing—makes clear to the non-problem tenants that the rules of the game have broken down. In such a situation residents watching unchallenged anti-social and criminal behavior can only conclude that: (1) management is powerless to act, either to get a change in behavior or to get an eviction for cause; (2) such behavior is acceptable and therefore they themselves can indulge in it. In the most advanced problem projects the problem people essentially take over and set the norms themselves, as Harry Spence, then Court-Appointed Master of the Boston Housing Authority, wrote a decade ago:

Some developments can be characterized as a free-fire zone. Distressed public housing developments in Boston today are neither owned nor governed in any real sense by either the BHA (Boston Housing Authority) or any other legitimate government arm. Instead they are ruled by a group of persons who maintain a tyranny over the majority of residents by the threat and execution of violent reprisal (Spence, 1980).

The Boston situation was extreme but not unique even ten years ago. Crack has made things much worse in some projects in some cities. Compare Spence to Vincent Lane's presentation to the Senate in May 1989 describing public housing developments in Chicago:

When I arrived, virtually all of our high-rises were overrun with drug dealing gangs. The gangs controlled access to and from the buildings and virtually all forms of commerce. When we talked to residents, many said they felt trapped in their homes, held hostage by the drug dealers who trafficked their trade in the hallways and on project grounds (cited in Black, 1990).

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Non-problem tenants have four options for dealing with the kind of situation described by Spence and Lane: (1) flight; (2) fight; (3) internal migration; and (4) join up (Keyes, 1992). The flight options involve either a transfer within the housing system to another development or exit from public housing entirely. Anyone who can gets off the development. No one will take an allocation there unless they have no other option.

When the fear of retribution is outweighed by anger at the problem people, ordinary tenants may try to mobilize to "do something" about the trouble makers. Formal and informal pressure will be brought to have the problem people evicted from the development. If backed by management, this strategy can start the difficult process of "reclaiming the turf" of the development for the ordinary citizens. If flight or fight are not options for people, they can steel themselves against the disorder and migrate behind the walls of their individual units—the image presented by Lane of the Chicago high-rises.

The fourth response for tenants is to themselves slide into the modes of behavior of the problem people. Given the absence of rules it becomes easy to conclude that "anything goes." This may be particularly the case for households themselves disorganized and lacking support systems. Less effort is made to curb the behavior of out-of-control children. Aggression towards other tenants may seem more and more like a means of self-defense. In the case of a drug-infested project, the temptation to become either a dealer or a user or both becomes compelling.

The consequences of each of these strategies—except fight—is the withdrawal of "the good tenants," either physically or psychically, from the life of the development, thus opening the way for further social disorganization. There is then an urgent challenge to management and tenant leaders to "get a handle on" the problem people as a central element in any strategy to reestablish the "rules of the game" in a problem project (Keyes, 1992).

## VIII. IMPACTS OF DEMOGRAPHIC SHIFTS ON PUBLIC HOUSING DESIGN

Since the role of design in severely distressed public housing is discussed in some detail in Chapter 5 of this volume, this section highlights only those issues receiving less mention there. At base, the central issue here is that physical environments designed decades ago have, in recent years, been required to house very different populations from those for whom they were originally intended. Instead of temporary accommodation for nuclear families of the "submerged middle class," that part of the public housing stock which is severely distressed has become housing of last resort for increasingly poor single-parent families, and for special needs populations who lack any other alternative.

### A. Troubled Design and Troubled Residents

The dramatic demographic changes that have occurred since the inception of public housing have had many significant consequences for the quality of life in public housing developments. Above all, they have led to unanticipated densities of especially needy families.

In many cases, such disadvantaged socio-economic circumstances have been made more untenable by the presence of a degraded and stigmatized physical environment. As buildings, many of which were built according to inferior construction standards on ill-chosen sites, fail to receive adequate maintenance, physical deterioration accelerates. Management's inability to respond to physical decline exacerbates the inability of residents to control or care for the quality of the environment beyond their individual units. This leads to exploitation of areas perceived as 'no man's lands' and allows

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uncontrolled traffic throughout the site. Distinctions between landscape and parking areas dissipate into undifferentiated asphalt, which is less expensive to maintain than grass. This destruction of remaining landscape features, in turn, only increases the stigmatization of the development and its 'project' image. Such perceptions are made even worse by the fact that much public housing was deliberately designed to appear visually isolated on superblock sites, detached from any surrounding network of neighborhood streets, and distant from neighborhood services.

In the worst cases of simultaneous social and physical breakdown, increasingly vulnerable families have come to live in increasingly vulnerable physical environments, perpetuating a cycle of socio-environmental decline. Design flaws that may have been tolerable under less stressful conditions come to play a part in increasing the level of distress.

According to the 1979 HUD study of *Problems Affecting Low-Rent Public Housing*, the most important aspect of development size as an indicator of "troubled" conditions is the number of units. "Project size" was reported by HUD field staff to be the single most significant "project design and site" issue; this was cited as a problem in 61 percent of all troubled projects surveyed (N=153) (Jones et al., 1979: 87). Size, however, may also be closely intertwined with a series of social and economic variables. "Physical size may simply create a less manageable or controllable environment. The size characteristic might be a proxy variable for high density usually associated with multi-family housing. In addition, size may reflect or measure other locational factors; for example, larger public housing projects tend to be more urban and, hence, more frequently located in middle- or lower-income minority neighborhoods that have poor services and that lack many amenities" (Jones, 1979: 47). This same study found that 46 percent of "troubled projects" were located in neighborhoods judged "poor" in terms of crime, whereas only 6 percent of "untroubled projects" were seen to be in such crime-prone areas (Jones et al., 1979: 57).

In addition to the central criterion of development size, the other major site and development design shortcomings in "troubled projects" highlighted in the findings of the 1979 HUD study include: lack of "Defensible space" (mentioned as a problem in 57 percent of the cases); lack of amenities (51 percent); problems with building mix, size or layout (48 percent); and problems with unit mix, size, or layout (45 percent) (Jones et al., 1979: 87). In all public housing developments surveyed—troubled or not—approximately 30 percent of managers said that their projects were "poorly designed and located on undesirable sites." For those managers who reported such problems, the 1979 HUD found, "they frequently considered them to be the most serious impediments to project viability:"

The most common design problem, it was contended, is that building and unit sizes are mixed inappropriately on individual sites. In addition, managers indicated that these agglomerations are too densely developed. They also said that building and site designs do not provide defensible living space for project residents nor significant control of access by outsiders to the project site (Jones et al., 1979: 95).

The issues raised here are not only about physical design factors seen in isolation but about the ways that such conditions affect—and are affected by—the nature of the public housing population. Demographic changes have meant mismatches between family size and the availability of units, as well as mismatches between building type and household type. For example, the presence of large numbers of children housed together in very high densities can have significant impacts, including "increased rates of wear and tear" and, in some cases, "vandalism which result[s] in extraordinarily high costs for

routine maintenance" (Jones et al., 1979). Decades of research, well summarized by Clare Cooper Marcus and Wendy Sarkissian in a 1986 book, have demonstrated the desirability of direct ground floor access to the outside for large families. Instead, many public housing family developments are designed so that hundreds of poorly-supervised children must use a single entrance in a high-rise, or where fifty or more may share a single stairway or corridor in a walk-up. Born to increased numbers of very low income single-parent families in an environment that affords neither adequate privacy nor sufficient age-appropriate playspace, such children may face few appealing alternatives to the activity of gangs and drugs (see Koutlowitz, 1991).

A decade before the most recent rise in drug-related violence, the 1979 HUD study stressed that the prevalence of uncontrolled access to developments in high-crime areas, combined with configurations that work against "defensible space," can require especially expensive security measures (Jones et al., 1979: 95). Another assessment of public housing occupancy also linked design and management concerns with specific tenant characteristics, concluding that "The greater the project's population density, the larger the number of unsupervised children, and the larger the adolescent daytime population, the greater will be the difficulties of managing the project" (Struyk, 1980: 45). Similarly, Richard Scobie's assessment of *Problem Tenants in Public Housing* concludes that high concentrations of large apartments and a corresponding large number of children were "related somewhat" to "those areas in the developments described by managers as problem areas" (Scobie, 1975: 63).

#### **B. Redesign and Social Reconstruction**

In turn-around efforts, design issues can impact severely distressed public housing in quite a different way; the redesign process can become the occasion to evict or relocate problem tenants and to restructure community makeup. Such a process often reduces the number of units in the development and provides an opportunity to introduce new tenants and get rid of old ones because of the residential relocation required by the reconstruction phase. Housing authorities concerned with getting rid of problem tenants but unable to do so through ordinary means of eviction have creatively employed the carrot of "off site" rehousing alternatives as a means of getting particular families out of a development, in the process of reducing the development's size and density.

Physical rehabilitation of the property is also one of the most effective "wholesale" means of clearing a building of drug trafficking. Because units have to be physically torn apart, the tenants have to leave during the renovation process. The right to return is predicated in some sense on their desirability as tenants or at least the move provides the opportunity to surface their record and behavior. Some tenants when forced to vacate their unit may choose to take advantage of relocation benefits or relocation options and move elsewhere. To assist those tenants who remain, the opportunity of redevelopment can include the construction of costly but necessary non-dwelling facilities to help meet the increased need for supportive services.

#### **C. Links Between Design and Management Issues**

Obsolescence, faulty design or facility omission do not in and of themselves push a development into the category of "severe distress." Kitchens can be modernized, physical defects remedied, and day care centers built. What is critical is the response of management to each of these issues. When management fails to respond to a deteriorated physical situation — either because of scarce resources, the judgment that such action will have no benefit, or sheer incompetence — the outcome is accelerated despair and disregard on the part of the tenants. It is only when environmental problems are com-

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pounded with social issues and neither are constructively responded to by management that the severely distressed dynamic can develop in full.

#### D. The Neighborhood Effect

The effects of public housing siting go well beyond the boundaries of the site. Since public housing sites are often in distressed neighborhoods, addressing problems in severely distressed public housing requires broader community reinvestment efforts and municipal cooperation.

At least since the 1979 HUD Study of *Problems Affecting Low-Rent Public Housing*, it has been well understood that severely distressed public housing developments are disproportionately large, older, urban and situated in neighborhoods which themselves could be classified as severely distressed (Jones, 1979). The relationship between a development and its neighborhood is still, however, not very well understood, especially since this relationship can take several forms.

In the early 1970s Oscar Newman's concept of defensible space provoked the image of a moat around a development which would protect it from the negative impact of the neighborhood. By 1990 there was little sense that physical barriers could keep out the neighborhood. As one public housing director put it: "I don't . . . think we can have decent housing in unsafe surrounding communities. NO DEVELOPMENT IS AN ISLAND" [emphasis in original] (Wuenschel, 1990).

The relevance of "neighborhood" to both management and anti-crime strategies was late in becoming conventional wisdom. One finds no reference to neighborhood impact on management's capacity to do a good job in the Urban Institute's "Keys to Successful Housing Management" (Isler, et al, 1974). Later on the UI recognized that ". . . neighborhood conditions impact the scores. . . [of project performance]" (Carlson, 1977). Early discussions in the anti-crime research and development of defensible space and site-hardening presumed the development needed protection from criminal forces in "the neighborhood." But there was little analysis of the relationship between criminal activity on and off the site, i.e., in the context of the neighborhood. The Urban Initiatives Anti-Crime Program, introduced in 1978 as the final public housing demonstration program of the Carter Administration, recognized the interaction between the development and the neighborhood and also how little was known about that relationship:

One theme that emerged again and again in the HUD conferences... was the need to understand how much and what kind of crime is committed by whom within the projects versus surrounding residential neighborhoods... At present, there are few answers to such questions. Yet such answers are critical for implementing practical programs which have a chance of succeeding (HUD, 1978).

By the time of the 1985 "Final Report of the Evaluation of the Urban Initiatives Anti-Crime Demonstration" the analysis of the differences in crime levels between a development and the surrounding neighborhood had become a key consideration. According to a 1990 NAHRO report, "public housing residents are the victims of the drug epidemic, not the cause" since "police records from across the country suggest that more than half of the drug-related arrests on public housing property do not involve residents" (NAHRO, 1990: 53).

In the mid-1980s the Oasis Technique emerged as a comprehensive strategy for dealing with troubled neighborhoods. At the core of the approach was the concept of transforming selected areas into Oases:

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Neighborhood improvement occurs because strategically selected areas in distressed neighborhoods are made decent and safe. In turn, these improved areas produce positive ripple effects that form a patchwork of stability (McKay, 1990).

The relationship between the Oasis and the surrounding neighborhood becomes critical as does the connection between the Oasis and the public and private institutions to whom it must look for help: City Hall, the police, private employers. When Oasis moved from dealing with parts of neighborhoods to regenerating public housing developments, the approach remained the same: to think in terms of the relationship between the Oasis and the surrounding area and what was involved in getting a "positive ripple effect." At the heart of that dynamic is whether or not the development is better or worse in social, economic and physical terms than its surrounding area.

The judgment that a development is better or worse than the surrounding neighborhood is based to some extent on statistics (arrests, crime, reports, income levels, vacant lots, and gang presence) but what is as important as getting the statistical comparison 'right' is people's perception of the issue. Do residents of a particular severely distressed public housing development think they are better or worse than the neighborhood? How does the surrounding neighborhood feel about the development? Is it seen as the place where all the problems are located? How is the relationship viewed by City Hall? The Police? The Housing Authority? All these are questions that are understudied, and yet they may well have crucial bearing on the success of any attempt to turn-around a severely distressed housing development. These questions are of particular importance since research has indicated that "neighborhood effects" may be much more serious in the poorest areas than they are anywhere else (Crane, 1991: 317).

## **IX. IMPACTS OF DEMOGRAPHIC SHIFTS ON PUBLIC HOUSING SERVICE DELIVERY**

The various demographic changes that have been taking place in public housing suggest that such housing increasingly is asked to accommodate more needy families who will require more of more kinds of services. Such services include at least the following:

1. Economic and educational services, such as job training and GED programs
2. Health service provision, especially needed to cope with AIDS, drug abuse and the high rate of teen pregnancy
3. Mental health facilities
4. Day care facilities

While such facilities and services may be desirable in most all communities, the needs may be especially acute in those communities with high percentages of highly distressed individuals. Such communities, where they occur in public housing, have long received less than adequate service provision, as part of a general failure of public support systems.

In HUD's 1979 study, HUD field staff judged the "overall availability and quality" of public and social services such as fire and police protection, recreation facilities, employment information facilities, counseling services, health services and day care facilities to be much worse for "troubled projects" than for "untroubled projects": 60 percent of "untroubled projects" were judged to have good or excellent service provision whereas

none of the projects in the “troubled” sample were felt to have ‘excellent’ service provision and only 19 percent of those developments were classified as ‘good’ (Jones et al, 1979: 59). Sessions with tenants and legal services attorneys conducted as part of the HUD study noted, for example, that “the large number of low-income single-parent families in public housing made on-site child care centers and improved recreation facilities legitimate but unsatisfied tenant needs” (Jones et al, 1979: 99). As the proportion of such families increases, so too do such unmet needs. In some developments, the problems are compounded by increased language barriers (necessitating cost of translators) and other problems of intercultural miscommunication.

A 1984 survey of tenant needs in a Boston housing development makes clear the interrelationship among a wide variety of such needs, including job training, daycare and healthcare provision. The survey found, for instance, that while tenants expressed some interest in job training programs, their willingness to participate depended on such additional factors as help with childcare provision and flexible scheduling, as well as provision of transportation and other social supports. The most telling barriers to employment, according to this study, were home responsibilities (including children), health problems, insufficient skills and experience, and fear of losing supportive benefits. Most of these barriers were found to be greater among women and among those out of the labor force, though all stressed insufficient skills (Camayd-Freixas, 1984: 61). Taken overall, this particular group of public housing tenants were found to have several areas of “greatest need”: “Drug and alcohol prevention and service programs; a crisis/shelter center for families in distress; vocational education; job training/placement and high-school equivalency programs; and youth counseling, afterschool and summer programs” (Camayd-Freixas, 1984: 41).

A 1990 NAHRO report drawing upon the results of their 1989 survey of 202 large PHA’s found that roughly 12 percent directly provided job training programs, while another 13.5 percent reported that such services were provided with outside agency support. About ten percent reported that they directly provided day care facilities, and an additional 32 percent said day care was provided through outside agency support. About one third of the PHAs reported provision of counseling and other programs for youths, of which slightly more than half was provided directly by the PHAs themselves. Only 11 percent of the PHA’s reported that they provided drug and alcohol counseling themselves, though an additional 20 percent said that such services were provided with outside agency support (NAHRO, 1990: 62). Such data, however, address the situation (as reported) for a PHA as a whole and provide little indication of how such services are distributed among that PHA’s developments. Moreover, the data do not make clear how many PHAs (let alone how many individual developments) provide all such services. Given the interrelated needs for such services as day care and job training, this question is of considerable importance.

Since public housing’s inception in 1937, there has been a clear understanding that PHAs must “. . . provide or obtain services which are directly related to meeting tenant needs and providing a wholesome living environment” (HUD, 1978). While the focus on service has often been lost over time in many cities, some authorities— for instance New York’s— have embedded tenant services into their organizational structure. Whatever criticism one may have about how the “service” function is carried out, the importance of the role as an integral part of the Authority’s mandate is never in question.

In recent years, Langley Keyes has persuasively argued, the focus of service programs in public housing has shifted from a general concern for reducing crime and enhancing the quality of life in housing developments to the specific topic of drugs: programs at the front end to keep young people out of the drug trafficking business and, at the back end, efforts to get people into treatment and keep them clean once through the treatment

program. The debates have shifted from arguments about the effective combinations of service programs to mitigate crime to discussions about useful interventions to deal with drugs, which was only one of a number of issues that anti-crime service programs addressed in the seventies.

With several notable exceptions the elements of the service agenda remain virtually the same. Those exceptions are important however: drug treatment (a minor concern two decades ago) programs aimed at educating young people about drugs, and the issue of how best to deal with children "at risk" because of their parents — generally their mothers' — substance abuse problem. City and state social service departments have found themselves increasingly having to deal with the issue of children "at risk" because of parental substance abuse. The trauma for those associated with a child abuse or neglect case— parent, social worker, manager — has spread to a wider arena because of the nature of crack addiction and its impact on women.

#### A. Service Delivery: What?, Who?, and Where?

The history of services is filled with debates about what is to be done, who should do it and where it is to be done. The nature of those debates and their substantive content has not been significantly shifted by the emergence of the drug issue as a central concern for inner-city housing. The individual housing sponsor must still decide where to land along a continuum from "... supplementing property management functions (e.g. counseling problem families, workshops in homemaking). . . [to] the traditional social work goals of maximizing well-being and self sufficiency (health services, day care for working mothers)" (Kolodny, 1983).

Having made the decision as to what is important, how does one structure those services, that is, (1) Who should run them? (2) Where should they be run? (3) How do services get paid for and to what extent do funding sources inevitably drive the programmatic agenda? Whether a service should be provided by the housing organization itself or an outsider is a function of three considerations: (1) strategy; (2) finances; and (3) space. The strategy question is really a debate as to who is best equipped to provide the service. For those opting for an "outsider" issues of competence and existing capacity outweigh concerns for control which can be better exercised if the housing organization is providing the service itself. The on-site position is essentially about convenience and targeting. The off-site argument focuses on the issue of integrating the residents of the development into the life of the surrounding community. Institutional location also applies to the issue of where in a housing organization a particular service component should be located. Where to place the service is a function of the relationship among PHA and project management and the public housing tenants. Influencing one's decision are how one stands on issues of centralization vs. decentralization; line responsibility for services vs. service as a subset of management. How much decentralization one allows and how much independence to tenant organizers and service workers depends in part on one's view of the relationship among the various players. Does one take the view that conflict is inevitable or that coordination is possible? In large part, funding availability dominates where programs are run and who runs them. Discussion of whether services should be run on or off the site is academic when there is no funding and equally so when there is no space.

#### B. Roles for Community Organizers

Making connections between the needs of residents and the available resources in the community is a key example of useful "networking." In this sense, community organizing and the development of services blur into each other as functions: community

organizers can organize tenants, can connect individuals to services on a "retail" basis and can try to get programs going in the community.

In the case of any project-based drug-fighting strategy, two things are crucial: the degree to which tenants are organized and the relationship of that organization to the management of the development. How that organizing takes place, who does it, and how it is viewed by management determines the extent to which an organized tenantry produces a "shared vision" for the development.

Historically management has had ambivalent views about such organization. Organized tenants meant demands and often conflict. As the Urban Institute studies revealed, tenants tended to get involved in management issues when a project was in trouble, i.e., not being well managed. Clearly, there are advantages to involving tenants in management activities.

In some instances central management has intentionally worked to get tenants organized in a development to set up a counter weight to project management. Finding someone who can gain and keep the trust of both the housing authority and the tenants is not easy. Finding someone who is adept not only at organizing but also in "retailing" social services is even more difficult.

Successful approaches to service provision in environments with high concentrations of multi-problem families must recognize the interlocking nature of these problems. Poverty, unemployment, lack of basic skills, low educational attainment, substance abuse, lack of parenting skills and poor housing are all linked, even if the disparate systems that administer service programs attempt to treat each aspect separately (Pines, 1991: 112). Only a more integrated delivery system can provide a promising platform for positive change.

## X. CONCLUSIONS

Although public housing was neither intended nor designed to house the most disadvantaged and lowest income households, it has been asked to accommodate an increasingly high concentration of such families during the past two decades, especially in the largest PHAs. In many severely distressed public housing developments, the rates of 'unemployment-per-acre' are probably as high as any place in America.

The rise of very low income, multi-problem families is the most salient characteristic of public housing's demographic shift during the last ten years. It has led to a dramatic change in the roles public housing is asked to play. As a 1988 report by the Council of Large Public Housing Authorities commented, public housing is not just housing anymore; it is also job training, day care, and social support for very poor people with very serious financial, physical and mental health problems (CLPHA, 1988).

Though it may be that "severely distressed" public housing is that housing which houses "severely distressed" individuals, it would be a mistake to assume a causal relationship between certain kinds of people and certain kinds of distress. There are problem individuals and there are increasing concentrations of individuals with problems. But the driving force behind distress is a stultifying economic environment that provides few healthy choices, a drug-ridden social environment that has been disrupted by fear, and a deteriorating physical environment that provides neither privacy nor viable public gathering places. The framework developed by William Julius Wilson in *The Truly Disadvantaged* and other writings (Wilson, 1987, 1991) helps explain the dual problem of marginal economic position and social isolation in highly concentrated poverty areas

that characterizes much of the population in severely distressed public housing. He writes that:

Neighborhoods that have few legitimate employment opportunities, inadequate job information networks, and poor schools not only give rise to weak laborforce attachment but also raise the likelihood that people will turn to illegal or deviant activities for income, thereby further weakening their attachment to the legitimate labor market. A jobless family in such a neighborhood is influenced by the behavior, beliefs, orientations, and social perceptions of other disadvantaged families disproportionately concentrated in the neighborhood (Wilson, 1991: 472).

The rise in joblessness has, in turn, helped further the other major demographic shifts observed in this paper. As Wilson argues, such joblessness triggers "a growing number of poor single-parent families, and an increase in welfare dependency." These are "especially evident in the ghetto neighborhoods of large cities," he continues, "not only because the most impoverished minority populations live there but also because the neighborhoods have become less diversified in a way that has severely worsened the impact of the continuing economic changes" due to the outmigration of more fortunate families (Wilson, 1991: 461). Wilson uses the term "concentration effects" to describe the effects of living in such an overwhelmingly impoverished environment. Surely, this is an apt characterization of the pressures facing those who live in severely distressed public housing.

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## APPENDIX A

## Net Yearly Household Income in 1980 Dollars

Housing Authority	STATE	Fiscal Year Ending	Household Income	1980 Dollars*
Albany	NY	6/30/81	\$5,047.20	\$5,047.20
Albany	NY	6/30/86	\$7,027.29	\$5,380.77
Albany	NY	6/30/91	\$7,964.80	\$5,021.94
Akron Metro	OH	6/30/80	\$3,613.92	\$4,102.07
Akron Metro	OH	6/30/85	\$3,785.14	\$3,001.70
Akron Metro	OH	6/30/90	\$3,582.00	\$2,380.07
Atlanta	GA	6/30/81	\$2,114.40	\$2,114.40
Atlanta	GA	6/30/86	\$4,046.14	\$3,098.12
Atlanta	GA	6/30/91	\$4,306.40	\$2,715.26
Baltimore	MD	6/30/80	\$3,173.76	\$3,602.45
Baltimore	MD	6/30/85	\$4,344.43	\$3,445.23
Baltimore	MD	6/30/90	\$5,197.60	\$3,453.55
Cambridge	MA	3/31/81	\$3,866.40	\$3,866.40
Cambridge	MA	3/31/86	\$5,973.00	\$4,573.51
Cambridge	MA	3/31/91	\$8,513.60	\$5,367.97
Greensboro	NC	9/30/85	\$5,204.14	\$3,984.79
Greensboro	NC	9/30/90	\$4,874.80	\$3,073.64
Hawaii	HI	6/30/79	\$5,645.28	\$7,136.89
Hawaii	HI	6/30/85	\$7,573.29	\$6,005.78
Hawaii	HI	6/30/90	\$7,785.20	\$5,172.89
Jersey City	NJ	6/30/85	\$5,491.71	\$4,355.04
Jersey City	NJ	6/30/90	\$7,362.80	\$4,892.23
King County	WA	6/30/81	\$3,553.92	\$3,553.92
King County	WA	6/30/86	\$4,896.00	\$3,748.85
King County	WA	6/30/91	\$5,241.20	\$3,304.67
Louisville	KY	12/31/80	\$2,520.00	\$2,520.00
Louisville	KY	12/31/85	\$3,533.14	\$2,705.31
Louisville	KY	12/31/90	\$3,644.00	\$2,297.60
Los Angeles	CA	12/31/85	\$7,354.29	\$5,631.16
Los Angeles	CA	12/31/90	\$8,387.20	\$5,288.27

\* Based on CPI-U, U.S. City Average

Housing Authority	STATE	Fiscal Year Ending	Household Income	1980 Dollars*
Lucas Metro	OH	6/30/81	\$2,854.56	\$2,854.56
Lucas Metro	OH	6/30/86	\$4,062.86	\$3,110.92
Lucas Metro	OH	6/30/91	\$3,854.40	\$2,430.26
Manchester	NH	9/30/81	\$4,515.84	\$4,094.14
Manchester	NH	9/30/86	\$6,651.00	\$5,000.75
Manchester	NH	9/30/91	\$7,668.80	\$4,605.89
Minneapolis	MN	9/30/80	\$3,064.32	\$3,064.32
Minneapolis	MN	9/30/85	\$4,599.00	\$3,521.44
Minneapolis	MN	9/30/90	\$5,009.92	\$3,158.84
Mobile	AL	12/31/79	\$2,417.28	\$2,743.79
Mobile	AL	12/31/85	\$3,547.29	\$2,716.15
Mobile	AL	12/31/90	\$2,629.60	\$1,658.01
Montgomery	MD	6/30/86	\$6,622.29	\$5,070.67
Montgomery	MD	6/30/91	\$6,386.00	\$4,026.48
New York(333) NY		12/31/80	\$5,921.28	\$5,921.28
New York(333) NY		12/31/85	\$7,149.00	\$5,473.97
New York(333) NY		12/31/90	\$10,072.40	\$6,350.82
New York(700) NY		12/31/80	\$6,570.72	\$6,570.72
New York(700) NY		12/31/85	\$7,875.86	\$6,030.52
New York(700) NY		12/31/90	\$9,878.40	\$6,228.50
Omaha	NE	12/31/80	\$3,314.40	\$3,314.40
Omaha	NE	12/31/90	\$4,853.20	\$3,060.03
Philadelphia	PA	3/31/86	\$1,982.21	\$1,517.77
Philadelphia	PA	3/31/91	\$2,429.60	\$1,531.90
Pittsburgh	PA	12/31/80	\$4,212.00	\$4,212.00
Pittsburgh	PA	12/31/85	\$5,662.71	\$4,335.92
Pittsburgh	PA	12/31/90	\$5,816.00	\$3,667.09
Portsmouth	VA	6/30/85	\$5,239.77	\$4,155.25
Portsmouth	VA	6/30/90	\$4,952.80	\$3,290.90
Saint Paul	MN	3/31/81	\$2,982.24	\$2,982.24
Saint Paul	MN	3/31/86	\$5,393.14	\$4,129.51
Saint Paul	MN	3/31/91	\$5,682.40	\$3,582.85
San Francisco	CA	9/30/81	\$3,840.50	\$3,481.87
San Francisco	CA	9/30/86	\$7,033.56	\$5,288.39
San Francisco	CA	9/30/91	\$8,201.20	\$4,925.65

\* Based on CPI-U, U.S. City Average

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Housing Authority	STATE	Fiscal Year Ending	Household Income	1980 Dollars*
San Antonio	TX	6/30/80	\$2,838.72	\$3,222.16
San Antonio	TX	6/30/85	\$3,810.00	\$3,021.41
San Antonio	TX	6/30/90	\$3,432.80	\$2,280.93
Seattle	WA	9/30/80	\$3,388.90	\$3,388.90
Seattle	WA	9/30/90	\$4,730.80	\$2,982.85
Syracuse	NY	6/30/81	\$4,046.88	\$4,046.88
Syracuse	NY	6/30/86	\$5,428.71	\$4,156.75
Syracuse	NY	6/30/91	\$6,907.20	\$4,355.11
Wilmington	DE	3/31/81	\$3,722.88	\$3,722.88
Wilmington	DE	3/31/86	\$4,788.86	\$3,666.81
Wilmington	DE	3/31/91	\$4,195.60	\$2,645.40

\* Based on CPI-U, U.S. City Average

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**APPENDIX B****Tables of Income of Public Housing Residents by Race and Ethnicity**

**TABLE B1**  
**PERCENT OF RESIDENTS BY RACE IN EACH INCOME RANGE IN 1974**  
 (With income expressed as a percent of the metropolitan area's median income)

	<u>0-10%</u>	<u>10-30%</u>	<u>30-50%</u>	<u>50-80%</u>
Black	1.78	59.32	25.99	10.51
White	.76	62.92	28.89	6.46
Hispanic	1.61	51.61	32.25	11.20

Source: HUD

**TABLE B2**  
**PERCENT OF RESIDENTS BY RACE IN EACH INCOME RANGE IN 1981**  
 (With income expressed as a percent of the metropolitan area's median income)

	<u>0-10%</u>	<u>10-30%</u>	<u>30-50%</u>	<u>50-80%</u>
Black	3.93	64.16	21.57	8.06
White	1.00	68.53	24.64	4.81
Hispanic	2.24	55.05	28.08	12.35

Source: HUD

**TABLE B3**  
**PERCENT OF RESIDENTS BY RACE IN EACH INCOME RANGE IN 1991**  
 (With income expressed as a percent of the metropolitan area's median income)

	<u>0-10%</u>	<u>10-30%</u>	<u>30-50%</u>	<u>50+%</u>
Black	25.60	54.12	13.76	6.53
White	13.57	62.58	17.16	6.70
Hispanic	33.88	45.65	14.03	6.43

Source: HUD, 1992

**TABLE B4**  
**PERCENT OF BLACK RESIDENTS IN EACH INCOME RANGE**  
**IN 1974, 1981 AND 1991**

	<u>0-10%</u>	<u>10-30%</u>	<u>30-50%</u>	<u>50-80%</u>
1974	1.78	59.32	25.99	10.51
1981	3.93	64.16	21.57	8.06
1991	25.60	54.12	13.76	6.53

(Income ranges are expressed as percentages of the metropolitan area's median income)  
 Source: HUD

**TABLE B5**  
**PERCENT OF WHITE RESIDENTS IN EACH INCOME RANGE**  
**IN 1974, 1981 AND 1991**

	<u>0-10%</u>	<u>10-30%</u>	<u>30-50%</u>	<u>50-80%</u>
1974	.76	62.92	28.89	6.46
1981	1.00	68.53	24.64	4.81
1991	13.57	62.58	17.16	6.70

(Income ranges are expressed as percentages of the metropolitan area's median income)  
 Source: HUD

**TABLE B6**  
**PERCENT OF HISPANIC RESIDENTS IN EACH INCOME RANGE**  
**IN 1974, 1981 AND 1991**

	<u>0-10%</u>	<u>10-30%</u>	<u>30-50%</u>	<u>50-80%</u>
1974	1.61	51.61	32.25	11.20
1981	2.24	55.05	28.08	12.35
1991	33.88	45.65	14.03	6.43

(Income ranges are expressed as percentages of the metropolitan area's median income)  
 Source: HUD

## APPENDIX C

### Tables Showing Source of Income and Family Composition of Public Housing Families

**TABLE C-1: Boston Housing Authority**

#### Boston Housing Authority Tenant Profile

	<u>1969</u>	<u>1978</u>	<u>1984</u>	<u>1992</u>
Single Parent Households	44%*	84.3%*		
AFDC Families			29%	
Working Families			21%	22%
Household head under 30*	15%	21.1%		**
Mean Family Size*	3.14	2.94		

\* These figures are percentages of all non-elderly families  
Sources: CHAPA, 1986: 113; the Boston Housing Authority; HUD

\*\* While no comparable figures exist for household heads under 30, as of February 1992, 34% of household heads in family developments were under age 35, and 42% of residents were under age 18.

#### Commonwealth Tenant Profile

	<u>1969</u>	<u>1978</u>	<u>1981</u>	<u>1992</u>
Single Parent Households	28%	85%		
AFDC Families			48%	14%
Income from employment only			19%	20%
Household head under 30*	4%	20.6%		*
Mean Family Size	2.88	3.23	3.54	2.59

Sources: CHAPA, 1986: 113; the Boston Housing Authority; HUD; NCSDPH Case Study

\* While no comparable 1992 figures exist for household heads under 30, as of February 1992, 23% of household heads at the Commonwealth Development were under age 35, suggesting that the average age of household heads has probably been on the rise.

**TABLE C-2: CUYAHOGA METROPOLITAN HOUSING AUTHORITY****Cuyahoga Metropolitan Housing Authority Tenant Profile**


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	1991
AFDC Families	22%
General Assistance	17%
SSI	17%
Social Security	25%
Employment	5%

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Sources: Cuyahoga Metropolitan Housing Authority, *Demographic Trends in Conventional Public Housing*

**OLDE CEDAR DEVELOPMENT: Tenant Profile**


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	1991
AFDC Families	53%
General Assistance	13%
SSI	10%
Social Security	5%
Employment	13%

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Sources: Cuyahoga Metropolitan Housing Authority, as of 12/02/91

TABLE C-3: Chicago Housing Authority

		Chicago Housing Authority Tenant Profile	
		1976	1991
HOUSEHOLD TYPE**	Single Parent Families	58%	74%
	Single Individuals	26%	22%
	Two-parent families	13%	4%
PRIMARY SOURCE OF INCOME*	AFDC	53%	38%
	SSI	5%	17%
	Social Security	26%	22%
	General Assistance	NA	7%
	Wages, Salaries, etc.	16%	7%

Sources: Struyk, 1980; Chicago Housing Authority Residential Accounting Detail Report, 22 August 1991; HUD, 1991 MTCS data.

\* These data include elderly, who made up about 25 percent of household heads in 1976 and 24 percent in 1991.

\*\* Family composition for 1991, as reported by HUD, is divided into 1) elderly (62+), 2) Females with dependent children (categorized here as single parent families), 3) Males with dependent children (categorized here as two-parent families) and 4) "all others," described as predominantly non-elderly, single person households (categorized here as single individuals). These classification systems are far from perfect or consistent between 1976 and 1991, and the data itself are uneven in quality.

#### Ida B. Wells: Tenant Profile

	1984	1991
Female-Headed Families	NA	90%*
AFDC recipients	NA	50%+
SSI recipients	NA	16%
Working Families	10.2%	6.4%

Sources: Chicago Housing Authority, 1991 Residential Accounting Detail Report

\* HUD figures for 1991, based on the reports of 270 non-elderly households, suggest a figure of 77%.

TABLE C-4: ALBANY HOUSING AUTHORITY

**Albany Housing Authority: Tenant Profile**

	1986	1987	1988	1989	1990	1991
Single Parent Families*	71%	64%	64%	62%	61%	58%
Welfare Recipient*	43%	48%	49%	53%	54%	57%

\* not including elderly

**Steamboat Square G: Tenant Profile**

	1986	1987	1988	1989	1990	1991
Single Parent Families*	36%	41%	39%	36%	34%	32%
Welfare Recipients*	32%	40%	40%	39%	41%	48%

\* not including elderly

Source: Albany Housing Authority

**APPENDIX D****Racial and Ethnic Composition of Public Housing****TABLE D-1: RACIAL AND ETHNIC ORIGINS OF FAMILIES IN PUBLIC HOUSING (1984)**

	<b>White</b>	<b>Black</b>	<b>Hispanic</b>	<b>Asian</b>	<b>Other</b>
All PHAs	14.10	64.10	17.74	2.16	1.79
All PHAs Excluding New York	18.79	68.64	8.31	1.88	1.99

(N=59 large PHAs: 348,185 units with New York, 195,055 without New York)  
Source: CHAPA, 1984.

**TABLE D-2: RACIAL AND ETHNIC ORIGINS OF NON-ELDERLY HOUSEHOLDS IN PUBLIC HOUSING (1991)**

	White	Black	Hispanic	Asian/Pacif.	Native Am
All PHAs*	15.8%	61.7%	19.8%	2.5%	.34%
Cleveland**	6.9%	89.9%	2.9%	.2%	.05%
Chicago	2.5%	94.9%	2.4%	.2%	.02%
Boston	35.8%	36.7%	22.9%	3.8%	.87%
New Orleans	.1%	99.5%	.4%	.01%	.01%
Tacoma	31.5%	21.7%	4.9%	40.1%	1.9%
San Francisco	6.4%	69.5%	8.0%	15.8%	.4%
Miami***	1.0%	85.9%	13.1%	.00%	.02%
Tampa	8.8%	80.6%	9.9%	.60%	.08%
Wash.,D.C.	.1%	99.6%	.24%	.02%	.00%
Albany	16.2%	76.7%	5.7%	1.4%	.10%
New York	6.5%	54.4%	37.9%	1.2%	.07%
St. Louis	1.6%	98.4%	.00%	.00%	.00%
Newark	3.3%	81.1%	15.5%	.00%	.09%
Louisville	5.7%	87.3%	7.0%	.02%	.04%

\* This constitutes 1991 data collected by HUD from its MTCS data for 509,589 non-elderly families.

\*\* Cuyahoga Metropolitan PHA

\*\*\* Dade County PHA

Source: HUD, MTCS data, 1991.

**TABLE D-3: Boston Housing Authority****Boston Housing Authority Tenant Profile**

	1975	1984	1992
White	56.3%	46.1%	31.8%
Black	35.4%	38.9%	38.0%
Hispanic	8.2%*	13.8%	24.4%
Asian		0.8%	4.6%
Other		0.4%	0.3%

Sources: CHAPA, 1986: 113; the Boston Housing Authority, State of the Development Report, 1979; Boston Housing Authority Tenant Demographics, 18 February 1992; HUD

\* this is categorized as "Other, predominantly Hispanic"

**CASE STUDY: COMMONWEALTH DEVELOPMENT — TENANT PROFILE**

	1969	1975	1978	1981	1992
White	92.1%	70.1%	45.28%	43%	40%
Black		20.4%	29.54%	40%	38%
Hispanic		9.5%*	25.2%*	16%	14%
Asian					7%
Other				1%	0.1%

\* this is categorized as "Other, predominantly Hispanic"

Sources: HUD, Boston Housing Authority, NCSDPH Case Study

**TABLE D-4: CHICAGO HOUSING AUTHORITY****CHICAGO HOUSING AUTHORITY Tenant Profile**

	1973	1984	1991
White	17%	12%	8.1%
Black	82%	86%	83.6%
Hispanic	1%	2%	2%
Asian			1.2%
Other			4.1%

Sources: Chicago Housing Authority 1984/85 Statistical Report and Residential Accounting Detail Report, 8/22/91

**CASE STUDY: IDA B. WELLS DEVELOPMENT -- TENANT PROFILE**

	1984	1991
White		.01%
Black	100%	96.7%
Hispanic		.005%
Asian		
Other		3.3%

Sources: Chicago Housing Authority 1984/85 Statistical Report and Residential Accounting Detail Report, 8/22/91.

**TABLE D-5: Albany Housing Authority**

## Albany Housing Authority: Tenant Profile

	1986	1991
White	26%	19%
Black	71%	74%
Spanish-American	2%	4%
Oriental	1%	1%
Other	1%	2%

Sources: Albany Housing Authority

**CASE STUDY: STEAMBOAT SQUARE DEVELOPMENT — TENANT PROFILE**

	1986	1991
White	49%	33%
Black	45%	62%
Spanish-American	1.5%	2%
Oriental	1.5%	.5%
Other		2%

Source: Albany Housing Authority

**TABLE D-6: Cuyahoga Metropolitan Housing Authority**

## Cuyahoga Metropolitan Housing Authority— Tenant Profile

	1986	1991
White	18%	11%
Black	81%	88%
Hispanic	1%	—

Source: Cuyahoga Metropolitan Housing Authority

TABLE D-7: New York City Housing Authority

## Tenant Profile

	1973	1983	1991
White	25%	15%	6.5%
Black	53%	59%	54.4%
Hispanic	20%	22%	37.9%
Other	2%	4%	1.9%

Sources: CHAPA, 1986: 142; HUD, 1992

TABLE D-8: Dade County Department of HUD

## Liberty Square: Tenant Profile

	1992
White	.5%
Black	98.5%
Hispanic	0%
Unknown	1%

Source: Dade County Metropolitan Housing Authority, 2 January 1992

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**APPENDIX E****LENGTH OF RESIDENCE IN PUBLIC HOUSING****TABLE E-1: DISTRIBUTION OF NON-ELDERLY HOUSEHOLDS BY LENGTH OF RESIDENCE IN PUBLIC HOUSING (1991)**

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	All PHAs
<1 year	25.46%
1-5 years	31.11%
5-10 years	15.55%
11-20 years	15.78%
Over 20 years	8.24%

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Source: HUD, 1991 MTCS data

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**ENDNOTES**

- 1 Several members of the MIT Public Housing Research Group assisted the principal author, Professor Lawrence Vale, in preparing this report. In particular, Professor Langley Keyes made available the pre-publication draft of his book on drugs in subsidized housing, Professor Philip Clay provided access to his extensive files and doctoral candidate Elizabeth Shaw provided research assistance during the initial stages of the work. The author would also like to thank several other NCSDPH consultants for their invaluable assistance, especially Gayle Epp, Kristin Smith, Jeff Lines and Jonathan Lane. We are also all most appreciative of the help from Wayne Sherwood and John Vitella at CLPHA and Ed Whipple and Bob Gray at HUD, without whom the current data necessary to complete this report would not have been obtained.
  - 2 Prior to the activities of the NCSDPH, HUD's 1979 study of Problems Affecting Low-Rent Public Housing Projects was the only major national effort to identify the peculiar characteristics of "troubled" public housing in social as well as physical dimensions. Subsequent studies by Abt Associates and ICF have attempted to identify "high needs" developments more narrowly, based on the estimated amount of funding required for their physical revitalization (Jones et al., 1979; Abt, 1988; ICF, 1989, 1992).
  - 3 HUD's 1979 study of Problems Affecting Low-Rent Public Housing Projects found that "troubled public housing projects are more likely than untroubled projects to be located in urban areas." In particular, family developments of more than 200 units that were more than 20 years old and located in urban areas—developments which constituted only about 7.5% of the nation's public housing inventory—were found to include about half of the nation's "troubled" units (Jones et al., 1979: 4, 45). The 1988 Modernization needs study by Abt Associates, using 1985 data, identified approximately 728 developments with 82,137 units as "high need": these represented only about 7% of the public housing stock, but accounted for about 19% of the program's total modernization needs.
  - 4 From 1966 to 1981 HUD published information on public housing tenant characteristics in the annual HUD Statistical Yearbook, but centralized collection of this data was abandoned during the 1980s and has only recently been revived. We would like to thank Ed Whipple and Bob Gray at HUD for their assistance in making the most recent HUD MTCS data (from 1991) available to us.
  - 5 Studies of public housing demographics almost invariably acknowledge or complain about the inadequacy and inaccuracy of data. Data on public housing from the HUD Statistical Yearbooks (1966-1981) has been found to be particularly suspect, in terms of quality, consistency and completeness. Also problematic is the data from the Annual Housing Survey, where ambiguously phrased questions raise doubts about whether all respondents who reported living in "public housing" actually did so. For these reasons, use of these sources of demographic data have been minimized here. (For a more detailed critique of the quality of early HUD and Annual Housing Survey Data, see CHPA, 1986.) The more reliable data seem to come from the Urban Institute, NAHRO, CLPHA and recent HUD figures. In April, 1992, HUD acknowledged that some problems remained with its Multifamily Tenant Characteristics System (MTCS). Much of the difficulty is rooted in ambiguities in the data collection instrument (HUD-form 50058, Tenant Data Summary). Regarding the source of income, for example, there are not enough categories on the form and respondents have been confused about the names of the various types of public
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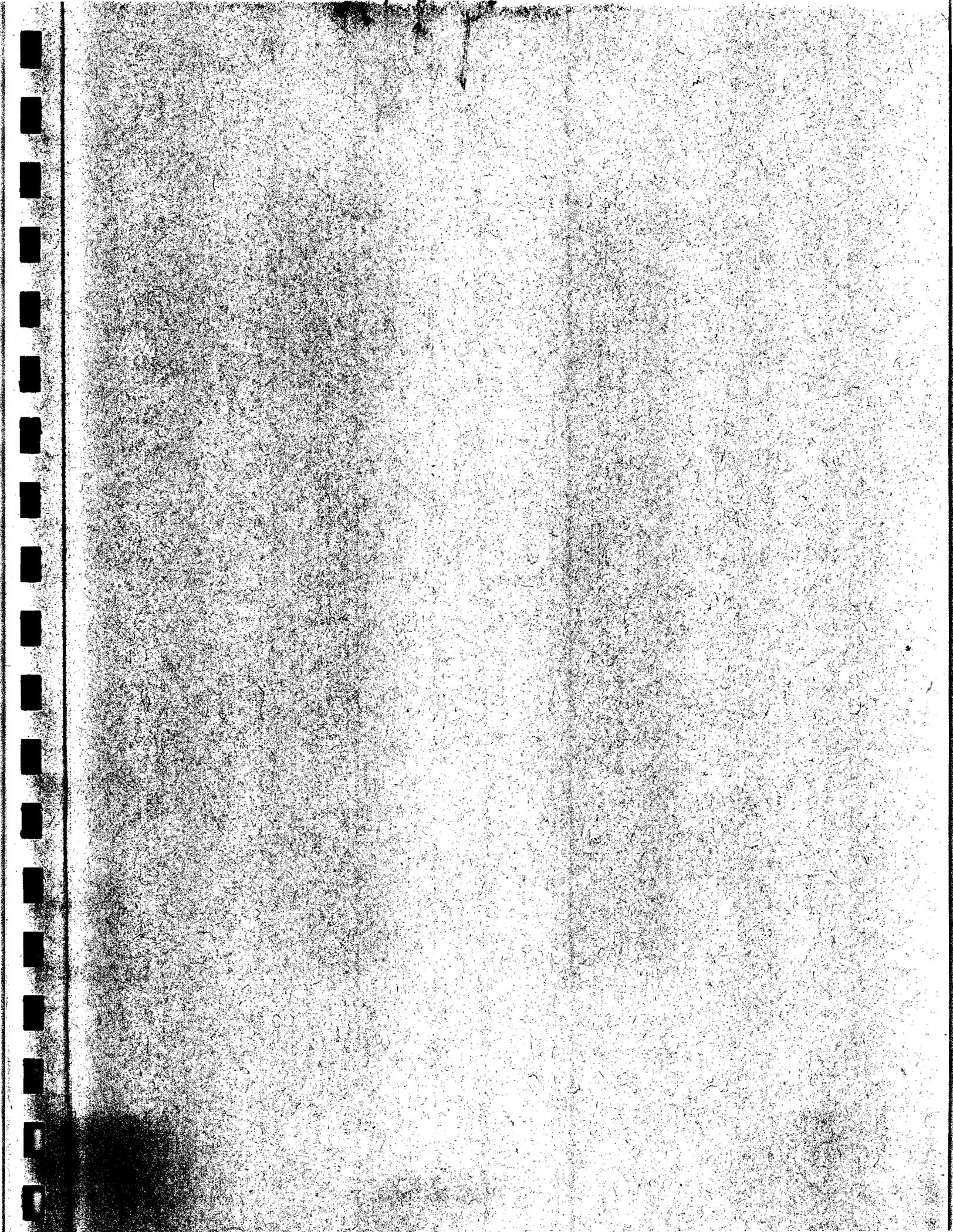
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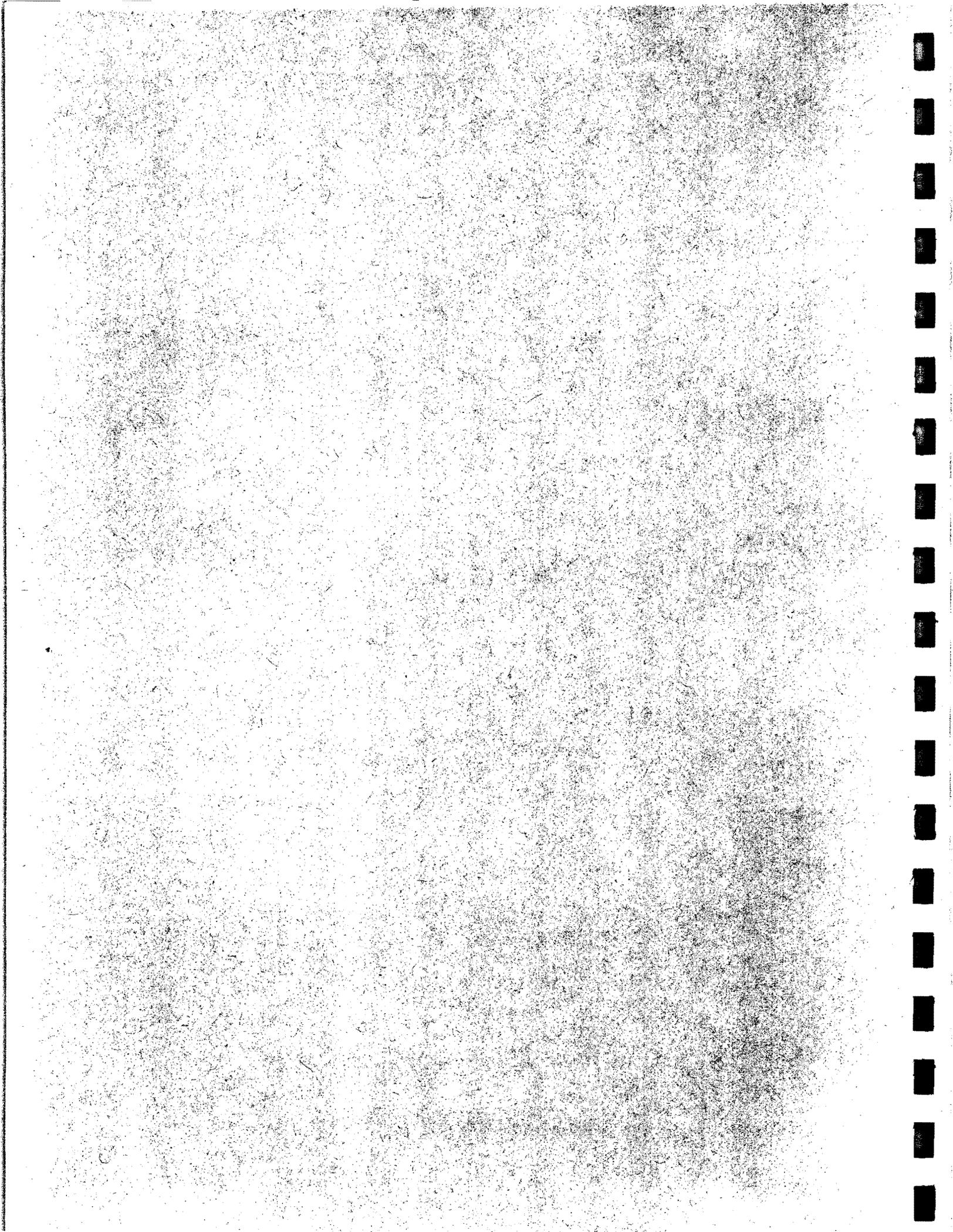
assistance. HUD has also encountered problems in reports about the number of "dependents" in families, who seem to be undercounted. Data from most PHAs (including some of the very largest, such as Chicago's) remains far from complete, and in some cases—such as Puerto Rico—is completely inadequate.

- 6 In 1984, the 1937 Housing Act was amended to restrict the rental of units that first became available for occupancy on or after October 1, 1981 to those applicants whose income fell below 50% of area median, except with prior approval by HUD.
  - 7 The thirteen PHAs included in this sample are those visited by NCSDPH staff plus a few others: Cleveland, Boston, New Orleans, Tacoma, San Francisco, Miami, Tampa, Washington, D.C., Albany, New York City, St. Louis, Newark, and Louisville. Data for a fourteenth city, Chicago, were incomplete with regard to income statistics but are otherwise included in this sample.
  - 8 The PHAs in this survey are those from Albany, Akron, Atlanta, Baltimore, Cambridge, Greensboro, Hawaii, Jersey City, King County (near Seattle, Washington), Louisville, Lucas Metro (Toledo), Manchester, Minneapolis, Mobile, Montgomery County (Maryland), New York City, Omaha, Philadelphia, Pittsburgh, Portsmouth (Virginia), St. Paul, San Francisco, San Antonio, Seattle, Syracuse and Wilmington.
  - 9 We are very grateful for the assistance of CLPHA staff, especially John Vitella and Wayne Sherwood, who supplied data from the CLPHA compilation of HUD Forms 52721A and 52723 and helped with the groundwork for this analysis.
  - 10 The 1992 CLPHA and NAHRO surveys will be carefully studied in this regard, to see if they can refute or corroborate this finding.
  - 11 While many of the largest PHAs have especially elevated rates of unemployment, it is worth mentioning that the New York City Housing Authority remains an anomaly, with an unusually high percentage of working families in its developments and only about one third of its families receiving welfare.
  - 12 This figure does not include the New York City units which accounted for nearly half of the sample and would thereby distort any findings.
  - 13 This excludes data from New York City; New York's units constituted nearly half of those in the survey and these have a significantly lower percentage of female-headed households.
  - 14 Some other potentially useful surveys of family composition are based on imprecise categorization schemes that fail to help determine the presence of female-headed households. HUD's *Trends in Subsidized Housing, 1974-81*, for instance, uses the category of "two-adult family with children" which would conflate 'two-parent families' with 'single-parent female-headed families that have children over age eighteen,' thereby potentially undercounting the latter (Burke, 1982). The Annual Housing Survey showed a decline in the percentage of "households headed by a married person" from 34% in 1974 to 27% in 1981 but failed to specify whether both spouses were present in all such households.
  - 15 Trends in the racial composition of public housing are difficult to establish using multiple data sources, especially since the categorization of Hispanics has been so varied; sometimes 'Hispanic' is listed as a separate category, and sometimes such persons are classified as either black or white. In addition, it seems clear that
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- “Hispanic” is no longer the term of choice for the variety of ethnic groups that are uncomfortably merged under its umbrella. The term “Asian” or “Asian-American” has also come under criticism for similar reasons. Also, there may be significant ambiguity or distortion in the self-reporting of ethnic and racial classifications.
- 16 The figures for Richmond were furnished by CLPHA from their 1992 survey of large PHAs, and constitute the PHA’s own estimates. CLPHA describes the figures as “preliminary” and “not checked in detail.”
  - 17 The 1979 HUD study which might have been expected to shed light on the racial and ethnic variables in “troubled” versus “untroubled” public housing does not do so because, according to the authors, the data on racial composition in projects was of “poor quality” (Jones et al. 1979: 51).
  - 18 This figure excludes the statistics furnished by New York City.
  - 19 The CHPA definition of regions includes southern California in its Southwest category.
  - 20 The CHPA definition of regions includes northern California in its Northwest category.
  - 21 The figure of one million is a NAHRO estimate, based on their 1989 survey which asked about households waiting for a unit at the end of 1988 (NAHRO, 1990: 6). Such figures should be updated once the results of the 1992 NAHRO survey and the 1992 CLPHA/NAHRO/PHADA survey (which asked for detailed information about waiting list families) have been analyzed.
  - 22 Recently, there has been a proposed rule change that would eliminate restrictions on the admission to public and assisted housing of non-elderly, non-disabled singles as long as such single persons are not assigned a housing unit of two or more bedrooms. Details are given in the Federal Register, Vol. 57, No. 70, 10 April 1992.
  - 23 This story is well told in the CHPA report (1986: 38-87), from which this condensed account is substantially derived.
  - 24 The 1979 HUD study that identified problems in “troubled projects” concluded that 56% percent of such developments were in neighborhoods suffering from “poor or fair” police protection, whereas only 32% of the developments judged “untroubled” faced such inadequacies (Jones et al., 1979: 46). This study’s finding, while potentially related to withdrawal of services from distressed public housing, does not explicitly differentiate between police service to the development itself and service to the surrounding neighborhood.
  - 25 One basic reason for the discrepancy, which the CHPA report does not acknowledge, may have much to do with the survey instrument itself; in asking the PHAs for information about economic mix as a tenant selection priority, the questionnaire explicitly lists this as an option for the respondent to check, whereas the questionnaire does not explicitly list this as one of the printed options on its question about assignment policy objectives— here the respondent must take the trouble to fill in “achieving economic mix” as a priority. Nonetheless, CHPA’s follow up questions about this “discrepancy” do yield valuable information.
  - 26 The issues surrounding eviction procedures for drug trafficking are given extensive treatment in Keyes, 1992.
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- 27 For graphic accounts of the scourge of crack in an urban community see, for example, Anderson (1990, chapter three).
  - 28 This unpublished paper is updated and included in Keyes's book Strategies and Saints: Fighting Drugs in Subsidized Housing (Urban Institute Press, 1992), from which much of what is written here is drawn.
  - 29 See Keyes, 1992.
  - 30 The Saint Paul Housing Authority, for example, faced such problems in the mid 1980s as 65% of its housing in family developments came to be occupied by Southeast Asians, mostly Hmong from rural hill areas. These very large families with very low income faced massive acculturation difficulties, as language barriers contributed to lack of employment (CLPHA, 1986: 43)
  - 31 These issues are developed much more fully in Keyes (1992), from which much of this discussion is drawn.
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*Appendix B*

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*"The Modernization Needs of  
Severely Distressed Public Housing,"  
ICF Study*

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**APPENDIX B**

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*Appendix B:****The Modernization Needs Study of Severely Distressed Public Housing*****I. INTRODUCTION**

This report examines the modernization needs of severely distressed public housing. It was prepared for the National Commission on Severely Distressed Public Housing with two objectives in mind: first, to estimate the number and characteristics of such developments nationwide; and second, to estimate the amount of funding required to meet those developments' physical needs.

Identifying a "severely distressed" development is both a complex and inherently qualitative undertaking. As a working definition, the Commission included any family development which no longer provides "decent, safe and sanitary" housing for its inhabitants. Such developments are believed to be characterized by one or more of the following conditions:

- relatively high renovation needs (i.e., estimated costs exceed 62.5 percent of the applicable TDC);
- a relatively high incidence of serious crime (when compared to the community at large);
- an inability of project management to effectively manage the development (as evidenced by factors such as high vacancy rates and tenant accounts receivables); and
- a high concentration of families who are themselves in a state of distress (as evidenced by high unemployment rates and welfare dependency).

Unfortunately, the data that would be necessary to identify all such developments nationwide are simply unavailable. While there is relatively good information on the modernization needs of Public Housing — one of the four defining factors identified by the Commission — there is virtually no information on security and occupancy problems in individual housing developments. And while national data on both the sources and level of resident incomes will soon be available from HUD, these data will not enable one to assess the relationship between resident characteristics and other indicators of project distress.

Given the paucity of existing data, this analysis adopted a definition of distress that primarily reflects the physical condition of the development. There is some evidence (presented below) that developments with high physical needs also have a relatively high incidence of occupancy and security problems and a higher concentration of very low income households. However, the presence of one condition (e.g., a high crime rate) need not imply the other (e.g., high physical needs). Some developments with relatively high physical needs may not exhibit the symptoms of social and economic decay that would make them severely distressed. On the other hand, some developments with considerably lower physical needs may nevertheless meet the Commission's definition of severe distress due to a host of other problems.

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The estimates presented in this report should thus be viewed as only rough approximations of the number of "severely distressed" developments in the stock at large. Until more systematic data are available, it will be difficult to know with any precision the number of projects and units that would ultimately qualify under the Commission's definition. But despite this limitation, estimating the proportion of the stock that would qualify on the basis of one important criteria — namely, its modernization needs — provides a useful starting point for understanding the likely magnitude of the problem, as well as the extent of funding required to eliminate substandard living conditions in public housing by the turn of the century.

#### A. Data Sources

A number of different data sources and studies were used in the analysis. The first was the Modernization Needs Study by Abt Associates.<sup>1</sup> As part of this study, Abt collected detailed information on the physical characteristics and modernization needs of a representative sample of 1000 public housing developments in 1985. Abt also surveyed each development's PHA to collect basic information on the project's residents and on the PHA's assessment of both the nature and the severity of any occupancy or security problems. Unless otherwise noted, the various estimates presented in this report were derived from these basic data.

The second study, by ICF Incorporated, used data from the Abt study, along with life-cycle modeling techniques, to forecast the future capital needs of public housing based on the physical characteristics of the stock and the age, current condition, and expected lifetime of each building system.<sup>2</sup> The study also developed procedures which were used to up-date the original Abt estimates to 1988 and to examine the implications of alternative funding levels on the size of the future backlog.<sup>3</sup> This same methodology was used in this report to estimate funding and backlog estimates for 1992.

The fourth study, by Westat, Inc., examined the incidence of lead-based paint in public housing and estimated the marginal cost of lead-based paint abatement (LBP) for the stock as a whole.<sup>4</sup> Results from this 1990 survey were used in this report to replace the original Abt estimates, which reflected out-dated standards and detection and abatement technologies. The Westat data were also used to derive estimates of LBP-abatement costs for each of the 1,000 developments included in the Abt sample.<sup>5</sup>

Finally, a number of other data sources were used to develop the various estimates presented in this report. Data from HUD's Modernization Approval Data System (MADS) were used to update the backlog estimates to 1992 and to examine the extent to which CIAP allocations have been targeted towards developments with above (or below) average needs. Data on the HUD's allowable cost guidelines, or TDCs, which were applicable at the time of the Abt survey were used to identify "high need" projects. Finally, construction cost indexes from the U.S. Department of Commerce were used to translate all costs into 1992 dollars.

#### B. Contents of the Report

The remainder of this report is divided into three sections. We begin by presenting basic information on the modernization needs of the stock as a whole. The information presented here represents an update of earlier estimates to reflect conditions in 1992. The remainder of the report focuses on the characteristics and needs of severely distressed developments. We first examine the distribution of needs across the stock as a whole and the relationship between physical needs and other potential indicators of distress. We then identify a subset of developments that might be considered "severely distressed" and

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estimate the future funding that would be required in order to address their physical needs.

## II. THE MODERNIZATION NEEDS OF PUBLIC HOUSING

### A. The Current Backlog

Exhibit 1 presents the estimated backlog of modernization needs for the Public Housing stock as a whole. All costs have been expressed in 1992 dollars and include an 11 percent allowance for PHA administrative costs. With the exception of the lead-based paint abatement estimates, the figures presented in the chart have been derived from the original Abt survey, up-dated to reflect the impact of recent modernization expenditures, increases in the size of the public housing stock, and the on-going depreciation of existing building systems.<sup>6</sup> The lead-paint abatement estimates were derived using newly developed information on the likely incidence of lead-based paint within the stock as a whole and on the marginal cost of LBP abatement by building system.<sup>7</sup>

Estimated modernization needs range from a low of \$14.5 billion — or about \$11,000 per unit — to a high of \$29.2 billion — or about \$22,500 per unit. The low figure — the so-called **FIX** backlog — represents the cost of bringing all existing building systems back into working order. The high figure represents the costs of addressing all additional building needs that were identified by the original Abt Survey. These include:

- **lead-based paint abatement**, defined as the removal of chewable or defective lead-based paint as required under current federal regulations (\$0.9 billion);
- **handicapped accessibility**, defined as the modifications required to meet PHA-identified needs for additional wheel-chair accessible units and units to serve the deaf and the blind (\$0.2 billion);<sup>8</sup>
- **mandatory additions (ADDs)** to the building, site, or unit that are required to meet HUD modernization standards or local code (\$0.7 billion);

Exhibit 1 The Size and Composition of the Unfunded Backlog: 1992 (\$ million)	
Backlog Category	Unfunded Backlog Needs
<b>MANDATORY BACKLOG</b>	
FIX	\$14,538
Lead-Based Paint	901
Handicapped Accessibility	193
Mandatory ADDs	<u>731</u>
<b>TOTAL</b>	<b>16,363</b>
PROJECT-SPECIFIC ADDs	7,239
REDESIGN	2,106
ENERGY CONSERVATION	417
RESIDUAL ADDs	3,081

- **project-specific ADDs**, defined as other additions or modifications identified by the PHA and viewed as clearly, probably, or possibly appropriate by the Abt inspection team (\$7.2 billion);<sup>9</sup>
- **residual ADDs**, defined as other desired additions identified by the PHA but considered inappropriate by the Abt inspectors (\$3.1 billion);
- **project redesign**, defined as unit, building, and/or site reconfiguration necessary to ensure on-going project viability (\$2.1 billion); and
- **energy conservation improvements**, defined as potential energy conservation actions with a pay-back period of 15 years or less (\$0.4 billion).

Both the high and low end estimates are staggering in light of historical expenditure levels. A recent HUD report identified four specific categories of needs as “mandatory” requirements — fixing existing systems; implementing modifications required by HUD or local codes; lead-based paint abatement; and handicapped accessibility. According to our estimates, these costs add up to about \$16.4 billion, or roughly \$12,500 per unit. Such needs, which are more than eight times as high as current appropriation levels (\$2.04 billion), represent the *minimum* that would be required to put the stock in working order and to meet existing regulatory requirements.

#### B. Future Funding Needs

Exhibit 2 estimates the size of the future backlog in five and ten years assuming that the real (i.e., inflation adjusted) value of CIAP allocations remains constant over time (\$2.04 billion a year in 1992 dollars). These estimates embody a number of key assumptions, used in previous ICF and HUD reports, regarding the lag between appropriations and actual expenditures, the costs of delaying needed repairs, and the distribution of allocations and expenditures by category of need.<sup>10</sup> They also exclude Residual ADDs, worth about \$3.1 billion in 1992, since such actions would presumably not be allowed under CIAP.<sup>11</sup>

Under these assumptions, which reflect a continuation of the status quo, the overall backlog will remain relatively stable over the foreseeable future. In effect, the funding that is currently available for modernization will be completely offset by new needs that arise from the on-going aging of building systems. The distribution of these needs across the different expenditure categories is much more difficult to predict, and largely depends on policies adopted by both HUD and the PHAs. However, assuming that the future distribution of expenditures across the various categories of needs is identical to the distribution that occurred in the recent past, the FIX backlog will rise by about 3 percent per year, while the remaining needs will fall. But regardless of the ways in which future CIAP funding is allocated, the total backlog of needs will remain relatively constant unless appropriations are increased.

Exhibit 3 presents the annual funding that would be required in order to eliminate the existing backlog within a five and ten year period of time. Two different sets of estimates have been derived. The first set assumes that future CIAP allocations are confined to the mandatory backlog as defined by HUD. In other words, it assumes that REDESIGN needs, project-specific ADDs, and Energy Conservation will not be funded. Under this assumption, annual appropriations would have to rise to \$5.2 billion per year to eliminate the mandatory backlog within 5 years and to \$3.7 billion per year to eliminate the backlog by 2002.

The second set of estimates expands the list of allowable expenditures to include REDESIGN, Energy Conservation, and project-specific ADDs. Residual ADDs — i.e., modifications which were viewed as inappropriate by the Abt inspector — are again excluded from these estimates. Under this scenario, annual appropriations would need to rise to \$7.2 billion for the next five years to eliminate the unfunded backlog by 1997. Appropriations would have to rise to \$4.8 billion a year for the next 10 years to eliminate the backlog by 2002.

Exhibit 2 Projected Increases in the Modernization Backlog at Existing Appropriation Levels (\$ million)			
	1992	1997	2002
MANDATORY BACKLOG			
FIX	14,538	16,904	19,035
Lead-Based Paint	901	738	620
Handicapped Accessibility	193	0	0
Mandatory ADDs	<u>731</u>	<u>77</u>	<u>0</u>
TOTAL MANDATORY BACKLOG	16,363	17,719	19,655
PROJECT-SPECIFIC ADDs <sup>1</sup>	7,239	5,988	5,086
REDESIGN	2,106	1,856	1,675
ENERGY CONSERVATION	417	36	0
TOTAL BACKLOG	26,125	25,599	26,416
<sup>1</sup> Excluding Residual ADDs.			

Exhibit 3 Annual Funding Requirements to Eliminate the Unfunded Backlog (\$ million)			
	TARGET DATE		
	1992	1997	2002
MANDATORY NEEDS ONLY	16,363	5,173	3,679
ALL NEEDS <sup>1</sup>	26,125	7,238	4,791
<sup>1</sup> Excluding Residual ADDs.			

### III. THE STOCK OF SEVERELY DISTRESSED PUBLIC HOUSING

The above estimates refer to the entire stock of public housing. The remainder of this report focuses on the characteristics and needs of severely distressed developments. As described below, such developments represent a relatively small proportion of the overall stock of Public Housing, but account for a disproportionate share of the program's overall funding needs. And in terms of their impact on public opinion and political support for the program, their overall importance is even greater.

Unfortunately, project-specific data were not available for all of the components of modernization needs included in the original Abt analysis. The aggregate estimates presented above were based on a number of different surveys examining different types of needs. The largest survey, covering approximately 1000 developments, provides information on FIX and ADDs. However, estimates for the remaining components of project needs — including energy conservation, redesign, handicapped accessibility, and lead-based paint abatement — were derived from much smaller samples.

It was possible to estimate LBP abatement needs for each of the 1000 developments in the original Abt survey using a combination of data obtained from both the Abt and the Westat studies.<sup>12</sup> However, project-specific estimates for the other types of expenditures were not available and could not be imputed with any degree of accuracy. As a result, the various estimates presented below omit certain important types of needs that must be addressed under any funding system.

#### A. Distribution of Needs Across the Stock

With these caveats in mind, Exhibit 4 presents the estimated distribution of projects and units by their modernization needs in 1985. It also depicts the share of the program's total needs that are attributable to units and developments in each of the different cost categories. Note that the data in the chart reflect conditions in 1985, the time of the original survey. A later section of this report will estimate the ways in which these needs have shifted over time based on subsequent spending and depreciation patterns. To facilitate these time-series comparisons, 1985 needs have been measured in 1992 dollars.<sup>13</sup>

The estimated rehabilitation needs presented in the chart include the costs of: bringing existing systems back into working order (FIX); various additions to the unit or the project viewed as either necessary or desirable (i.e., mandatory plus project-specific ADDs);<sup>14</sup> and lead-based paint abatement. Estimates of the distribution of units and projects by category of need are presented in Appendix A. Certain "allowable" costs are excluded from these figures — including redesign, energy conservation, and handicapped access. These omitted categories could add as much as \$2,000 (or about 10 percent) to the cost of the average unit, with the bulk of these additional costs (78 percent) attributable to REDESIGN.<sup>15</sup>

The figures in the chart reveal marked disparities in the level of needs across the stock of public housing. About one-third of all units — and roughly 40 percent of all developments — had modernization costs below \$10,000 per unit. However, these same developments and units accounted for only about 11 percent of aggregate modernization needs. At the other extreme, only about 5.5 percent of the stock had estimated costs in excess of \$40,000 per unit. Yet these same developments and units account for over 18 percent of the funding needs of public housing.

Exhibit 4 Distribution of Projects and Units by Modernization Costs in 1985 (1992 dollars)					
Cost Per Unit <sup>1</sup>	Projects		Units		Share of Total Modernization Needs
	Number	Percent	Number	Percent	
0 - 2,500	223	1.6%	31,116	2.5%	0.3%
2,500 - 5,000	2,326	16.6	126,828	10.1	2.0
5,000 - 10,000	2,925	20.9	263,222	20.9	9.1
10,000 - 20,000	5,443	38.9	434,238	34.5	29.4
20,000 - 30,000	1,839	13.1	238,558	19.0	26.3
30,000 - 40,000	571	4.1	94,214	7.5	14.5
40,000 - 50,000	297	2.1	36,964	2.9	7.4
50,000 - 60,000	259	1.8	17,438	1.4	4.3
60,000 - 70,000	60	0.4	5,566	0.4	1.6
70,000 - 80,000	0	0.0	0	0.0	0.0
80,000 - 90,000	2	0.0	3,724	0.3	1.4
90,000 - 100,000	7	0.0	1,690	0.1	0.7
100,000+	47	0.3	4,798	0.4	3.0
<b>TOTAL</b>	<b>13,997</b>	<b>100.0%</b>	<b>1,258,356</b>	<b>100.0%</b>	<b>100.0%</b>

<sup>1</sup> Estimated costs include FIX, Mandatory ADDs, Project-Specific ADDs, and Lead-based Paint Abatement; see Appendix A for a breakdown of each cost component. Estimated costs exclude Redesign, Energy Conservation, Handicapped Access, and Residual ADDs.

The relationship between modernization needs and the applicable TDC is presented in Exhibit 5. The figures in the chart generally mirror the patterns revealed in Exhibit 4 and again suggest that needs are highly concentrated in a relatively small number of public housing developments. Using 60 percent as an approximate cut-off for "high need" developments, the figures suggest that roughly 700 projects with 82,000 units fell into this category in 1985. While such developments represented only about 6.5 percent of all public housing units, they accounted for about 19 percent of the program's total rehab needs.

Several important caveats should be kept in mind when interpreting these data. The first relates to the definition of a "development" that is used in this report. The original Abt survey defined a development by its ACC; buildings with different ACCs were assumed to represent different developments. In reality, however, the definition of a development is more complex. For example, developments which were built in several phases may have more than one ACC, yet from a management and social perspective, may be viewed as a single entity. The figures in Exhibits 4 and 5 provide reasonably accurate estimates of the number of "high need" units. However, due to the problem noted above, estimates of the number of "high need" developments may be overstated.

It is also important to recognize that the figures in Exhibits 4 and 5 estimate the *minimum* number of units with physical needs above a given threshold. As noted earlier, these estimates exclude the cost of redesign, as well as energy conservation and handicapped access. Moreover, some potential environmental hazards — most notably, asbestos and radon — are not included in the estimates, nor are any additional costs that may arise as a result of 504 handicapped access requirements. While it is difficult to estimate the impact of such additional needs on the number of "severely distressed" units, the effect could be substantial. For example, an analysis of the 75 developments included in the REDESIGN survey suggests that the proportion of units with costs above the "60 percent TDC" threshold would rise from 6.5 to 8.4 percent of the total stock when redesign needs are factored in.<sup>16</sup>

#### B. The Relationship Between Physical Needs and Other Indicators of Distress

Presumably, some of these high need developments would not be classified as severely distressed if one considered the host of economic and social forces affecting the quality of life within the community. Conversely, some severely distressed developments may have modernization needs that fall below the 60 percent viability threshold. To explore the extent to which a development's physical needs can serve as an adequate proxy for distress, this section examines the relationship between the physical condition of the development and a host of other factors that might affect its ability to provide decent, safe and sanitary housing to its residents.

The section begins by presenting some basic information on the characteristics of projects with differing levels of needs. It then examines a series of indicators that could be related to distress, including the characteristics of project residents, reported occupancy problems, neighborhood conditions, and project security. All data used in the analysis were obtained from interviews with PHA officials at the time of the Abt survey and thus reflect the authority's assessment of any problems, rather than documented or observed conditions.

Exhibit 5 Distribution of Projects and Units in 1985 by the Ratio of Modernization Costs to the Applicable TDC					
Cost to TDC Ratio	Projects		Units		Share of Total Modernization Needs (%)
	Number	Percent	Number	Percent	
≤0.10	2,737	19.6%	191,982	15.3%	3.4%
0.11 - 0.20	3,437	24.6	361,659	28.7	16.2%
0.21 - 0.30	3,436	24.5	258,402	20.5	19.8%
0.31 - 0.40	2,243	16.0	175,768	14.0	16.6%
0.41 - 0.50	793	5.7	122,769	9.8	15.6%
0.51 - 0.60	622	4.4	65,641	5.2	9.5%
0.61 - 0.70	301	2.2	29,386	2.3	5.5%
0.71 - 0.80	216	1.5	30,998	2.5	6.0%
0.81 - 0.90	23	0.2	7,339	0.6	2.1%
0.91 - 1.00	82	0.6	4,288	0.3	0.8%
1.00+	106	0.8	10,126	0.8	4.5%
TOTAL	13,997	100.0%	1,258,356	100.0%	100.0%

<sup>1</sup> Estimated costs include FIX, ADDs (ISO 1, 2, and 3), and Lead-based Paint Abatement; see Appendix A for a breakdown of each cost component. Estimated costs exclude REDESIGN, energy conservation, handicapped access, and residual ADDs. See Appendix B for estimates that include the costs of REDESIGN.

**Project Characteristics.** Exhibit 6 presents some basic information on the characteristics of developments with differing levels of need, including: the mix between family and elderly developments; the size and predominate structure type of the development; the size of the PHA; and the proportion of developments in troubled authorities. Data for developments with costs above the 60 percent TDC threshold are highlighted in the chart.

In general, there is no simple relationship between the characteristics of the development and its level of rehabilitation needs. However, units with costs above the 60 percent TDC threshold appear to have a number of traits in common. The overwhelming majority are in family developments which tend to be relatively large. Most are located in very large PHAs, with about 44 percent in troubled authorities. Contrary to public perceptions, however, the incidence of elevator buildings is not unusually high among high needs developments, even when family developments are considered separately and even excluding New York City.<sup>17</sup> According to our estimates, only about 12 percent of all "high needs" Public Housing units are found in elevator buildings.

Exhibit 6					
Characteristics of Units by Level of Need: All Units <sup>1</sup>					
Costs to TDC Ratio <sup>2</sup>	Family Develop't (%)	Average Project Size (units)	Elevator Buildings (%)	Very Large PHA (%)	Troubled PHA (%)
<0.1	52	343	45	22	13
0.1 - 0.2	70	408	48	36	11
0.2 - 0.3	78	405	34	39	19
0.3 - 0.4	90	413	17	35	28
0.4 - 0.6	86	359	26	38	30
0.6+	94	537	12	57	44

<sup>1</sup> Data weighted by number of dwelling units.  
<sup>2</sup> Excludes Redesign, Energy Conservation, Handicapped Access, and Residual ADDs.

**Resident Characteristics.** Exhibit 7 presents information on the characteristics of project residents, including their age, their average income, and their reliance on public assistance (i.e., AFDC, SSI, or General Assistance). Since the Commission has focused its attention on the needs of family developments, the figures in the chart (and in all subsequent tables) are restricted to family developments.

In general, the ages of project residents do not appear to vary with the development's rehabilitation needs. In particular, high need developments do not contain a higher (or lower) concentration of children and teenagers than do other segments of the stock. In contrast, there appears to be a relatively strong relationship between the income of a development's residents and its level of rehabilitation needs. As needs increase, resident incomes decline. For example, residents of high need projects (i.e., with costs above 60 percent of TDC) had an average income of only about \$4,600, compared to about \$8,000 for residents of units whose needs were below 20 percent of TDCs.

Despite the apparent link between physical needs and resident incomes, the incidence of welfare dependency (as reported by the PHA) is not appreciably higher in units with the highest rehabilitation needs. The proportion of households on welfare is relatively low (27 percent) in units with the lowest renovation needs (i.e., less than 10 percent of TDCs). However, there appears to be no relationship between physical needs and reliance on public assistance in the remainder of the stock.

Exhibit 7 Resident Characteristics by Level of Need: Family Developments <sup>1</sup>						
Costs to TDC Ratio <sup>2</sup>	Average Income	Percent on Welfare <sup>3</sup> (%)	Age of Residents			
			Children Under 5 (%)	Teens (%)	Non-Elderly Adults (%)	Elderly (%)
<0.1	7,831	27	31	19	40	12
0.1 - 0.2	8,161	38	30	18	40	13
0.2 - 0.3	7,376	47	33	19	39	10
0.3 - 0.4	5,452	36	33	19	33	13
0.4 - 0.6	5,980	47	33	20	37	10
0.6+	4,587	42	30	20	41	9

<sup>1</sup> All observations weighted by number of dwelling units.  
<sup>2</sup> Excludes REDESIGN, Energy Conservation, Handicapped Access, and Residual ADDs.  
<sup>3</sup> Defined as households whose primary income source is AFDC, SSI, or General Assistance.

**Security.** Exhibit 8 presents information on the PHA's assessment of security problems within the development. The figures in the chart again refer only to family projects. The data suggest that high needs projects have security problems that are considerably higher than developments with the lowest category of needs, but about the same or only marginally above the problems reported in other developments. Indeed, regardless of the measure examined, it is *low* need developments (i.e., those with costs below 10 percent of TDC) that appear to be unique. Evidently, crime and to a lesser degree, drug abuse, are not significant problems among units that are well maintained. However, in the remainder of the stock, security appears to be an issue regardless of the level of rehab needs that exists in a given development.

Exhibit 8					
Reported Security Problems by Level of Needs: Family Developments <sup>1</sup>					
Costs to TDC Ratio <sup>2</sup>	Overall Security (%)	Break-Ins (%)	Drug Traffic (%)	Minor Crimes Against Persons (%)	Major Crimes Against Persons (%)
<0.1	19	9	37	17	11
0.1 - 0.2	48	41	65	54	31
0.2 - 0.3	57	40	50	45	18
0.3 - 0.4	57	46	53	41	26
0.4 - 0.6	72	64	67	50	29
0.6+	68	52	68	37	22

<sup>1</sup> All observations weighted by number of dwelling units.  
<sup>2</sup> Excludes Redesign, Energy Conservation, Handicapped Access, and Residual ADDs.

**Occupancy Problems.** Exhibit 9 summarizes the occupancy problems that were reported by the PHA for developments with differing levels of needs. The first column presents the average vacancy rate for developments within each cost category. The remaining columns indicate the proportion of units for which a major or moderate occupancy problem was reported. We have also derived an index ranging from 0 to 6 based on the number of major occupancy problems reported, where a vacancy rate of 15 percent or more was considered a major problem. Developments receiving a score of 5 or better were designated as having a major occupancy problem. The last column in the chart depicts the proportion of developments within each of the different cost categories that fall into this problem category.

The patterns depicted in Exhibit 9 again suggest that it is low need, not high need developments that appear to be unique. While high need developments exhibit many of the characteristics that are synonymous with distress — such as high vacancy rates and a high proportion of reported occupancy problems — they exhibit the highest incidence of a given problem only with respect to rent delinquencies. In contrast, low need developments have the lowest incidence of reported occupancy problems regardless of the measure employed. Once again, while units in relatively good physical condition have relatively minor occupancy problems, the relationship between occupancy problems and renovation needs appears to break down for the remainder of the stock.

**Neighborhood.** Exhibit 10 depicts the relationship between the development's neighborhood (as rated by the PHA) and its modernization needs. The patterns are similar to

Exhibit 9							
Reported Occupancy Problems by Level of Needs: Family Developments							
Major or Moderate Problems with Respect to:							
Cost to TDC Ratio <sup>2</sup>	Percent Vacant	Tenant Abuse of Property	Rent Delinquencies	Inability to Evict	Minor Tenant Crimes Caused by Tenants	Major Tenant Crimes Caused by Tenants	Percent With Major Occupancy Problems <sup>3</sup>
<0.1	4%	32%	36%	12%	18%	3%	1%
0.1 - 0.2	6%	55%	54%	57%	47%	30%	17%
0.2 - 0.3	6%	44%	50%	50%	46%	18%	16%
0.3 - 0.4	11%	57%	42%	30%	26%	7%	10%
0.4 - 0.6	14%	62%	57%	43%	47%	25%	24%
0.6+	10%	54%	61%	48%	36%	18%	9%

<sup>1</sup> All observations weighted by number of dwelling units.  
<sup>2</sup> Excludes REDESIGN, Energy Conservation, Handicapped Access, and Residual ADDs.  
<sup>3</sup> Includes developments with 5 or more "major" or "moderate" occupancy problems, where vacancy rates above 15 percent were considered to be a problem.

those revealed by previous charts. Low need developments are again unique in that they appear to be in significantly better neighborhoods than the remainder of the stock. And while high need developments have relatively low neighborhood ratings, these ratings are not significantly different from those received by developments with more moderate rehab needs.

Exhibit 10							
Reported Neighborhood Problems by Level of Needs: Family Developments <sup>1</sup>							
Costs to TDC Ratio <sup>2</sup>	Negative Rating with Respect to Overall Quality of Neighborhood	Major or Moderate Problem with Respect to:					
		Neighborhood Crime	Loitering Problems	Drug Problems	Vandalism	Street Litter	Vacant Lots
<0.1	11%	25%	31%	32%	22%	33%	26%
0.1 - 0.2	42%	62%	62%	63%	59%	68%	53%
0.2 - 0.3	26%	50%	49%	52%	51%	46%	32%
0.3 - 0.4	25%	40%	48%	51%	42%	47%	42%
0.4 - 0.6	39%	49%	43%	56%	56%	43%	46%
0.6+	28%	52%	61%	73%	47%	50%	33%

<sup>1</sup> All observations weighted by number of dwelling units.  
<sup>2</sup> Excludes Redesign, Energy Conservation, Handicapped Access, and Residual ADDs.

**Conclusion.** Of the many different factors considered above, the only one that appears to have a strong relationship with the development's level of rehab needs is the income of its residents. In general, the poorest residents are in the units with the highest modernization needs, a relationship which continues to hold when one controls for other factors.<sup>18</sup> In other respects, high need developments are not appreciably different from most of the other developments in the stock, with the notable exception being those developments whose physical needs are relatively low (i.e., less than 10 percent of TDC). These low need developments, which represent about 15 percent of the total stock, appear to be located in better neighborhoods and have significantly lower problems with respect to crime, vacancies, rent collections, and tenant abuse.

### C. The Funding Needs of Severely Distressed Developments

Up until now, we have examined the distribution of modernization needs that was observed in 1985, the time of the Abt survey. According to these estimates, roughly 6.5 percent of the stock — or about 82,000 units — had renovation needs that were 60 percent or more of the applicable TDC. However, in order to estimate the current funding requirements of high need developments, one must first determine the extent to which the number of such units has increased over time. Since the overall backlog has grown in both real and nominal terms since the time of the original survey, the number of distressed developments could also be on the rise.

To estimate the distribution of needs in 1992, we used procedures comparable to those employed in producing the aggregate funding estimates contained in Exhibits 1 through 3, but applied them to individual developments within the sample. In particular, estimates of each project's rehabilitation needs in 1985 were adjusted to reflect inflation and the ongoing aging of building systems, as well as any modernization spending that may have occurred between 1986 and 1991. The expenditure estimates were based on reported allocations, as opposed to actual spending, and may be subject to considerable error for any given development. However, assuming that such errors will for the most part cancel out, one should be able to detect broad trends in the overall incidence of high need developments that may have occurred in the last five years.

The results of the simulations are presented in Exhibit 11. Data in the first two columns, presented earlier in Exhibit 5, depict conditions in 1985. Column 1 shows the distribution of units by their costs to TDC ratio at the time of the Abt survey. Column 2 presents the proportion of overall funding needs that was attributable to units within each category. Column 3 presents the share of CIAP funding that was received between 1985 and 1991 for developments in each cost category.<sup>19</sup> Column 4 presents the estimated distribution of units by level of need as of 1991.

Several striking patterns are evident from the chart. To begin with, units with relatively low rehabilitation needs in 1985 appear to have received a disproportionate share of CIAP funding over the past five years. For example, units with needs below 20 percent of the applicable TDC accounted for about 20 percent of all funding needs in 1985, but received roughly 40 percent of all CIAP allocations. In contrast, units with needs in excess of 60 percent of TDC accounted for roughly 19 percent of aggregate needs, yet these same units received only 8 percent of available funding. Given that available funding for the program fell far short of existing needs, this targeting strategy would appear to make sense. Apparently, the majority of PHAs have concentrated their limited resources on those segments of the stock where available funds can make a difference.

One of the apparent outcomes of this targeting strategy was to increase the number of units whose needs were relatively high. Over the five year period, the proportion of units with estimated rehabilitation costs between 50 and 60 percent of TDCs rose from 15 to

17 percent, while the proportion of units with costs exceeding the 60 percent threshold rose from 6.5 to 6.9 percent. The latter increase is admittedly small, particularly in light of the approximate nature of the estimates. However, the data suggest that as many as 4,000 additional units may have become "severely distressed" within the last five years, and that another 26,000 units may have entered the next highest category of needs. If these projections are correct — and if high needs developments continue to be underfunded — the number of severely distressed developments will most likely continue to grow unless an intervention strategy is adopted.

Exhibit 11 Changes in the Distribution of Units by Modernization Needs: 1985 to 1991				
Costs to TDC Ratio <sup>2</sup>	Distribution of Units in 1985 (%)	Share of Total Modernization Needs in 1985 (%)	Share of 1985-1991 CIAP Allocations (%)	Distribution of Units in 1991 (%)
<0.1	15.3	3.4	6.0	10.6
0.1 - 0.2	28.7	16.3	32.6	27.1
0.2 - 0.3	20.5	19.8	21.0	25.5
0.3 - 0.4	14.0	16.6	11.7	12.9
0.4 - 0.6	15.0	25.1	21.0	17.0
0.6+	6.5	18.8	7.7	6.9

<sup>1</sup> Includes unexpended but allocated funds.  
<sup>2</sup> Excludes Redesign, Energy Conservation, Handicapped Access, and Residual ADDs.

Exhibit 12 presents a series of estimates depicting the overall funding that would be required in order to meet the physical needs of severely distressed developments. The different columns in the chart represent different costs-to-TDC ratios. While the discussion to date has focused on developments which exceed the 60 percent threshold, a more stringent definition could be employed if one wished to target funding to those developments with even higher renovation needs.

According to our estimates, roughly 86,000 Public Housing units now have rehabilitation needs that are greater than 60 percent of the applicable TDC. Meeting their full range of needs would cost about \$65,000 per unit, or some \$5.6 billion. In order to eliminate this backlog within a 10-year period of time, one would need to allocate at least \$730 million a year for these developments. While these estimates include an 11 percent allowance for the PHA's administrative costs, they exclude any fees for planning and architectural services. As a result, the funding requirements would be even higher.

Funding requirements fall as the TDC threshold rises. For example, if one restricted funding to those developments whose costs were more than 90 percent of the applicable guideline, only 22,000 units — or less than 2 percent of the total stock — would be eligible for assistance. While the cost per unit would be relatively high — about \$92,000 — a smaller number of units would qualify for assistance. As a result, funding requirements would drop to about \$180 million per year to eliminate the backlog within 10 years. At the same time, however, targeting to those developments with the greatest physical needs may not be cost effective and would certainly ignore a large segment of the stock whose long-term viability is clearly at issue.

The cost effectiveness issue is beyond the scope of this report and, indeed, must reflect a host of complex social, market, and political factors that do not readily translate into quantitative measures. Nevertheless, some insights may be gained from the figures presented in Exhibit 13, which compare the estimated cost of renovation to the unit's average replacement costs (measured by 100 percent of the applicable TDC). The various columns in the chart again represent groups of developments classified by varying levels of rehab needs; as the costs-to-TDC cut-off rises, the number of developments which meet the threshold of "severe distress" will naturally decline.

Exhibit 12 Estimated Number and Funding Needs of Severely Distressed Developments: 1992						
	Cost-to-TDC Ratio					
	≥60%	≥62.5%	≥67.5%	≥70%	≥75%	≥90%
Number of Units	86,036	79,623	55,630	53,567	44,004	22,466
Number of Projects	974	954	685	547	424	184
Average Project Size <sup>1</sup>	448	455	515	531	612	828
Modernization Cost Per Unit <sup>2</sup>						
Mandatory Needs	43,200	44,600	49,800	50,200	54,300	60,800
Total Needs	65,300	67,500	75,300	75,900	82,100	91,900
1992 Funding Needs <sup>2</sup>						
Mandatory Needs	\$3.7 billion	\$3.6 billion	\$2.8 billion	\$2.7 billion	\$2.4 billion	\$1.4 billion
Total Needs	\$5.6 billion	\$5.4 billion	\$4.2 billion	\$4.1 billion	\$3.6 billion	\$2.1 billion
Estimated Annual Funding Requirements to Eliminate the Backlog by 2002 <sup>1</sup>						
Mandatory Needs	\$530 million	\$500 million	\$350 million	\$330 million	\$270 million	\$130 million
Total Needs	\$730 million	\$690 million	\$500 million	\$470 million	\$400 million	\$180 million

<sup>1</sup> Weighted by number of units.  
<sup>2</sup> Excludes Residual ADDS. Includes 11 percent allowance for the administrative costs of the PHA, but excludes any allowance for planning and architectural design services.

Several broad conclusions can be drawn from the data presented in the chart. To begin, per unit replacement costs do not appear to vary with the particular cut-off employed, averaging about \$75,000. In contrast, per unit renovation needs increase as the cost-to-TDC ratio rises; the higher the cut-off employed, the higher the average costs-to-TDC ratio of the units within the category and the higher their average rehab needs.

In general, modernization would appear to be a cost-effective strategy (given the one-for-one replacement requirement) when a unit's replacement costs exceed the cost of its renovation. When the opposite is true, a replacement strategy may make more sense. Overall, however, aggregate costs of these two approaches are remarkably similar. For example, for the subset of units with renovation costs above 67.5 percent of TDCs — the criteria that has been adopted by the MROP program — aggregate funding needs would be the same (\$4.2 billion) under either a renovation or replacement program. While different strategies would be appropriate for different developments, the economies and diseconomies even out.

Clearly, the most cost-effective strategy would combine the two alternatives, and have the repair/replacement decision made on a project-by-project basis. Such individual discretion would enable HUD and the PHAs to "capture" any economies that might arise on a case-by-case basis from either a modernization or construction approach. It would also enable them to factor in a host of other important considerations that might affect the future viability of the development.

Exhibit 13 Comparison of Replacement Costs With Renovation Needs						
	Cost-to-TDC Ratio					
	≥60%	≥62.5%	≥67.5%	≥70%	≥75%	≥90%
Average Cost-to-TDC Ratio	81.0%	89.0%	99.6%	100.8%	106.8%	131.7%
Average Replacement Cost Per Unit	\$75,000	\$75,800	\$75,600	\$75,300	\$76,900	\$69,800
Average Renovation Cost Per Unit	\$65,300	\$67,500	\$75,300	\$75,800	\$82,100	\$91,900
Total Replacement Costs	\$6.5 billion	\$6.0 billion	\$4.2 billion	\$4.0 billion	\$3.4 billion	\$1.6 billion
Total Renovation Costs	\$5.6 billion	\$5.4 billion	\$4.2 billion	\$4.1 billion	\$3.6 billion	\$2.1 billion

Exhibit A.1 Distribution of Units by Modernization Costs (1992 dollars)			
Cost Per Unit	FIX	FIX + ADDS <sup>1</sup>	FIX + ADDS + LBP
\$0 - 2,500	27.8%	9.3%	1.7%
2,500 - 5,000	21.4%	7.4%	10.2%
5,000 - 10,000	23.9%	21.5%	17.1%
10,000 - 20,000	18.4%	33.2%	31.8%
20,000 - 30,000	6.8%	16.9%	21.1%
30,000 - 40,000	0.8%	7.4%	9.7%
40,000 - 50,000	0.3%	2.0%	4.5%
50,000 - 60,000	0.2%	1.3%	1.8%
60,000 - 70,000	0.4%	0.3%	0.9%
70,000 - 80,000	0.0%	0.0%	0.4%
80,000 - 90,000	0.0%	0.3%	0.0%
90,000 - 100,000	0.0%	0.1%	0.3%
100,000+	0.0%	0.4%	0.5%
ALL UNITS	100.0%	100.0%	100.0%

<sup>1</sup> Includes ISO Categories 1, 2, and 3.

Exhibit A.2 Distribution of Projects by Modernization Costs (1992 dollars)			
Cost Per Unit	FIX	FIX + ADDS <sup>1</sup>	FIX + ADDS + LBP
\$0 - 2,500	42.0%	14.7%	1.3%
2,500 - 5,000	20.5%	7.1%	16.4%
5,000 - 10,000	21.3%	24.2%	17.4%
10,000 - 20,000	10.3%	34.4%	38.1%
20,000 - 30,000	4.0%	11.4%	14.4%
30,000 - 40,000	1.6%	4.4%	6.3%
40,000 - 50,000	0.1%	2.1%	2.5%
50,000 - 60,000	0.3%	0.9%	1.9%
60,000 - 70,000	0.0%	0.4%	0.8%
70,000 - 80,000	0.0%	0.0%	0.4%
80,000 - 90,000	0.0%	0.0%	0.0%
90,000 - 100,000	0.0%	0.0%	0.0%
100,000+	0.0%	0.3%	0.4%
ALL UNITS	100.0%	100.0%	100.0%

<sup>1</sup> Includes ISO Categories 1, 2, and 3.

<b>Exhibit A.3</b>			
<b>Distribution of Units by Costs to TDC Ratio</b>			
<b>Range</b>	<b>FIX</b>	<b>FIX + ADDS</b>	<b>FIX + ADDS + LBP</b>
Less than 0.1	59.7%	21.3%	15.3%
0.1 - 0.2	21.0%	29.4%	28.7%
0.2 - 0.3	8.4%	19.3%	20.5%
0.3 - 0.4	7.9%	10.4%	14.0%
0.4 - 0.5	1.7%	8.9%	9.8%
0.5 - 0.6	0.3%	4.8%	5.2%
0.6 - 0.7	0.2%	2.6%	2.3%
0.7 - 0.8	0.4%	1.8%	2.5%
0.8 - 0.9	0.2%	0.5%	0.6%
0.9 - 1.0	0.0%	0.2%	0.3%
1.0+	0.0%	0.8%	0.8%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

<b>Exhibit A.4</b>			
<b>Distribution of Projects by Costs to TDC Ratio</b>			
<b>Range</b>	<b>FIX</b>	<b>FIX + ADDS</b>	<b>FIX + ADDS + LBP</b>
Less than 0.1	67.9%	24.8%	19.6%
0.1 - 0.2	21.0%	23.9%	24.6%
0.2 - 0.3	5.0%	30.7%	24.5%
0.3 - 0.4	4.1%	6.5%	16.0%
0.4 - 0.5	0.7%	5.0%	5.7%
0.5 - 0.6	0.4%	4.1%	4.4%
0.6 - 0.7	0.5%	2.3%	2.2%
0.7 - 0.8	0.1%	1.3%	1.5%
0.8 - 0.9	0.3%	0.5%	0.2%
0.9 - 1.0	0.0%	0.1%	0.6%
1.0+	0.0%	0.8%	0.8%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

**Exhibit B.1**  
**Estimated Distribution of Projects and Units in 1985 by the Ratio**  
**of Modernization Costs to the Applicable TDC, Including REDESIGN <sup>1</sup>**

Cost to TDC Ratio	Projects		Units		Share of Total Modernization Needs
	Number	Percent	Number	Percent	
≤ 0.10	2,709	19.4%	186,737	14.8%	3.2%
0.11 - 0.20	3,343	23.9%	349,906	27.8%	14.9%
0.21 - 0.30	3,350	23.9%	239,851	19.1%	17.6%
0.31 - 0.40	2,241	16.0%	178,121	14.2%	16.0%
0.41 - 0.50	886	6.3%	134,469	10.7%	16.5%
0.51 - 0.60	486	3.5%	63,510	5.0%	8.8%
0.61 - 0.70	347	2.5%	33,979	2.7%	6.3%
0.71 - 0.80	244	1.7%	37,292	3.0%	7.0%
0.81 - 0.90	31	0.2%	10,659	0.8%	2.6%
0.91 - 1.00	251	1.8%	13,121	1.0%	2.5%
1.00 +	108	0.8%	10,713	0.9%	4.5%
<b>TOTAL</b>	<b>13,977</b>	<b>100.0%</b>	<b>1,258,356</b>	<b>100.0%</b>	<b>100.0%</b>

<sup>1</sup> Estimated costs include FIX, ADDs (ISO 1,2, and 3), Lead-based Paint Abatement, and REDESIGN. REDESIGN is assumed to take precedence over ADDs for those projects requiring redesign.

Exhibit B.2 Estimated Distribution of Projects and Units in 1985 by the Ratio of Modernization Costs to the Applicable TDC, Including REDESIGN <sup>1</sup> (1992 dollars)					
Cost to TDC Ratio	Projects		Units		Share of Total Modernization Needs
	Number	Percent	Number	Percent	
0 - 2,500	223	1.6%	31,116	2.5%	0.3%
2,500 - 5,000	2,303	16.5%	122,480	9.7%	1.9%
5,000 - 10,000	2,826	20.2%	250,287	19.9%	8.2%
10,000 - 20,000	5,424	38.7%	428,615	34.1%	27.7%
20,000 - 30,000	1,717	12.3%	232,893	18.5%	24.7%
30,000 - 40,000	583	4.2%	99,687	7.9%	15.1%
40,000 - 50,000	503	3.6%	53,704	4.3%	10.3%
50,000 - 60,000	300	2.1%	22,795	1.8%	5.3%
60,000 - 70,000	60	0.4%	5,566	0.4%	1.5%
70,000 - 80,000	1	0.0%	414	0.0%	0.1%
80,000 - 90,000	4	0.0%	4,311	0.3%	1.5%
90,000 - 100,000	7	0.1%	1,690	0.1%	0.7%
100,000 +	47	0.3%	4,798	0.4%	2.8%
<b>TOTAL</b>	<b>13,977</b>	<b>100.0%</b>	<b>1,258,356</b>	<b>100.0%</b>	<b>100.0%</b>

<sup>1</sup> Estimated costs include FIX, ADDs (ISO 1,2, and 3), Lead-based Paint Abatement, and REDESIGN. REDESIGN is assumed to take precedence over ADDs for those projects requiring redesign.

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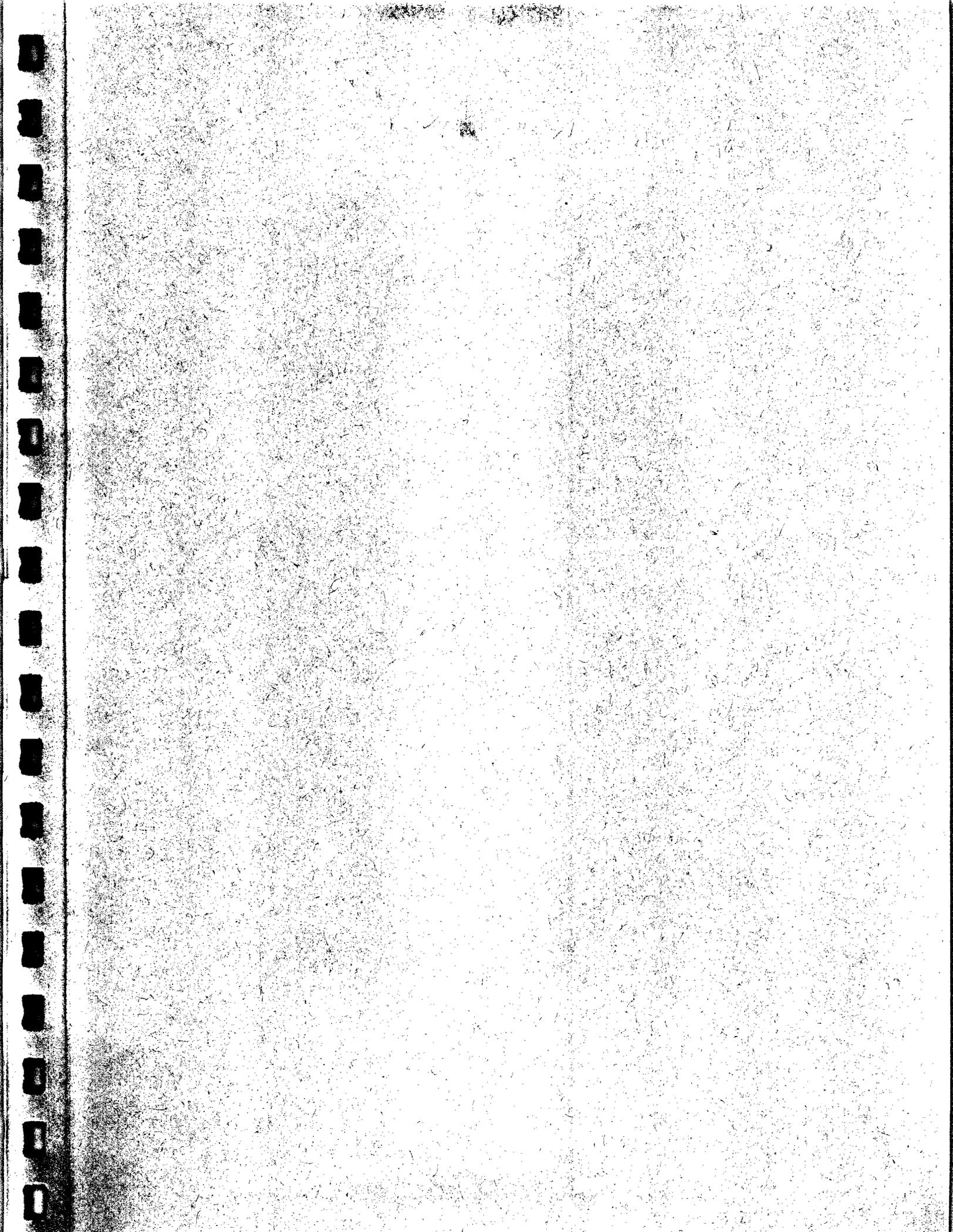
## ENDNOTES

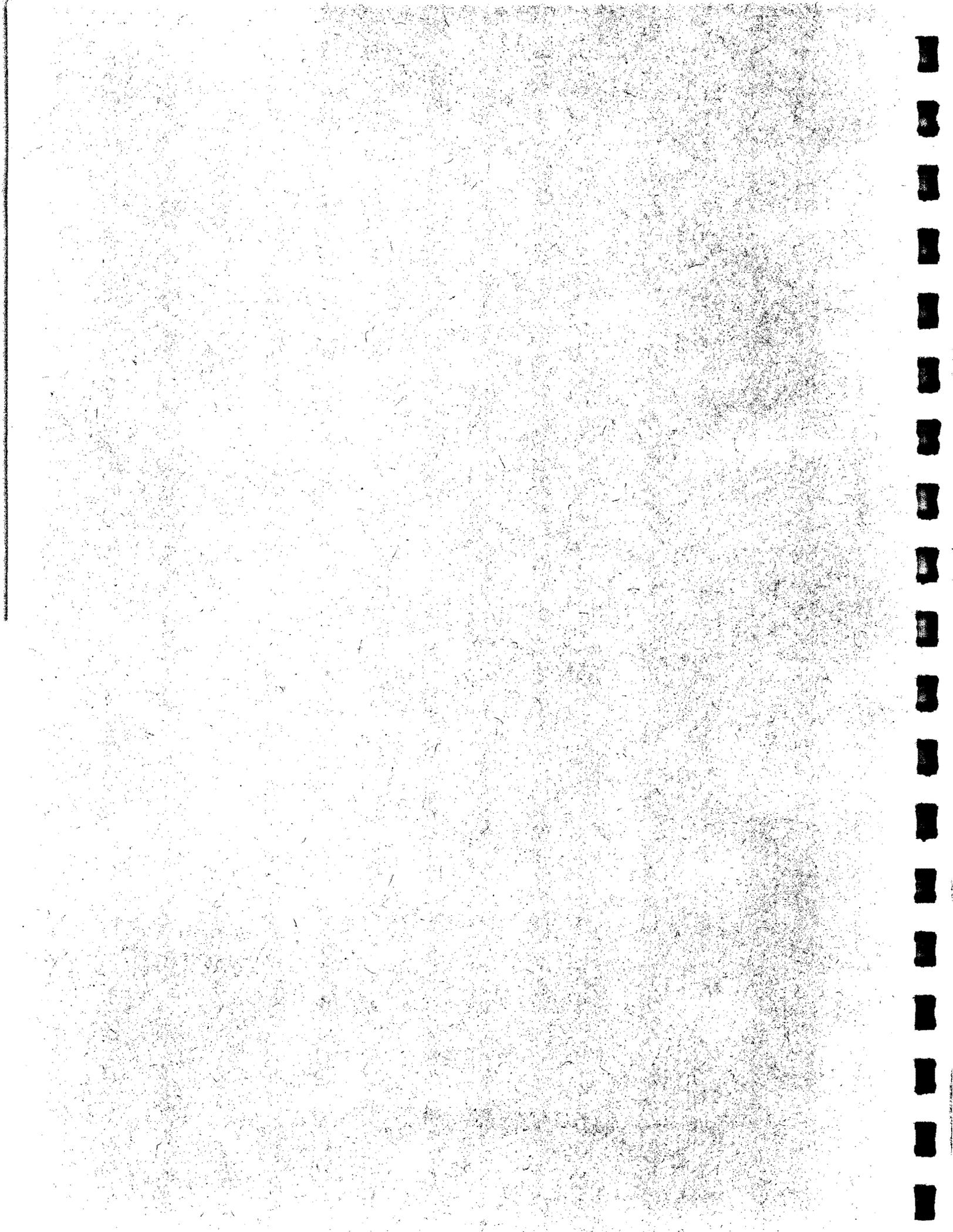
- 1 Dixon Bain, et al., Study of The Modernization Needs of the Public and Indian Housing Stock. (March, 1988).
  - 2 ICF Inc., Future Accrual of Capital Repair and Replacement Needs of Public Housing. (April, 1989).
  - 3 HUD employed this same methodology in deriving funding and backlog estimates for 1990. See U.S. Department of Housing and Urban Development, Report to Congress on Alternative Methods for Funding Public Housing Modernization. (August, 1989).
  - 4 Westat Inc., The Extent of Lead-Based Paint in Public Housing. (Draft, October, 1991).
  - 5 The national estimates produced by Abt were based on a different sample. Since this analysis focuses on the distribution of needs across the stock (as opposed to aggregate needs), it was necessary to impute LBP-abatement needs for individual developments.
  - 6 For a description of these estimating procedures, see ICF (1989).
  - 7 See Westat (1991). The term "marginal cost" refers to the additional cost of abatement over and above the costs required to repair or replace existing building systems.
  - 8 The figures in the chart predate the recent 504 regulations and thus may underestimate the modernization costs associated with meeting the current statutory guidelines for handicapped access.
  - 9 The definitions of both project specific and mandatory ADDs differ from those employed in previous reports since both categories include additions and modifications which were desired by the PHA but which were classified as "unnecessary" or "unable to assess" by the Abt inspector. Such actions (known as ISO 3 Category ADDs) were included under the category of "Residual ADDs" in previous reports. Including ISO 3 actions under Residual ADDs in Exhibit 1 would reduce mandatory ADDs from \$0.7 billion to \$0.3 billion; reduce project-specific ADDS from \$7.2 billion to \$4.9 billion; and increase Residual ADDs from \$3.1 billion to \$5.8 billion.
  - 10 See ICF (1989) for a discussion of these assumptions. The only modification adopted in this report is to include ISO Category 3 modifications in both the mandatory and project-based ADDs estimates and to assume that such actions would be eligible for CIAP funding.
  - 11 Residual ADDs includes all actions identified as desirable by the PHA but designated as inappropriate by the Abt inspector.
  - 12 Data on the incidence of lead-based paint by building system and on the marginal cost of abating each building system were obtained from the Westat study. These estimates were then applied to Abt survey data showing estimated repair and replacement needs by building system to derive LBP abatement estimates for each of the 1,000 developments.
  - 13 Unlike the funding estimates presented in earlier exhibits, the cost data presented in this section do not include an allowance for the PHA's administrative costs. This
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convention was adopted to facilitate comparisons with the developments' applicable TDCs.

- 14 Including ISO Category 3 modifications.
  - 15 The figures also exclude ADDs viewed as probably or clearly inappropriate by the Abt Inspector. This exclusion reflects the assumption that such expenditures would not be approved under CIAP.
  - 16 See Appendix B for the estimated distribution of costs including REDESIGN. Due to the small sample size, these estimates are less accurate than those derived from the larger sample
  - 17 Only about 12 percent of the family developments with costs in excess of 60 percent of TDCs are in elevator buildings. When New York City is excluded, the fraction does not change.
  - 18 Regression analysis was used to relate the project's level of need (measured by the ratio of costs to TDC) to the size of the PHA, the characteristics of the development and its neighborhood, and its reported occupancy and security problems. The income variable had the expected negative sign and was statistically significant at a 99 percent confidence level. Variables measuring the development's vacancy rate, a low neighborhood rating, and a reported problem with respect to tenant accounts receivable and break ins were also statistically significant (with a 90 percent confidence interval) and had the expected signs.
  - 19 The projections only go up to 1991 because information on 1992 allocations for individual developments were not yet available.
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*Appendix C*

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*Summary of Report:  
Review of Indicators Pertaining to Family Distress*

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**APPENDIX C**

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1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60 61 62 63 64 65 66 67 68 69 70 71 72 73 74 75 76 77 78 79 80 81 82 83 84 85 86 87 88 89 90 91 92 93 94 95 96 97 98 99 100

Appendix C:

## **Review of Indicators Pertaining to Family Distress**

### **I. INTRODUCTION**

This discussion paper covers developing quantitative indicators for measuring “families living in distress.” As discussed in Chapter 2, Definition of Severely Distressed Public Housing, of this Volume, demographic characteristics are quite difficult to quantify and to standardize for the purpose of assessing a level of “distress” among very low income families living in public housing. This paper reviews what data sources and measures, and how they could be applied, might be most useful for this purpose.

### **II. GENERAL ISSUES**

The Commission realizes that indicators must be compared to a baseline in order to take on meaning, but they must be careful in this comparison. In cities that have high levels of distress, a comparison between the conditions of a development and the city will underestimate the level of distress at the development. However, there are times when it is appropriate to compare indicators to a local measure, especially when there is a great deal of regional variation in the indicator, such as cost of living.

The Commission must keep in mind the fact that almost all people living in public housing are in some degree of distress. The question the Commission should ask is whether the residents of a particular development are living in more distressed conditions than residents of other developments, not the population as a whole. For several indicators it is appropriate to compare conditions at a particular development to the national public housing population.

### **III. CUT OFF LEVELS**

The Commission should take great care in establishing cut off levels to ensure that they will not include too large or too small a proportion of public housing developments. In order to do this, the Commission must have enough data to know the range and distribution of all indicators for all developments. There is no question that there must be ranges and cut offs for the indicators, therefore it may be prudent to establish more ranges where the percentage span is great.

### **IV. DROP-OUT RATE INDICATOR**

School systems measure drop-out rates, but there is no standard across communities. Data on drop-out rates are not available at the development-level and the recertification/reoccupancy forms (HUD Form 50058, Tenant Data Summary) do not provide sufficient information on drop-out rates. PHAs could estimate the number of drop-outs from this form by noting the full-time student status of school age children. However, this estimate would be inaccurate because it would be based on age. If the same methodology were used to calculate nation-wide PHA drop-out figures, the problem would be measured consistently.

In order to develop a more accurate estimate, the Commission could use enrollment, rather than drop-out rate, as an indicator. Looking at the percent of children in school in a certain area provides a fair assessment of enrollment. The Commission could then take the enrollment rate for a development and compare it to the enrollment rates of all public housing developments.

## V. UNEMPLOYMENT RATE INDICATOR

Although the Bureau of Labor Statistics (BLS) computes unemployment rates regularly, it would be difficult for PHAs to establish a similar method for their developments because BLS figures are based on a survey methodology. PHAs do have access to the HUD 50058 information, however, this information may or may not be the current employment status of the resident. Residents had to furnish wage income information at the time they filled out their HUD 50058 forms. If all PHAs compiled their unemployment rates in the same way, the ratio of these figures to the BLS figures would be consistent and therefore viable to make an assessment of distress.

## VI. EMPLOYMENT

PHAs could eliminate the inconsistencies of the unemployment figures by computing employment rates. PHAs could establish an employment measure from the HUD 50058 form based on the number of residents with wage income. This rate would not account for residents who worked temporarily or lost a job since last filling out the HUD 50058 form.

A comparison between employment rates at a development and at all PHAs nation-wide, rather than to the BLS number, may be a better measure. This comparison would not penalize PHAs for being in a distressed area with high unemployment. It also would be a more accurate measure because the mix of elderly people in a development may vary greatly from the mix in the population as a whole.

## VII. WELFARE DEPENDENCY

While there are no national figures on Aid to Families with Dependent Children (AFDC) or General Assistance (GA) recipients, local governments have the data to report the total number of people enrolled in these programs. However, PHAs will find some welfare officials more willing to provide this information than others.

Like the other indicators, the welfare dependency rate at the development will vary from the rate in the city. However, comparisons could be made consistently. The more relevant measure of welfare dependency would be how a particular development compares to all public housing.

The Commission should use unemployment figures, but should compare the development's percent unemployed in public housing developments on average, rather than with the local community.

## VIII. MEDIAN INCOME

Median Income should be an easier measure for PHAs to obtain. They can determine how far above or below the area adjusted median income each family falls and adjust this number by family size based on the HUD 50058 data.

It would be possible to calculate the number of families whose income is below a predetermined fraction of the area adjusted median income. Another option would be to base the cut-off on the average income of the development, measured as a fraction of the area median income.

Median incomes should be compared locally, rather than to all PHAs nationally, because costs of living differ from one part of the country to another.

The Commission should retain this measure and adjust it by family size (using median, not average). However, it should do some research with Multi-Family Tenant Characteristics System (MTCS) data to determine what will be a reasonable cut off for measuring distress.

## IX. HEALTH INDICATOR

An indicator that the Commission did not mention is the health indicator, such as the number of low birth weight babies born to tenants. This information is computerized and kept by address. Because these statistics are kept locally it would not be practical to try to establish a statistic for all PHAs nationally.

The Commission should consider using a health indicator and do further research to ensure that it is in fact a practical measure.

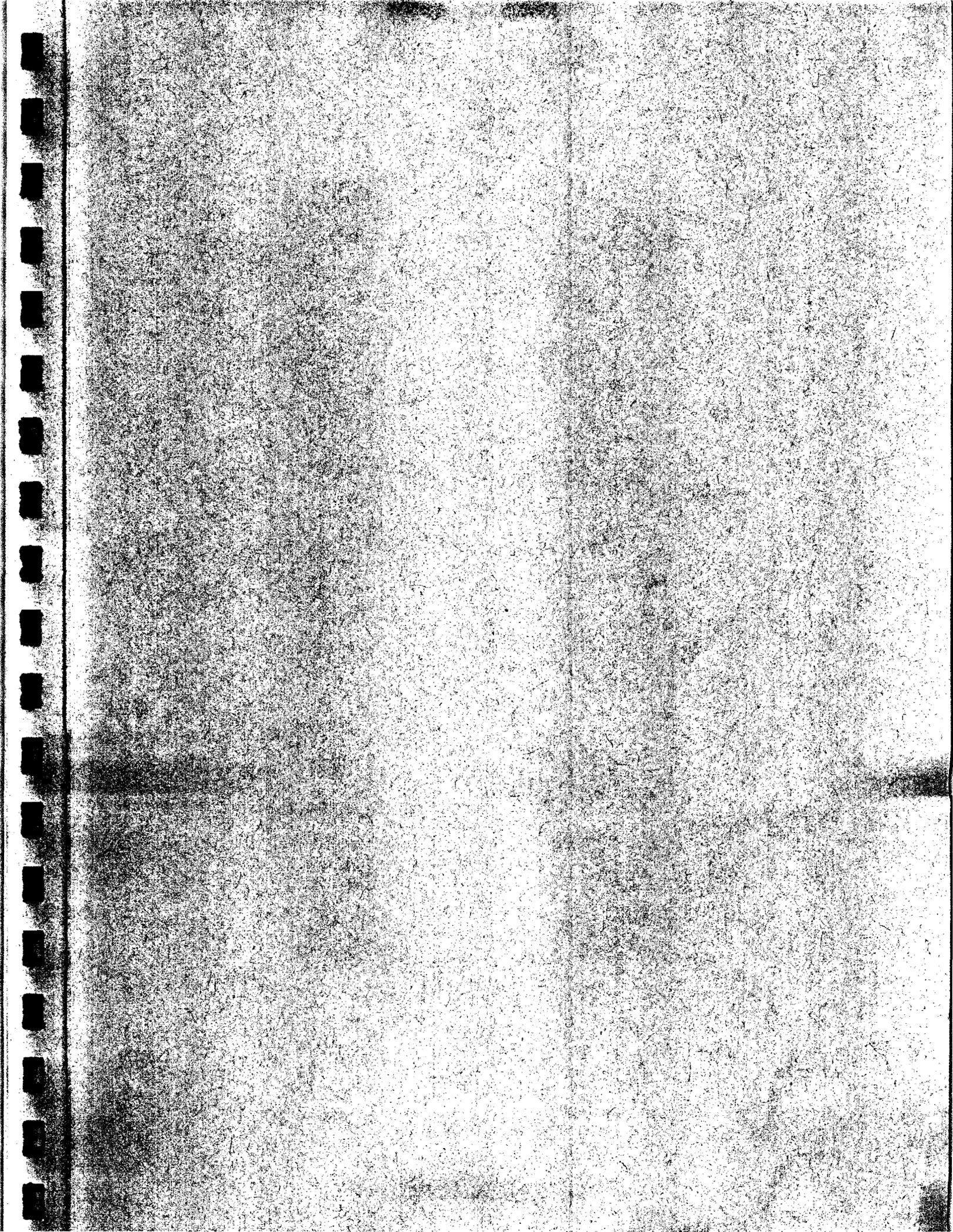
## X. RECOMMENDED CHANGES TO THE INDICATORS

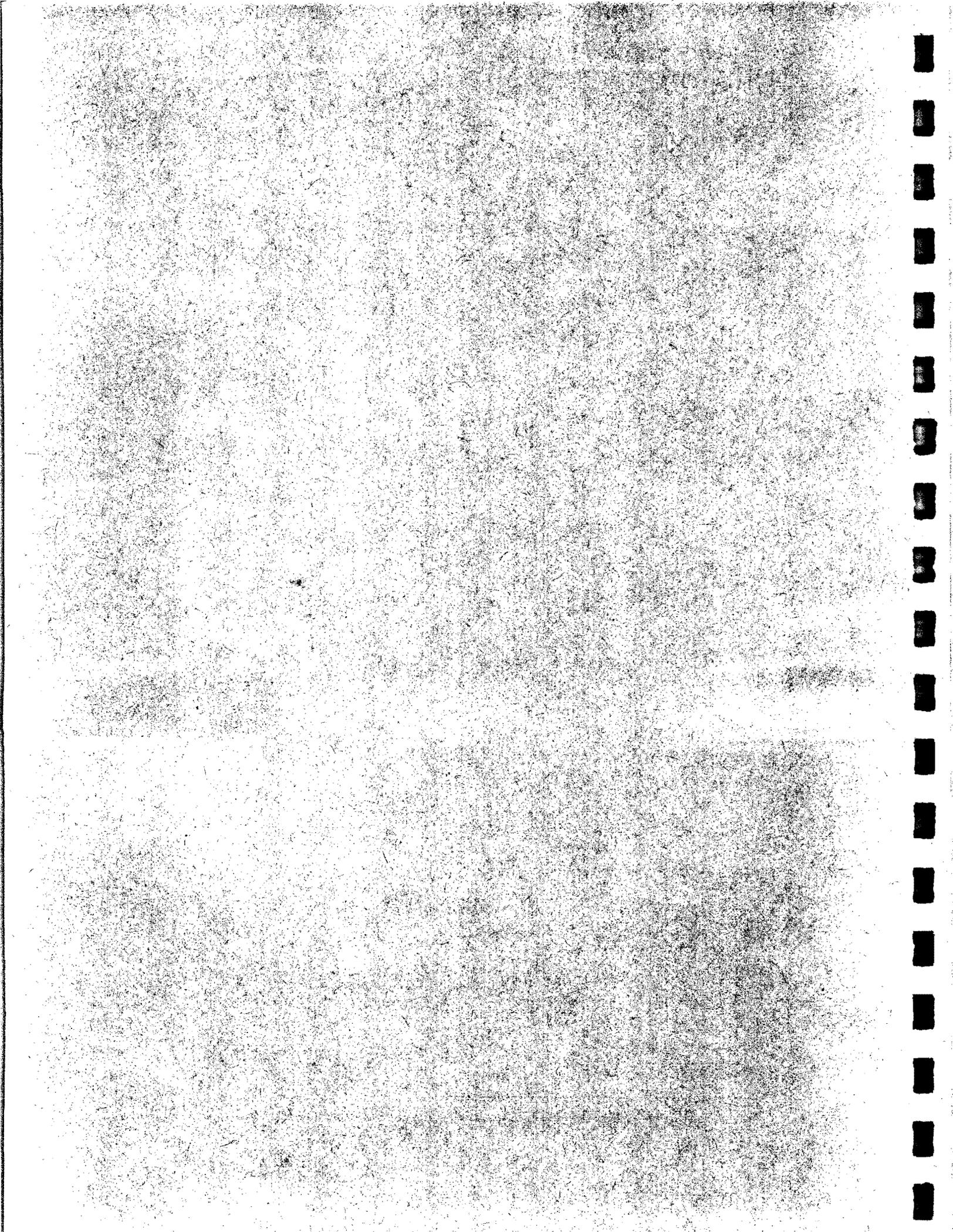
1. Almost all people living in public housing are living in some degree of distress. The question the Commission should ask is whether the residents of a particular development are living in more distressed conditions than residents of other developments, not the population as a whole. For several indicators it is appropriate to compare conditions at a particular development to the national public housing population.
2. The Commission should take great care in establishing cut off levels to ensure that they will not include too big or too small a proportion of public housing developments.
3. In order to develop a more accurate estimate, the Commission could use an enrollment rate, rather than drop-out rate as an indicator. The Commission should take the enrollment rate and compare it to the rates of all public housing developments.
4. The Commission should use unemployment figures, but should compare the development's percent unemployed in public housing developments on average, rather than with the local community.
5. The more relevant measure of welfare dependency would also be how a development compares to all public housing developments on average, rather than with the local

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community.

6. Median incomes should be compared on a local level rather than to all PHAs nationally because costs of living differ from one part of the country to another.
  7. The Commission should retain the median income measure and adjust it by family size (using median, not average). However, the Commission should do some research with MTCS data to determine what a reasonable cut off for measuring distress would be.
  8. The Commission should consider using a health indicator and do further research to ensure that it is in fact a practical measure.
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*Appendix D*

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*Summary of Report:  
Using Crime Statistics to Identify Distress in  
Public Housing*

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**APPENDIX D**

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Appendix D:

## **Using Crime Statistics to Identify Distress in Public Housing**

### **I. INTRODUCTION**

This summary of a report prepared under the supervision of ICF, Inc. discusses what data is available to measure crime levels in severely distressed public housing and the difficulties in evaluating this data.

There are very few quantitative descriptions of public housing crime. Although local police departments submit statistics to be used in the FBI's annual Uniform Crime Report, they do not distinguish crimes committed in public housing developments from crimes committed in the surrounding neighborhoods. There is a tendency for public housing developments to be treated as a part of larger geographical area. However, police do have the potential to measure crime in public housing. They keep precise data of the location of every arrest and crime. If this data were analyzed correctly, it would produce the most accurate estimates.

There have been studies on crime in public housing developments. A report by the RAND Institute, due out in 1992, will analyze public housing crime in five cities and develop estimates for their public housing developments. The study is based on police data from 1986-1989. The report will consider different types of crime and compare public housing rates to those of nearby areas. This study is limited in the number of sites and time period covered. An accurate assessment will require the study of many more developments in more recent years.

### **II. DATA COLLECTION**

In order for data to be meaningful, it must be collected over the entire area to be analyzed for an appropriate period of time and include information on the location and nature of the offenses. The primary source for this information, the police departments, have several limitations. First, not all crimes are witnessed or reported. Second, reporting rates differ from neighborhood to neighborhood and by type of offense. Further, police often only record the most serious offense associated with a single crime. The patterns of the police department and their patrolling frequency also affect the rates. With all of these problems, police departments remain the best available source for crime rates and incorporate the most crucial characteristic of location. Data on crime for police districts or divisions can be used as proxies for data that describe public housing developments. Such data will reflect variations in crime rates from community to community.

### **III. MEASUREMENT TECHNIQUES**

Police data can be used effectively by matching the location of an offense to a public housing address. However, address matching requires the development of a set of procedures to correct for misspellings and data entry errors.

Once the matching has been done, the data can be used to compile statistics by period, offense type, and finally crime rates. The end result of the process would be the ability to

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compare crime rates in a given development to rates for both public and private housing areas.

In order for this comparison to work correctly, differences in departmental crime definitions must be taken into account.

#### **IV. USING CRIME RATES TO MEASURE DISTRESS**

Not all crimes contribute equally to distress. Therefore, categories of crime, not just the overall rate, should be taken into account. Violent crimes, property crimes, and drug crimes all directly affect resident safety. They are also calculable from police data. However, crimes labeled serious by the legal system may not be the most serious to residents.

Distress is a comparative label, and therefore must be compared to some baseline. Comparing projects to the cities around them would be a local baseline. This comparison would incorporate community standards into the acceptable crime level. However, this comparison may be too general. A development may have a crime rate much higher than the city average but similar to its immediate surroundings.

Another baseline would be the use of other public housing. This approach would require the calculation of crime rates for a number of housing projects since this information is not readily available.

If a per capita crime rate were used, public housing rates could be compared to nationwide crime rates.

Each approach has its limitations. A local system might favor developments in safe cities over those in unsafe cities and a nationwide system might make the most unsafe projects look much safer than the neighborhoods that surround them.

#### **V. OPERATIONALIZING COMPARATIVE MEASURES OF DISTRESS**

Distress scores will lack meaning until the scoring system can be associated with a definition of distress. One crucial question remains: how much above the baseline should the crime rate be to qualify a development for distress? In order to accurately reflect the condition of public housing, developments' crime rates must be distributed around the baselines. The absence of crime data for public housing makes this procedure impossible at this time. However, it is possible to assess the wide level of regional variation in crime rates within a given city. It may be that regional variation is greater than variation of crime rates over time.

#### **VI. DEVELOPING OBJECTIVE CRITERIA FOR DISTRESS**

If a system incorporates several types of crime rates and several baselines of comparisons then it will reflect residents' safety needs more precisely. In doing this, the system more accurately reflects housing crime in its neighborhood, city, and national contexts.

The system should further take into account dramatic variations that occur within a single neighborhood or city. Also, a relatively large variation above only a single rate should not be allowed to drive the distress score up, unless the variation is truly exceptional.

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When developing a rating system one must answer the following questions:

1. Which particular crime rates will the system use?
2. Which baselines will it incorporate?
3. How will the system combine the various rates and baselines?
4. How will the scores be compared to scores for other measures of distress?

Until public housing crime data becomes available, only hypothetical systems can be proposed. Only then will accurate specification, testing, and comparison be possible.

## **VII. USING MEASURES OF DISTRESS TO ALLOCATE CRIME CONTROL RESOURCES**

Once a system is developed, it can be incorporated into a system that provides distressed housing with additional crime control resources. However, this will be difficult because little is known about effective methods of crime control, or their costs.

There are several theories on the characteristics of public housing that contribute to crime. They include the difficulty of identifying strangers in a multistoried building, the physical decay of buildings, and the lack of opportunity and social services available to tenants.

Several strategies to control crime and drugs in public housing are now being implemented throughout the country. There is little information known on their costs, implementation, or effects.

Under the relatively new PHDEP program, a high distress score could give a development an edge in the grant application process. However, distress should not be a guarantee of funding. Variables such as technique, local cost, community support and relationships with police are more likely to contribute to the effectiveness of crime control funds than distress is. It is also essential to create a system that allows projects' distress to be compared rather than simply being a label.

## **VIII. POLICE COSTS AND MANPOWER ALLOCATION**

Because police statistics are not broken down by development, estimates of policing costs in public housing must rely on broader statistics.

Available data suggests that the larger a city is, greater per capita police staffing and expense is required. One must keep in mind the wide variation level and costs of urban policing that are due to regional differences and factors unique to individual cities. This type of variation is common within, as well as between, cities. It should be noted that neighborhood characteristics other than public housing have a significant impact on police costs even within a single city.

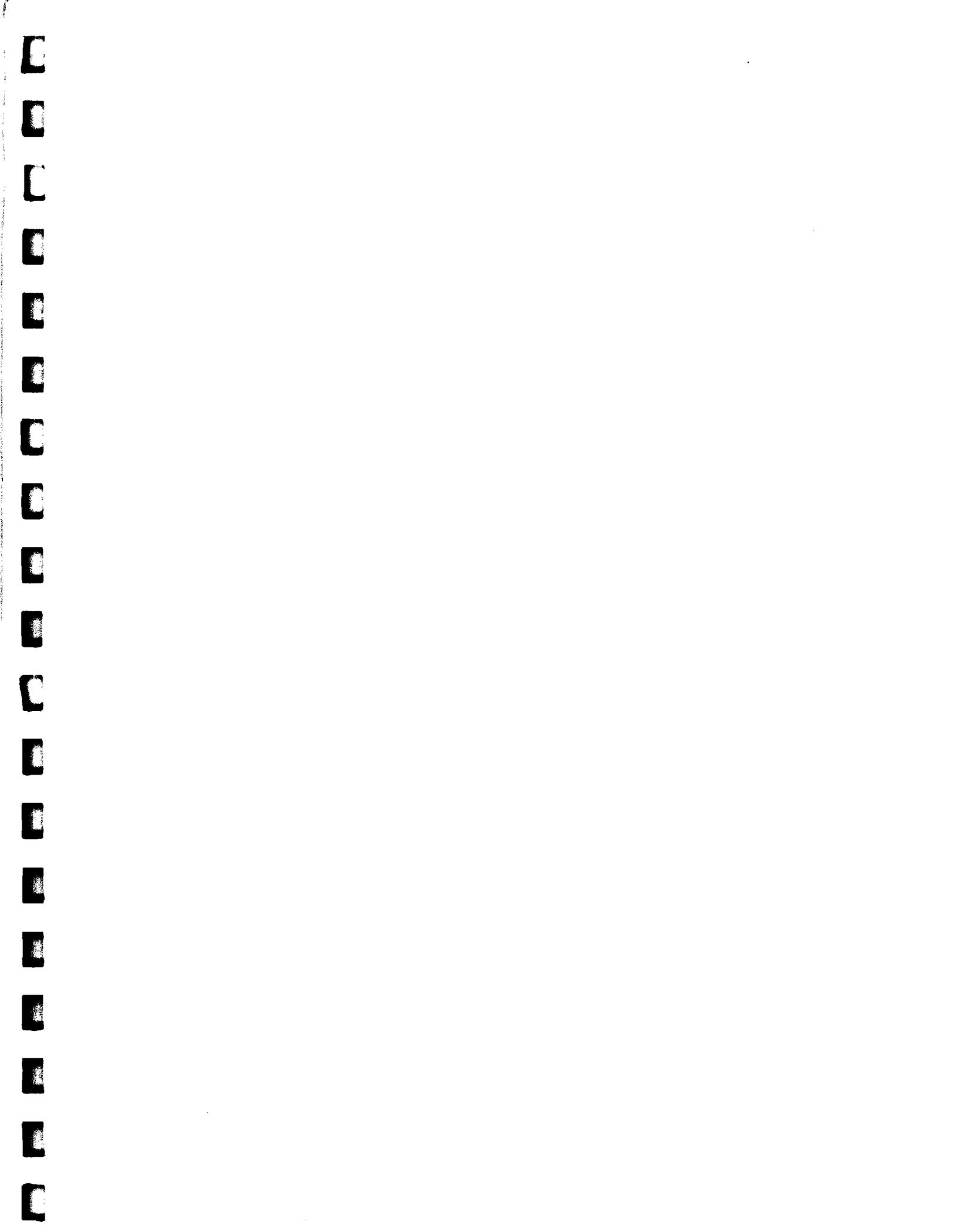
There are a wide range of strategies for improving residents' safety which have varying costs, however, the cost of increasing police protection must be considered in a local context.

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## IX. RECOMMENDED CHANGES TO INDICATORS

1. Police data can be used effectively by matching the location of an offense to a public housing address. The data can then be used to compile statistics by period, offense type, and finally crime rates. In order for the comparison to work correctly, differences in departmental crime definitions must be taken into account.
  2. A methodology for describing crime in public housing exists, but descriptions of public housing crime are currently unavailable. Once this data becomes available, a rating system could be designed to measure distress by comparing public housing crime rates to similar figures for surrounding neighborhoods and cities.
  3. Distress should be measured as a function of those crimes that directly violate residents' safety and security. Such crimes fall into three major categories: violent crime, property crime and drug crime.
  4. Distress is a comparative label, and therefore must be compared to some baseline. The same is true with crime rates.
  5. If a system incorporates several types of crime rates and several baselines of comparisons, then it will reflect residents needs more precisely. The system should incorporate both national and local baselines.
  6. The system should also take into account dramatic variations that occur within a single neighborhood.
  7. Measures of distress could be used to allocate additional crime control funds to distressed public housing. However, the allocation of funds will be hampered by the difficulty of estimating police costs.
  8. Future activities in this area should revolve around the collection and analysis of new data, such as developing, testing and comparing various scoring systems, assessing the feasibility of obtaining and analyzing crime data from police departments, developing total, violent, drug and property crime rates for several cities, and estimating the resources required to develop distress scores on a nationwide basis.
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