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THE NSA DEMONSTRATION:  
A CASE STUDY OF  
LOCAL CONTROL OVER  
HOUSING DEVELOPMENT

by

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## Executive Summary

The Neighborhood Strategy Area (NSA) Demonstration was established by HUD in 1978 to strengthen local neighborhood revitalization efforts by giving local governments control over Section 8 substantial rehabilitation allocations for use in designated target neighborhoods. In return, cities were to develop a detailed revitalization plan for these neighborhoods and propose a revitalization strategy which combined housing and community development resources, both public and private, in a mutually supportive way that would ensure that all of the neighborhood's revitalization needs would be met during the five year Demonstration period.

To participate in the Demonstration local governments had to select a neighborhood of manageable size which, though deteriorated, was still sufficiently sound so that all deficient housing, public facilities and public services could be corrected using available resources.

Initially, 147 cities made application for the establishment of 211 NSA neighborhoods. Eventually, 116 cities containing 150 NSAs were selected. The combined Section 8 allocations and pledged community development improvements committed to the Demonstration total over \$1.2 billion.

The assessment of the NSA Demonstration was designed to determine whether the NSA Demonstration had achieved its three main objectives:

- To improve the Section 8 assisted housing delivery system by: giving local government an active role in soliciting, packaging and overseeing projects; by increasing the use of Section 8 substantial rehabilitation for smaller rental properties; and by increasing state HFDA involvement in central city projects.
- To improve local neighborhood revitalization activities by providing cities with control over Section 8 housing to better coordinate their housing and community development activities to deal comprehensively with the problems of deteriorating neighborhoods.

- To minimize the negative effects of revitalization on lower income residents of the NSAs by retaining or creating new housing opportunities and by providing relocation assistance to those households forced to move as a result of Section 8 rehabilitation.

By examining the performance of the NSA cities in meeting the Demonstration's objectives we hoped to gain insights for future federal housing policy regarding the response of local communities to greater discretion over the control of housing resources. Presented below are the major findings of the assessment.

- In their initial planning, cities did not attempt to meet all of the housing needs in their neighborhoods as required by the Demonstration.

Only three cities proposed housing strategies which would satisfy 100 percent of the needs in their neighborhoods. On average, a proposed housing strategy had been identified for 47 percent of the total housing need in the NSA. The failure by cities to meet this basic requirement of the Demonstration can be attributed to three factors: (1) the overly large size of certain NSAs; (2) the absence of many significant locally-based housing programs to supplement the limited federal resources; and (3) for a minority of cities, participation in the Demonstration was motivated solely by an interest in obtaining additional Section 8 units, with little commitment on their part to secure additional resources for the Demonstration.

- As a result of the Demonstration, 3685 Section 8 units have reached at least the start of construction--an average of 123 units per NSA.

Not all NSAs, however, have been as successful in developing projects--43 percent of the NSAs lack any project which has reached the start of construction.

- Neighborhood conditions surrounding completed Section 8 projects showed considerable improvement during the Demonstration period.

Neighborhood conditions in proximity to the NSA projects were compared in 1979 and 1981 using an index based on an average of scores on four neighborhood characteristics--the percentage of structures in very good condition, the percentage of blocks with well maintained streets, the percentage of blocks with very little litter, and the percentage of blocks with landscaping in very good condition.

Among the NSAs where more than half of the projects had reached at least the start of construction, the blocks in proximity to the projects improved by 18.4 percent. In those NSAs where less than half of the projects reached construction, the blocks in proximity to proposed projects only improved by 5 percent.

The improvement in neighborhood conditions appears related to the construction of the Section 8 units and a higher than average concentration of CDBG expenditures per block.

- The Demonstration succeeded in encouraging the use of the Section 8 substantial rehabilitation program for smaller multifamily projects.

A large number of small multifamily rehabilitation projects were undertaken as part of the Demonstration. The average size of the NSA projects was 31 units versus an average of 77 units for conventional Section 8 housing. Almost 25 percent of the NSA projects contained ten or fewer units. However, only 43 percent of the sample NSAs contained one or more projects with less than 20 units.

Small projects had a lower likelihood of being completed than larger projects (33.3 percent of projects of 10 units or less are complete versus 56.5 percent for projects of 100 units or more); were more likely to be terminated; and typically were designed for family tenancy rather than for the elderly or mixed elderly/family tenancy. Smaller projects more typically involved difficult design problems which slowed their processing at the Area Offices.

- Smaller, inexperienced developers participated in greater numbers in the NSA Demonstration than is common for the Section 8 program generally.

The NSA developers had smaller firms, less years of experience in the development field and had previously built fewer multifamily housing units than other Section 8 developers. The projects built by the small scale developers were, on average, one third the size of projects built by large developers. Small developers were much less likely to get their projects completed than large developers-- 36 versus 63 percent, respectively.

The increased involvement by small developers can be attributed to their strong support and encouragement among a portion of the NSA cities and to the fact that the troubles associated with developing small projects deterred more experienced developers from participating. Small-scale developers required greater amounts of technical assistance and financial support to overcome the significant up-front development costs and long processing period for the Section 8 units.

- The length of time necessary to process NSA projects was similar to other Section 8 projects.

Based on the experience of the projects in the sample cities it took 27 months to process the NSA projects from submission of the initial application through the end of construction. The comparable figure for Section 8 housing was 29 months. The one step processing, which was a design feature of the Demonstration, did not result in significant time savings, since few sites chose this option due to the uncertainties of the eventual financing for their projects.

- The initial allocation of half of the Section 8 units to the State Housing Finance and Development Agencies (HFDAs) did not result in their active involvement in the Demonstration.

While there were 14 cities where an HFDA could have been involved in the NSA, the HFDAs provided either construction or permanent financing in only five cities. In general, the limited HFDA involvement in the NSA was due to a reluctance to do small scale scattered site rehabilitation in transitional urban neighborhoods. Several HFDAs, however, were actively involved in the Demonstration--Vermont's being the most noteworthy example. Involvement by Vermont's HFDA can be attributed, in part, to the agency's familiarity with small scale rehabilitation and belief that Burlington's NSA neighborhood was undergoing significant revitalization.

The State HFDAs were reluctant to become involved in multifamily rehabilitation in transitional inner city areas and were severely affected by the rapid rise in interest rates. To attract significant state HFDA participation in future programs, local governments will have to commit substantial amounts of community development funds to improve the immediate surroundings of the project sites, and target rehabilitation to larger projects.

- Cities sought to avoid paying relocation costs by using vacant structures.

Faced with the costs of paying for relocation expenses, 70 percent of the cities initially encouraged the use of vacant structures for rehabilitation. However, due to a lack of supply in several cities, or the poor condition of the available units in other cities, 15 of the 20 cities where rehabilitation is underway have found it necessary to relocate existing tenants from occupied buildings. To date there have been more permanent relocations than were initially intended due to the difficulty in getting previous tenants to qualify under the Section 8 income limits, or because the families that were living in overcrowded conditions were unable to return to the same units after rehabilitation. However, the number of relocations represents only 11 percent of the units actually constructed.

The effect of the NSA relocation policy was to minimize displacement by forcing developers to look carefully at all available vacant buildings before proposing the rehabilitation of occupied structures.

- Half of the NSA cities used the discretion available to them under the Demonstration to exercise greater control over housing development.

Few cities used their power to target specific sites for rehabilitation or to negotiate with developers to extract concessions during the selection process. Once the selection process had been made, however, several cities became more involved in housing development through the provision of financial support and especially to smaller developers, technical assistance. About half of the cities provided some form of technical assistance to developers for packaging their projects and provided strong central direction to their NSAs. The other half of the cities took a largely passive role, relying on developers to carry out the housing component of the plan. The main commitment of these cities to the Demonstration was in implementing their pledged CDBG expenditures.

- CDBG funds allocated to the NSA neighborhoods were primarily used for rehabilitation and to make general neighborhood improvements.

CDBG funds were characterized in the study as either funding rehabilitation, directly supporting housing or for making neighborhood improvements. Forty-six percent of the planned funds went to housing rehabilitation, 11 percent went for housing support activities and 43 percent for neighborhood based activities. It appears that most of the CDBG expenditures planned for the NSA would have occurred even in the absence of the Demonstration, since they were typically planned prior to the Demonstration.

- Cities which concentrated their CDBG expenditures showed considerable improvement in the condition of their NSA neighborhoods.

Cities which spent above average amounts of CDBG funds per block showed substantial improvements in their neighborhoods versus cities which spent less than the average CDBG expenditure per block.

- The NSA Demonstration increased local capacity to plan for and implement a neighborhood revitalization strategy.

Based on various measures of capacity, we conclude that two thirds of the sites showed at least a moderate increase in their ability to manage a neighborhood revitalization program. There were, however, great variations in the amount of capacity which was gained, related to the level of involvement of the city in the

Demonstration. Those cities which took an active role appeared to gain most since they were generally more emersed in the development process. Gains in staff capacity came largely through an increase in knowledge among the existing local staff; few cities hired additional staff for the program, and those that did hired administrators or relocation specialists rather than individuals with specialized development skills. The numerous development skills gained by the more active participants may prove to be the most important legacy of the Demonstration in these cities.

- Cities gained substantial capacity to plan for and implement a housing strategy.

At the beginning of the Demonstration few cities had any experience in dealing with multifamily rehabilitation. But, building on their experiences with CDBG funded rehabilitation programs and other housing activities, the NSA cities substantially increased their capacity to carry out a complex housing strategy under the Demonstration. This increase in capacity came about largely as a result of existing staff learning new skills rather than hiring new staff or consultants.

- The large scale of the NSA Demonstration had several negative impacts on its operation.

In a variety of ways, the Demonstration's effectiveness was lessened by its size. The high visibility of the Demonstration meant that many constituencies were involved in its creation, both within and outside of HUD. While this was helpful in building support, it resulted in too many objectives being included which confused the participants. The large number of applicants resulted in the selection of certain cities who were only marginally committed to the Demonstration's goals and weakened the experimental value of the Demonstration. Monitoring and the provision of technical assistance were also hampered by the size of the Demonstration since the small administrative staff could not give the intensive oversight necessary in a program of this kind. Also, as the cost of financing escalated it was difficult to change program procedures quickly enough to respond. Finally, the scale of the Demonstration lead to delays in its operations which increased the likelihood that important constituencies--the sponsoring cities and the Central Office would shift their attention to other matters.



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## Introduction

The central objective of the Neighborhood Strategy Areas (NSA) Demonstration has been to increase local control over housing and community development activities in the NSA neighborhoods. Under the Demonstration, cities were given greater control over the allocation of federal housing resources, and in return, they were to assume central responsibility for developing and implementing a revitalization strategy for their target neighborhoods. In carrying out the Demonstration the participating cities have had to wrestle with many issues as they assumed greater control over their development activities. To varying degrees they have had to secure a staff of experienced and sophisticated development professionals; to establish good working relationships with other key development actors--the lenders, the Area Office and developers; to secure financing for their projects; and, to coordinate the various housing and infrastructure efforts in their target neighborhoods.

This report describes the experiences of the NSA Demonstration cities in dealing with these issues, both to assess the performance of the Demonstration and to provide insights for future housing policies.

### A Description of the NSA Demonstration

The NSA Demonstration is one of the largest demonstration programs undertaken by HUD, with 116 cities and 150 neighborhoods involved. The combined Section 8 allocations and pledged community development improvements committed to the Demonstration total over \$1.2 billion.

The NSA Demonstration grew out of HUD's concern that the Section 8 Substantial Rehabilitation Program was being underutilized, especially in inner-city neighborhoods. In addition, there was an interest in assisting and improving the efforts of local governments to undertake neighborhood revitalization and housing rehabilitation activities.

HUD used existing programs--the Section 8 and Community Development Block Grant programs--in order to fashion a Demonstration which would accelerate and improve the process of neighborhood

revitalization around the country. In examining the goals of the NSA Demonstration, several important issues must be kept in mind. First, most NSA neighborhoods were already designated as areas for improvement prior to receiving NSA designation. Thus, the NSA program was intended to complement the ongoing revitalization efforts by transferring control of a major rehabilitation tool, Section 8 Substantial Rehabilitation, from HUD Area Offices to local governments.

Second, the overall role of the Section 8 rehabilitation units in meeting total NSA needs was to be relatively minor--over 223,000 housing units in the NSA neighborhoods needed some form of upgrading and an additional \$898 million in nonhousing neighborhood improvements were also required. By comparison, the five-year NSA-Section 8 contract authority totaled approximately 36,700 units which accounted for only 16 percent of all the units needing rehabilitation. Since no new or additional federal housing rehabilitation resources were awarded to cities with receipt of their NSA designation, funds to make the needed improvements had to come from non-NSA resources.

Third, HUD's intent in creating the NSA Demonstration was not to develop new revitalization resources. Rather, NSA was designed to encourage local governments to improve their existing neighborhood revitalization and housing rehabilitation delivery systems. As a result, the four principal objectives of the NSA Demonstration reflect this concern with the process of revitalization planning and implementation:\*

- To expand the assisted housing delivery system by giving cities Section 8 authority.
- To use Section 8 subsidies to facilitate neighborhood revitalization planning and implementation.
- To minimize the negative effects of revitalization on low- and moderate-income households.
- To promote the revitalization of NSA neighborhoods.

The first objective was concerned with the transfer of Section 8 development control from HUD Area Offices to local governments. In addition to developing the capacity of cities to manage Section 8 development, this objective reflected HUD's concern with closing several assisted housing program "gaps."

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\*The information presented on the NSA Demonstration objectives was taken from: The National Institute for Advanced Studies, Neighborhood Strategy Areas: Neighborhoods and Programs, 1979 (U.S. Department of Housing and Urban Development, Washington, D.C., 1981).

One of the major criticisms of Federal multifamily housing programs over the years has been that HUD administrative processes and development incentives work best for large projects and sophisticated developers. For example, the extensive documentation required under Federal housing programs and the long processing times before final approval is received require technical development expertise and access to pre-construction capital. These characteristics are typically associated with professional, large-scale developers, not with the owners of small rental properties. The problem is that a majority of rental units in the nation's central cities are located in small and moderate sized buildings owned by relatively small investors.\* As a result, many rental units in need of rehabilitation are effectively excluded from the Federal assisted housing delivery system. The NSA Demonstration was designed to test the effectiveness of using local government technical assistance skills to encourage and assist owners of small rental properties to participate in the Section 8 Substantial Rehabilitation program.\*\*

The NSA Demonstration was also designed to encourage state Housing Finance Development Agencies (HFDAs) to participate in central city rehabilitation. Some HFDAs had previously concentrated their lending on new construction in suburban and rural areas; it was hoped that for such state agencies, the NSA concept of concentrating resources in target neighborhoods would reduce their reluctance to finance central city projects. If successful, this would open up an important source of below market rate rehabilitation financing.

The second objective states HUD's intent that NSA cities were to use Section 8 subsidies to complement comprehensive revitalization strategies. In order to receive NSA designation, cities were required to specify all housing and neighborhood improvements to be completed in the designated neighborhoods, the cost and source of funding for these improvements, and a schedule for the completion of all improvements.

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\*In 1976 45.7 percent of central city rental housing was in structures with 2-9 units. Annual Housing Survey (Washington, D.C.: U.S. Government Printing Office, 1978), Table A-1.

\*\*Many cities administer a variety of CDBG-funded rehabilitation and grant programs as well as the Section 312 loan program. Through these programs, which are usually targeted to owner-occupied structures with between one and four units, cities have developed extensive rehabilitation skills including loan packaging, preparing work "write-ups", cost estimating, and construction monitoring. NSA applies these skills to the multifamily housing stock.

Two assumptions were implied in this program objective. The first is that local governments, more than the Federal or state governments, know their neighborhoods best. The second is that because local governments are the focal points for the distribution of Federal and state funds as well as local tax revenues, they are the logical point to encourage better neighborhood and housing planning and implementation capabilities. Thus, a necessary ingredient of better planning is increased coordination between local officials and neighborhood residents, private lenders, and state and Federal agencies.

The second objective also states HUD's desire to strengthen the planning for assisted housing. Since the passage of the Housing and Community Development Act of 1974, local governments have been required to assess low- and moderate-income housing needs within their jurisdictions and to develop assisted housing strategies to meet these needs in order to receive Federal Community Development Block Grant (CDBG) funds. By mandating that Housing Assistance Plans (HAPs) be submitted with CDBG applications, the Federal government intended to increase local responsibility for providing low-cost housing. The NSA program increases the ability of cities to meet HAP-identified lower income housing needs in NSAs through the transfer of Section 8 authority to the local level.

Reinvestment in central city neighborhoods can yield many positive benefits to neighborhood residents and city governments. However, revitalization can result in the displacement of lower income households. The third Demonstration objective reflects HUD's intent that local government begin to take responsibility to minimize the negative effects of revitalization encouraged by public investment. NSA regulations required that cities provide relocation assistance and payments to households displaced by NSA Section 8 rehabilitation. Relocation payments had to be consistent with the provisions of the Uniform Relocation Act.

The fourth objective reflects the ultimate goal of any revitalization program: to bring about a positive change in neighborhood physical conditions and in how local residents perceive their neighborhood as a place to live. It was hoped by HUD that the comprehensive approach to neighborhood revitalization and housing rehabilitation embodied in the NSA Demonstration would encourage property owners and lenders to invest in these neighborhoods.

Thus, the objectives of the NSA Demonstration reflected HUD's concern with improving the process of neighborhood revitalization planning and implementation and minimizing the negative effects of publicly-induced revitalization. It was hoped that by concentrating public resources in NSAs, cities would be able to re-establish neighborhood confidence and encourage private reinvestment.

The primary purpose of the NSA Evaluation is to determine how successfully the Demonstration's objectives have been achieved and what factors have influenced their achievement as the Demonstration



has progressed. The ultimate test for the NSA Demonstration is whether the target areas have been revitalized. However, since the evaluation was conducted prior to the conclusion of the five year Demonstration period, and since the full revitalization effects on the neighborhood will require at least the full term of the Demonstration to emerge in a meaningful way, the goal of the evaluation has been to concentrate on process objectives, such as administrative procedures, housing production, and the linkages between housing and community development activities, rather than neighborhood impacts. Descriptions of the NSA neighborhoods have been included in the study to detail the settings where the Demonstration took place and to assess the effect of neighborhood conditions on the program, not to attribute changes in neighborhood conditions to the program.

To measure the success of the NSA Demonstration in achieving its principal program objectives, HUD devised a research strategy which involved two waves of data collection and analysis. During 1979 a first round data collection effort was sponsored by HUD to gather information on neighborhood characteristics and to interview key program actors in 48 NSAs in 30 cities across the nation. In addition, a windshield survey of each of the 48 NSA neighborhoods was conducted to provide a baseline look at neighborhood conditions at the beginning of the Demonstration.\* The windshield survey involved a detailed examination of the exterior condition of a sample of parcels and blocks in each of the NSA neighborhoods.

During 1981 a second round of data collection commenced in a subsample of 30 of the original 48 NSAs. In each of these NSAs the windshield surveys were repeated to measure any changes which had occurred during the intervening two year period. In addition, a computerized file was established for each of the neighborhoods containing available census data and data on single-family sales transactions. The interviews with key actors were also repeated during a 3-5 day site visit to each of the NSAs and included many of the respondents to the first round of interviewing. The key actors interviewed included: city officials responsible for administering the program, developers, owners of small properties, lenders, community groups, the Area Office staff and, where appropriate, state housing finance officials. At the time of the interview with Area Office personnel, current information on the status of proposed NSA Section 8 projects was obtained and used to update the information from the Section 8 MIS system.

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\*The results of this first wave of analysis are reported in: National Institute for Advanced Studies, Neighborhood Strategy Areas: Neighborhoods and Programs, 1979 (U.S. Department of Housing and Urban Development, Washington, D.C., 1981.

Information from these interviews, as well as data on the characteristics of the NSA neighborhoods and the Section 8 projects were used to evaluate the principal objectives of the program. The results of the evaluation were initially reported in three interim reports (The NSA Demonstration: A Process for Neighborhood Revitalization; Housing Production Under the NSA Demonstration; and The NSA Demonstration: Neighborhood Conditions Report); and have been integrated into this Final Evaluation Report. .

Throughout the evaluation a panel of nine local NSA administrators, established through the Urban Consortium, has reviewed the study design, survey instruments and draft reports and has helped focus the analysis conducted by USR&E. The panel members included city officials involved with the NSA Demonstration from: St. Louis, Missouri; Stamford, Connecticut; New York, New York; Winston-Salem, North Carolina; Cleveland, Ohio; Denver, Colorado; Seattle, Washington; Miami, Florida; and Baltimore, Maryland.

#### Organization of the Report

This report is organized to provide an orderly flow of information rather than to imply a hierarchy of the significance of the results. We believe, however, that the increased capacity of the participating cities to exert greater control over the development process will ultimately be of more lasting benefit than the number of units produced under the Demonstration. As a result, in the analysis which follows, greater weight is given to the cities' effort to control the Demonstration rather than to the number of units they produced.

This report is organized around the objectives of the Demonstration, noted earlier in the introduction. Each chapter describes one or more of the basic objectives of the NSA Demonstration, what was the experience of the 30 sample sites in meeting a particular program objective and what factors seemed to account for variations in performance.

The first chapter describes the characteristics of the NSA neighborhoods and provides a setting for the analysis which follows. Chapters 2 and 3 deal with the housing component of the Demonstration. Chapter 2 describes the types of projects developed and whether they conformed to the initial objectives of targeting subsidized units into rehabilitation projects in smaller, multi-family structures. The impact of relocation requirements on the housing development process is also assessed in this chapter. Chapter 3 describes the characteristics of developers who participated in the Demonstration, to determine whether smaller, inexperienced developers were involved, and if so, what impact this had on the conduct of the Demonstration.

Chapters 4 and 5 deal with the ability of the sample cities to adopt the NSA development model which placed them at the center of the development process. Chapter 4 examines the issue of increased city control over the development process--did it occur and what were its implications for increasing city capacity to plan for and implement a housing strategy? Chapter 5 examines another aspect of city control over the development process by assessing the success of the sample NSAs in linking their housing and community development activities in the NSA neighborhoods.

The principal findings of the evaluation are reported in Chapter 6. This chapter presents our observations regarding performance of the sample cities in meeting the objectives of the NSA Demonstration and discusses the implications of the NSA Demonstration for future housing policy.

## CHAPTER 1

### Characteristics of NSA Neighborhoods

The NSA Demonstration was designed to work in those neighborhoods which, while showing signs of deterioration, could be revitalized within a five year period through a combination of limited federal funds and local public and private initiatives. The NSA Demonstration was viewed by HUD as inappropriate in those neighborhoods which were so severely deteriorated or so large that the limited resources available would be consumed with little noticeable effect. Thus, the NSA Demonstration was designed for a distinct type of urban neighborhood; one defined by HUD as being "not too big, not too bad, and not [having] too many properties."

This chapter serves as an introduction to the analysis presented in subsequent chapters by describing the characteristics of the NSA neighborhoods.\*

The analysis focuses on five features of the NSA neighborhoods: (1) their physical size; (2) housing conditions; (3) characteristics of the NSA residents; (4) the physical condition of the neighborhoods as observed in 1981; and (5) how it changed from 1979.\*\*

#### 1.1 Size of the NSA Neighborhoods

As measured by the number of blocks, the NSAs vary considerably by size. Only three of the NSAs (Boston's Roxbury/Savamore, St. Louis' Midtown Medical and Trenton's South Trenton) contain fewer than 20 blocks; while 11 NSAs (or 38 percent of the sample) have over 100 blocks.\*\*\* In Table I-1 the 30 NSAs are ranked

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\*Additional information on the characteristics of the NSA Neighborhoods can be obtained from: National Institute for Advanced Studies, Neighborhood Strategy Areas: Neighborhoods and Programs, 1979 (Washington, D.C.: U.S. Department of Housing and Urban Development, 1980).

\*\*The data presented in this chapter derived from 1960 and 1970 Census of Housing and Population data and from two waves of windshield survey data which were collected in 1979 and 1981.

\*\*\*A block in the context of this study consisted of a blockface or contiguous street segment.

Table I-1

NSAs BY SIZE CATEGORY AND NUMBER OF BLOCKS

Large NSAs	Average NSAs	Small NSAs
NYC-Washington Heights (290)	Akron-Highland Square (95)	Trenton-S. Trenton (30)
NYC-Flatbush (270)	Utica-Corn Hill (90)	St. Louis-Midtown Medical (17)
NYC-Far Rockaway (250)	Cleveland-Near West Side (80)	Boston-Franklin Field (9)
Los Angeles-Hollywood (215)	Miami-Little Havana (80)	
Seattle-Stevens (200)	Lewiston-CBD (65)	
Indianapolis-Crown Hill (181)	NYC-Manhattan Valley (65)	
Cleveland-Glenville (155)	St. Louis-Union Sarah (62)	
Savannah-Victorian District (152)	Burlington-King Street (53)	
New York City-Sunset Park (144)	Seattle-International District (49)	
Boston-Roxbury/Savmore (125)	New Haven-Dwight Edgewood (46)	
New Rochelle-New Rochelle (123)	Atlanta-Edgewood (42)	
	Iuzerne-Freeland Borough (40)	
	Detroit-CBD (38)	
	Lowell-Lower Belvedere (38)	
	Lowell-CBD (35)	

according to the number of blocks they contain, into one of three categories: small, average, and large. It should be noted that the number of blocks shown represents the total NSA area, even though some cities targeted their units and CDBG funds to subareas of the total NSA.

In terms of the number of residents, the NSAs also vary significantly in size. Seven of the NSAs had 12,000 or fewer residents in 1970 and five NSAs had populations greater than 35,000. The largest NSA was New York City's Washington Heights and the smallest was Boston's Franklin Field.

## 1.2 Housing Characteristics

The NSAs are largely residential neighborhoods with the exception of three (Detroit and Lowell's CBD, and Seattle's International District). Across all of the NSAs, 62 percent of the land parcels are in residential use, about 6 percent in commercial use and 8 percent in institutional use. The remaining 18 percent are vacant parcels, parking lots, industrial uses, parks, etc. (Table I-2 presents the land use breakdowns in percentages for each of the 30 NSAs).

There is considerable variation in the configuration of housing in the NSA neighborhoods. In 27 percent of the NSAs the predominant housing configuration is single family detached; in 23 percent row and duplex houses dominate; and in half of the NSAs multifamily housing--either low or high rise--accounts for the highest proportion of the housing stock. Atlanta's West End is the only NSA where more than 75 percent of the housing stock consists of single-family detached structures. Similarly, Indianapolis is the only NSA where more than 75 percent of the housing stock is row or duplex structures. However, 8 NSAs have more than 75 percent of their housing as multifamily structures. No NSA had a predominant housing type that accounted for less than 25 percent of the total housing stock. The latter finding is indicative of the relative homogeneity of structure types within a particular neighborhood.

Because multifamily housing is generally the type most suitable for Section 8 rehabilitation, its presence in the NSAs is viewed with particular interest. Fifteen of the NSAs had 50 percent or more of their housing as multifamily structures. In Table I-3, the percentage of multifamily housing is presented for those NSAs which have predominantly multifamily housing. Low-rise and garden apartments dominated the type of multifamily housing found in these NSAs--multifamily housing in 12 of the 15 NSAs was predominantly of this type.

Overall, the housing in the NSAs was primarily renter occupied--only two NSAs, Luzerne and Trenton, have renter occupancy rates of less than 50 percent.

Table I-2

LAND USE BREAKDOWN FOR NSAs, BY PERCENTAGE: 1981

CITY	NSA	LAND USE TYPE						
		Sample Size*	Residential	Commercial	Mixed	Institutional	Vacant	Other
Akron, OH	Highland Square	515	82.9	1.2	1.0	1.0	1.6	12.4
Atlanta, GA	Edgewood	322	80.4	1.2	0	2.2	2.2	14.0
	West End	886	81.3	3.2	0	1.9	.8	12.9
Boston, MA	Franklin Field	37	48.6	0	0	13.5	18.9	18.9
	Roxbury/Savmore	439	55.8	5.7	1.6	2.7	8.0	26.2
Burlington, VT	King Street	138	50.0	6.5	21.7	.7	.7	20.3
Cleveland, OH	Glenville	595	87.1	0	1.0	.3	2.9	8.7
	Near West Side	468	81.2	1.3	2.1	1.5	3.4	10.5
Detroit, MI	CBD	86	1.2	66.3	0	2.3	7.0	23.3
Indianapolis, IN	Crown Hill/Western Mapleton/Fall Creek	509	70.7	2.4	.8	2.8	2.4	21.0
Lewiston, ME	CBD	365	63.8	3.8	11.0	3.0	6.3	12.1
Los Angeles, CA	Hollywood	868	75.0	5.6	.6	.7	.7	17.4
Lowell, MA	CBD	185	6.5	26.5	15.1	4.9	9.7	37.3
	Lower Belvedere	387	67.4	3.4	4.7	1.3	3.4	19.9
Marzette, PA	Freeland Borough	354	50.3	8.5	21.8	.6	2.8	16.1
Miami, FL	Little Havana/Jummas Park	405	71.9	8.4	.5	1.2	1.0	17.0
New Haven, CT	Dwight-Edgewood	524	64.3	6.7	6.3	2.5	6.7	13.5
New Rochelle, NY	New Rochelle	75	89.3	2.7	0	0	1.3	6.7

Table I-2

(continued)

CITY	NSA	LAND USE TYPE						
		Sample Size	Residential	Commercial	Mixed	Institutional	Vacant	Other
New York City, NY	Far Rockaway	340	77.1	3.2	1.5	1.8	2.6	13.8
	Flatbush	185	72.4	3.8	8.1	2.7	7.0	5.9
	Manhattan Valley	194	60.8	2.1	0	3.1	27.3	6.7
	Sunset Park	461	56.2	5.6	15.0	2.8	11.7	8.7
	Washington Heights	144	58.3	8.3	12.5	2.8	9.7	8.3
St. Louis	Midtown Medical	341	60.4	1.5	2.6	0	22.3	13.2
	Union Sarah	503	72.0	.8	2.2	2.2	8.0	14.9
Savannah, GA	Victorian District	417	66.4	6.5	.5	2.4	88.6	15.6
Seattle, WA	International District	99	8.1	18.2	27.3	1.0	6.1	39.4
	Stevens	312	80.8	4.2	.3	2.6	1.0	11.2
Trenton, NJ	South Trenton	453	76.4	4.0	5.1	1.8	2.6	10.2
Utica, NY	Corn Hill	238	51.7	19.7	4.2	1.8	5.0	15.5

Data Source: Land Use Survey, 1981.

\*Numbers represent number of land parcels surveyed.



Table I-3

NSAs WITH PREDOMINANT HOUSING TYPE AS MULTIFAMILY  
STRUCTURES, BY PERCENTAGE: 1981

City	NSA	Predominant Multifamily Type*	Predominant Type as Per- cent of all Housing	All Multifamily Housing as Percent of all Housing
New York City	Manhattan Valley	High-Rise	83.1	91.6
New York City	Flatbush	Low-Rise	43.3	86.7
Lewiston	CBD	Low-Rise	78.1	86.2
New York City	Washington Heights	High-Rise	63.1	84.6
Lowell	CBD	Low-Rise	75.0	83.3
Boston	Franklin Field	Low-Rise	77.8	77.8
Miami	Little Havana	Garden Apts.	44.0	76.7
Boston	Roxbury/Savmore	Low-Rise	41.2	67.3
Seattle	International	Low and High	25 each	50.0
New Haven	Dwight-Edgewood	Low-Rise	48.9	49.8
Burlington	King Street	Low-Rise	49.3	49.3
Los Angeles	Hollywood	Low-Rise	48.8	48.8
Lowell	Lower Belevdere	Low-Rise	46.9	48.3
Utica	Corn Hill	Low-Rise	43.1	43.9
Detroit	CBD	High-Rise	100.0	100.0

Data Source: Land Use Survey, 1981.

\*High-Rise is over four stories; Low-Rise is four stories and under.

In only four NSAs was the median rent higher in the NSA neighborhoods than in their respective cities (Akron's Highland Square, New Haven's Dwight-Edgewood, and New York City's Flatbush and Far Rockaway). The median rent did not increase as much in the NSAs between 1960 and 1970 as it did in the NSA cities.

Vacancy rates tended to be somewhat higher in the NSA neighborhood than in the NSA cities as a whole; the vacancy rate for the NSAs was about 7 percent compared to 5 percent for the cities in 1970. Only 8 NSAs had very low vacancy rates (3 percent or less): Los Angeles' Hollywood; New York's New Rochelle, Flatbush, Manhattan Valley, Sunset Park and Washington Heights, and Seattle's International District. Seven NSAs had vacancy rates of 10 percent or higher: Boston's Roxbury/Savmore, Detroit's CBD, Indianapolis' Crown Hill, Lowell's CBD and Lower Belvedere, St. Louis' Midtown Medical, and Seattle's Stevens neighborhood.

Abandoned buildings accounted for only 3 percent of the housing stock in the NSAs in 1981.\* The NSA with the largest percentage of abandoned buildings in 1981 was St. Louis' Midtown Medical NSA; the NSAs with the smallest percentage of abandoned buildings were Burlington's King Street and New Rochelle (0.2 percent each).

One of the best indicators of both the quality of a neighborhood and the changes which occur in its condition is the price of single family homes in an area over time. Using a large sample of actual transactions recorded in the years 1977, 1978, 1979 and 1980, combined with census data for 1970, price changes between 1970 and 1980 were analyzed in two stages.\*\* First, changes in the simple mean sales price in each NSA were compared with price changes in a carefully selected set of control areas in the same cities and with price changes occurring city-wide. Second, hedonic price indexes\*\*\* were used to isolate changes in prices between 1977 and 1980 which could not be explained by changes in the property characteristics or by systematic differences in the samples of sales between years.

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\*The data source for residential building abandonment is the 1981 USR&E windshield survey. Abandoned buildings were defined as any boarded up or open, firegutted, or vandalized buildings which appeared to the surveyors to be abandoned. This is a very conservative definition and excludes buildings which are still occupied by tenants after abandonment by the owners.

\*\*The nine NSAs selected for study in this section are Akron, Atlanta (West End), Cleveland (Glenville and Near West Side), New Haven, New York (Far Rockaway), Savannah, and Seattle (Stevens and International District).

\*\*\*A hedonic price index is a decomposition of the total value of a property into subvalues which represent the attributes of the property. Using this method properties with very different characteristics can be accurately compared by breaking the value of the unit into the various attributes which determine its price, for example, land, location, construction type, size, etc.

The results of the first stage of analysis indicate that, in general, house values in the NSAs and the control neighborhoods both began the period below the values for the SMSA as a whole and declined relative to their SMSAs over the entire period (1970-1980). During the 1977-1980 period, this decline appears to be somewhat less, and during the period the NSA neighborhoods actually improved somewhat relative to the control neighborhoods.

The second stage of the analysis represents a refinement and extension of the first, in that characteristics of each of the properties are controlled. This second stage of the analysis shows a great deal of stability for each of the NSA neighborhoods during the period 1977-1980.

After controlling for the differences in the characteristics of the properties in the NSA and their respective SMSA, the ratio of the sales price of the homes in the NSA to the sales price of homes in their SMSAs remains remarkably constant throughout the period. The overall conclusion to be drawn for the subsample of cities is that while NSAs are not improving vis-a-vis the rest of the SMSA they do not appear to be declining either.

### 1.3 Characteristics of NSA Residents

The population of the NSA neighborhoods has been declining steadily. Between 1960 and 1970 when the NSA cities experienced a population decline of 3 percent the NSAs themselves declined by 13 percent. The NSAs which had the greatest population declines were: Atlanta's Edgewood (31 percent), Boston's Roxbury/Savmore (26 percent), Lowell's CBD (53 percent), Savannah's Victorian District (28 percent), and Seattle's International District (49 percent). Several NSAs remained fairly stable in population size with decreases of less than 3 percent (Hollywood, Flatbush, Washington Heights and Midtown Medical). The only NSAs with population increases were Detroit's CBD (1 percent), Miami's Little Havana/Lummus Park (10 percent), and New York City's Sunset Park and Far Rockaway (3 percent and 36 percent, respectively.)

In terms of their racial composition, half of the NSAs had a Black population of 20 percent or less in 1970. Five NSAs, however, had exceptionally large Black populations: Atlanta's Edgewood NSA (100 percent), Boston's Roxbury/Savmore (83 percent), and Franklin Field (81 percent), Cleveland's Glenville (91 percent), and St. Louis' Union Sarah (97 percent). More than half (16) of the NSAs had a proportionally larger Black population than their respective cities. (A noteworthy exception is the South Trenton NSA, which had a Black population of only 3 percent, compared to the City of Trenton's 1970 Black population of 38 percent.) The Black population had increased in all but two of the sample cities between 1960 and 1970 (Indianapolis and Miami) and in the NSA neighborhoods

in those cities there were significant increases in the Black population. Three NSAs experienced more than a 35 percent increase in their Black population (Akron's Highland Square, Boston's Franklin Field, and Savannah's Victorian District).

The elderly account for 15 percent of the NSA population. Boston's Franklin Field NSA had the smallest elderly population of the sample NSAs, seven percent, and Seattle's International District had the largest with 31 percent.

NSA residents tend to be poorer than other residents of the NSA cities. The median income for families in the sample NSA neighborhoods in 1969 was \$5,423, which was 26 percent below the median in the NSA cities (\$7324). In only three NSAs was the median family income higher than the city median (Cleveland's Near West Side, New York City's Flatbush, and Trenton's South Trenton).

#### 1.4 Physical Conditions in the NSA Neighborhoods

In this section, an overview of the physical condition of the 30 sample NSAs is presented. This includes a discussion of the condition of the housing stock, infrastructure elements (streets, curbs, gutters, and sidewalks), and environmental quality.\*

##### 1.4.1 Housing Conditions

Overall, the majority (51 percent) of the residential structures in the NSAs were very well maintained. An additional 34 percent of the housing showed some wear and tear and 14.3 percent was classified as having minor defects. Only 2 percent of all housing in the NSAs had either major defects or was dilapidated.

In six NSAs more than 80 percent of the housing was classified as well maintained--Lowell's CBD; New Rochelle; New York City's Far Rockaway, Manhattan Valley and Washington Heights; and Trenton. Conversely, in five NSAs less than 20 percent of the housing was well maintained--Boston's Franklin Field; Indianapolis; Lewiston; New York City's Flatbush; and Savannah (see Table I-4).

##### 1.4.2 Condition of Neighborhood Infrastructure

Based upon an examination of the condition of streets, gutters and sidewalks, the condition of the NSA infrastructure appears generally good. As shown in Table I-4, 18 of the NSAs scored 80 or better out of a possible 100 points for neighborhood infrastructure. As a group, the New York NSAs were rated as having the poorest quality infrastructure with none of the five NSAs scoring higher than 70 on the index. Only New Rochelle and Akron showed similarly low scores.

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\*The source of the data on neighborhood conditions is the 1981 USR&E Windshield Survey data. A total of 515 blocks and 10,850 land parcels were surveyed.

Table I-4

NSA NEIGHBORHOOD CONDITION INDICATORS: 1981

City	NSA	Housing Condition Index <sup>1</sup>	Infrastructure Quality Index <sup>2</sup>	Environmental Quality Index <sup>3</sup>
Akron, OH	Highland Square	35.5	69.3	70.7
Atlanta, GA	Edgewood	26.9	88.9	46.1
	West End	34.7	90.1	87.2
Boston, MA	Franklin Field	14.3	100.0	20.0
	Roxbury/Savmore	43.6	91.7	22.7
Burlington, VT	King Street	27.3	75.4	63.7
Cleveland, OH	Glenville	41.4	89.3	44.3
	Near West Side	40.5	81.3	24.9
Detroit, MI	CBD	N/A	91.6	57.3
Indianapolis, IN	Crown Hill/Western	18.6	75.4	52.6
	Mapleton/Fall Creek			
Lewiston, ME	CBD	14.5	84.0	52.5
Los Angeles, CA	Hollywood	31.5	94.6	52.1
Lowell, MA	CBD	100.0	96.7	82.2
	Lower Belevdere	33.3	94.9	21.0
Luzerne, PA	Freeland Borough	54.3	95.0	93.3
Miami, FL	Little Havana/Lummus Park	54.5	100.0	74.1
New Haven, CT	Dwight-Edgewood	77.4	91.0	65.6
New Rochelle, NY	New Rochelle	89.6	53.3	86.7
New York City	Far Rockaway	80.8	48.4	61.7
	Flatbush	8.2	62.4	38.9
	Manhattan Valley	94.7	66.7	12.6
	Sunset Park	71.1	69.9	61.7
	Washington Heights	100.0	66.5	2.4
St. Louis, MO	Midtown Medical	29.6	75.7	6.7
	Union Sarah	26.7	87.9	28.8
Savannah, GA	Victorian District	19.6	93.3	54.8
Seattle, WA	International District	25.0	91.7	78.3
	Stevens	27.1	99.0	91.1
Trenton, NJ	South Trenton	87.0	73.8	66.5
Utica, NY	Corn Hill	73.0	72.6	70.9

Notes: <sup>1</sup> The housing condition index is based on the percentage of housing parcels in each NSA which received a high quality rating.

<sup>2</sup> The infrastructure quality index was based on three measures--percentage of well-paved streets, percentage of well-maintained curbs and gutters, and percentage of well-maintained sidewalks. The percentage of all blocks in each NSA which met each of these criteria was determined and the three percentages were averaged to develop the index.

<sup>3</sup> The environmental quality index was determined by using the same procedures for the infrastructure index but was based on three measures of neighborhood environmental quality--percentage of blocks with little litter, percentage of blocks with clean front/side yards, and percentage of blocks where landscaping was in good condition.

Source: USR&E NSA Windshield Survey, 1981.

Infrastructure problems did emerge from among the 30 NSAs; in New York City's Washington Heights NSA only seven percent of its streets were classified as well paved and well maintained; in Burlington's King Street NSA only 35 percent of its street gutters were well maintained; and in New York City's Far Rockaway only 58 percent of the sidewalks were well maintained.

#### 1.4.3 Neighborhood Environmental Quality

The presence of street litter, excessive noise and graffiti, the extent and condition of both private and public landscaping, and the condition of front and sideyards are all indicators of the quality of the neighborhood environment. On average 50 percent of the blocks in the sample NSAs were very clean with little litter or trash. An additional 42 percent had only minor maintenance problems.

The scores for the environmental quality index as presented in Table I-4 show that the environmental quality of the NSAs varies considerably across the sites. Nine of the NSAs scored 70 or better out of a possible 100 points for the quality of their neighborhood environment. In these NSAs the streets were generally litter free, the yards well maintained and the landscaping in good condition. However, at the other extreme, eight NSAs scored 30 or less points, indicating the relatively poor condition of their neighborhood environments. Generally, in the lowest scoring NSAs there was evidence of street litter and poorly maintained front and side yards as well as a higher proportion of the landscaping being in fair to poor condition.

#### 1.5 Change in Neighborhood Condition: 1979-1981

The condition of housing, infrastructure, and the neighborhood environment generally improved in 31 percent of the NSAs between the 1979 and 1981 windshield surveys. While dramatic changes in the physical characteristics and conditions of the NSAs were not expected after such a short interval, evidence of some improvement was anticipated as a sign of the attention these neighborhoods were receiving from their cities.

Half of the residential structures in the NSAs appeared very well-maintained in 1981, up from 36 percent in 1979. Fewer structures had major defects or were in dilapidated condition (2 percent in 1981 compared to 8 percent in 1979). Neighborhoods with the most improvement in housing conditions during the two year period were: Boston's Franklin Field and Roxbury/Savmore, Cleveland's Glenville and Near West Side, Lewiston's CBD, New York City's Manhattan Valley, and Savannah's Victorian District.

Housing improvements in the NSA neighborhoods were generally accompanied by infrastructure improvements. In 1981, 79 percent of the streets were well-maintained (up from 67 percent in 1979); almost 81 percent of the curbs and gutters were well maintained

(66 percent in 1979); and 88 percent of the sidewalks were well-maintained (59 percent in 1979). The neighborhoods showing the most improvements in the infrastructure during the two years were Atlanta's West End and Edgewood NSAs, Cleveland's Glenville, Boston's Roxbury/Savmore, Luzerne's Freeland Borough, Lowell's Lower Belvedere, and Miami's Little Havana/Lummus Park.

In terms of environmental quality, about half of the NSA blocks had very little litter in both 1979 and 1981, although some streets (8.5 percent in 1981, 9.1 percent in 1979) had considerable accumulations of litter. Improvements in landscaping were evident--the percentage of blocks in the NSAs which received a good rating for condition of landscaping increased from 35 percent in 1979 to 51 percent in 1981. The neighborhoods which showed particular improvements in landscaping and reductions in litter on the streets were Luzerne's Freeland Borough, Atlanta's West End, New Haven's Dwight-Edgewood, Cleveland's Near West Side, the New Rochelle NSA, and Akron's Highland Square.

#### 1.6 The Implications of NSA Neighborhood Characteristics

The NSAs tend to be large, both in terms of population and geographic size, but do vary significantly: the largest, New York City's Washington Heights NSA, has a population of over 120,000 and consists of nearly 300 blocks; the smallest, Boston's Franklin Field NSA, has only 2400 persons in nine blocks.

Housing in the NSAs is primarily renter-occupied. Most of the units (85 percent) are in small or modest size buildings (about half of all the units are in buildings with 9 or fewer units) and nearly a third are in buildings with 10 to 49 units. One-third of the housing is single-family detached, 30 percent low-rise multifamily, and 5 percent is high-rise multifamily. Multifamily housing is the predominant housing type in about half of the NSAs. Thus, the NSA neighborhoods seem to fit the Demonstration model in terms of property mix; there usually is a relatively good balance between small properties and mid-size multiple unit dwellings.

The neighborhoods selected for the NSA program appear to be those which are experiencing significant population shifts; the total population in the NSA neighborhoods is declining while the Black population is growing. Further, these population changes are occurring more rapidly in the NSA neighborhoods than in the NSA cities on the whole. NSA residents are also poorer, and have lower average rents and home values than most other city residents.

The data on physical conditions in the NSAs show moderate deterioration, but conditions have improved somewhat since 1979. A small percentage of the housing is in very poor exterior condition. Infrastructure (streets, curbs, gutters and sidewalks) need repairs

in about one-fifth of the NSA blocks. Overall environmental conditions are reasonably good, despite some problems with litter and unsightly landscaping.



## Chapter 2

### The Creation of Housing Under the NSA Demonstration

The NSA Demonstration was created with four main housing objectives in mind: (1) to increase the housing opportunities for lower income households in the neighborhood; (2) to target Section 8 subsidies to smaller multifamily buildings; (3) to involve state Housing Finance and Development Agencies (HFDAs) in the rehabilitation of small-scale Section 8 projects; and (4) to minimize displacement through the provision of relocation assistance to residents of buildings undergoing Section 8 rehabilitation. To this end, the Demonstration was intended to bring together federal, state and local resources to satisfy the housing needs of the target neighborhood during the five year program period.

The goal of increasing housing opportunities for lower income residents of the neighborhood was to be accomplished through the revitalization of the existing housing stock using federal Section 8 subsidies as the centerpiece of the strategy. However, the available Section 8 units were not intended to meet all of the housing needs of the neighborhoods; thus, cities were required to identify strategies beyond Section 8 for meeting their total NSA housing needs -- most typically through a combination of other federal housing resources along with Community Development Block Grant (CDBG) funded activities.

The objective of targeting the available Section 8 resources to smaller multifamily buildings, as was noted earlier, stemmed from HUD's awareness that this type of housing was not only the most plentiful in urban neighborhoods but also had been largely ignored by previous federal housing strategies due to the difficulty of getting established developers, the state HFDAs, and the Area Offices interested in undertaking these types of projects. The objective of including the state HFDAs in the financing of the NSA projects arose from the limited participation by these agencies at the time of the Demonstration in inner city housing rehabilitation. The allocation of half of the NSA units to state HFDAs was intended to serve as the vehicle for enticing greater involvement by these agencies in housing rehabilitation.

In planning for the housing needs of their target neighborhoods the NSA cities had to devise a displacement/relocation strategy to provide for any households which were forced to move as part of the rehabilitation activities. This requirement exerted a strong influence on the types of buildings chosen for rehabilitation.

This chapter describes the success of the sample cities in meeting the housing objectives of the Demonstration first by examining the goals established by the cities and then by discussing their experiences in attempting to meet these goals.

## 2.1 Housing Goals of the NSA Cities

In planning strategies, cities were expected to combine available housing resources in the most appropriate way to satisfy all of the housing deficiencies in the NSA within the five year Demonstration period. In reality, only a small minority of the sample NSAs met this objective. Of the fifteen NSAs who made specific calculations of the rehabilitation needs of their NSA neighborhoods and pledged numerical goals for meeting these needs, three established goals equal to 100 percent of their rehabilitation needs. The average for the fifteen NSAs was 46.9 percent. Thus, in developing their housing goals, local communities were generally aware of greater needs in the NSA neighborhoods but even at the time of planning, did not intend to meet all of their needs during the required five year period.

Table II-1 presents how the sample NSA cities intended to meet their housing goals, as noted in their applications. The stated total housing production goals of the 30 NSAs is 19,471 units over the five year demonstration period -- which is an average of 649 units per NSA. The NSA with the greatest total revitalization goal is Manhattan Valley in New York City, with a goal of 3814 units. The smallest revitalization goal is in Boston's Franklin Field NSA, with a stated total goal of 97 units.\*

As shown in Table II-1, while cities frequently incorporate a variety of strategies to meet their goals, the Section 8 program is viewed as the main vehicle for upgrading deficient housing in the NSA. Cities which specified goals expected to achieve 48.9 percent of their housing goals by producing Section 8 units. Typically, the cities also incorporate other housing strategies in their revitalization plans for the NSA. To meet the needs of deteriorated owner-occupied housing, the most common strategy is to use Section 312 rehabilitation loan programs. Ten NSAs include 312 efforts in their plans -- accounting for 9.5 percent of the total housing goal for

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\*It should be noted that these goals represent stated commitments appearing in the application and do not reflect general goals where no specific unit commitments were made.

Table II-1

ORIGINAL HOUSING GOALS FOR THE SAMPLE NSAs\*

City	NSA	Section 8 Rehabili- tation	312 Loans	CDBG Funded	Section 8 Mod-Rehab	Other	Total
Akron	Highland Square	500	275	350			1,125
Atlanta	Edgewood	300	120	60	120		600
Atlanta	Westend***	300					300
Boston	Franklin Field	97					97
Boston	Roxbury/Savmore	170					170
Burlington	King Street	350					350
Cleveland	Glenville	214	100	90			404
Cleveland	Near West Side***	125					125
Detroit	CBD	610				600	1,210
Indianapolis	Crown Hill	250		176			426
Lewiston	CSD	300	30**	20		75	425
Los Angeles	Hollywood	800	260	90	100		1,250
Lowell	CBD	270				8	278
Lowell	Lower Belvedere***	100					100
Luzerne	Freeland Boro	65		125			190
Miami	Little Havana	500					500
New Haven	Dwight-Edgewood	432				69	501
New Rochelle	New Rochelle	297	32	650		240	1,219
New York	Far Rockaway	300		400			700
New York	Flatbush	275		420		67	762
New York	Manhattan Valley	500	160**	3,154			3,814
New York	Sunset Park	500				400	900
New York	Washington Heights	500					500
St. Louis	Midtown Medical	110					100
St. Louis	Union Sarah	140					140
Savannah	Victorian District	500	330	460			1,290
Seattle	International District	225	450				675
Seattle	Stevens	200	100			260	560
Trenton	South Trenton	335		165			500
Utica	Corn Hill	250					250
Total		9,515	1,857	6,160	220	1,719	19,471

\*These goals were taken from the original applications and reflect those housing goals where specific unit commitments were made rather than general intentions.

\*\*Number of units estimated from application data.

\*\*\*Information on the original Section 8 allocation was all that was available for these NSAs.

Source: Original applications from sample NSAs; National Institute for Advanced Studies, Neighborhood Strategy Areas: Neighborhoods and Programs (Washington, D.C: HUD, 1981); pp. 3-4.

the sample NSAs. Many cities have proposed CDBG-funded rehabilitation programs to meet housing needs of owner-occupants: 13 NSAs are committed to a total of 6160 units which represent 31.6 percent of the total housing goal for the sample NSAs.\*

The Section 8 moderate rehabilitation program was intended to serve as an additional source of housing assistance for the NSA cities which have multifamily rental units in basically sound, but slightly deteriorated, condition. However, only two NSAs included in the sample used this program as an important resource in their housing efforts since the program was created subsequent to the start of the Demonstration. In addition to these established forms of housing assistance, eight NSAs proposed the establishment of other, locally based strategies, accounting for 8.8 percent of the total goals. These efforts included such activities as public housing revitalization through use of CDBG funds, independent rehabilitation loan and facade improvement efforts, and the use of interest rate subsidies for rehabilitation.

#### 2.1.1 Section 8 Housing Goals of the Sample NSAs

Local communities vary in how they intend to use the Section 8 program to further their goals. As shown in Table II-2, all of the sample NSAs proposed using Section 8 allocations to rehabilitate multifamily rental housing, and three of the NSAs also targeted a portion of the total Section 8 allocation for new construction. Several of the NSAs included initial plans for using Section 8 units to rehabilitate previously nonresidential structures for residential use. For example, Trenton proposed using Section 8 funds to convert a deteriorated industrial complex into assisted housing.

Eleven of the sample cities made expressed commitments to seek out smaller buildings for inclusion in their Section 8 rehabilitation efforts. Of these cities, four stated their goal was to package the smaller properties into one or more larger projects.

#### 2.2 The Performance of the Demonstration in Producing Section 8 Housing

By early summer of 1981, the NSA Demonstration had generated a total of 540 Section 8 projects.\*\* Within the sample of 30

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\*It should be noted that one NSA, Manhattan Valley New York, accounted for 51.2 percent of this program goal. If this NSA is excluded from the total, CDBG-funded rehabilitation accounts for 18.3 percent of the total goal.

\*\*Data on the status of the NSA Section 8 projects was obtained during the field interview process, conducted during August, September and October of 1981. Project characteristics and status for the sample NSAs are current to the date of the interview. Data on the NSA Section 8 projects not in the sample were obtained from the HUD Management Information System. Since the data from the HUD MIS is frequently incomplete and outdated, our discussion will largely be confined to the sample sites.

Table II-2

ORIGINAL SECTION 8 STRATEGIES

City	NSA	Section 8 Goals	Rehabilitation	New Construction	Adaptive Re-Use	Small Buildings	Package Small Unit Properties
Akron	Highland Square	500	X	X			
Atlanta	Edgewood	300	X			X	
Atlanta	Westend***	300	X				
Boston	Franklin Field	97	X				
Boston	Roxbury/Savmore	170	X				
Burlington	King Street	350	X			X	
Cleveland	Glenville	214	X			X	X
Cleveland	Near West Side***	125	X			X	
Detroit	CSD	610	X		X		
Indianapolis	Crown Hill	250	X				
Lewiston	CSD	300	X			X	X
Los Angeles	Hollywood	800	X	X			
Lowell	CSD	270	X				
Lowell	Lower Belvedere***	100	X			X	
Luzerne	Freeland Boro	65	X			X	
Miami	Little Havana	500	X				
New Haven	Dwight-Edgewood	432	X		X	X	X
New Rochelle	New Rochelle	297	X				
New York	Far Rockaway	300	X				
New York	Flatbush	275	X				
New York	Manhattan Valley	500	X				
New York	Sunset Park	500	X				
New York	Washington Heights	500	X				
St. Louis	Midtown Medical	110	X			X	X
St. Louis	Union Sarah	140	X				
Savannah	Victorian District	500	X			X	
Seattle	International District	225	X				
Seattle	Stevens	200	X	X		X	
Trenton	South Trenton	335	X		X		
Utica	Corn Hill	250	X				
Total		9,515	30	3	3	11	4

Source: Original Application for Sample NSAs.

NSAs there are 167 projects. In terms of size, the average Section 8 project is fairly small (31 units), with 45.0 percent of the projects in the universe of NSAs less than 25 units; among the sample sites the comparable figure is 44.8 percent. Only 5.9 percent of all NSA projects and 4.8 percent of the sample projects contain more than 150 units (see Table II-3).\*

The average NSA project is considerably smaller than the typical Section 8 project. In 1979, the average size of all Section 8 starts to that date was 77 units; for substantial rehabilitation the figure was 88 units.\*\* Thus, one of the basic objectives of the NSA Demonstration, to target resources towards smaller buildings in need of rehabilitation, seems to have been achieved.

In keeping with the program's general requirements, nearly all (94.5 percent) of the Section 8 projects undertaken in the NSA sample cities involve rehabilitation (see Table II-4). Only 3.7 percent of all projects were new construction, and even fewer projects (1.8 percent) involve a combination of rehabilitation and new construction.

The substantial rehabilitation projects tend to be smaller than new construction projects: 68.4 percent of the rehabilitation projects contain 50 or less units, compared to only 28.6 percent of the new construction projects.

#### 2.2.1 Apartment Size and Household Type of the NSA Projects

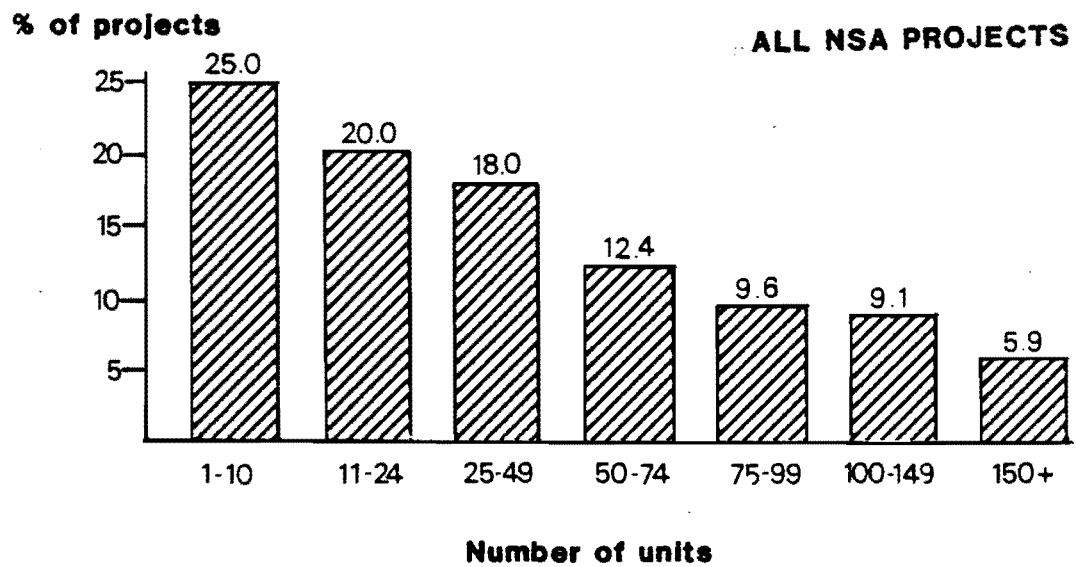
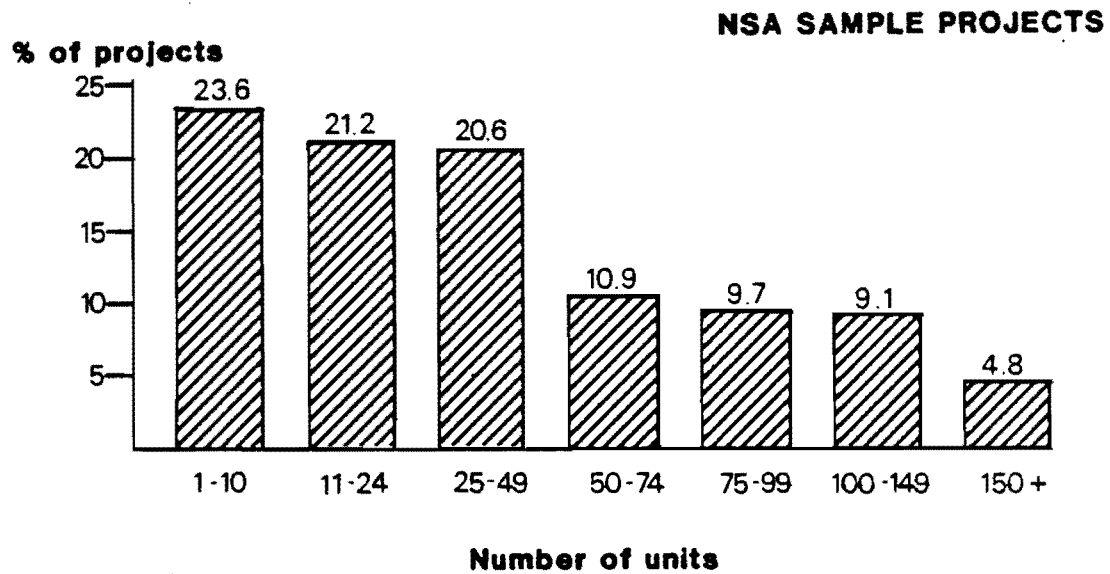
The NSA Section 8 projects proposed in the sample sites represent over 7850 units of housing. Thus, by October 1981, the sample NSAs have submitted proposals for 82.5 percent of their 9515 unit five year goal. These housing units are of various sizes with the dominant type being one-bedroom units (48.0 percent) followed by 2 bedroom units (28.6 percent) and 3 or more bedroom units (12.4 percent). Efficiency units are the least common form, accounting for only 11.1 percent of all NSA units (see Table II-5). As can be expected, there is a correlation between unit size and household type. The elderly housing units (36.3 percent of all units), are primarily efficiency or one-bedroom units. Among all NSA units, 70.8 percent of the efficiency and 53.9 percent of the one-bedroom units are intended for elderly households.

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\*The reported data are for projects rather than buildings. Several of the NSA projects contain several small buildings, thus the scale of the project would be less than the total number of units in the project would indicate.

\*\*U.S. Department of Housing and Urban Development, Statistical Yearbook: 1979 (Washington, D.C.: US Government Printing Office, 1980); p. 213.

**TABLE II-3**  
**NUMBER OF UNITS IN SAMPLE AND UNIVERSE OF NSA PROJECTS**



**SOURCE: HUD Section 8 Management Information System/USR&E Update**

Table II-4

NUMBER OF UNITS IN SAMPLE NSA PROJECTS

Total Units in Project	Rehab Projects (n=155)	New Construction (n=7)	Mixed Projects (n=3)	All Projects (n=165)
1-10	25.2	0.0	0.0	23.6
11-24	22.6	0.0	0.0	21.2
25-49	20.6	28.6	0.0	20.6
50-74	10.3	14.3	33.3	10.9
75-99	9.7	14.3	0.0	9.7
100-149	7.1	42.9	33.3	9.1
150+	4.5	0.0	33.3	4.8
TOTAL	100.0	100.0	100.0	100.0

Source: HUD Section 8 Management Information System/USR&E Update.



In terms of the total number of projects in the sample sites, there is a considerable mix in the intended household type which will occupy the units. NSA projects include a smaller proportion of units designed for the elderly (36.3 percent) than do Section 8 projects in general (42.3 percent).<sup>\*</sup> Examined from another perspective, 56.4 percent of all projects contain no elderly units. At the other extreme, 45 projects, or 27.6 percent of the total, are designed exclusively for the elderly. Mixed projects -- with anywhere from 1-99 percent elderly occupancy -- represent 15.9 percent of all projects. There is a slightly greater tendency for newly constructed projects to contain elderly units, with more mixed and 100 percent elderly projects among this type than rehabilitation projects.

### 2.3 Financing for the Section 8 projects

When the NSA program began, neither the cities nor HUD anticipated any difficulties in financing the projects. However, with the rapid escalation in interest rates that occurred in 1980, the problem of securing project financing at reasonable rates became an increasingly important aspect of the Section 8 development process. During our site visits, financing was commonly cited as the most severe problem facing the development of the intended Section 8 projects. As Table II-6 shows, for the projects in the sample NSAs a variety of financing mechanisms are currently being employed.<sup>\*\*</sup> The dominant form of financing sought for the NSA projects is GNMA Tandem. The attractiveness of this source of financing is the extremely favorable interest rate available through this approach -- 7.5 percent. The next most common form of financing is the use of 11(b) tax exempt bonds, either through a local Public Housing Authority or Housing Finance and Development Agency (HFDA) sponsorship. While the interest rates on these bonds are generally higher than the Tandem rates, they represent a considerable 2-4 percent savings over conventional rates. Somewhat surprisingly, conventional financing through a private lender is the third most common source of financing. The inability of the state HFDAs to secure funds at the bond markets for mortgages is demonstrated by the low percentage of projects which are funded from this source.<sup>\*\*\*</sup> Other financing sources were cited by 4.2 percent of the NSA projects.

We anticipated that there would be a noticeable shifting between financing sources as the program progressed in reaction to the rapid escalation in interest rates causing more projects to seek

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<sup>\*</sup>HUD Statistical Yearbook, op. cit.

<sup>\*\*</sup>The results presented regarding financing sources reflect both actual and intended sources, depending on project status.

<sup>\*\*\*</sup>It should be noted that of the 17 projects financed by HFDAs only three were financed using Section 103 bonds and the remaining 14 using 11(b) bonds.

Table II-5

DISTRIBUTION OF UNITS IN NSA PROJECTS  
BY BEDROOM TYPE, ELDERLY STATUS  
(n=142)

Bedroom Type	Total Units		Elderly Units		Percent of Units Elderly
	n	%	n	%	
Efficiency	830	11.1	588	21.6	70.8
1 Bedroom	3,600	48.0	1,942	71.3	53.9
2 Bedrooms	2,145	28.6	190	7.0	8.9
3+ Bedrooms	928	12.4	3	0.1	0.3
Total Units	7,503	100.0	2,723	100.0	36.3

Source: HUD Section 8 MIS/USR&E Update.

Table II-6

SOURCE OF FINANCING FOR THE SECTION 8 PROJECTS

Source of Financing	Number of Projects	
	n	%
Private Lender	31	18.6
11(b) Bonds	38	22.8
GNMA Tandem	48	28.7
HFDA Loan	3	1.8
Other	7	4.2
Unspecified	40	24.0
Total	128	100.0

Source: HUD Section 8 MIS/USR&amp;E Update.

subsidized financing. In fact, the pattern of financing did shift significantly during the most recent program year (September 1980 to October 1981). During the two earlier periods -- prior to September 1979 and from September 1979 to August 1980 -- the distribution of funding sources for proposed projects remained fairly constant, with the GNMA Tandem program dominant and private lenders and 11(b) bonds also important sources. During the most recent program year (September 1980 to October 1981), GNMA Tandem financing declined dramatically while use of less conventional sources of financing grew significantly. This shift probably reflects the limited availability of GNMA Tandem funds.

What is surprising is the continued strong position of private financing, even during the period of rapidly escalating interest rates. This continued viability can be in part attributed to the willingness of several cities to write-down the cost of financing through CDBG subsidies and the payment of development "soft" costs.\* The use of other financing approaches shows a significant increase during the past year, reflecting the general trend in interest rates and the limited availability of Tandem funds.

#### 2.4 The Development Status of the NSA Projects

Table II-7 presents the status of the NSA Section 8 projects for both the sample NSAs and the universe of projects as of October 1981. The processing stages shown are based on HUD's Management Information System. For ease of analysis we have regrouped the 20 milestone stages into eight main stages.

HUD considers a project as a "construction start" once a Housing Assistance Payment (HAP) agreement has been executed. As shown in Table II-7, over half (54.4 percent) of the projects in our sample sites had not become starts by the end of summer 1981. Construction was actually completed, however in 18 percent of the projects in the sample sites. Overall the average NSA project has taken 27 months from proposal submission to project completion -- almost identical to the 29 months taken for non-NSA Section 8 projects.\*\*

Several factors appear to be important predictors of progress in completing projects. Perhaps the most obvious factors affecting the amount of progress made on a given project is the date it was begun. As Table II-8 illustrates, the projects begun during the earliest period are, not surprisingly, the farthest along, with

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\*\*"Soft costs" include: architectural and engineering fees, the preparation of detailed drawings, relocation expenses, legal fees and the like.

\*\*Ann Schnare, Carla Pedone, Benaree Wiley, et. al., Development Costs in Multifamily Housing Programs: Statistical Analysis (Urban Systems Research & Engineering, Inc., Washington, D.C., 1982.).

Table II-7

PROCESSING STAGE OF SECTION 8 NSA PROJECTS:  
PERCENT OF PROJECTS AT VARIOUS STAGES

HUD Processing Stage	Projects in Sample Cities (n=167)	All NSA Projects (n=540)
I. Preliminary Application Received	9.6	7.5
II. Units Reserved	32.3	33.3
III. Final Proposal Submitted	4.7	4.5
IV. Final Proposal Approved	7.8	4.1
V. HAP List/ACC Executed	0.6	3.4
VI. Construction Begun	20.4	26.1
VII. Project Completed	18.0	8.3
VIII. Project Terminated	6.6	12.8
TOTAL	100.0	100.0

Note: Data for the projects in the sample site were updated by USR&E during site visits and are current as of 9/81. Data for all NSA projects should be viewed cautiously since it represents a combination of the updated data from the sample sites plus Section 8 MIS information from 3/81.

Source: HUD Area Offices in Sample Cities: HUD Section 8 Management Information System.

Table II-8

STATUS OF SECTION 8 PROJECTS BY DATE OF PROJECT  
PROPOSAL SUBMISSION  
(n=154)

Project Processing Stage	Date Proposal Submitted			Total (n=154)
	Prior to Sept. 1979 (n=69)	Sept. 1979 to Aug. 1980 (n=57)	Sept. 1980 to Oct. 1980 (n=28)	
Preliminary Processing Submitted	0.0	3.5	42.9	9.1
Units Reserved	13.0	42.1	42.9	29.2
Final Proposal Submitted	4.3	5.3	7.1	5.2
Final Proposal Approved	13.0	7.0	0.0	8.4
HAP List/ACC Executed	0.0	1.8	0.0	0.6
Construction Begun	31.9	21.1	0.0	22.1
Project Completed	27.5	17.5	0.0	18.8
Project Terminated	10.3	1.8	7.1	6.5
TOTAL	100.0	100.0	100.0	100.0

Source: HUD Section 8 MIS/USR&E Update.

59.4 percent at least at the start of construction. Among the projects from the second period 37.6 percent have reached this stage, while among the newest projects none have reached this stage. This finding demonstrates that even with the fast-track provisions available to NSA Section 8 projects it requires approximately two years to complete a project. In part, this similarity between processing times can be attributed to the infrequent use of the available fast-track provisions of the NSA program. Since financing was so uncertain and the cost of preparing final drawings needed for the fast-track approach so costly, many of the developers, with the support of their Area Offices, preferred using the slower, two-staged approach, which allowed them to delay the preparation of the detailed plans until later in the process when funding could be assured. This meant that the NSA projects followed the identical processing procedures used by other non-NSA Section 8 projects.

Another factor that may affect processing time for the Section 8 projects is the size of the project, since the larger projects were likely to be sponsored by more experienced developers than the smaller scattered site projects which were intended for small-scale, largely inexperienced developers. An additional factor likely to contribute to variations in processing times is that the smaller scattered site projects are less familiar to the Area Office staff than the larger more conventional projects and therefore could be expected to have longer processing times. There does appear to be some support for this hypothesis, with 30.8 percent of the smallest projects, those under 10 units, reaching actual construction, as compared to 56.5 percent of the largest projects (those with 100 or more units) reaching this stage. The very small projects are also more likely to have been terminated (12.8 percent) than their larger counterparts (0.0 percent).

Numerous key actors have noted the importance of securing financing to make their projects succeed. Conversely, the greatest problem they have experienced, following the rapid escalation of interest rates in 1980, has been getting their projects to move forward due to financing difficulties. In correlating project progress with source of financing it appears that certain financing sources have been associated with more rapid project development. The most rapid progress has been made by projects which have used either 11(b) bonds or HFDA financing; 63.1 and 66.6 percent respectively, of the projects which have used these forms of financing have reached the start of construction (see Table II-9). Those projects relying on "other" sources of financing have the worst record, with GNMA Tandem projects progressing almost as poorly, 14.3 percent and 29.2 percent respectively, of the projects using these forms of financing reaching construction. Given the substantial demand which exists for GNMA financing -- with 38 percent of all projects selecting this type of financing -- the current constriction of funds is having a major impact on the ability of the Demonstration to produce housing.

Table II-9

STATUS OF SECTION 8 PROJECTS BY SOURCE OF FINANCING

Project Processing Stage	Percent of Projects at Processing Stages by Source of Financing					Total (n=127)
	Private Lender (n=31)	11(b) Bonds (n=38)	GNMA Tandem (n=48)	HFDA Loan (n=3)	Other (n=7)	
Preliminary Application Submitted	6.5	7.9	23.1	0.0	42.9	7.8
Units Reserved	19.4	23.7	50.0	33.0	28.6	32.8
Final Proposal Submitted	3.2	2.6	8.3	0.0	14.3	5.5
Final Proposal Approved	6.5	0.0	8.3	0.0	0.0	4.7
Contract Executed	3.2	0.0	0.0	0.0	0.0	0.0
Construction Begun	16.1	18.4	25.0	33.3	14.3	20.3
Project Completed	25.8	44.7	4.2	33.3	0.0	21.9
Project Terminated	19.4	2.6	2.1	0.0	0.0	6.3
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: HUD Section 8 MIS/USR&amp;E Update.



Another factor which might effect progress was whether the project was designed for families, elderly, or mixed occupancy. Elderly projects, which are predominantly efficiency and one-bedroom units, would presumably be easier to rehabilitate than the larger units demanded in family or mixed projects. This hypothesis is supported by the fact that elderly projects as a group have made substantially greater progress towards completion than family projects. Among elderly projects 64.4 percent have reached at least the construction stage, while the comparable figure for family projects is 25.0 percent and mixed projects, 34.5 percent. While the ease of design of elderly projects is likely to be a contributing factor in the greater speed in which these projects are completed, other factors influencing their performance are the fact that elderly projects tend to be larger than family projects and tend to be developed by more experienced developers. Thus, the higher completion rate for elderly projects can be attributed to their development by larger developers, more experienced with HUD processing. The greater size of these projects can also be attributed to the involvement of large developers, since these firms find very small projects unprofitable.

## 2.5 Characteristics of Section 8 Projects by Sample NSA

While the preceding sections have concentrated on the characteristics of the Section 8 projects in the sample NSAs as a group, important distinctions in the number, size, and tenancy of the projects exist among the sample sites. \*

Beyond production totals, the characteristics of the NSA projects vary considerably by site. The largest number of projects have been proposed in the Little Havana (23), Hollywood (20), and Burlington (20) NSAs. Six of the NSAs have proposed only one project. In part, this wide disparity in the number of proposed projects can be explained by the willingness of a city to propose numerous small projects, as in the case of Burlington, versus one or a few large projects, such as Trenton, or Detroit. However, the Hollywood NSA which contains one of the largest numbers of projects (20) also has a substantial number (6) with more than 50 units, which exceeds the average project size for the Demonstration considerably.

Based on an examination of the size of the proposed projects disaggregated by NSA, it appears that the objective of targeting the NSA Demonstration to smaller buildings has been partially successful. The sample cities have adopted a diversified strategy including a range of project sizes. In cities with more than one NSA, household types tended to vary by neighborhood rather than be common across all NSAs in a city. Thirteen NSAs have proposed projects

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\*See Appendix A for a description of the characteristics of the Section 8 projects by sample NSA.

with less than 25 units. However, 17 NSAs have proposed projects of 100 or more units. Several of the cities combined a group of very small buildings under one large project. In cities with multiple NSAs there was substantial diversity in the size of the projects between target neighborhoods; for example, in Lowell, the CBD NSA had a very large project while the Lower Belvedere NSA had three modest size projects. A similar diversity in project characteristics exists in New York City's five NSAs. Thus, project size appears to be determined by neighborhood characteristics, not by any central administrative preference.

Six NSAs have proposed only family projects; two NSAs have proposed only elderly projects, with the remainder of the cities proposing a mix of project types. Sixteen cities have proposed mixed projects combining elderly and family tenants, which appears to be a significant departure from the more typical character of Section 8 projects as targeted to one of either of the two household types. While elderly units represent 27 percent of all projects, they are confined to eleven NSAs, with one, Miami's Little Havana, accounting for almost half of all the elderly projects.

In terms of their ability to get their proposed Section 8 projects completed, the sample NSAs also vary considerably. While 18 percent of all proposed projects have been completed, these projects are concentrated in only seven of the 30 NSAs. For projects as a whole, 38 percent of the NSA projects have reached at least the start of construction and slightly over half (17) of the NSAs have at least one project which has reached this stage. Conversely, thirteen NSAs, or 43 percent, have yet to have one of their proposed projects reach the start of construction.

The majority of the NSA projects carry HUD mortgage insurance (56 percent), and in 21 percent of the NSAs all of the projects were insured. Two NSAs -- Burlington and Miami -- account for two-thirds of the uninsured projects. Thus, the majority of projects were thought to be financially infeasible without HUD insurance. While HUD insurance procedures generally necessitated a more lengthy project review, to many developers the benefits of HUD insurance outweighed the additional delay.

## 2.6 Neighborhood Conditions Surrounding the Section 8 Projects

The long-term health of the NSA Section 8 projects depends, in part, on the condition of the neighborhood environment which surrounds them. For this reason, we examined the condition of the NSA both generally, and in close proximity to the Section 8 projects.

In each NSA, every block and structure included in the 1979 and 1981 windshield surveys was classified as being either in proximity to a planned Section 8 project (if the structure was on the same block as the Section 8 project) or out of proximity (if it was

located on any other block). Table II-10 presents the condition\* of those portions of the NSA neighborhoods which were in and out of proximity to the Section 8 projects for 1979. In 72 percent of the NSAs the condition of the NSA blocks in proximity to the Section 8 projects was worse than in the rest of the neighborhood. This finding can be explained by the fact that the necessary raw materials for the Section 8 projects--deteriorated structures in need of rehabilitation--are likely to be more prevalent in the more deteriorated parts of the NSA neighborhoods. In addition, parcels located in the more deteriorated areas are likely to be less expensive to acquire and more likely to be vacant, both factors which would make them attractive candidates for rehabilitation. Table II-11 presents data on how conditions changed in the NSA neighborhoods from 1979 to 1981, in terms of the two proximity categories. Conditions in the NSA neighborhoods generally improved during the period from 1979 to 1981: 60 percent of the blocks in proximity and 68 percent of the blocks out of proximity to the projects showed signs of improvement.

An interesting distinction exists between those NSAs which were able to complete their Section 8 projects by 1981 and those which could not. Among the NSAs where more than 50 percent of the projects had reached at least the start of construction, the blocks in proximity to the projects improved 18.4 percent and out of proximity by 19.3 percent. In those NSAs where less than 50 percent of the projects had reached construction the blocks in proximity had improved 5.3 percent and those out of proximity by 7.5 percent.

It is doubtful that the dramatic improvement in the general condition of the neighborhoods where the NSA Section 8 projects had been completed can be attributed to the creation of the units themselves. Often the number of units constructed represents only a small fraction of the units needing rehabilitation in a neighborhood, making such a broad impact on neighborhood condition unlikely.

One hypothesis might be that these neighborhoods have been viewed by the lending community as a more receptive investment climate, making it easier to process units and get them built. Based on the neighborhood's initial condition index this doesn't seem to be the case. In 1979 the neighborhoods where a high percentage of projects have been completed had lower scores, indicating they were in poorer condition, both in and out of proximity to the projects than the neighborhoods where few projects have been built (an index score of 33.3 for the blocks in and 40.6 for the blocks out of proximity in neighborhoods with complete projects versus 40.0 for

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\*Neighborhood condition was determined using an index based on an average of four measures of neighborhood quality derived from the windshield survey--the percentage of structures in very good overall condition, the percentage of blocks with well maintained streets, the percentage of blocks with very little litter, and the percentage of blocks with landscaping in very good condition.

Table II-10

NEIGHBORHOOD CHARACTERISTICS NEAR SECTION 8 PROJECTS, 1979

City	NSA*	Neighborhood Condition Index**		
		In Proximity to Section 8	Out of Proximity	Difference
Akron	Highland Square	61.8	35.9	25.9
Atlanta	Edgewood	10.7	7.2	3.5
Atlanta	Westend	46.7	65.3	-18.6
Boston	Franklin Field	23.3	75.0	-51.7
Boston	Roxbury/Savmore	15.9	30.4	-14.5
Cleveland	Glenville	25.0	39.4	-14.4
Cleveland	Near West Side	41.7	31.7	10.0
Indianapolis	Crown Hill	38.8	39.2	-0.4
Lewiston	CSD	45.5	64.0	-18.5
Los Angeles	Hollywood	50.0	57.2	-7.2
Lowell	CSD	55.0	70.6	-15.6
Lowell	Lower Belvedere	20.6	6.3	14.3
Luzerne	Freeland Borough	91.3	52.3	39.0
Miami	Little Havana	85.5	75.7	9.8
New Haven	Dwight-Edgewood	37.9	47.1	-9.2
New York	Far Rockaway	37.5	51.2	-13.7
New York	Manhattan Valley	5.0	13.7	-8.7
New York	Sunset Park	5.7	42.7	-37.0
New York	Washington Heights	0.0	29.2	-29.2
St. Louis	Midtown Medical	19.9	18.3	1.6
St. Louis	Union Sarah	45.6	49.2	-3.6
Savannah	Victorian District	44.5	54.9	-10.4
Seattle	International District	50.0	46.7	3.3
Seattle	Stevens	87.5	88.7	-1.2
Trenton	South Trenton	0.0	54.5	-54.5
AVERAGE SCORE		38.8	45.9	-7.1

\*In five NSAs -- Burlington's King Street, Detroit's CSD, New Rochelle, New York City's Flatbush and Utica's Corn Hill -- no blocks were classified as being "in proximity" to a planned Section 8 building and, therefore, these NSAs were excluded from this analysis.

\*\*The neighborhood condition index was computed by taking the average of four measures of neighborhood condition -- the percentage of structures in very good overall condition, the percentage of blocks with well-maintained streets, the percentage of blocks with very little litter, and the percentage of blocks with landscaping in very good condition.

Source: NIAS 1979 Windshield Survey

Table II-11

## NEIGHBORHOOD CHARACTERISTICS NEAR SECTION 3 PROJECTS 1979-1980

City	NSA*	Neighborhood Condition Index**				Whether 50% or more of projects have reached start of construction
		In Proximity		Out of Proximity		
		1979	Change 1979-1981	1979	Change 1979-1981	
Akron, OH	Highland Square	61.8	0.0	35.9	25.7	?
Atlanta, GA	Edgewood	10.7	38.6	7.2	47.9	Y
	West End	46.7	16.2	65.3	16.2	N
Boston, MA	Franklin Field	23.3	4.2	74.0	0.0	Y
	Roxbury/Savmore	15.9	26.3	30.4	16.4	Y
Cleveland, OH	Glenville	25.0	0.0	39.4	19.5	N
	Near West Side	41.7	16.6	31.7	17.8	Y
Indianapolis, IN	Crown Hill	38.8	2.0	39.2	29.2	N
Leviston, ME	CBD	45.5	-18.2	64.0	-12.1	N
Los Angeles, CA	Hollywood	50.0	-1.3	57.2	-3.5	N
Lowell, MA	CBD	55.0	11.7	70.6	-2.3	Y
	Lower Belvedere	20.6	22.5	6.3	30.4	Y
Luzerne, PA	Freeland Borough	91.3	3.1	52.8	27.3	N
Miami, FL	Little Havana	85.5	-2.2	75.7	-7.5	Y
New Haven, CT	Dwight-Edgewood	37.9	29.2	47.1	32.5	N
New York City, NY	Far Rockaway	37.5	12.1	51.2	3.7	N
	Manhattan Valley	5.0	15.0	13.7	17.6	N
	Sunset Park	5.7	30.2	42.7	22.1	N
	Washington Heights	0.0	25.0	29.2	-8.0	N
St. Louis, MO	Midtown Medical	18.9	-1.4	18.3	11.5	Y
	Union Sarah	45.6	0.0	49.2	-5.1	N
Savannah, GA	Victorian District	44.5	-2.8	54.9	3.2	N
Seattle, WA	International District	50.0	0.0	46.7	12.1	N
	Stevens Area	87.5	-25.0	88.7	-11.9	N
Trenton, NJ	South Trenton	0.0	62.5	54.5	19.6	Y
TOTAL		38.8	9.1	45.9	12.3	

\*In five NSAs -- Burlington's King Street, Detroit's CBD, New Rochelle, New York's Flatbush and Utica's Corn Hill -- no blocks were classified as being "in proximity" to a planned Section 3 building, and therefore these NSAs were excluded from this analysis.

\*\*The neighborhood condition index was computed by taking the average of four measures of neighborhood condition -- the percentage of structures in very good overall condition, the percentage of blocks with well-maintained streets, the percentage of blocks with very little litter, and the percentage of blocks with landscaping in very good condition.

Source: NIAS 1979 windshield survey, USR&E 1981 windshield survey.

the blocks in and 49.4 for the blocks out of proximity, in neighborhoods with few if any completed projects).

The neighborhoods where the NSA projects have been most successful have been those having higher concentrations of CDBG expenditures and this may account for the significant improvements in their condition. As Table II-12 shows, for a subsample of NSAs, in those neighborhoods where more than half of the NSA Section 8 projects have been completed, the average CDBG expenditures per block was over three times as great as in those NSA neighborhoods where less than half of the projects have been completed (\$53,829 per block versus \$16,477, respectively).

While it is difficult from the available data to determine the cause and effect relationship between the development of the NSA Section 8 housing, the level of CDBG expenditures and the subsequent improvement in neighborhood condition, it is likely that the provision of the housing units and concentrated CDBG expenditures are working together in a mutually supportive way to make the projects attractive to develop and at the same time resulting in an improvement in the overall condition of the neighborhood. In all probability, the correlation between the completion of the Section 8 projects and the concentrated expenditure of CDBG funds also reflects the competence of the administration of the NSA Demonstration in these cities. The long-term prospects for the completed Section 8 projects are likely to be enhanced by the concentrated expenditure of CDBG funds and its apparent beneficial effect on the overall neighborhood environment.

## 2.7 Non-Section 8 Housing Activities in the NSA Demonstration\*

While the Section 8 units were intended as the centerpiece of the NSA's housing strategy, other public and private resources were to be major elements in the housing rehabilitation program. Most commonly, cities included commitments to rehabilitate additional units through use of their own CDBG funds, the Section 312 Loan program, or the Section 8 Moderate Rehabilitation program. In addition, several cities have proposed using state programs or special local initiatives, to improve housing.

### 2.7.1 Planned vs. Actual Non-Section 8 Housing Activities

Either through the direct support of housing or through special activities designed to aid a particular housing project -- such as the payment of architectural fees, or site improvements -- the CDBG

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\*The term "non-Section 8 housing" will be used to denote all housing activities other than Section 8 substantial rehabilitation/new construction projects. It should be noted that Section 8 moderate rehabilitation units are included in the non-Section 8 housing category since, unlike substantial rehabilitation, no special allocation of these units was made to the NSA program.

Table II-12

SUCCESS IN COMPLETING SECTION 8 PROJECTS BY AMOUNT OF CDBG EXPENDITURES

City	NSA	Average CDBG Expenditures/Block	
		NSAs where 50 percent or more of Section 8 project constructed	NSAs where less than 50 percent of Section 8 project constructed
Akron	Highland Square	27,566	
Iewiston	CBD		16,419
Los Angeles	Hollywood		14,484
Luzerne	Freeland		9,282
Miami	Little Havana	111,115	
New York	Washington Heights		27,552
St. Louis	Union Sarah	42,081	
St. Louis	Midtown Medical	82,081	
Javannah	Victorian District		26,261
Seattle	International District		21,061
Seattle	Stevens**		285
Trenton	South Trenton	6,303	
Average CDBG Expenditure/Block		53,829	16,447

\*The amount of CDBG expenditures per block was determined by using the total expenditures for the NSA through the summer of 1981 and dividing by the number of blocks. Only 15 NSAs had accurate expenditure data for the NSAs at the time of the site visit. In three of these there were no blocks in proximity to the Section 8 projects which were surveyed as part of the windshield survey. As a result, data is present for the 12 NSAs where complete data is available.

\*\*Figure represents one year's expenditures.

Source: USR&E NSA Key Actor Interviews; 1981 Windshield Survey; HUD Section 8 MIS.

available, \$11,648,750 in CDBG funds was committed to the Demonstration to fund housing rehabilitation. The largest CDBG-funded rehabilitation effort was located in Savannah, with over \$5.2 million initially committed. Utica's Corn Hill NSA and Akron's Highland Square also involved commitments of over \$1 million each. An example of the type of rehabilitation activities funded through CDBG is Los Angeles' HOME program. The HOME program provides an average of \$8,000 for housing rehabilitation primarily for single-family units, through use of an interest subsidy. In addition to home improvements, the program also provides capital improvements such as sidewalk repairs, street lighting, and tree planting. In the Hollywood NSA, the HOME program has also been used to rehabilitate smaller, multifamily buildings.

Next in importance as a housing strategy is the 312 loan program. With a total planned expenditure of over \$9 million, the 312 program was included by five of the 15 sample sites. The Section 8 Moderate Rehabilitation program, which offered great potential for the rehabilitation of less severely deteriorated units, was a new, largely unspecified program at the time of the initial NSA applications. Thus, few cities included this strategy in their plans.

Several cities included housing strategies in addition to the three already mentioned. New Rochelle included a plan to rehabilitate an existing state public housing project and convert it into a federally subsidized project. Savannah proposed the inclusion of a low interest loan program through which the city would borrow money from a consortium of banks at 5 1/2 percent interest and lend at 6 percent. The city would secure the low rates by depositing CDBG funds in the participating banks at zero interest. In Trenton, the city made a commitment to seek \$300,000 from the State of New Jersey to establish a Homeowner's Equity Guarantee Program in the NSA. Under this approach, homeowners were to be guaranteed that when they sold their homes the city would make up any loss in value resulting from any general decline in property values.

By the time of our site visit, most of the cities had revised their initial non-Section 8 housing strategies for their NSAs -- some considerably. A shift in the mix of housing strategies occurred as knowledge about the availability of the resources improved. In general, non-Section 8 housing resources for the NSA were maintained. The reductions in the total commitment which occurred, from \$29,131,250 in the initial applications to \$26,715,148 in the revised plans, can be attributed almost entirely to the significant scaling back of the plans for Savannah's NSA. In fact, the general trend was to increase planned expenditures from the initial plans. Of the eleven cities that specified initial allocation of funds to non-Section 8 housing efforts, seven actually increased their revised estimates from the amounts in their initial plans. The relative mix of activities, however, shifted considerably over



the period with CDBG-funded housing increasing both in real dollar terms -- from \$11,648,750 to \$15,248,953 -- and in relative importance, from 40 percent of proposed expenditures to 57 percent. And, as the CDBG-funded housing grew in importance, the other sources of assistance declined. The Section 312 Loan program decreased both in total dollars from \$9,002,500 to \$6,690,130, and in its share of all housing activities from 31 to 25 percent.\* Interestingly, the number of cities which included 312 efforts as part of their NSA activities increased dramatically -- from six initially to eleven at the time of our visit.

The Section 8 moderate rehabilitation program became a planned part of three NSA efforts and accounted for 3 percent of the other housing expenditures associated with the NSA effort.

Special housing strategies decreased dramatically in importance from the level projected in the initial plans -- \$8,460,000 to \$4,434,000. This decline is due to the deletion of these strategies from the plans of the New Rochelle and Savannah NSAs. Between formulation of their initial plans and the time of our site visit, the four NSAs which had initially proposed special housing strategies dropped them from their program; at the same time five NSAs which had not included these efforts initially did so in their revised plans. Special housing strategies accounted for 29.0 percent of the initial plans and 16.6 percent of the revised plans, and it is this element of the housing revitalization plans which has undergone the most major revision since the inception of the Demonstration.

Actual expenditures on non-Section 8 housing activities averaged 65.4 percent of the initial estimates and 71.3 percent of what was contained in the revised plans. Taking the revised plan as a more accurate estimate of likely performance among the sample sites, the highest rates of completion of non-Section 8 housing activities occurred in Lewiston, Luzerne, St. Louis' Midtown Medical, Seattle's Stevens and International District, Utica, Trenton, and New York's Washington Heights NSA, with each completing over 90 percent of their intended non-Section 8 housing activities. The lowest rates of completion occurred in New Rochelle and Los Angeles where less than 55 percent of the intended non-Section 8 activities have been accomplished. It should be noted that there is a wide disparity between the level of non-Section 8 housing activities planned by the sample sites. For example, two NSAs -- Lewiston and New York's Washington Heights -- have proposed non-Section 8 housing activities totaling less than \$80,000, while two other NSAs -- Savannah and St. Louis' Union Sarah -- have proposed efforts in excess of \$5,000,000. Given this range of activities, it is not surprising that the sample cities have equally divergent experiences in carrying out their plans.

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\*As of 1981, the total funds available for the Section 312 have been drastically reduced thereby lessening any potential future role in the Demonstration.

No clear pattern emerges between performance in meeting housing objectives and the non-Section 8 housing strategy undertaken. While several of the poorest performing NSAs have used CDBG rehabilitation as the primary means of meeting their non-Section 8 housing goals, many of the more successful NSAs have relied on this source as well. It appears that cities with ongoing housing programs, that were either already operating in the NSA or could be extended to the area, were more successful in getting their non-Section 8 housing efforts underway.

The highest completion rate in terms of revised versus actual expenditures occurs among the cities with a Section 312 loan program -- 101.0 percent of revised expenditures for this housing strategy have actually been spent. Cities have also performed near the average in their ability to implement their CDBG-funded rehabilitation programs, with 67.9 percent of planned funds actually expended. Slightly over half, 54.6 percent, of the special housing efforts have been carried out with the Section 8 moderate rehabilitation program, the poorest performer among the preferred housing strategies -- only 10.2 percent of planned funds have been expended.

The strong performance of the CDBG-funded rehabilitation and 312 loan efforts is not surprising since in many cities these were established programs under their control, prior to NSA designation. Thus, these cities had an easier time applying these efforts to the NSA neighborhood than the Section 8 moderate rehabilitation effort or more innovative special approaches.

The performance of the NSA cities in meeting their stated non-Section 8 assisted housing objectives has generally been good, with 10 of the 15 subsample sites having completed 75 percent or more of their planned program activities. The subsample cities did not, however, use their assisted housing activities to leverage private funds into the NSA, as had been initially intended.

## 2.8 HFDA Involvement in the NSA Demonstration

A major objective of the NSA Demonstration was to increase the participation of state HFDAs in the rehabilitation of inner city housing. The impression of the program's designers was that HFDAs had traditionally been reluctant to engage in rehabilitation projects, especially if those projects were located in transitional urban neighborhoods. How successful has the NSA Demonstration been in attracting the active involvement of the HFDAs? Has HFDA involvement been confined to particular types of projects? What factors have influenced HFDA participation? This section explores these issues.

Perhaps the most important finding regarding HFDA involvement in the NSA Demonstration is how minimal it has been. Only ten percent of all NSA Section 8 projects were HFDA financed.

The HFDA projects are a unique type of NSA project. Since 13 of the 17 HFDA projects in the NSA sample sites were located in the Burlington NSA, HFDA projects reflect the characteristics of the Burlington program -- small-scale rehabilitation projects for families. As Table II-13 shows, all of the HFDA projects involved rehabilitation, so in terms of encouraging HFDA involvement in the rehabilitation process the NSA Demonstration has succeeded, if only to a limited extent. The HFDA projects tend to be smaller than their non-HFDA counterparts with 77 percent of the projects having fewer than 50 units. The comparable figure for non-HFDA projects is 61.2 percent. The HFDA projects are overwhelmingly designed for family occupancy (75.0 percent) in comparison to the non-HFDA projects, where 50.8 percent are for families and 31.8 percent for the elderly. Only 16.6 percent of the HFDA projects have sought HUD insurance, while 70.4 percent of the non-HFDA projects are HUD insured.

The reasons for the low level of involvement by HFDA's are varied. Four of the twenty sample cities were located in a state where there was no HFDA.\* Of the remaining sixteen NSA cities, only five -- or 31 percent -- secured permanent financing from an HFDA for one or more of their projects.

Several of the HFDA's were reluctant to participate in the Demonstration because they believed that small, scattered site wood-frame projects which were proposed were unsuitable for rehabilitation as a publicly financed housing project. Other HFDA's stated that many of the NSA neighborhoods were in extremely poor shape and would overwhelm a 25-50 unit project. Some of these HFDA's would have been willing to proceed if the city made a significant advance commitment of CDBG funds to improve the properties and public facilities immediately adjacent to the site; the cities were unwilling to make advance commitments of the scope requested by the HFDA's.

For their part, several NSA coordinators attributed the reluctance of the HFDA's to become involved in the Demonstration to their preference for working in suburban and nonmetropolitan areas. An additional problem facing all HFDA's has been their inability to secure funds at rates which would make projects feasible. At the time of our site visits, mortgage funds from HFDA's, when they were available, were at 13 1/2 percent -- well above what a subsidized project can pay and still be financially feasible under the Section 8 rent ceilings.

However, in three states -- New York, Vermont, and Massachusetts -- the level of state HFDA involvement was substantial. The New York HFDA became involved in the program because several developers sought their help. So far, New York's HFDA has provided permanent financing for one NSA in our sample and four

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\*Washington does not have an HFDA; Florida only recently established an HFDA and Ohio's HFDA does not have the bonding authority to finance projects.

Table II-13

TYPE OF PROJECT BY CONSTRUCTION TYPE, PROJECT SIZE,  
HOUSEHOLD TYPE AND PRESENCE OF MORTGAGE INSURANCE

Project Characteristics	Type of Project	
	HFDA (n=17)	Non-HFDA (n=136)
<u>Construction Type</u>		
Rehabilitation	100.0	92.6
New Construction	0.0	7.4
<u>Number of Units</u>		
1-10	47.1	19.4
10-49	29.4	41.8
50-99	5.9	23.1
100+	17.6	15.7
<u>Household Type</u>		
Family	75.0	50.8
Mixed	12.5	17.4
Elderly	12.5	31.8
<u>Mortgage Insurance</u>		
Insured	16.6	70.4
Non-insured	83.4	29.6

Source: HUD Section 8 MIS/USR&E Update.

projects in other New York NSAs. A difficulty faced by the New York HFDA in financing the NSA projects has been that they are considerably smaller than the normal HFDA project, raising potential bonding problems.

In Massachusetts, the HFDA became involved early in the Demonstration at the urging of the Area Office. To date, the Massachusetts HFDA has provided permanent financing for one of Lowell's projects and is providing construction financing for two more. The involvement of the Massachusetts HFDA in the NSA program required that they make exceptions to their policy of not financing small, scattered site and wood frame structures. (The agency has an enviable record in financing large rehabilitation projects.)

The Vermont HFDA has been very active in Burlington's NSA and has provided both permanent and construction financing for many small projects. The Vermont HFDA overcame a prohibition against financing projects of fewer than five units by combining the rehabilitation of two small buildings into one project. The Vermont HFDA became involved in the Burlington NSA for a variety of reasons: the agency had previously done Section 8 substantial rehabilitation projects and knew how the program worked. It also felt that the King Street neighborhood was sound and was undergoing rapid private revitalization which would support the NSA units. Because of its location in a largely rural state the Vermont HFDA had developed a special technical assistance program for small developers and its program was readily applied in Burlington. While the agency had reservations regarding the specific strategies chosen by the city to support its NSA housing through use of CDBG funds, it felt that there was a definite commitment on the city's part to the neighborhood. Throughout the NSA process, the city and the HFDA cooperated closely.

In addition to their intended role of financing a large portion of the NSA projects, the HFDAs were expected to lessen the demand for technical assistance from the Area Office by working with the cities and developers whose projects they were financing. Not surprisingly, the only HFDAs that played a role in providing technical assistance were from among those that financed projects -- New York, Massachusetts and Vermont. In each of these states the HFDA was primarily involved in helping developers prepare their applications. However, the Vermont HFDA took an even more activist role. In partnership with the city sponsored nonprofit developer -- the King Street Revitalization Corporation -- the Vermont HFDA helped small, inexperienced developers prepare their initial applications, and then guided them through the entire processing procedure, both at the HFDA and at HUD. This level of involvement by the Vermont HFDA in the workings of the Burlington NSA seems to be the closest example of how the model development process for the NSA was intended to work. Given the success of the Burlington NSA, it is unfortunate that it was not implemented in more states.

Thus, based upon the experiences of New York, Massachusetts and Vermont, the HFDAs could have become more involved in the NSA Demonstration. However, the Demonstration did not provide adequate incentives to encourage participation by HFDAs that were not already so inclined.

The reluctance by state HFDAs to undertake small scale rehabilitation projects in transitional inner city neighborhoods needs to be factored into any future housing strategy which relies on these agencies for financing. HFDA participation could have been improved somewhat by targeting only larger projects or projects which received a substantial commitment of CDBG funds for site improvements for HFDA financing.

## 2.9 Relocation Requirements and Their Effects on the NSA Demonstration

The NSA program regulations required local governments to provide relocation benefits to households who are temporarily or permanently displaced due to Section 8 rehabilitation.\* The cities, it was hoped, would be more sensitive than developers to the displacement issue. Furthermore, cities would be in the best position to implement a relocation program -- both in terms of locating replacement housing for families displaced due to Section 8 rehabilitation and approaching the local public housing authority for Section 8 rental assistance. As this section will demonstrate, the specific relocation requirements of the NSA Demonstration had a significant impact on the types of buildings which were selected for the program.

### 2.9.1 Local Relocation Policies

In developing relocation policies for their NSAs, local governments had to address three principal questions. Should vacant buildings be selected for rehabilitation in order to avoid relocation altogether? If occupied buildings are selected, who should pay for relocation? Who should administer the relocation program?

Most local governments in the sample strenuously attempted to avoid the temporary or permanent relocation of tenants. NSA coordinators and developers alike, described relocation as a costly, administratively cumbersome, and politically sensitive process. In order to avoid relocation, many cities proposed to rehabilitate vacant or predominantly vacant residential and nonresidential

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\*The NSA regulations stated that any family, individual, business, or nonprofit organization who occupies a property to be rehabilitated under the Demonstration and is required to move is eligible for relocation payments and assistance similar to those under the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (Uniform Act).

buildings.\* Overall, vacant structures were proposed for rehabilitation in 21 of 30 NSA neighborhoods. At 13 of the 21 sites, cities planned to use vacant, residential structures, while at five sites, cities proposed using vacant, nonresidential properties. At three other sites, a mix of vacant residential, vacant nonresidential and occupied buildings was planned for rehabilitation.

Another strategy by which cities proposed to avoid relocation was to use Section 8 new construction rather than substantial rehabilitation in NSA neighborhoods. New construction was proposed at five of 30 sites. Perhaps more cities would have followed this course had not the NSA regulations limited new construction set-asides to 20 percent of the total number of Section 8 units proposed by local governments.

Despite the efforts of local governments to avoid relocation in the Demonstration, many cities found it necessary to use occupied buildings. In 15 of the 20 NSAs where rehabilitation was occurring by the Fall of 1981 developers found it necessary to use occupied buildings. Thus, the actual use of vacant properties was limited to five of the 20 sites which have begun their rehabilitation efforts.

The principal explanation as to why local governments ultimately selected occupied rather than vacant structures is that they could not find enough suitable vacant properties for rehabilitation. The relocation policies developed at the outset of the Demonstration usually expressed the cities' preferences for using vacant structures. At this early stage, many cities had not targeted specific properties for rehabilitation and were not aware of the actual number of vacant buildings suitable for Section 8 rehabilitation. Consequently, when developers conducted an actual search for buildings to rehabilitate, they often could not find any suitable vacant properties for the Section 8 program. In some cases, there were simply not enough vacant properties in the NSA neighborhood. In other instances, the vacant properties which were available were in such poor condition that the rehabilitation costs would make the project financially infeasible.

Those cities that used occupied buildings for the Section 8 projects, were faced with the prospect of paying for relocation with CDBG funds or requiring that the developers assume some or all of the expense. Cities approached this issue in a variety of ways. In eight of the cities, local governments agreed to pay all the costs of relocation using CDBG funds. In four cities, the cost of relocation was to be shared between the developers and the local

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\*Local vacancy rates did not appear to affect decisions to use vacant structures: Two cities that proposed using vacant buildings had vacancy rates (in 1970) of less than 4 percent.

government. For example, in Akron, the developer was required to pay all temporary relocation costs plus \$500 for each permanent relocation. The city agreed to pay \$3500 for each permanent relocation. In two cities it was reported that the developer will assume all relocation costs. In one of these cities (Lewiston), the developers will pay the relocation expenses out of project budgets and syndication proceeds. In the remaining six cities the specific relocation policies either have not yet been determined or the vacant buildings were used for the Section 8 projects.

Cities that selected occupied structures also faced the question of who would administer the relocation plan. As shown in Table II-14, the relocation plan was most commonly administered by either the NSA staff or by the city relocation office. In three cities, this responsibility was assigned to other city departments or outside agencies. For example, one city contracted with a non-profit organization to monitor displacement and to find apartments for relocated households. Another local government placed the relocation responsibility with the city real estate division.

#### 2.9.2 The Implementation of Relocation Policies

NSA coordinators reported that 1483 relocations were planned to occur at 13 sample sites, 93 percent of which were expected to be temporary (See Table II-15). By October, 1981, only 27 percent of all planned relocations had actually occurred, concentrated at 14 NSA sites. Furthermore, only 59 percent of all actual relocations were considered temporary. Needless to say, the difference between actual and planned relocations is substantial. To a large extent the number of actual relocations is low because many Section 8 proposals are still in HUD processing and consequently families have not yet been relocated.

The number of permanent relocations has already exceeded the number planned by 58 percent. It appears that in some cases, cities underestimated the degree to which family incomes exceeded Section 8 limitations. In other instances, large families living in small units were considered overcrowded by HUD standards and were not able to return to these units after rehabilitation. Finally, in some cities, single, non-elderly individuals -- by definition not eligible for the Section 8 program -- were living in the units to be rehabilitated and had to be permanently relocated.

As Table II-16 shows, the level of relocation required among the NSA sites generally represented a fairly small percentage of the total units which actually have been constructed. The 402 relocations to date represent 11.2 percent of the actual units constructed. In only 11 percent of the NSA did the number of relocated families exceed 30 percent of the total number of units constructed. In three NSAs the number of relocations has exceeded the number of units constructed. The fairly low percentage of



Table II-14

CITY OFFICES RESPONSIBLE FOR ADMINISTRATION  
OF RELOCATION PLAN IN NSA NEIGHBORHOODS

City	NSA Staff	Relocation Office	Other
Akron		X	
Atlanta	X		
Boston			X
Burlington	X		
Cleveland		X	
Detroit		X	
Indianapolis		X	
Lewiston	X		
Los Angeles	X		
Miami	X		
New Haven			X
New York City		X	
St. Louis	X		
Savannah	X		
Seattle		X	
Trenton		X	
Utica			X
TOTAL	7	7	3

Note: Information on three of the governments (Lowell, Luzerne, New Rochelle) was not reported.

Source: USR&E 1981 Field Study.

Table II-15

PLANNED AND ACTUAL RELOCATION AS A RESULT OF NSA SECTION 8 REHABILITATION

City	NSA	Planned			Actual		
		Temporary	Permanent	Total	Temporary	Permanent	Total
Akron, OH	Highland Square	65	0	65	0	23	23
Atlanta, GA	Edgewood	69	0	69	69	1	70
	West End	50	0	50	--	--	--
Boston, MA	Franklin Field	0	0	0	0	0	0
	Roxbury/Savmore	0	0	0	1	0	1
Burlington, VT	King Street	270	0	270	50	17	67
Cleveland, OH	Glenville	20	0	20	30	40	70
	Near West Side	30	0	30	20	0	20
Detroit, MI	CBD	0	0	0	0	5	5
Indianapolis, IN	Crown Hill	95	30	125	0	0	0
Lewiston, ME	CBD	0	0	0	0	25	25
Los Angeles, CA	Hollywood	--	--	--	--	--	--
Lowell, MA	CBD	0	0	0	0	0	0
	Lower Belvedere	0	0	0	0	0	0
Luzerne, PA	Freeland Borough	0	0	0	0	0	0
Miami, FL	Little Havana	--	0	--	--	0	--
New Haven, CT	Dwight-Edgewood	120	0	120	20	1	21
New Rochelle, NY	New Rochelle	--	--	--	--	--	--
New York City, NY	Far Rockaway	95	0	95	0	0	1
	Flatbush	0	0	0	10	0	10
	Manhattan Valley	--	--	--	--	--	--
	Sunset Park	0	0	0	0	0	0
	Washington Heights	0	0	0	0	0	0
St. Louis, MO	Midtown Medical	0	0	0	0	0	0
	Union Sarah	0	0	0	0	0	0
Savannah, GA	Victorian District	500	0	500	36	50	86
Seattle, WA	International District	17	0	17	--	--	--
	Stevens Area	47	0	47	0	2	2
Trenton, NJ	South Trenton	0	0	0	0	0	0
Utica, NY	Corn Hill	0	75	75	0	1	1
TOTAL		1,378	105	1,483	236	165	402

(--) = Data Not Reported.

Source: USR&amp;E 1981 Field Survey; HUD NSA Final Abstracts

Table II-16

PERCENT OF CONSTRUCTED UNITS WHERE RELOCATION WAS REQUIRED

City	NSA	Total Units which are at least under Construction	Total Relocations Required	Percent of Units under Construction where Relocation was Required
Akron	Highland Square	249	23	9.2
Atlanta	Edgewood	204	70	54.3
Atlanta	Westend	0	--	--
Boston	Franklin Field	84	0	0.0
Boston	Roxbury/Savmore	41	1	2.4
Burlington	King Street	74	67	90.5
Cleveland	Glenville	50	70	140
Cleveland	Near West Side	14	20	142.8
Detroit	CBD	277	5	1.8
Indianapolis	Crown Hill	0	0	0
Lewiston	CBD	72	25	34.7
Los Angeles	Hollywood	155	--	--
Lowell	CBD	228	0	0.0
Lowell	Lower Belvedere	170	0	0.0
Luzerne	Freeland Borough	0	0	0.0
Miami	Little Havana	480	--	--
New Haven	Dwight-Edgewood	144	21	14.6
New Rochelle	New Rochelle	210	--	--
New York	Far Rockaway	366	1	0.3
New York	Flatbush	20	10	50.0
New York	Manhattan Valley	173	--	--
New York	Sunset Park	0	0	0.0
New York	Washington Heights	109	0	0.0
St. Louis	Midtown Medical	60	0	0.0
St. Louis	Union Sarah	0	0	0.0
Savannah	Victorian District	13	86	661.5
Seattle	International District	16	--	--
Seattle	Stevens	0	2	--
Trenton	South Trenton	330	0	0.0
Utica	Corn Hill	66	1	1.5
TOTAL		360.5	402	11.2

Source: USF&amp;E 1981 Field Survey

families being relocated in relation to the number of units constructed indicates that in addition to the use of vacant buildings, many of the NSA projects involved only partially occupied structures.

### 2.9.3 The Cost of Relocation

The total cost of relocation under the NSA Section 8 Demonstration has been difficult to estimate given the variety of individuals and agencies paying for this activity and the incompleteness of records at the local level. In general, the sample cities reported that temporary moving costs ranged from \$400 to \$600 per household, while permanent relocation benefits ranged from \$6000 to \$8000. In Table II-17 residential relocation expenses paid for with CDBG funds at a subsample of 14 NSA sites are presented. Of these sites, \$4.1 million were targeted to residential relocation activities at seven NSAs. Thirty percent of these funds (\$1.2 million) had been expended by October 1981. This figure represents approximately \$6000 for each relocation which has occurred at the seven sample sites.

### 2.9.4 Problems in Administering the Relocation Plans

Most of the cities that eventually relocated households have complained about its cost, and the time involved among other issues. Cities which had the most difficulty in administering relocation generally were those that had had little prior experience and/or had difficulty finding housing for relocatees due to a low vacancy rate in their cities. Despite these problems, a majority of NSA coordinators felt that displacement had been minimized as a result of local government involvement in relocation activities.

Some of the developers who were interviewed complained about local government inefficiency in administering relocation activities. In two instances, developers reported that the city had to be reminded of their responsibility to send rehabilitation and relocation notices to the tenants. Developers were particularly concerned that failure to issue timely notices would delay the rehabilitation work. Developers were also concerned that some tenants would stop paying rent upon receipt of the notice. If the rehabilitation work was delayed, tenants could go on for months without paying rent.

### 2.10 Conclusions Regarding the Creation of Housing Under the NSA Demonstration

In developing their estimates of housing need for the target areas, many of the NSA cities made very general estimates of dwelling conditions while others conducted more elaborate surveys. Once some measure of housing rehabilitation need was identified, only a small number of the sites established housing goals equal to the total rehabilitation need in the neighborhood. On average, the

Table II-17

PLANNED AND ACTUAL CDBG RELOCATION EXPENDITURES  
IN 14 NSA NEIGHBORHOODS

City	NSA	CDBG Funds		Percent Spent
		Planned	Actual	
Akron	Highland Square	\$ 521,117	\$ 154,780	29.7%
Burlington	King Street	345,015	114,003	33.0
Lewiston	CBD	0	0	--
Los Angeles	Hollywood	1,021,535	0	0.0
Luzerne	Freeland Borough	0	0	--
Miami	Little Havana	1,057,978	324,654	30.7
New Rochelle	CBD	339,429	0	0.0
New York City	Washington Heights	0	0	--
St. Louis	Midtown Medical	0	0	--
St. Louis	Union Sarah	0	0	--
Savannah	Victorian District	589,000	532,071	90.3
Seattle	International District	129,698	89,384	68.9
Trenton	South Trenton	0	0	--
Utica	Corn Hill	0	0	--
TOTAL		\$4,003,772	\$1,214,892	30.3

Source: USR&E 1981 Field Survey

NSA cities established goals equal to 46.9 percent of the rehabilitation housing needs of the neighborhoods. Thus, from the beginning of the program, cities were unable to bring together the range of resources necessary to meet all of the rehabilitation housing needs of the target neighborhoods.

The disparity between total needs and committed housing resources can be attributed in part to inability and/or unwillingness of cities to devise housing strategies which do not rely on federal resources. The most Section 8 units available to any one NSA in our sample was 800 and the average was slightly over 300, which represented only a small fraction of the rehabilitation needs in the typical neighborhood. The cities lacked control over the allocation of other federal housing resources, such as the Section 312 and Section 8 moderate rehabilitation program. The largest housing strategy they had control over, the CDBG program, was generally in great demand in other neighborhoods in the city as well, thereby limiting the funds which were available for the NSA neighborhood. For their part, however, the cities were expected to include innovative housing strategies to bridge the remaining need gap. As this chapter has shown, few cities developed housing strategies independent of federal resources.

The wide disparity between needs and goals can also be attributed to the overly large size of many NSA neighborhoods relative to the amount of resources that were available. As was shown in Chapter 1, several of the neighborhoods contained 100 or more block segments which represented far too large an area given the limited resources of the Demonstration.

Among the sample NSAs there were 167 Section 8 projects proposed and these projects differed significantly from Section 8 projects generally. The average NSA Section 8 projects contained 31 units, which was less than half the size of the average non-NSA project. The 167 NSA Section 8 projects have had varying success in getting through processing. Among the sample sites, 38.4 percent of the projects have reached at least the start of construction. Projects which have progressed the farthest were developed early in the NSA Demonstration, are large, have used either 11(b) tax exempt financing or HFDA financing, and are more likely to have been elderly projects.

Rehabilitation projects were undertaken in every site and represented 95 percent of all the projects proposed under the NSA Demonstration. However, only 36.7 percent of the cities targeted their Section 8 units to small, multifamily rental buildings. In terms of household size, 56.4 percent of all projects were designed for family occupancy and 27.6 were exclusively for the elderly. The remainder of the projects were for mixed tenancy.

In terms of financing, most projects tried to obtain GNMA Tandem financing because of its attractive interest rates, especially following the rapid escalation in interest rates in 1980. As the rapid rise in interest rates hit the NSA program, many projects were stalled in the processing pipeline, either waiting for Tandem financing or for interest rates to decline to a more reasonable level.

The neighborhoods where there was both a concentration of CDBG expenditures and large percentage of completed projects showed the most significant improvement during the Demonstration.

The non-Section 8 housing activities planned by the Demonstration cities involved primarily CDBG-funded rehabilitation (40 percent of funds) or Section 312 loans (31 percent of funds). In terms of actual expenditures, the sample cities have spent 65 percent of their planned expenditures on non-Section 8 housing. Thus, they are meeting a large portion of the non-Section 8 housing objectives as stated in their initial revitalization plans.

The hope for substantial involvement by state HFDA's in the Demonstration never materialized. In part, this can be attributed to the absence of an HFDA in three states, which eliminated any chance for their participation in four cities. Of the sixteen cities where HFDA involvement could have occurred, they were involved with five. In terms of projects, only 17 of the 167 projects in the sample cities were financed by HFDA's -- 10 percent of the total. Clearly, the inducements offered by the Demonstration were insufficient to overcome the concern of the HFDA's regarding the long term viability of small-scale rehabilitation projects in transitional neighborhoods in urban areas. The exception to this pattern is the strong involvement by the Vermont Housing Finance Agency in Burlington's NSA. The commitment of the agency to small-scale rehabilitation projects in that city offers a model for HFDA involvement.

Our analysis indicates that the relocation requirements resulted in cities targeting their units to vacant buildings in order to avoid relocation requirements. Many cities, however, have not been able to carry out their initial intent -- largely because of a shortage of suitable vacant properties in NSA neighborhoods.

While almost 1500 temporary and permanent relocations were anticipated to occur in the 20 sample cities, only one-third had occurred as of October 1981. Delay in rehabilitating the Section 8 projects is the primary reason for the decrease in predicted relocations. However, the number of permanent relocations has already exceeded the planned number by nearly 60 percent.

Relocation programs have proved to be expensive and time-consuming. In a subsample of NSA sites, the average cost of relocation has been \$6000. In some cities, developers have been persuaded to assume some or all of the relocation costs: six of 15 cities reported that the developer would pay for relocation expenses.

## Chapter 3

### Developer Participation in the NSA Demonstration

As noted earlier, one of the objectives of the NSA Demonstration was to encourage the rehabilitation of smaller, multifamily buildings, which are generally bypassed in the operation of the conventional Section 8 program. With this intended shift in the scale of the NSA/Section 8 projects it was also expected that a new type of developer would be attracted to the program -- a developer who would be interested in these small-scale projects. To see if this has happened, this chapter examines the characteristics of the NSA developers.

The importance of the characteristics of the developers for the NSA program goes beyond the question of whether small developers chose to participate or not. The characteristics of the developers that participate in the program will determine: whether technical assistance is required, and if so, of what type; the nature of the relationship of the developer to the city; and what is a reasonable standard for assessing developer performance.

This chapter also discusses the opinions and insights of the developers regarding the performance of the Demonstration. By participating in the program, developers come into contact with all of the main actors in the Demonstration -- the city administration, the Area Office, lenders, community groups and the neighborhood residents. Thus, the experiences of the developers can tell much about whether developing Section 8 units under the NSA Demonstration differs significantly, as it was intended, from the conventional Section 8 process.

#### 3.1 Characteristics of the NSA Developer

To gather information on the characteristics of NSA developers and their role in the Demonstration, a subgroup of all the developers in the sample sites was interviewed during the site visit. In addition, mail surveys were sent to all the NSA developers not interviewed during the site visits.



In the analysis which follows, data from the NSA developer survey are compared with data obtained from a recent HUD sponsored USR&E survey of multifamily developers of subsidized housing.\* The results of this survey are highly compatible with the NSA survey since identical questions were asked to both groups of developers.

To determine whether smaller, less experienced developers were attracted to the NSA Demonstration we examine three characteristics of the developers: the number of employees; age of the firm; and number of multifamily units built during the past five years.

#### 3.1.1 Size of the Development Firm

NSA developers tend to have significantly fewer employees than other Section 8 developers (see Table III-1). While 27.9 percent of the Section 8 development firms surveyed had five or fewer employees, among NSA developers the comparable figure was 46.8 percent. Only 10.6 percent of NSA developers have over 100 employees, versus 18.0 percent for Section 8 developers generally.

#### 3.1.2 Age of the Development Firm

NSA developers have fewer years of experience in housing development than Section 8 developers generally. Among the NSA developers 32.6 percent have been in business less than five years (see Table III-1); the comparable figure for Section 8 developers is 8.2 percent. Only 34.7 percent of the NSA developers are veteran builders with more than ten years of experience. Among the Section 8 developers, 50.5 percent have ten or more years experience.

#### 3.1.3 Degree of Prior Development Experience

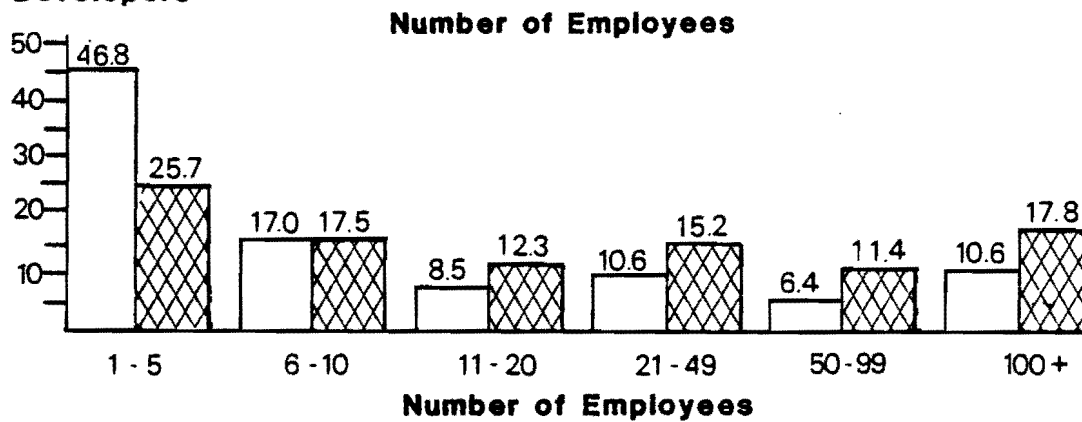
On average, NSA developers have built fewer units than other Section 8 developers during the past five years. Among the NSA developers, 39.0 percent have built one hundred or fewer units during the past five years and 33.4 percent fewer than fifty units (see Table III-1). Considering that most developers included their

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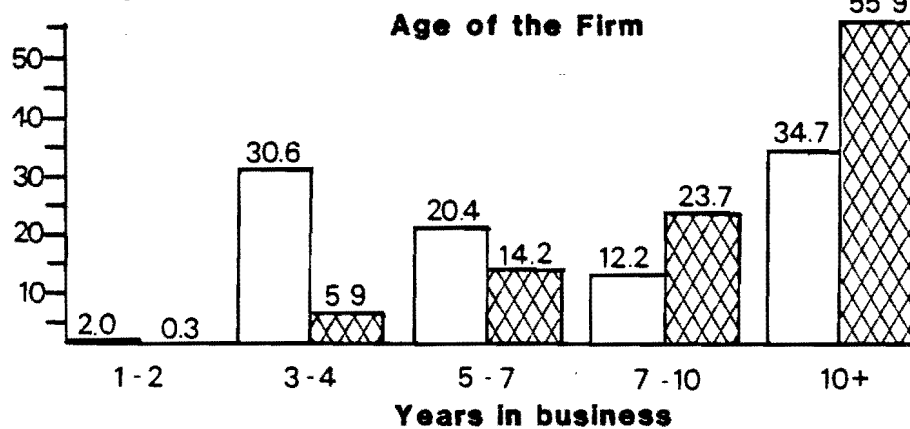
\*The developers selected for the multifamily housing survey represent a cross section of development firms who have built the various major forms of subsidized housing and include developers active in the following programs: Section 8 new construction, Section 8 substantial rehabilitation, developers of low income public housing, Section 236, and unsubsidized Section 221(d)(4) projects. Responses from Section 8 developers, both new construction and substantial rehabilitation, will be compared with the results from the NSA developer survey. For a more general description of the subsidized housing developers, see: Ann Schnare, Carla Pedone, Benaree Wiley, et. al., Development Costs in Multifamily Housing Programs: Statistical Analysis (Urban Systems Research & Engineering, Inc., Washington, D.C., 1982).

**TABLE III-1**  
**DEVELOPER CHARACTERISTICS**

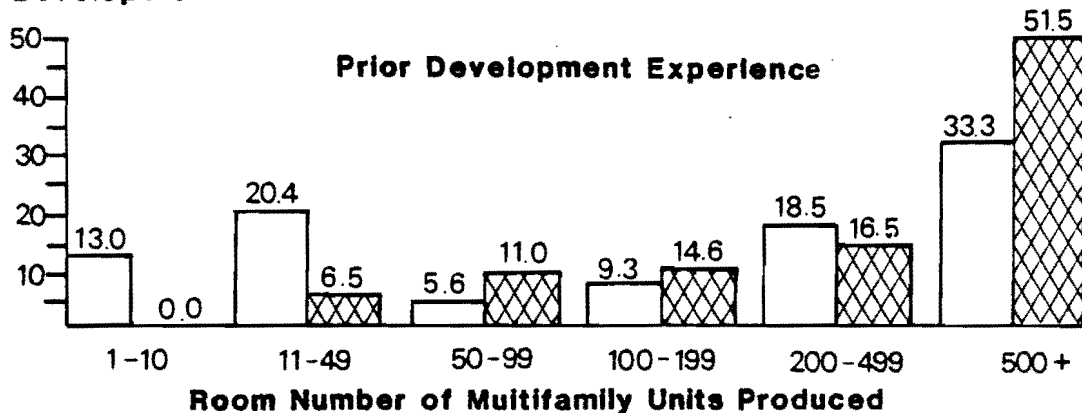
**% of Developers**



**% of Developers**



**% of Developers**



NSA DEVELOPERS



MULTIFAMILY DEVELOPERS

**SOURCE: USR&E Development Cost Study, Developer Survey: NSA Developer Survey, 1981.**

NSA projects into their totals, this would indicate that a very substantial portion of the NSA developers have little multifamily development experience beyond the Demonstration. Conversely, 33.3 percent of the NSA developers surveyed have constructed over 500 units of various forms of multifamily housing and, in fact, six developers have built in excess of 2,000 units in the past five years.

By way of contrast, the Section 8 developers generally have considerably more housing experience -- only 15.6 percent of multifamily developers have built fewer than 100 units, while 60.0 percent have built more than five hundred units. In terms of specific types of housing experience, the NSA developers have primarily been involved in Section 8 housing efforts with only a third of the NSA developers having built either subsidized Section 236 or 202, or unsubsidized FHA insured projects. Among Section 8 developers, the bulk of their previous experience is also in the Section 8 program; they, too, generally have less experience with the other forms of multifamily housing. This indicates that there is little cross fertilization between programs, with Section 8 developers generally specializing in that market and not venturing into the other forms of subsidized housing or unsubsidized multifamily development. Given the collapse in unsubsidized multifamily housing following the recession of 1974, it is not surprising so few of the NSA or multifamily developers have experience with unsubsidized housing.

#### 3.1.4 Sponsorship of the NSA Projects

Under the NSA Demonstration, it is possible to develop projects under a variety of sponsorships. Within the program, projects are proposed as either for-profit, limited dividend, or non-profit. In addition, Public Housing Authorities (PHAs) can propose projects as can special development entities such as a Public Development Authority (PDA), created to undertake development in a target area. Each of these development types implies certain features about the particular project and how it is carried out since the motivations of a public agency in building housing are different from those of a for-profit developer.

Almost two-thirds of NSA projects are developed by profit-motivated developers, with limited dividend partnerships accounting for almost another third of the projects. Among Section 8 developers, these trends are generally maintained, although not at the high levels experienced by the NSA. Thus, 56.9 percent of Section 8 developers are for-profit developers while the comparable figure for the NSA developers is 64.2 percent.

One of the primary attractions of the Section 8 Program, and thus NSA, is the ability to syndicate the Section 8 units. Among

the sample sites, 70.3 percent of the NSA projects have been or will be syndicated, which exceeds the rate for Section 8 projects and all other forms of multifamily housing generally. This is somewhat surprising, given NSA's orientation toward smaller buildings, since syndication is not generally viable for projects of less than 40 units.

### 3.2 The Role Played by Developers in the Demonstration

While NSA encouraged participation by small-scale developers, it also attracted many experienced, if modest-sized, developers who know the NSA neighborhood in great detail and see its investment potential. In addition, many very large regional and even national developers are participating in the program because of the attractiveness of a particular parcel and/or the Section 8 subsidies. Thus, before we begin the discussion of the role of the developer, a basic distinction needs to be made among the types of NSA developers. Our research indicates that there are basically four types of developers working on the NSA Demonstration:

small-scale - These developers have built fewer than 200 units of multifamily housing, frequently live in the NSA and became owners/developers. They are less experienced in the development process. While these developers are primarily profit motivated, they also often have strong ties to the neighborhood.

medium-scale - These developers have built 200 to 500 units of multifamily housing, and are development professionals. While their firms are not necessarily large, they are established in the business of real estate development in the NSA city. They infrequently own property in the NSA; rather, they option and purchase the properties they want.

large-scale - These firms have built over 500 units of multifamily housing, with the majority having built over 1,000. They often work in a broad regional setting and have highly specialized operations with appropriate professional staff. As with the medium-scale developers, their interest in the NSA stems from properties or investment opportunities which are particularly attractive to the firm rather than any strong commitment to the neighborhood.

special development entity - These are special public/private organizations established to carry out development activities in the NSA neighborhoods, usually established on a non-profit or limited profit basis. Generally, these organizations have a broad mandate to make needed neighborhood improvements and have become involved in housing development as one aspect of their work. Typically, these entities lack significant housing

experience and often go into partnership with more experienced for-profit developers for particular projects.

This developer typology, although oversimplified, is useful for presenting the responses of developers to the Demonstration. During the site visits, ten small-scale, ten medium-scale and eighteen large-scale developers and staff from four special development entities were interviewed. Information from these interviews are presented in this section of the report.

### 3.2.1 For-Profit Developers

Evidence from the site visits indicates that the NSA developers play a variety of roles in the Demonstration based upon the characteristics of their firms. Among the large-scale developers, it was not uncommon for them to have developed a working relationship with the cities prior to the NSA, with the city approaching them directly to participate in the program. In addition, the large-scale developers in several instances were called upon by the sponsoring cities to provide technical assistance to less experienced developers. The large-scale developers rarely owned projects in the neighborhood and typically had to option the desired properties. In several instances the city had certain properties targeted for redevelopment and following NSA designation asked large developers for proposals on these target buildings.

Large-scale developers have established relationships with large institutional lenders, mortgage brokers, legal experts, and architects. They therefore have a network of experienced development professionals to rely upon in getting their projects completed and do not look to the city for guidance or advice about development.

The medium-scale developers often had earmarked the NSA as an area in which they would like to work and saw the Demonstration as a vehicle for improving properties they had been considering for investment purposes. Like the large-scale developers, they generally did not control the properties but had to option them once the program was established. These developers often had strong ties with the city administration and in several cities, were approached to elicit their participation in the program. They were viewed as established development professionals by the sponsoring cities who were often aware of these firms from their work on previous Section 8 projects. These firms were generally well known in their cities and HUD Area Office and have contacts with local financial and legal specialists as well as experienced contractors and subcontractors to get their projects built.

The small-scale developers were generally unknown to the city administration prior to the NSA and became involved through their

own initiative, or the prodding of a neighborhood group or non-profit development organization. For many of the small-scale developers this was their first project. They relied heavily on the city or its designated neighborhood group for guidance. Typically, the small-scale developer owned a building in the NSA and wanted to get the property rehabilitated. For example, a husband and wife who were realtors in Burlington wanted to rehabilitate their multifamily home and the adjacent property and decided to participate in the Demonstration. The small-scale developers had no network of professional assistance to rely upon and therefore turned to the city for a great deal of guidance.

### 3.2.2 Special Development Entities

The special development entities share characteristics with many of the small-scale developers in that they have strong ties to the NSA neighborhood and limited prior development experience. While they may take the form of a nonprofit community group as in Burlington, a private redevelopment corporation as in St. Louis, or a development authority with special powers as in Seattle, each is a special public/private development partnership in the NSA.

#### City-Sponsored Non-profit: King Street Revitalization Corporation (KSRC), Burlington, Vermont

The King Street Revitalization Corporation is a private, non-profit organization operating as a developer and technical assistance provider in the King Street NSA. The organization has neighborhood residents on its board and is perceived as a neighborhood-based group. The city of Burlington provides funding both for its operating and development capital budgets.

KSRC has developed 11 Section 8 units in one building, with financing provided by the Vermont HFDA. As a provider of technical assistance KSRC offers outreach services to property owners by helping them with permits and applications, and by conducting preliminary analyses of financial feasibility. KSRC is involved with the small property owners from their first sign of interest through the beginning of construction.

#### Private Redevelopment Corporation: Midtown Medical Center Redevelopment Corporation (MMCRC), St. Louis

Midtown-Medical Center Redevelopment Corporation is unique in several respects. First, it is a private, limited dividend corporation set up to pursue residential and commercial redevelopment in the Midtown area; under NSA, MMCRC was designated sole developer. Second, MMCRC, as a Missouri 353 Corporation, has the ability to give tax abatements and has the power of eminent domain.

Missouri 353 corporations act as private development entities within their designated areas. Each proposes a redevelopment plan which must then be approved by the city Board of Aldermen. The power of eminent domain is a pass-through of city powers, effected by city ordinance. Missouri Law 353, enacted in 1949 to promote downtown development, has been used since 1970 to promote residential development. MMRC is one of three 353 corporations in the St. Louis area.

While the power to take property is a valuable tool for MMCRC, the authority is limited and must be pursued in cooperation with the city. MMCRC is required to first negotiate with the property owner and to prepare a rehabilitation plan specifying needed repairs. If the owner does not complete the needed repairs within two years, condemnation can commence. The power of eminent domain, although rarely used, serves primarily as a "stick" to get property owners to cooperate. Thus far, MMCRC has used its powers to acquire property for a park and to acquire commercial property for redevelopment.

MMCRC's 353 powers do not account for the organization's success in the NSA Demonstration. Rather, the organization's strong financial backing (and resulting capable staff) is the key. MMCRC was originally organized by local hospitals, banks, and the university, to assist in hospital expansion. So far the organization has raised some two million dollars in private equity capital for its midtown ventures. The NSA/Section 8 project was financed through a Missouri Housing Development Commission bond. The Commission's willingness to support the project was undoubtedly influenced by MMCRC's record (through 1981) of \$3.6 million in building activity and over \$23 million in total reinvestment assisted by the organization. MMCRC has developed two Section 8 Substantial Rehabilitation projects as part of the NSA effort, totaling 110 units.

The International District Public Development Authority  
(PDA): Seattle, Washington

The International District Public Development Authority was set up in 1976 to assist in preserving and developing the district. As a public body, PDA is controlled by a 12 member board, four of whom are appointed by the mayor, four elected by the membership (open to residents), and four designated by the outgoing board members. The organization is tax exempt, but it cannot join in any partnerships or ventures. It is also ineligible for GNMA Tandem financing.

The PDA was established primarily as a device for raising development capital, since the state of Washington is limited in its ability to "lend its credit". The authority has bonding power, and borrows at tax free rates from a consortium of banks, through a line of credit. The authority's projects are designed to be self-sufficient, thus covering the authority's operating costs. The PDA

has developed 16 NSA Section 8 Substantial Rehabilitation units as part of the conversion of a former single room occupancy hotel into a combined residence, office building, and community center.

These three development entities provide contrasting and potentially interesting methods of developing housing in the NSAs. The creation of a community-based development organization with significant knowledge of the development process provides a way to give inexperienced developers professional development assistance without their having to incur the substantial up-front costs of paying for these services.

### 3.3 The Effect of Developer Type on the Characteristics of NSA Projects

Given differences in size, amount of prior experience, and motivations for development among the four types of developers, characteristics of their Section 8 projects were expected to vary significantly. As Table III-2 shows, this hypothesis was borne out. Small-scale developers and special development entities have proposed the smallest projects, on average 40.2 units, with the medium-scale developers proposing projects that averaged 96.1 units and large-scale developers, 133.4 units.\*

In terms of the number of scattered site projects undertaken by the various developers, the variation by developer type was not significant. Overall, 35.3 percent of all projects were scattered site, and only the large-scale developers fell below this level (25.0 percent). Medium-scale and large-scale developers proposed just over a third of their projects for elderly tenants. Small scale developers, however, were substantially less likely to build projects for the elderly. In general, the smaller the project undertaken in the NSA Demonstration the less likely it is to be for elderly tenancy.

The ability to get the units under construction varies substantially by developer type. Large-scale developers have gotten 62.5 percent of their projects at least to the start of construction; while small-scale and medium-scale developers have gotten only 36.4 and 26.3 percent, respectively, of their projects to this stage.

In summary, small-scale developers/special development entities have proposed smaller projects, almost forty percent of which are scattered among several buildings and only a very small percentage

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\*The average project size of 77.7 units is far larger than for the sample of 167 projects cited in Chapter 2. This discrepancy stems from the poor response rate from small inexperienced developers to the mail developers survey.



Table III-2

CHARACTERISTICS OF NSA PROJECTS  
BY DIFFERENT TYPES OF DEVELOPERS\*

Type of Developer	Number of Projects	Average Size of Projects in Units	Percent of Projects Scattered Site	Percent of Projects for Elderly	Percent of Projects at Least at Start of Construction
Small-Scale/ Special Development Entities	33	40.2	39.4	9.1	36.4
Medium-Scale	19	96.1	36.8	36.8	26.3
Large-Scale	16	133.4	25.0	37.5	62.5
Total	68	77.7	35.3	23.5	39.7

Note: \*The data presented in this Table is a subset of all projects taken from the responses received from in-person and mail surveys of NSA developers.

Source: NSA Developer Survey, 1981.

of which are designed exclusively for elderly tenancy. Small-scale developers/special development entities have only been able to get slightly more than one-third of their projects under construction. The projects built by medium-scale developers are twice as large as those built by small-scale developers, with about one-third of the projects scattered site and one third designed for the elderly. Surprisingly, one-fourth of the medium-scale developer's projects have reached the start of construction, which is below the level for the small-scale developers. Large scale developers have proposed the largest projects, averaging over three times the size of the projects proposed by the small-scale developers. Only one-fourth of their projects are scattered site and slightly over one-third are for the elderly. As befits their substantial prior experience, the large-scale developers have gotten better than six of every ten proposed projects to the start of construction.

### 3.4 Problems Experienced by Developers in Implementing Their Projects

The nature and level of difficulties encountered in getting projects completed varied significantly by developer type. The general issues of processing delays, the difficulties of accurately estimating rehabilitation costs, finding competent contractors to do rehabilitation work, securing reasonable financing and developing a project within FMR limits, have varying impacts on the different types of developers. Clearly the most severe problems have plagued the vulnerable, small-scale developers.

The large-scale developers tended to have far fewer problems than medium-scale or small-scale developers. While securing financing was often difficult, large-scale developers succeeded by using their extensive development networks. The types of problems noted by large developers were generic to their site -- historic preservation clearances in one project; problems with a mixed use building containing too much commercial space to be permitted by HUD regulations in another. One large-scale developer, frustrated in his efforts to make a small, scattered site project work, stated that in the future his firm would avoid such projects. Several other large developers cited problems with the rehabilitation process, whether it was the difficulty in getting the Area Office to understand that greater tolerances are required for rehabilitation work or in locating competent contractors who know how to do, and cost, rehabilitation projects.

Among medium- as well as small-scale developers, securing adequate interim financing was a significant problem. Medium-scale developers cited cost problems caused by long processing delays and HUD mandated redesign work. While medium-scale developers often have a sound track record of producing assisted housing, they are traditionally undercapitalized. Thus, any delays place financial

pressure on their operation. Also, since few of the medium-scale developers were previous owners in the neighborhood, the cost of acquisition became a problem. Many of the medium-scale developers felt that HUD was not really behind the substantial rehabilitation concept and made the processing for their units as difficult as possible. Securing long term financing was also difficult for medium-scale developers since they lack the leverage of large-scale developers.

These problems are even more acute for small-scale developers. With generally fewer financial resources, knowledgeable staff, and professional development resources, the small-scale developers had difficulty in securing the necessary "up-front" money to make their projects work. In addition, due to their inexperience, they were unable to adequately anticipate costs, and found the development process to be one crisis after another. The biggest burden to the small-scale developer was the strain of long processing periods on their limited financial resources, especially when up-front expenditures had to be made with no guarantee that the project would move forward. When difficulties emerged they did not have a reserve of contacts and established sources of additional funds.

There was also a sense among several small-scale developers that the Area Office was not as interested in their small projects since it meant so little to the Offices' production totals, especially given the acknowledged headaches of processing a scattered site rehabilitation project.

An additional problem commonly cited by the small-scale developers was that the Fair Market Rents (FMRs) for their projects were too low to support development costs. The developers cited two reasons for the low FMRs: rehabilitation costs in scattered site are too high to be feasible under current FMR ceilings, and that it was difficult to find truly comparable projects for setting the FMRs on smaller scattered site projects.

Special development entities like small-scale developers encountered many problems due to inexperience -- they underestimated financial needs, experienced indifference at the Area Office to smaller projects, and lacked understanding of the lengthy processing times which would be required. However, unlike the small-scale developers, they had greater reserves of knowledge and capital to draw on. Through the support of the city funds or from other partners in the development effort, the special development entities were able to obtain the staff or consultant skills they needed to survive the long delays in processing. This gave the special development entities the ability to wait out the long NSA development cycle.

### 3.5 Developers' Opinions of the NSA Demonstration

Developers were asked to comment on the strengths and weaknesses of the NSA Demonstration, and to highlight any differences between developing Section 8 projects under the conventional Section 8 process.

#### 3.5.1 Strengths of the Demonstration

When asked to describe the strength of the program an interesting divergence of opinion occurred between the large-scale developers on one hand and the small-scale developers on the other. The large-scale developers all cited the substantial financial rewards of building Section 8 housing as the Demonstration's greatest strength. They stated that given the right conditions, Section 8 housing was very profitable and the NSA Demonstration was another way to do a Section 8 project. Only two large-scale developers spoke of the benefits of the Demonstration to the neighborhood and the value of the targeting concept.

By way of contrast, the small-scale developers, while not failing to mention the profit potentials, more commonly cited the benefits to the surrounding neighborhood environment: "It encourages others to fix their homes," "it reinforces the overall renewal of the area", and "it helps preserve sound, historic structures that should be saved". Their less frequent mention of profitability can in part be attributed to their inability to syndicate very small projects.

The comments of the medium-scale builders fell between these two extremes with about half noting that the program was at least a first step at addressing the overall development needs of the neighborhood and that the linking of CDBG-funded improvements was very beneficial. The other half emphasized the profitability of Section 8 housing development as the major benefit of the program.

#### 3.5.2 Weaknesses of the Demonstration

As with the strengths, opinions regarding the weaknesses of the Demonstration varied by developer type. Large-scale developers, who have the most prior experience with HUD processing, rarely cited processing delays as a problem. This can be attributed to two factors: (1) they have processed many projects before and know how long it takes; and (2) they know who to see at the Area Office to make certain that their projects are processed smoothly.

In cities with very tight housing markets, developers noted the high cost of acquisition and problems in finding suitable apartments for relocated tenants. In general, the large-scale developers cited relatively few weaknesses in the Demonstration and expressed their hope that it would continue and expand.

Medium-scale developers most commonly mentioned processing and financing problems. The general opinion was that when cities received their NSA units they should have also been given assured Tandem funds to finance their projects. The developers stated that while the current difficulties in obtaining financing could not have been foreseen at the onset of the Demonstration, HUD should have made a greater effort to secure financing once this problem emerged. Among the medium-scale developers there was some sense that scattered site projects, especially if they were small, were too difficult for the financial rewards available, and that the Area Offices were not prepared to handle these types of projects in particular and rehabilitation generally. One developer commented about the Demonstration: "It's fine, there's just not enough of it."

Two successful medium-scale developers cited a perceived lack of strong direction from HUD Central to make the Demonstration a high priority at the Area Office. They stated that with stronger national direction many of the financing and processing problems could have been resolved. Many of the medium-scale developers also mentioned that cities failed to spend enough CDBG funds in the NSA related to the level of need in the area. They viewed the improvement of the physical infrastructure as a key, and largely unmet, goal of the Demonstration.

Among the small-scale developers, the problems of financing and processing time were cited as the most significant weakness of the program. Several small-scale developers stated that the up front costs were beyond what many small owners could afford, especially given the lengthy wait for their eventual payback. There was also a feeling that HUD processing was too cumbersome for very small (less than 10 unit) projects and a more streamlined process should be established. The small-scale developers also echoed the sentiment expressed by the medium-scale developers that some linkage between the Section 8 units and a financing source should have been assured.

### 3.5.3 Comparisons Between NSA/Section 8 and Conventional Section 8

The developers were asked to describe any differences between the NSA/Section 8 and conventional Section 8 projects. Six of the eleven developers who ventured an opinion stated that they perceived no real difference in terms of the length of processing or the eventual outcome of the process. One developer stated that the NSA was noticeably faster than conventional Section 8 and four developers stated either that processing was substantially slower or costs were significantly higher.

### 3.6 Summary

The purpose of this chapter has been to describe the characteristics of the developers who have participated in the NSA Demonstration. In addition, the experience of the developers in implementing

their projects has been discussed to provide insights about how the Demonstration is working.

In terms of their basic characteristics, NSA developers generally have fewer employees, have been in business for a shorter period of time and have produced less multifamily housing than is typical for other Section 8 developers. Almost half the NSA developers have five or fewer employees while the comparable figure for other Section 8 developers is 27.9 percent. A third of the NSA developers have been in business for fewer than five years -- among Section 8 developers generally the figure is 8.2 percent. A third of the NSA developers have built no more than 50 units during the past five years, while only 7.5 percent of all multifamily developers have so little prior development experience. Thus, the NSA Demonstration has been successful in attracting a large number of small, largely small-scale, development firms to participate. It should also be noted, however, that in addition to the numerous small developers there are many medium-scale developers and very large-scale firms participating in the Demonstration as well.

Developers who participate in the Demonstration can be classified into one of four types: (1) small-scale; (2) medium-scale; (3) large-scale; and (4) special development entities. Small-scale developers generally have built less than 200 units, are often owner/developers and are committed to revitalizing the NSA neighborhood. They have proposed small projects, designed primarily for family tenancy and have gotten a third of these projects to at least the start of construction. Medium-scale developers have built between 200-500 units of multifamily housing and are usually medium-scale local development professionals, lacking any strong ties to the neighborhood. They have proposed projects which are twice as large as those built by small-scale developers and have targeted a third of their projects to the elderly. Only one-fourth of their projects have reached the start of construction.

Large-scale developers have built over 500 units of multifamily housing, with many having built over 1000 units. They generally work within a broad region or nationally and are not confined to a particular city for their development opportunities. Of the four developer types, they are the least concerned about the revitalization of the neighborhood, except as it affects the long term profitability of their projects. Large-scale developers have proposed projects which are, on average, three times as large as those proposed by small-scale developers. Over sixty percent of their projects have reached the start of construction. Special development entities are generally similar to the small-scale developers in their level of prior experience and interest in the neighborhood. However, they have greater staff capacities and financial resources than small-scale developers. Most of their projects are done in partnership with private developers.

These four developer types bring different skills and concerns to the Section 8 development process and not surprisingly, they have different reactions to the process. Large-scale developers were often invited to participate in the program since they were known by the city from their previous work.

The medium-scale developers, to some extent, and the small-scale developers, to a greater extent, cited financing and processing delays as the major problems they faced during implementation. They viewed the insufficient linkage between receipt of Section 8 units and financing as the most serious drawback to the Demonstration. Medium-scale developers also cited the need for increased community development improvements in the neighborhood -- noting that the level of work done to date was inadequate. Small-scale developers, and to some degree the medium-scale developers, were much more likely to see the primary benefits of the NSA program as being its comprehensive approach to neighborhood revitalization; large-scale developers tend to view the program simply as another allocation of Section 8 funds and therefore primarily as an investment opportunity.

The majority of developers found no significant difference between the NSA Section 8 and conventional Section 8 process. A minority felt that the involvement of the city in the process merely added another layer of bureaucracy without generating much benefit.

The type of developer participating in the Demonstration had a significant impact on the operation and outcome of the Demonstration. Small-scale firms were more likely than medium- or large-scale developers to turn to the city for assistance in getting their projects built. Thus, cities which encouraged small-scale developers to participate found themselves much more intimately involved in the Section 8 process than cities who worked primarily with large-scale, or medium-scale developers.

In addition, small-scale developers faced more severe financing problems since they were unable to carry the high predevelopment costs throughout the lengthy time for HUD processing. In those cities which have targeted their projects to small-scale developers, it was necessary for the cities to become more involved in providing financing for development soft costs to keep projects alive. Thus, a decision by a city to target smaller projects by small-scale developers resulted in a significantly greater commitment of staff and capital resources than if the city had decided to target either medium-scale or large-scale developers.

## Chapter 4

### Increasing Local Capacity to Manage Neighborhood Revitalization Activities Through the NSA Program

A crucial function of the NSA Section 8 Demonstration was to improve local capacity to manage neighborhood revitalization activities. Cities, by managing Section 8 production in NSA neighborhoods, could expand their control of the housing development process--a process that had long been directed by developers and HUD. Moreover, by controlling the Section 8 process, as well as managing the NSA program, city staffs would increase their skill in coordinating neighborhood revitalization activities. Finally, by introducing HUD Area Offices, state Housing Finance and Development Agencies and Public Housing Authorities to NSA revitalization efforts, cities would be able to tap the resources of these agencies in future years.

This chapter examines the extent to which local governments have been able to build capacity through the NSA program. Section 4.1 begins the chapter with an analysis of local efforts to control the Section 8 process in NSA neighborhoods. In Section 4.2, overall efforts to build capacity are discussed. The findings of Section 4.1 present one measure of whether local capacity increased. Additional measures are presented here in order to portray fairly attempts to build capacity in the sample cities. Section 4.3 concludes the chapter with a summary of the success of the sample cities in increasing capacity through the NSA program. Factors which may have prevented local governments from meeting this Demonstration goal are also discussed.

#### 4.1 Local Efforts to Control the Section 8 Process

To achieve control over Section 8 housing development, HUD wanted local governments to implement an "NSA development model" whereby cities could assume responsibilities in six areas. First, cities could determine where Section 8 developments would occur by designating the NSA neighborhood. Second, they could target specific buildings or sites for rehabilitation. Third, cities were given the opportunity to evaluate proposals and select those that best met local needs. Fourth, both before and after the selection of proposals, cities could negotiate with developers to insure that the



project met local standards, and that the city would get the most for its investment in the program. Fifth, by providing technical assistance to developers and small property owners cities had another opportunity to guide the Section 8 process and insure that community interests were addressed. And sixth, during the development process cities could monitor and coordinate the activities of HUD, developers, and state HFDAs. Table IV-1 indicates the extent to which sample local governments managed the Section 8 process in each of the six areas. Discussed below is the experience of sample cities in implementing the NSA development model through these areas of responsibility.

#### 4.1.1 Selection of NSA Neighborhoods

Within the general guidelines established by HUD, most of the sample cities took the lead in determining neighborhoods where Section 8 development would occur. However, as Table IV-1 indicates, there were a few cities where local officials did not select the NSA neighborhoods. In Trenton, for example, an experienced developer approached city staff concerning the South Trenton NSA property prior to the initiation of the program. The City subsequently "picked" South Trenton as the NSA neighborhood.

#### 4.1.2 Selection of Section 8 Sites or Buildings

Nine of the sample cities identified specific properties or sites for development under the NSA Section 8 program. Eight of these local governments first selected NSA neighborhoods, and then targeted sites based on the objectives of their local programs. In Atlanta, for example, the local staff wanted to rehabilitate HUD-foreclosed properties in two NSA neighborhoods. And in Detroit, the City targeted vacant office buildings for conversion to Section 8 projects.

Only one of the nine cities selected the NSA buildings and created a NSA boundary around these properties. The City of Utica initially chose the Corn Hill community for the NSA program, but soon discovered that no buildings were suitable for Section 8 rehabilitation in the target area. The City gradually altered the NSA boundaries to include properties in need of rehabilitation.

If the city controls the site, there are distinct advantages in predesignation. For example, by forcing several developers to compete for the same property, a better project should result at lower cost. In addition, by specifying the properties eligible for NSA Section 8 rehabilitation, the cities can select buildings that might not be rehabilitated under other circumstances. However, in some circumstances, predesignating sites could have drawbacks. If a building is targeted by the City for development and that building is in private hands, the owner can command a significantly higher acquisition price from interested developers.

Table IV-1

LOCAL RESPONSIBILITY FOR SECTION 8 HOUSING DEVELOPMENT

Responsibility City	Selected Neighborhoods	Selected Section 8 Sites/ Buildings	Evaluated Proposals/ Selected Developers	Negotiated with Developer	Provided Technical Assistance to Developers	Coordinated Housing Development Actors	TOTAL
Akron	X			X			2
Atlanta	X	X	X	X	X	X	6
Boston	X		X	X	X	X	4
Burlington	X	X		X	X**	X	5
Cleveland	X						1
Detroit	X	X	X				3
Indianapolis	X		X				2
Lewiston	X	X	X		X	X	5
Los Angeles	X	X	X	X	X	X	6
Lowell	X	X	X	X	X		5
Luzerne	X		X		X		3
Miami	X		X	X	X	X	5
New Haven	X						1
New Rochelle	X	*		*	X	X**	3
New York	X	X	X	X	X	X	6
St. Louis	X	X**	X**	X	X**	X	5
Savannah	X			X	X		3
Seattle	X			X	X	X	4
Trenton							0
Utica		X					1
TOTAL	18	9	11	11	13	10	

\*Information not available.

\*\*Responsibility carried out by local government through non-profit agency, HFDA, or PHA.

Source: USR&amp;E NSA Key Actor Interviews, 1981.

#### 4.1.3 Evaluating Section 8 Proposals/Selecting Developers

Under the NSA program, developer proposals were to undergo a two-part review -- a city review based on local criteria developed at the outset of the Demonstration, and then a HUD Area Office review based on the technical requirements of Section 8 regulations, (and FHA regulations, if the project was to be insured.)

The nature and intensity of the local review varied across the sample cities. In 11 cities, the local NSA staff critically reviewed proposals for both quality and feasibility. For example, in Miami, proposal evaluation was considered an important function of the local NSA administration. The Miami NSA coordinator stated that the City replaced the Area Office in packaging and reviewing applications, selecting developers, and managing relocation. Strict measures for evaluating proposals were established, including: financial feasibility, "reasonableness" of total proposal, developer's experience with federal programs, and conformity to neighborhood characteristics. City staff insisted that only "fundable proposals" would be forwarded to the Area Office for approval.

Not all sample cities approached the task of proposal evaluation with similar enthusiasm. In nine cities, proposals were evaluated by outside agencies working with the city staff or were "rubber-stamped" by local government prior to review by HUD. As an example of the first case, a technical review of proposals was conducted by the Vermont HFDA for the City of Burlington. The HFDA was considered by the City to be in a better position to evaluate developer proposals, and according to HUD personnel, their review was viewed favorably by the Area Office. But while HFDA staff worked with City personnel during the selection process, the City never had the opportunity to direct proposal evaluation. As a result, their ability to increase expertise in this area was limited.

Several of these nine cities never controlled the quality or type of Section 8 proposals submitted to HUD. Some cities had little interest in evaluating proposals, while others received so few proposals that they felt obligated to send them all to HUD. In these instances, HUD Area Offices dominated the proposal selection process.

#### 4.1.4 City Efforts to Negotiate With Developers

Theoretically, if cities could designate which developers received the Section 8 units, they could also negotiate concessions from the developers. For instance, cities could request that the developers provide site improvements in the vicinity of the Section 8 projects or bear some of the costs of relocation. To a great extent, a city's opportunity to bargain for such concessions

depended on the number and quality of proposals received. In several cities, so few proposals were received that the lack of competition prohibited NSA coordinators from extracting concessions.

Negotiations could work to the advantage of the city or the developer or both. For example, a city could offer community development funds to encourage developers to produce the types of projects that it wanted. Conversely, a savvy developer could demand that the city provide public improvement funds in order to make a project financially feasible. Such concessions to the developers might include assistance in paying for development "soft costs" or providing equity capital for the project. Through this process, the NSA city could guide developers to build projects which most closely fit neighborhood revitalization plans and offer support to projects which might not happen otherwise.

In practice, negotiation was largely underutilized in the sample cities, with only nine cities involved in substantial negotiation with developers. Three cities placed specific demands on developers who were selected to participate in the program. In Akron, the developers were required to provide adequate on-site parking in a highly congested area, as well as share in the relocation costs for the project. In Atlanta, the developers were expected to pay part of the relocation costs as well as pay for some site improvements near the projects.

New York City established the most rigorous procedures for extracting concessions. In New York City, all developers of Section 8 projects are required to share with nonprofit, community organizations the profits realized from the sale of the tax shelter generated by these projects. In the Notice of Funding Availability (NOFA), the City did not specify what the percentage for the "syndication profit sharing" would be in the case of the NSA Demonstration.\* Instead, the city let developers and community groups negotiate profit sharing. The NOFA specified that the Community Planning Board in each neighborhood must recognize the neighborhood organization receiving the syndication profits as a legitimate entity and approve acceptable uses for these funds.\*\*

In May 1980, the City developed more specific regulations for syndication profit sharing. All developers were required to pay to the non-profit organization no less than 2.75 percent of the

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\*The NOFA is a notice by HUD Area Offices or local governments to inform potential project sponsors of contract authority available under the Section 8 program.

\*\*At the time of the original NOFA, "acceptable usage" was not well defined, but it was assumed that the funds would be used to benefit the community groups' efforts in the area (in tenant organizing, commercial revitalization, general neighborhood improvements) and not to cover the administrative costs of the community groups.

FHA-insured mortgage. In addition, the regulations specified that the syndication proceeds were to be used for demolition, landscaping, facade improvements, playgrounds, and other community development activities.

The City also set up an escrow account system for handling syndication proceeds in the event that a syndication agreement could not be reached by the time of closing (because, for example, the developer had not yet chosen an approved community group or the Community Board had not approved its scope of services). In such cases, the City requires the developer to pay into the account the full amount of the syndication-sharing funds. Funds remain in the account until all outstanding problems have been resolved or an agreement is approved. If, however, within six months after initial closing an agreement cannot be reached, the funds are to be placed in a NSA Pool established for that particular NSA.

While the eventual benefits of this approach seem clear, to date no NSA project has closed with a syndication proceeds plan in place. This failure has been attributed to disagreement among the community groups, the developers and the City concerning the use of these funds.

New York, Atlanta and Akron were unique among the sample cities in extracting concessions from developers. Five of the 11 cities that negotiated with developers paid some development costs with CDBG funds in order to get the kinds of projects they wanted. For example, Boston and Lowell each made site improvements in support of projects. Both cities granted these concessions during negotiations with developers. St. Louis has made the largest commitment of CDBG funds -- \$6,000 to \$16,000 per unit -- to directly write-down the cost of the projects. These funds become part of the negotiated package with the developer and are intended to make the project feasible under Fair Market Rent limitations.

Several cities found that following initial negotiations, the developers required additional support to make their projects succeed. CDBG funds were used in Seattle to underwrite the "soft costs" associated with development; and in Savannah, to finance construction for small property owners.

There are three principal reasons why some cities were less successful than others in obtaining concessions from developers. Some cities were in weak bargaining positions based upon the NSA's housing market. Local governments were deterred from extracting concessions simply because they feared losing the few developers who expressed a willingness to participate. Such was the case in Seattle where city personnel "recruited" developers to participate in the program. In cases where inexperienced developers or property

owners were project sponsors, cities were also less inclined to press for concessions either because these individuals were having a difficult time making their project work or because it somehow seemed inappropriate to place demands on the "little guys." (It is interesting to note that large-scale developers were involved in all three cities where concessions were extracted.)

Some cities did not extract concessions from developers simply because it was politically infeasible to do so. The City of New York is somewhat unique in that community groups are powerful enough to command attention, influence the City's role in the development process, and ultimately, affect the success of a particular Section 8 project. In most other cities in the sample, community groups had little influence on the negotiation process. Without pressure from community groups or other forces, cities may not have been motivated to ask developers for concessions. In other cities, established developers had political clout with local politicians which may have lessened the ability of the city to extract concessions.

Some cities did not make demands on developers because they were unaware that they could do so. NSA coordinators, particularly in the smaller cities, expressed surprise when in the course of interviews they were asked about the negotiation process and syndication-sharing. A few coordinators indicated that they had heard about New York's efforts to acquire syndication proceeds from developers, and were anxious to explore this option in future projects.

#### 4.1.5 The Provision of Technical Assistance in the Development Process

In assuming responsibility for the development process, cities were required to provide technical assistance, especially to smaller, inexperienced developers. Through this assistance, the developers could learn to package and process Section 8 proposals and the cities could direct development in NSA neighborhoods.

In thirteen cities, NSA coordinators and their staff provided technical assistance directly to developers. As shown in Table IV-2, the cities typically worked with the developers in preparing preliminary and final packages, assuming some level of responsibility for relocation, and acting as an intermediary between the Area Office and the developer. In many cases, this assistance was offered informally--the NSA coordinators often working with developers on a daily basis.

Two cities -- St. Louis and Burlington -- did not provide assistance directly to developers, but instead assigned this responsibility to non-profit organizations. This was the case in

Table IV-2

CITY ASSISTANCE GIVEN TO DEVELOPERS

Type of Assistance Provided by City	Percent of Developers Receiving Assistance
Contact Developers	45.2
Hold Competitions	51.6
Prepare Preliminary Package	51.5
Prepare Final Package	48.5
Provide Financial/Predevelopment Assistance	21.8
Provide Technical Assistance to Developers	35.5
Act as Intermediary between HUD and Developers	48.4
Take Responsibility for Relocation	63.3

Source: USR&amp;E Developer Survey, 1981.

Burlington where the non-profit King Street Revitalization Corporation provided complete technical assistance services to the largely inexperienced developers in their NSA.

Atlanta, New Haven and Utica used senior developers to provide technical assistance to inexperienced developers. The inexperienced developers seem pleased with technical assistance they received.

As noted previously, there was a distinct variation by type of developer in the demand for technical assistance. The larger scale developers were more likely to work directly with the Area Office and required little support. The medium-scale developers generally did not require assistance with the basic HUD processing procedures but would have liked stronger support from the cities in their battles with the Area Office and in working with other city departments. The small-scale developers required the broadest range, as well as the most basic kinds of technical assistance.

In terms of the level of technical assistance efforts, the sample cities fall into three basic groups:

passive - offering little or no assistance due to limited staff capability or use of a large-scale developer to develop projects: Akron, Cleveland, Trenton, Detroit, Indianapolis, New Haven, Utica.

moderately active - providing some level of assistance either as a trouble shooter at the Area Office or through assistance with relocation or minor site improvements: Atlanta, Lewiston, Lowell, St. Louis, Luzerne.

very active - assuming primary responsibility for helping small developers, packaging applications, securing financing and closely supervising the management of projects: Boston, Burlington, Los Angeles, Miami, New Rochelle, New York, Savannah, Seattle.

Thus, the majority of cities have had at least a moderately active role in assisting developers; and eight of these are demonstrating the type of leadership that was intended in the development model proposed by HUD program designers.

#### 4.1.6 Local Coordination of the Section 8 Development Process

As part of their role in the NSA program, cities, and particularly the NSA coordinator, were to supervise the actions of various development actors so that the housing component of the revitalization plan would be achieved. As important as this role was to the eventual success of the Demonstration, it is difficult to determine specific responsibilities which the cities were to assume.



Basically, the cities were to acknowledge responsibility for activities occurring in the NSAs and recognize that their commitment to the Demonstration was an important determinant of program success. They were required to act as trouble shooters or ombudsmen. The NSA coordinator was also required to work with the Area Office, the HFDA, and developers, as well as other actors in the NSA process--the city's political leadership, other city departments, and neighborhood groups.

As part of this study, the NSA coordinators, Area Office representatives and developers were asked to comment on the role played by local governments as coordinators of the Demonstration. Their responses were surprisingly consistent and suggest the degree of central direction or coordination that each city gave to the program:

Strong Central Direction/Coordination - Atlanta, Boston, St. Louis, Lewiston, Los Angeles, Miami, New Rochelle, New York City, Burlington, Seattle;

Weak Central Direction/Coordination - Akron, Cleveland, Detroit, Indianapolis, Lowell, New Haven, Savannah, Utica, Luzerne, Trenton.

The cities which were described as strong coordinators performed their roles in very different ways. Miami took total control of the development process by positioning themselves between the developers and the Area Office and insuring that the proposals which were sent to the Area Office were of high quality--a fact the Area Office acknowledged. In Atlanta, the NSA coordinator was cited by the Area Office and developers as a good "trouble shooter," keeping the projects on track and moving forward. In general, comments such as "they're always available for help" and "the city has pushed our project through the Area Office" were common among the cities described as providing a strong direction to the program.

Cities that provided weak central direction and coordination were described as rubber stamping or acting as a pass-through for the Section 8 proposals. For example, the NSA coordinator in Akron stated that he used the Area Office as an intermediary to negotiate difficult issues with the developers. In another case, the NSA coordinator had not spoken to anyone in the Area Office in almost two years.

#### 4.2 Increasing Local Government Capacity to Manage Neighborhood Revitalization Efforts

Determining the degree to which the sample cities increased capacity through the NSA Demonstration is, at best, difficult. First, NSA was meant to expand local government capacity, yet no

specific criteria were developed that defined how this goal was to be achieved. Second, because the capacity of participating cities varied at the outset of the Demonstration, it is not possible to apply the same standards in measuring capacity-building to all cities in the sample.

For the purpose of this evaluation, increasing local capacity is examined as follows:

- Did the city assume new responsibilities or develop new tools or techniques through the program?
- Was the city able to tap resources outside of local government (particularly, state HFDAs, HUD Area Offices, local PHAs)?
- Were in-house staff added as a result of the program?
- Do key program actors perceive that an increase in local government capacity occurred?

#### 4.2.1 Did the Cities Assume New Responsibilities or Develop New Tools Through the NSA Program?

The housing development process discussed in Section 4.1 was a prime vehicle for allowing the cities to assume new responsibilities and expand technical expertise. As previously discussed, approximately one-half of the cities became very involved in multifamily housing development through providing technical assistance, coordinating key development actors, and evaluating developer proposals. These cities acquired substantial technical expertise through the NSA Section 8 program. All but one of the remaining cities appear to have acquired new skills to a lesser extent. To some extent the need for any city to develop expertise in any one area depended on the level of help available outside of the local government.

#### 4.2.2 Were the Cities Able to Tap Resources Outside of Local Governments?

One of the objectives of the NSA Demonstration was to have the cities assume central responsibility for coordinating outside resources which were used in the revitalization effort and ultimately to develop the basis for continuing cooperation in neighborhood revitalization activities. These outside services included public sector actors such as state HFDAs, public housing authorities, and community groups; private sector actors such as lenders, area business, and the like. With the cities coordinating the efforts of these groups in the NSA neighborhood, their effectiveness would presumably be enhanced.

Table IV-3 suggests to what extent other public agencies participated in the NSA program in the sample cities. The role of Housing Finance and Development Agencies in the NSA program has been discussed in Chapter 2. As noted in this discussion, they have been minimally involved in local NSA programs. Only one HFDA participated extensively in a NSA program by packaging Section 8 proposals and providing technical assistance to small property owners. In four cities, HFDAs provided permanent financing for Section 8 projects.

Local public housing authorities, as well, have not participated in the NSA program to a large extent. In the 20 sample cities, eight local public housing authorities were involved in local programs. Some PHAs (Lewiston, Miami, and St. Louis) provided extensive technical assistance in the Section 8 process. The other authorities financed Section 8 projects through tax-exempt bond financing or assisted in relocating households displaced by Section 8 rehabilitation.

The HUD Area Offices, particularly the housing divisions, were more involved in NSA activities. Most cities reported that communication and coordination with the Area Offices had increased. In Atlanta, for example, the NSA coordinator noted that because of the NSA program, HUD and the City now communicate regularly concerning housing projects outside of NSA neighborhoods. The Atlanta coordinator also observed that through the Demonstration the two agencies had begun to understand each other's problems and consequently their criticism of one another had declined. Positive interaction did not occur in every city, however. In Trenton, for example, the NSA coordinator reported that she had not spoken with anyone at the Newark Area Office in almost two years.

A few sample cities reported the establishment of new private sector relationships which could prove to be beneficial in future neighborhood revitalization efforts. This was particularly true in the case of the emerging working relationships with developers. The NSA coordinator in Miami described the city-developer relationship as particularly beneficial and one that would be useful as the Department of Community Development develops new housing programs. The NSA coordinators in Lowell, St. Louis, and several other cities noted the creation of similar relationships.

In summary, many cities were not able to tap all the resources for this Demonstration that HUD had intended. As Table IV-3 indicates, however, most cities were able to develop or improve their relationship with at least one outside agency. These cities have created a rapport with other public housing agencies which could assist in future neighborhood revitalization endeavors.

Table IV-3

INVOLVEMENT OF GOVERNMENT ENTITIES IN THE NSA PROGRAM  
(OTHER THAN CITY AGENCIES)

(as reported by NSA coordinators and HUD Area  
Office Personnel)

City	HUD Area Office (Multifamily Rep-Housing)	State HFDA	Local PHA
Akron	--	--	X
Atlanta	X	--	X
Boston	X	X	--
Burlington	X	X	--
Cleveland	--	--	--
Detroit	X	X	--
Indianapolis	X	--	--
Lewiston	X	--	X
Los Angeles	--	--	--
Lowell	X	X	X
Luzerne	X	--	--
Miami	X	--	X*
New Haven	X	X	--
New Rochelle	X	--	--
New York	X	X	--
St. Louis	X	--	X
Savannah	X	--	X
Seattle	X	--	--
Trenton	--	--	--
Utica	--	--	X

\*In Miami, the Dade County Department of Housing and Urban Development acted as a public housing authority, administering the HAP contract and floating 11(b) bonds.

Source: USR&E NSA Key Actor Interviews, 1981.

#### 4.2.3 Were In-House Staff Added as a Result of the Program?

At the outset of the Demonstration, HUD planners cautioned local governments that significant staff resources would be required if the NSA program was to succeed. HUD recommended that each local government appoint a full-time NSA coordinator to manage the program. However, only one-quarter of the 20 cities in the sample hired a full-time NSA coordinator, and one city--Seattle--appointed a coordinator for each of two NSA neighborhoods.\* In every city in the sample, NSA coordinators reported that other agency staff were brought in--if only on a temporary basis--to assist in administering the program.

There are at least two reasons why some local governments did not hire full-time coordinators. In some cases, a lack of administrative funds precluded the hiring of an NSA coordinator. In larger cities like New York and St. Louis, where the NSA program was viewed as a relatively small component of the city's housing and community development program, a full-time NSA coordinator was not viewed as necessary. In addition to the hiring of NSA coordinators, seven cities reported that additional staff were hired as a result of the NSA program -- many of whom were used to coordinate relocation activities for the Section 8 projects.

In all, nine cities found it necessary to increase their capacity by hiring staff for the NSA program.

#### 4.2.4 Do program actors perceive that an increase in local government capacity occurred?

NSA coordinators, HUD Area Office staff and developers were each asked whether or not the NSA program had increased the capacity of local government to manage housing rehabilitation and neighborhood revitalization activities.

Twelve of 18 NSA coordinators reported that local capacity had increased. Three others indicated that while there had been no change, these resources were managed effectively prior to NSA. Of those coordinators who noted an increase in local capacity, most suggested that the increase was directly related to local involvement in the Section 8 process. In particular, coordinators mentioned development of new skills related to proposal packaging, financing, and relocation.

The HUD Area Office personnel also noted an increase in local capacity in 12 of 18 cities. The Area Office coordinator in St. Louis echoed the attitude of many HUD representatives when he stated that the City had little experience or direction at the program's

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\*In New Rochelle, the NSA coordinator is technically an employee of a non-profit organization, but his salary is paid by the City.

outset, but had eventually pulled the program together. By 1981, the City of St. Louis administered the program capably. In Seattle, the HUD Area Office coordinator commented that the City had gained tremendous capacity in carrying out the NSA program and that he had great confidence in their ability. However, not all HUD representatives were as enthusiastic about the local role in this program. In a few cases, HUD Area Office representatives discovered that the cities had not taken responsibility for the program, in part because they lacked qualified staff and had little interest in increasing their capacity.

Finally, developers were asked whether local governments had increased their capacity through the Demonstration. Of the nine developers who answered this question, six responded affirmatively. One Miami developer reported that he now had more confidence in the City's ability to select and process proposals than that of the HUD Area Office. A number of developers who had not worked closely with city personnel did not respond to this question.

It is interesting to note that in 10 cities, key NSA participants had differing opinions concerning whether an increase in local government capacity occurred. In Cleveland for example, the NSA coordinator stated that an increase in capacity occurred while a developer and the HUD Area Office staff stated just the opposite. Overall, the NSA coordinators and HUD Area Office staff were more likely to give the city good marks on capacity-building (75 percent of the respondents in each case), while developers were less likely to respond positively to this question (66 percent of all developers answering this question).

#### 4.3 Summary of Local Efforts to Increase Capacity and Factors Affecting These Efforts at Some Sites

Table IV-4 summarizes the measures used to assess an increase in local capacity at the sample sites. While there may be variation in the extent to which cities were able to increase capacity, every city in the sample appears to have built some capacity through the NSA program. In all, seven of the 20 cities (Atlanta, Burlington, Lewiston, Los Angeles, Miami, New York, and St. Louis) appear to have been most successful in this regard. These cities were actively involved in the neighborhood revitalization and Section 8 processes and were perceived by key NSA participants to have improved their ability to manage multifamily housing development. Most contributed more staff resources to the Demonstration than did the rest of the sample cities.

In terms of increased ability, the remaining 13 cities can be divided into two categories:

Table IV-4

## SUMMARY OF MEASURES TO ASSESS INCREASE IN LOCAL GOVERNMENT CAPACITY

Responsi- bility  City	NEW LOCAL RESPONSIBILITIES THROUGH NSA SECTION 8 PROGRAM						KEY PARTICIPANT OPINIONS OF LOCAL CAPACITY-BUILDING			Developed Working Relation- ship with Outside Entities	Addition of NSA Coordina- tor, Other Staff	Total
	Selected Neighbor- hoods	Selected Section 8 Sites/ Buildings	Evaluated Proposals/ Selected Developers	Leveraged/ Negotiated with Developer	Provided Technical Assistance	Coordinated Housing Develop- ment Actors	NSA Coor- dinator: Increase in City Capacity Occurred	Developer: Increase in City Capacity Occurred	HHD AO: City Increased Capacity			
Akron	X			X			X	*		X		4
Atlanta	X	X	X	X	X	X	X	*	X	X	X	10
Boston	X		X		X	X		X	X	X		7
Burlington	X	X		X	X**	X	X	X	X	X	X	10
Cleveland	X					X						2
Detroit	X	X	X				X	*		X		5
Indianapolis	X		X				X	*		X		4
Lewiston	X	X	X		X	X	*	*	X	X	X	8
Los Angeles	X	X	X	X	X	X	X	X				8
Lowell	X	X	X	X	X		***	*	X	X		7
Luverne	X		X		X		X	*	X	X		6
Miami	X		X	X	X	X	X	X	X	X	X	10
New Haven	X									X		2
New Rochelle	X	*		*	X	X**	X	*	X	X	X	7
New York	X	X	X	X	X	X		*	*	X	X	8
St. Louis	X	X**	X**		X**	X	*	X	X	X	X	9
Savannah	X			X	X		***	*	X	X	X	6
Seattle	X			X	X	X	***	*	X	X	X	7
Trenton							X	*	*			1
Utica		X					X	X	X	X		5

\*Information not available.

\*\*Responsibility carried out by other local agency outside of city government.

\*\*\*Existing capacity to manage.

Cities experiencing a moderate increase in capacity: Boston, Lowell, Luzerne, New Rochelle, Savannah, Seattle.

Cities with minimal increase in capacity: Akron, Cleveland, Detroit, Indianapolis, New Haven, Trenton, Utica.

Those cities in the moderate range were likely to be somewhat less involved in the Section 8 process although often still perceived by outside actors to have increased capacity. Cities in the last category were unlikely to have participated to any great extent in Section 8 development. These cities were more likely to allow the HUD Area Office or developers to direct the NSA process.

Given the range of increased local capacity which occurred in the sample cities, one wonders what might cause one government to build capacity while another did not. There are a number of factors which might explain these differences, including:

- the influences of outside organizations, such as HUD or developers on local programs;
- the lack of incentive for increasing capacity;
- the lack of city need or concern for doing so; and
- the effects of city size/organization.

The influence of a HUD Area Office or developer affected local program control and thus the ability to increase capacity in some cities. For example, some NSA coordinators criticized the HUD Area and Central Offices for not devoting adequate time or attention to the Demonstration. Coordinators noted that while they needed HUD's help to guide the Section 8 process, they were offered little technical assistance. Without some level of assistance, cities had difficulty in getting their programs off the ground.

Other cities found that the HUD Area Offices exercised more control over the Section 8 units than local governments were led to originally expect. A number of NSA coordinators complained that the HUD Area Offices refused to accept or continually requested changes to what they considered technically sound proposals.\* As a result, some NSA coordinators came to believe that they had little control of the process and relinquished their Section 8 responsibilities and an opportunity to build local government capacity.

Developers also influenced the extent of local involvement in the Section 8 process. Many of the larger, experienced developers were more knowledgeable than the cities about the housing

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\*Area Office personnel argued, on the other hand, that these cities submitted incomplete or inadequate proposals.



development process. A few circumvented local governments and worked directly with HUD to get projects approved. Small property owners and less experienced developers, however, needed technical assistance in order to package proposals and get through HUD processing. They demanded the attention of the cities, and as a result these cities had no choice but to be involved in Section 8 processing.

In some respects, the degree to which cities could be affected by NSA participants outside of local government was dependent on their own commitment to the Demonstration. The cities of New York and Miami selected large developers but also managed to direct the developers and the NSA program. These cities encouraged experienced developers to depend on them by helping to push proposals through HUD. In addition, city staff kept in close contact with all the actors in the development process.

Not all cities exhibited this level of commitment, however. In some cases, the developer and the HUD Area Offices interacted with little direct support from or communication with city staff. In these cities little, if any, increase in capacity occurred because the cities assumed no new responsibilities. Acquiring Section 8 units may have been more important in these cities than gaining housing development expertise.

The problem of inadequate local concern for the program may be tied to a lack of incentives to encourage the cities to accept NSA responsibilities. While HUD provided cities with Section 8 units and an NSA "model," HUD did not offer special incentives to those local governments who followed the NSA model. Had HUD tied further Section 8 allocations to local success in accepting program responsibilities, more cities might have implemented the model as intended.

A final factor which may have affected local ability to increase capacity is city size. The USR&E sample includes cities of all types and sizes. There is no doubt that existing local capacity differed considerably among these cities, although one might surmise that larger cities would have greater existing capacity than smaller cities. If this is the case, it might be expected that smaller cities could gain more from the Demonstration since they had more to learn. On the other hand, one might expect the larger cities to have greater success in building capacity, since the "learning curve" would be shorter than in smaller cities. In looking at Table IV-4 however, there is no overwhelming evidence that the smallest or largest cities were any more likely to increase capacity through the NSA program.

In conclusion, it appears that roughly two-thirds of the cities in the sample made at least moderate increases in their ability to manage the NSA Section 8 development process and to coordinate the many revitalization activities associated with the program.

## Chapter 5

### The Linkage of Housing and Community Development Activities

An important purpose of the NSA Demonstration has been to provide the resources necessary for cities to carry out a comprehensive revitalization program in NSA neighborhoods. The NSA Demonstration was designed to provide cities that already had experience in single-family housing rehabilitation and in providing supportive public improvements through their CDBG program with an additional resource -- the Section 8 substantial rehabilitation program -- to improve multifamily housing in the target neighborhoods. Thus, the NSA Demonstration provided the resources to link together a comprehensive housing strategy with needed neighborhood improvements.

Through the NSA program, HUD wanted the cities to plan for and link CDBG and Section 8 resources in very specific ways. Administratively, these resources were to be coordinated under the direction of the NSA coordinator. In a physical sense, the cities were to combine housing and community development in order to revitalize NSA neighborhoods within a five-year period. For example, CDBG funds could be used to directly support Section 8 projects -- perhaps as site improvements to areas adjacent to the projects. Since the cities were given responsibility for the relocation of families displaced due to Section 8 development, CDBG funds were also to pay for the costs of relocation.

This chapter discusses the overall relationship between Section 8 housing and community development activities in the NSAs, and identifies factors which may have affected local efforts to create these linkages. The degree of linkage which was created by the NSA Demonstration will be examined from three perspectives: the linkage of multifamily housing efforts with other community development activities; the administrative linkage of housing and community development activities; and the physical linkage of Section 8 housing efforts with CDBG activities.

### 5.1 The Linkage of Multifamily Housing Efforts with Other Community Development Policies

The objective of using the NSA Demonstration as an additional resource for rehabilitating multifamily housing in the target neighborhoods was widely accepted by the sample NSA cities. The NSA coordinators generally expressed an appreciation of the role the NSA program played in expanding their policy alternatives for dealing with the problem of deteriorated multifamily buildings. Most of the NSA cities had some form of ongoing single family rehabilitation effort in their target neighborhoods and had programmed CDBG-funded public improvements in the same neighborhood. Urban Development Action Grants (UDAG) were being pursued in several cities to improve deteriorated commercial structures within the largest neighborhoods. Thus, the improvement of multifamily housing represented the largest unmet need in terms of neighborhood revitalization.

The importance of improving multifamily housing stemmed not only from the large number of these units in the target neighborhoods -- in 14 of the NSAs, multifamily was the predominant form of housing -- but from the fact that the multifamily units also often represented such a substantial, visible presence in the neighborhood. For example, in St. Louis' Union Sarah NSA, several apartment buildings dominated the long rows of converted single-family homes and smaller multifamily buildings. Other types of buildings targeted for the Section 8 subsidy were large, deteriorated commercial structures which also dominated their surroundings. The projects in Lowell's CBD NSA and Trenton's NSA are good examples of this type of structure.

The Section 8 substantial rehabilitation units were often viewed by the cities as the catalyst for moving revitalization activities forward. The revitalization of a large, structure such as occurred in Lowell, Trenton, and in Seattle's International District NSAs, provided the needed visible stimulus for other revitalization activities. Even in cities where smaller scale projects were contemplated, the Section 8 units were seen as an essential symbol of the revitalization which was occurring in the neighborhood.

The condition of the neighborhood often determined the role to be played by the Section 8 units in the revitalization process. In the more severely deteriorated NSAs, the Section 8 units were viewed as an important injection of needed investment capital which could serve as a catalyst for other investments. In St. Louis' Union Sarah NSA, for example, the community group/developer viewed the Section 8 units as the means for improving the rental market in the neighborhood by offering sound housing units at rents which exceeded the general rents for existing units, thereby serving as a stimulus to other landlords to improve their properties.

The Section 8 rental units were also seen as a way to attract into the neighborhood new residents who might eventually want to purchase a home in the area.

In areas which were undergoing rapid revitalization, one of the goals of the Demonstration was to have the Section 8 units serve as a means for lower income residents to remain in the neighborhood through the provision of reasonable cost housing opportunities. The cities have largely been unsuccessful in achieving this objective. In those neighborhoods which were already undergoing revitalization, such as Seattle's Stevens NSA, and the Hollywood NSA, high real estate values made it difficult to obtain structures for rehabilitation which were financially feasible under Section 8 cost limitations. To overcome this problem, Seattle and Los Angeles have re-targeted their developer selection procedures to work with existing property owners wherever possible. The Savannah NSA also was designed to provide a means for lower income residents to remain in a revitalizing neighborhood; however, progress toward this goal has been slowed by severe financing problems and problems with HUD processing.

The provision of a resource for improving deteriorated multi-family housing has been viewed by the NSA coordinators as one of the most positive contributions of the NSA Demonstration. As was noted above, the Section 8 units have been targeted to perform a variety of tasks under the Demonstration beyond the mere provision of additional housing units: they serve as a catalyst for new development; as a way to remove highly visible blighting influences; and as a means to provide housing opportunities for lower income families in revitalizing neighborhoods. While the success of the cities in using the Section 8 units for each of these purposes varies, the units have, at a minimum, provided cities with a means of addressing these problems for the first time in a comprehensive fashion.

## 5.2 Local Efforts to Administratively Link Housing and Community Development Activities Through the NSA Program

HUD expected that a primary responsibility of the NSA coordinators would be to coordinate Section 8 and CDBG resources, as well as all other programs and resources which could contribute to the revitalization of NSA neighborhoods. This approach was unusual for many local governments since housing and community development were traditionally the purview of separate offices or agencies. Through the assignment of both of these responsibilities to a single individual, it was hoped that the physical linkage of these resources would be made easier and neighborhood development could proceed in a more coordinated fashion.

NSA coordinators were expected to coordinate activities in four major areas: Section 8 housing, non-Section 8 housing and community development, relocation, and other neighborhood programs. In carrying out these oversight responsibilities, the NSA coordinator had to coordinate the efforts of the various local actors participating in the Demonstration. Within the local government, the NSA coordinator was responsible for overseeing the action of the various city departments which were involved in performing a particular task. This might include working in the agencies responsible for relocation, the implementation of the CDBG improvements, and the inspection of suitable sites for the Section 8 units. The NSA coordinator often also acted as a liaison with elected officials to explain the operation of the NSA, give status reports, and obtain any needed support for additional local activities. Outside of the city bureaucracy, the NSA coordinator was responsible for coordinating the actions of the Area Office, the developer, and the state HFDA to make certain their efforts meshed with the other activities occurring in the NSA neighborhood. Finally, the NSA coordinator took the lead in coordinating the NSA effort with other revitalization activities in the neighborhood and in making certain neighborhood leaders and other private interests, such as lenders and area businesses, were informed about the Demonstration.

The level of involvement by the NSA coordinator in these activities varied considerably across the sample sites. Frequently, especially in the smaller communities, or where the city lacked prior experience with a particular activity, the NSA coordinator assumed administrative as well as oversight responsibilities.

The majority of NSA coordinators have been extensively involved in the Section 8 development process (see Table V-1). Coordinators appear to be somewhat less involved in non-Section 8 housing and community development activities; in one-half of the cities responsibility for these activities was assumed by a local housing or community development agency. Somewhat surprisingly, in 35 percent of the NSAs, coordinators assumed direct responsibility for the administration of relocation activities. In the remaining cities where relocation occurred, this activity was administered by the local relocation agencies under varying degrees of oversight by the NSA coordinators.

Overall, approximately one-half of the sample cities were able to strongly link their administration of housing and community development activities under the leadership of the NSA coordinator. In the remaining cities the role of the NSA coordinator was confined to a specific subset of project activities and other program activities, notably the implementation of CDBG-funded improvements, were carried out independently of the NSA Demonstration. Factors which might have hindered the linkage of these activities will be discussed later in this chapter. However, it should be noted that the establishment of this linkage may not have been feasible in some

Table V-1

**PERCENTAGE DISTRIBUTION OF NSA PROGRAM RESPONSIBILITIES OF NSA COORDINATORS  
AND OTHER KEY ACTORS/AGENCIES IN THE LOCAL GOVERNMENT, FOR ALL CITIES\***  
(As reported by NSA Coordinators)

Local Government Actors  Program Responsibility	Percentage of Sites Where Various Actors Assigned Primary Responsibility for Program Tasks			
	NSA Coordinator and Staff**	Chief Officer of Local Government Agency	Local Housing/ Community Development Agency	Relocation Agency/Officer
<b><u>SECTION 3 RESPONSIBILITIES</u></b>				
• develop procedures for selecting developers	30%	10%	5%	
• determine properties to be rehabilitated	54	--	10	5
• contact developers to solicit interest	60	5	--	
• provide technical assistance to developers	60	5	10	
• evaluate developer proposals	75	10	15	
• negotiate with developers	65	5	--	
• find financing for projects	45	--	5	
<b><u>NON-SECTION 3 HOUSING AND CDBG RESPONSIBILITIES</u></b>				
• administer non-Section 3 housing activities	65	5	40	
• implement CDBG in NSA	50	20	55	
<b><u>RELOCATION RESPONSIBILITIES</u></b>				
• monitor displacement	10	--	5	15
• administer relocation	35	--	--	35
<b><u>OTHER NEIGHBORHOOD RESPONSIBILITIES</u></b>				
• coordinate other city activities in the NSA	60	15	25	
• maintain liaison with neighborhood groups	55	20	10	

\*This table is based on information provided by NSA coordinators concerning which actors in local government have primary responsibility for specific NSA program tasks. This does not necessarily imply that the key actors were ever required to execute that responsibility. Also, in some cases more than one agency or individual in a city was involved in a single program task, or the task was not performed within the city government.

\*\*In the case of New Rochelle, the head of the Neighborhood Revitalization Corporation is the NSA coordinator for that city and consequently is included under the heading "NSA Coordinator and Staff."

circumstances, particularly in large city bureaucracies where roles and responsibilities are well-entrenched, making effective coordination very difficult.

As part of the Demonstration, the Area Offices were also requested by HUD Central to increase coordination between their own housing and community development divisions. They had less success than the cities in this regard. Of the 15 Area Offices visited in the course of this study, ten representatives reported that little if any interaction occurred between the housing and community development divisions as a result of the NSA program. One HUD representative noted that from a management perspective, it had been difficult to develop increased interaction since program responsibilities were assigned among a number of divisions. Five Area Offices reported that "limited" contact had been maintained between housing and community development divisions as a result of this program, and that the level of interaction was no different under the Demonstration than it had been previously.

In general, HUD as well as some of the cities had difficulty in meeting the goal of administratively linking housing and community development. To some extent the administrative problems may have affected the physical linkage of these resources in NSA neighborhoods.

### 5.3 Physical Linkages Between Housing and Community Development Resources in NSA Neighborhoods

To what extent did neighborhood improvements support Section 8 housing activities at the sample NSA sites? The provision of Section 8 subsidies was designed to give the NSA cities an additional tool to deal comprehensively with the revitalization needs of their neighborhoods. As such, the provision of these subsidies represented a significant potential resource to increase the linkage between housing and community development activities. At a very basic level, any improvement in a neighborhood's physical condition can be said to benefit housing. But because the cities in the sample have undertaken a wide variety of CDBG-funded activities in NSA neighborhoods, these activities must be organized and a more specific standard adopted. We classified CDBG activity into three categories: (1) CDBG-funded housing rehabilitation; (2) activities in direct support of housing, (including site acquisition and demolition costs for housing projects, relocation costs, code enforcement, the payment of development "soft" costs and site improvements); or (3) neighborhood activities (for example, street lighting, sidewalks, other physical improvements, and social services). It is the second category -- activities in direct support of housing -- which is of particular interest in this analysis, since it is these activities which suggest most clearly the physical links that occurred between the NSA Section 8 projects and the other program resources.

Table V-2 presents, for 15 NSAs, the distribution of planned CDBG expenditures according to the activities just described. Overall, planned CDBG funds committed to the NSAs are split unequally among housing rehabilitation (46.3 percent of CDBG funds), housing support activities (11.3 percent), and neighborhood-oriented activities (42.6 percent). While most cities targeted some funds to the neighborhood and housing rehabilitation categories, only eight cities targeted money to housing support, and only Burlington targeted more than 25 percent of the total CDBG allocation for the NSA to this activity.

There was considerable variation in the concentration of CDBG funds cities planned to spend in their NSA neighborhoods. Table V-3 presents the amount of planned CDBG expenditures per block for the subsample of NSAs. The highest concentration of planned CDBG funds were in Miami's Little Havana NSA (\$154,482 per block); and St. Louis' Midtown Medical NSA (\$94,684). By contrast, the level of CDBG expenditures per block in Trenton's and Luzerne's NSA were less than one seventh as much (\$12,652 and \$10,743, respectively). While variations in neighborhood conditions significantly affect the amount of CDBG resources required in an area, the substantial differences in the concentration of planned CDBG expenditures does provide a rough measure of the degree of commitment made by the cities to link community development and housing resources in a comprehensive revitalization effort versus just building more Section 8 units.

In terms of actual expenditures, the basic patterns of CDBG commitments shift somewhat. (See Table V-4) The NSAs have spent the greatest amount of planned funds for neighborhood activities (49.4 percent) followed by housing rehabilitation (42.6 percent) and housing support activities (8.1 percent).

The neighborhood-oriented activities have been implemented at a faster rate because many of these activities are part of more traditional city capital improvement programs -- such as streets, sidewalks, streelighting, and other public improvements routinely handled by the public works department. In addition, many of the cities had planned the neighborhood improvements prior to designating NSAs, and thus were ready for implementation as soon as the program was established. In terms of housing support activities, the low level of expenditures is expected since delays in completing Section 8 construction have frequently meant that the supporting CDBG activities have also been postponed.

The concentration of actual CDBG expenditures varied significantly across the subsample of NSAs. As shown in Table V-5, the NSAs which expended the greatest amount of CDBG funds per block were: Miami's Little Havana (\$111,115); St. Louis' Midtown Medical (\$82,081); and Utica's Corn Hill (\$63,544). The NSAs with the lowest level of actual expenditures per block were: Trenton's South Trenton (\$6,303); Los Angeles' Hollywood (\$14,484); and Luzerne's Freeland (\$9,782).



Table V-2

DISTRIBUTION OF PLANNED CDBG EXPENDITURES IN NSA NEIGHBORHOODS BY ACTIVITY TYPE

City	NSA	Percentage of City Expenditures			Total CDBG Expenditures
		(Planned) Direct Housing Activities	(Planned) Activities in Support of Housing	(Planned) Neighborhood Activities	
Akron	Highland Square	48.5%	17.3%	34.2%	\$3,848,847
Burlington	King Street	55.1	44.9	--	1,370,000
Lewiston	CBD	4.9	--	95.1	1,242,682
Los Angeles	Hollywood	44.3	16.6	39.1	7,312,600
Luzerne	Freeland	18.6	--	81.4	429,700
Miami	Little Havana*	--	22.4	77.6	12,358,575
New Rochelle	New Rochelle	43.9	18.4	37.7	3,341,400
New York	Washington Heights	100.0	--	--	14,000,000
St. Louis	Union Sarah	56.9	--	43.1	2,863,000
Savannah	Victorian District	53.5	10.4	26.1	6,505,000
Seattle	International District	--	11.5	88.5	1,122,300
Seattle	Stevens**	--	--	100.0	90,000
Trenton	South Trenton	46.9	--	53.1	379,571
Utica	Corn Hill	24.8	3.9	71.3	5,743,000
Percent of total dollars expended for all sites		46.3	11.1	42.6	62,119,706

\*For 1974-1980.

\*\*For 1981 only.

Table V-3

COMPARATIVE PLANNED CDBG EXPENDITURES

City/NSA	Total Planned CDBG Expenditures	Total Blocks*	Planned CDBG \$ Per Block
Akron: Highland Square	3,848,847	95	\$ 40,514
Burlington: King Street	1,370,000	53	25,849
Lewiston: CBD	1,242,682	65	19,118
Los Angeles: Hollywood	7,312,600	215	34,012
Luzerne: Freeland	429,700	40	10,743
Miami: Little Havana	12,358,575	80	154,482
New Rochelle: New Rochelle	3,341,400	123	27,165
New York: Washington Heights	14,000,000	290	48,275
St. Louis: Union Sarah	2,863,000	62	46,177
St. Louis: Midtown Medical	1,609,631	17	94,684
Savannah: Victorian Dist.	6,505,000	152	42,796
Seattle: International Dist.	1,122,300	49	22,904
Seattle: Stevens**	90,000	200	450
Trenton: South Trenton	879,571	30	12,652
Utica: Corn Hill	5,743,000	90	63,811
Total	62,119,706	1561	39,795

Notes: \* Total blocks refers to the number of blockfaces or street segments identified as part of the Windshield Surveys.

\*\* Expenditure data for one year only.

Source: USR&E NSA Key Actor Interviews, 1981; Windshield Survey, 1981.

Table V-4

DISTRIBUTION OF ACTUAL CDBG EXPENDITURES IN NSA NEIGHBORHOODS BY ACTIVITY TYPE

City	NSA	Percentage of City Expenditures			Total CDBG Expenditures
		(Actual) Direct Housing Activities	(Actual) Activities in Support of Housing	(Actual) Neighborhood Activities	
Akron	Highland Square	59.1%	16.8%	24.1%	\$2,618,789
Burlington	King Street	61.9	38.1	--	885,378
Lewiston	CSD	5.7	--	94.3	1,067,205
Los Angeles	Hollywood	55.8	--	44.2	3,114,000
Luzerne	Freeland	15.1	--	84.9	371,297
Miami	Little Havana*	--	18.9	81.1	8,889,200
New Rochelle	New Rochelle	48.2	1.8	50.0	2,102,500
New York	Washington Heights	100.0	--	--	7,990,150
St. Louis	Union Sarah	57.5	--	42.5	2,609,000
St. Louis	Midtown Medical	--	--	100.0	1,395,385
Savannah	Victorian	49.6	10.3	40.1	3,991,700
Seattle	International District	--	8.6	91.4	1,032,000
Seattle	Stevens**	--	--	100.0	56,979
Trenton	South Trenton	20.4	--	79.6	199,089
Utica	Corn Hill	24.9	3.9	71.2	5,719,000
Percent of total dollars expended for all sites		42.6	8.1	49.3	42,015,623

\*For 1974-1980.

\*\*For 1981 only.

Table V-5

COMPARATIVE ACTUAL CDBG EXPENDITURES

City/NSA	Total CDBG Expenditures	CDBG Expenditures Per Block	Percentage Change in Housing Condition Index 1979-1981	Percentage Change in Infrastructure Index 1979-1981
Akron: Highland Square	2,618,789	27,566	5.5	40.5
Burlington: King Street	885,378	16,705	3.7	-21.6
Lewiston: CBD	1,067,205	16,419	-7.7	1.5
Los Angeles: Hollywood	3,114,000	14,484	-8.5	-1.2
Luzerne: Freeland	371,297	9,282	8.1	24.1
Miami: Little Havana	8,889,200	111,115	3.4	23.0
New Rochelle: New Rochelle	2,102,500	17,095	23.5	-31.0
New York: Washington Heights	7,990,150	27,552	56.6	20.8
St. Louis: Union Sarah	2,609,000	42,081	-6.3	21.8
St. Louis: Midtown Medical	1,395,388	82,081	1.0	63.6
Savannah: Victorian District	3,991,700	26,261	-4.9	10.6
Seattle: International District	1,032,000	21,061	1.6	0.0
Seattle: Stevens**	56,979	285	-14.8	1.0
Trenton: South Trenton	189,089	6,303	9.6	7.9
Utica: Corn Hill	5,719,000	63,544	NA	NA

\* The two indices were computed: (1) by comparing the scores on four measures of housing condition in 1979 with scores on the same measures in 1981; (2) by comparing the scores of the NSAs on three measures of infrastructure condition in 1979 with scores for the same measures in 1981. See Chapter 1 for a more detailed discussion of the measures used to compute each index.

\*\* Figures for one year only.

Sources: USR&E NSA Key Actor Interviews; Windshield Surveys, 1979, 1981.

A comparison of the changes in housing and infrastructure conditions in those NSAs with a concentration of CDBG dollars above the average expenditure per block with those NSAs below this figure establishes an apparent correlation between the concentration of CDBG expenditures and the degree of revitalization which occurs in an NSA neighborhood. Among the five NSAs with above average per block concentrations of CDBG expenditures, there was an average 12 percent improvement in the housing condition index and a 33.9 percent improvement in the infrastructure index. By comparison, for the nine NSAs with below average per block concentrations of CDBG expenditures, the housing condition index rose only an average of 1.2 percent and the infrastructure index declined by 1 percent. Thus, those cities which committed substantial CDBG resources to their NSAs had a measurably greater impact on the condition of the target neighborhood than those cities which diluted their available CDBG funds over a broad area.

As the pattern of expenditures illustrates, the degree of linkage between housing and community development activities varied substantially among cities. Some examples highlight the kinds of linkage that occurred between CDBG and Section 8 activities. In Savannah, the city is providing loans to small property owners for property acquisition and construction financing. The city also assumes the costs of relocation for families who are displaced during rehabilitation. In Burlington's NSA, CDBG funds were used to purchase a building for rehabilitation and to improve curbs and sidewalks on the rehabilitation project site as well as for relocation costs for the families displaced by the project.

As with other elements of the NSA program, the 20 sample cities have physically linked the Section 8 and community development programs in varying degrees. In some cities, this concept was taken very seriously and community development funds were used to directly support Section 8 projects. When asked to describe the relative importance of CDBG funds to the NSA effort, all but two coordinators reported that they had contributed to the program. However, in the opinion of the NSA coordinators, the level of importance of these funds varied from "essential" or "crucial" to "the icing on the cake." In all, in approximately one-half of the sample cities a strong linkage between housing and CD resources existed. In the remaining cities there was either a weak linkage or no apparent linkage.

#### 5.4 Factors Which May Have Affected Local Efforts to Link Housing and CD Activities

Several factors explain why the integration of CDBG activities and Section 8 has been a difficult task in some cities.

From an administrative perspective, city size may have influenced the ability of some local governments to meet this goal. As noted earlier in this chapter, in large cities in particular, the

roles and responsibilities of local actors are more likely to be well-entrenched and housing and community development activities are often administered by separate offices of city government. Since the majority of NSA coordinators work within the housing arm of local government, it may have been difficult for some to bridge the gap between these two functions. In smaller cities, where responsibilities for housing and community development activities are typically less distinct, coordinating these activities is easier.

Establishing a physical linkage between CDBG and Section 8 activities may have been a problem in some cities from the Demonstration's outset. To some degree HUD helped to create this problem by advising cities to select CDBG target areas for the NSA program and to coordinate NSA with existing CDBG plans. These suggestions made sense in terms of the kinds of neighborhoods HUD wanted the cities to select (i.e. not too big or too bad), and the length of time available to develop an NSA application. However, they also interfered with the concept of developing a coordinated approach to neighborhood revitalization. Many cities had targeted community development funds to these neighborhoods for specific purposes long before the NSA program was developed. With the coming of NSA, for many cities the simplest course to take was to restate the CDBG plan in the NSA application. Thus, the Section 8 housing strategy was often conceived independently, with little relation to the proposed neighborhood improvements.

Even if cities were able to physically integrate housing and community development in their NSA applications, they may have had difficulty carrying out their plans because of time constraints. As the NSA coordinator from Lewiston indicated, many cities do not want to undertake the community development improvements until the Section 8 buildings are rehabilitated. Given the long delays that have occurred in processing Section 8 NSA projects in many cities, it is possible that CD activities have been temporarily delayed and later permanently shelved as other needs for these funds arose.

Political pressures may also account for an inability to integrate housing and community development activities. NSA coordinators in both Indianapolis and Savannah noted that community groups in their cities complained because too many federal dollars were scheduled to be spent in one neighborhood. This type of pressure may have caused city officials to opt for a less targeted strategy for distributing the CD portion of their NSA resources or for targeting more funds to other neighborhoods in subsequent years.

Finally, the integration of these activities may not have been an appropriate goal for some of the cities who participated in the Demonstration. Some sample cities were clearly satisfied with the manner in which housing and community development activities were administered and saw no need to develop further linkages. From a physical perspective, at least one NSA coordinator noted that his agency had second thoughts about targeting CD resources to areas that are also receiving major housing subsidies.

## Chapter 6

### Conclusions Regarding the Performance of the NSA Demonstration

The NSA Demonstration represented a major attempt to improve the delivery system for assisted housing and thereby enhance local control over the neighborhood revitalization process. The improvements in the assisted housing delivery system were to take four forms:

- shifting responsibility from the federal government to local government for the allocation of assisted housing units;
- creating opportunities for cities to combine the various resources at their disposal in ways that make sense given their knowledge of needs;
- involving state housing finance and development agencies; and
- encouraging the use of private sector expertise and resources in creating local partnerships.

Unlike other prior programs the NSA did not propose the injection of large sums of federal funds to local governments. On the contrary, it provided local governments with only a small fraction of the needed resources. It was left to the cities to use these resources as bargaining chips to draw in other private and public resources to meet neighborhood needs.

In many ways, the concepts behind NSA anticipated some of the directions HUD is now pursuing as it rethinks its approach to expanding housing opportunities for lower income households. The NSA experience, therefore, provides insights into key issues such as:

- local capacity and interest in housing development;
- the role of the private sector and nonprofit organizations in future housing efforts;

- the role of state governments; and
- ways to target assistance to the existing rental housing stock, particularly smaller structures.

Perhaps the greatest handicap for cities participating in NSA was the unexpectedly high interest rates which developed during the course of the program. This financial environment made many normally routine projects tenuous and made the more ambitious projects all but impossible to implement. A second major handicap was that the central housing strategy, Section 8 Substantial Rehabilitation, was not ideal for accomplishing the Demonstration's objectives, given its extensive processing requirements and particular set of financial incentives for developers.

Despite these handicaps, and their major impact on program output, the NSA Demonstration provides key policy findings regarding: (1) greater local control and local capacity to design and administer housing rehabilitation efforts; (2) existing HUD programs; and (3) the administration of demonstration programs.

#### 6.1 Issues of Local Capacity and Control over Neighborhood Revitalization Activities

A major objective of the NSA Demonstration was to increase local control over the development process in the target neighborhoods by drawing upon and strengthening latent community capacities to administer a coordinated neighborhood revitalization effort. This objective is in keeping with HUD's current interest in increasing the freedom and responsibility of cities to plan for and implement their own community development activities. The experience of the Demonstration offers insights into how cities respond when given greater control over the development process and what effect their existing administrative capacities have on their ability to respond to this greater discretion. The following insights can be drawn from the Demonstration's efforts to foster greater local control over, and administrative capacity to plan for, neighborhood revitalization activities:

- Cities are strongly supportive of linking housing and community development activities.

During conversations with NSA administrators, local Community Development Directors and Area Office staff there was almost universal support for the linking of housing and community development activities to develop a comprehensive neighborhood revitalization effort. While traditionally housing and community development activities have been administratively separated at the federal level, cities have seen the need for bringing these two activities together. Typically, a city will want to address all of the problems of a particular neighborhood or set of neighborhoods simultaneously rather than have a separate strategy for housing activities and another for community development activities.



Cities had already begun to link housing and community development activities prior to the NSA Demonstration through their experiences with the HUD Section 312 Loan program and locally initiated, but CDBG funded, housing rehabilitation programs. The NSA Demonstration provided an important additional policy tool--the Section 8 program-- with which to deal with the problems of multifamily housing. Thus, a direct outcome of the Demonstration was to strengthen these local efforts to link together the housing and community development activities in target neighborhoods. Future housing programs should take into consideration this desire by local communities for greater coordination between housing and community development programs by fostering stronger linkages between the Department's programs.

- A majority of cities can run housing programs effectively given the appropriate opportunity and incentives.

The previously noted desire by cities to link housing and community development activities is carried over in their administrative structure. Most of the cities surveyed included the housing elements of the Demonstration under the administrative agency responsible for their community development activities. The cities frequently had existing housing administrative capacities in the areas of plan review and inspection, from their zoning and building code activities, and in housing rehabilitation generally, from their single-family housing rehabilitation efforts. They did not generally have existing capacity, however, to evaluate multifamily rehabilitation proposals, provide technical assistance to inexperienced developers or secure financing for multifamily projects. While a few cities "purchased" the needed expertise through new hiring or consultants, most relied on their existing staff to become knowledgeable in these areas.

By the end of the evaluation, there had been substantial growth in the knowledge of the local staff about multifamily housing development, and as a result, a core of housing professionals have emerged in a substantial number of the NSA cities and they are seeking out other development opportunities to continue the work of the Demonstration. Given that no subsidies were provided to the cities to support the development of their staff, the achievements made by many of the cities in increasing their staff capacities are impressive and indicate their interest in taking a more active role in developing housing in their community.

- Not all cities want to assume an active role in subsidized housing development.

While all of the cities surveyed expressed interest in controlling the allocation of the Section 8 units, a minority of the cities displayed little interest in taking an active role in the development of the housing units. Rather, these cities preferred to select an experienced developer and allow the developer free reign. These cities did not exercise strong control over the location of the development, its character or relationship to other community development activity in the neighborhood.

These cities were hesitant to become involved in the housing development process either because of concern about what they perceived as the highly political nature of the process, the demands it would make on limited staff resources, or a feeling that it should remain a matter for the Area Offices and developers to work out directly. Future housing policy may want to distinguish between those cities which are interested in taking an active role in housing development versus those that are not, by allocating funds on a competitive basis rather than a formula-based distribution system.

- The type of building targeted for rehabilitation has far ranging implications for a local housing program.

In the experience of the NSA cities the type of building targeted for rehabilitation exerted strong influence on the type of developer who was attracted to the project, what skills the developer would bring to the project and the level of technical assistance that was required. These facts, in turn, influenced the character of the demands placed on the city to get the projects accomplished. For example, if a city emphasized larger buildings, the likelihood was that these projects would attract primarily large-scale developers, both because their size required a commitment of resources beyond the capability of small developers and that the substantial financial rewards of larger projects were attractive to larger development firms. These large firms, from their considerable previous experience had specialized development skills as well as relationships with other knowledgeable development professionals such as lenders, lawyers and architects. Experienced developers were also more likely to have gone through HUD processing before and to have developed contacts at the Area Office. As a result, experienced, large-scale developers tended to make few requests for technical assistance from the NSA cities: in fact, it was not uncommon for the cities to rely on these developers to answer questions they had about the development process. The developers relied on the cities primarily to provide political clout with the Area Office when a particular problem surfaced where the developer thought it might prove helpful.

Conversely, cities which targeted smaller multifamily buildings, especially buildings of less than 10 units, deterred experienced developers, because of the small profits available, and attracted more small-scale developers. These developers generally lacked development experience and a network of professionals to assist them. As a result, they required a considerable amount of technical assistance both in preparing their proposals and processing them through the Area Office. Cities which emphasized small projects had to undertake a considerably heavier administrative burden to see these projects accomplished. For

example, in several of the cities (such as Lowell and Trenton) the large-scale developers were able to operate relatively independently of the NSA coordinator since they had the requisite development skills, while in others (Burlington, Seattle, and Savannah), the cities took a much more activist role in working with the developers and seeing their programs moved forward.

The type of building chosen for development also had a significant impact on program progress since larger developers were often able to get their projects through processing quickly, while smaller developers, either receiving little assistance from their cities, or getting assistance from staff which were inexperienced about the process, often faced long delays. As a result, only 31 percent of the projects with 10 or less units had reached the start of construction, while 57 percent of the projects with 100 or more units had gotten this far.

- A successful local housing program requires that a common set of skills and resources be in place and coordinated at the local level.

For a local housing program to succeed requires that a common set of skills and resources be in place and coordinated at the local level; however, across the cities these skills and resources can be performed by different individuals. The NSA Demonstration required the working partnership of city agencies, developers, state HFDA's, the HUD Area Offices and nonprofit quasi-public organizations; however, the specific roles of each varied in each city. The range of roles played by three of these development actors--the state HFDA's, special development entities, and large developers-- illustrate this point.

While in most cities the state HFDA was not involved in the NSA Demonstration (only 10 percent of all projects received HFDA financing), in three of the states--Vermont, Massachusetts, and New York--the agencies were actively involved. These states provide examples of the role state agencies could perform under a housing policy which enhances the role of localities and states in administering a housing strategy. The Vermont HFDA was most actively involved in the Demonstration by providing not only financial assistance to the developers but significant amounts of technical assistance as well. This meant that the city, which lacked substantial housing development experience, could draw upon the state HFDA to provide the developers with the technical knowledge necessary to get their units completed. This was especially important in the Burlington NSA, since the projects involved very small buildings. In New York and Massachusetts the HFDA's served primarily as a funding source, with these agencies showing flexibility in their underwriting procedures by accepting projects which were smaller than was typical for the agency to finance.

The involvement by these HFDAs came about from an orientation on the part of the Vermont HFDA to doing small scale projects of the type proposed in Burlington's NSA and in the other states due to a commitment to multifamily rehabilitation. Hesitancy by the other HFDAs to become involved in the program stemmed from an unfamiliarity with multifamily rehabilitation, concern about the condition and future viability of the NSA neighborhoods, and reticence to finance small scale, often wood frame structures. Resistance to the Demonstration could have been overcome by targeting the larger projects for state HFDA financing and by providing firm commitments of CDBG funds to improve the project site or its immediate surroundings.

Another development actor which showed great promise for aiding local housing programs was the special development entity. In three cities special development entities played a key role in the development of the NSA units which increased the program's administrative presence in the neighborhoods and allowed small scale development efforts to benefit from their administrative capacity. Burlington's special development entity--the King Street Revitalization Corporation--acted as the administrative presence in the NSA neighborhood overseeing the development of the program. It also served as a source of technical assistance for small developers. In St. Louis, the special development entities in each of the two NSAs studied--the Midtown Medical Center Redevelopment Corporation and the Union Sarah Economic Development Corporation--acted as developers for the proposed units, either alone or in partnership with other firms. Special development entities have the financial strength to secure specialized development skills which would be beyond the capabilities of small developers operating alone. They also are effective vehicles for providing technical assistance to small developers, for coordinating housing and community development in their neighborhoods, for attracting outside resources into the neighborhood, and for keeping the administration of the program close to the residents of the neighborhood, thereby ensuring their input and control.

The third development actor which played a varied role in the Demonstration was the large scale developer. In several cities large developers, because of their considerable expertise, were viewed as technical assistance providers to both the cities and smaller, less experienced developers. In Akron, a large developer was involved in providing technical assistance to smaller developers; in several cities the NSA coordinators noted their dependence on large developers to advise them on technical development issues. In the future, the provision of technical assistance by large-scale developers could be incorporated into a housing strategy so that this resource could be used by the cities and small developers on an "as needed" basis. This would also privatize the

provision of specialized technical assistance in the development process, thereby freeing city staff to perform other tasks related to the overall revitalization effort.

These three examples provide illustrations of how each of the major development actors can perform different roles in ensuring that the necessary support network is in place so that development can occur. While the city must take the lead in coordinating the overall effort, different actors in the development process can be used to perform the essential activities based on the capacities and resources of each in a given locality. This argues for a flexible approach in future housing programs for housing development, one which recognizes and allows for the potential highly varied contributions of the different development actors.

- Under a discretionary program like NSA the negotiation process between the city and the developers is critical to its eventual success.

The ability to negotiate key features of future housing projects represents one of the best opportunities for cities to control the type of housing which is eventually produced. For example, given control over the designation of the Section 8 developers under the NSA Demonstration the cities could dictate the location and type. Several of the cities drew subarea boundaries within the larger NSA and confined housing activities to these subareas; other cities informally predesignated buildings in need of rehabilitation. Most cities, however, adopted a more general approach to targeting, allowing developers to propose any suitable building within the broader NSA boundaries.

Several cities attempted to obtain specific concessions from developers, such as the provision of additional parking facilities or in the case of New York City, an agreement to give a portion of the syndication proceeds for general community improvements. The negotiation process truly became a two-way process as the impact of escalating interest rates began to be felt, with the developers attempting to extract concessions from the city to keep their projects moving forward. In these instances, it was common for some cities to provide money for development "soft costs" or other pre-development costs from CDBG funds so that the developer could continue to keep project costs in line with available Section 8 subsidies.

For a variety of reasons, cities were often at a disadvantage in their negotiations with developers. Often, the housing in the NSA was in such deteriorated condition that it was extremely difficult to get anyone interested in investing in the area. This often meant that only a small number of developers expressed any interest in an area or, as in Seattle, the city had to actively solicit developer participation. As a result, the city found itself in the position of offering incentives such as "up-front" development costs to attract prospective developers into the neighborhood.

Local politics also weakened the administrative staff's negotiating position. Where the developers were connected politically, they may have been either pre-designated or have had the power to influence the selection process, thus weakening the authority of the administrator to extract concessions from the developers. Another factor which effects the relative negotiating power of the local program administrator is the type of buildings that were targeted. If a city focused its efforts on smaller multifamily buildings the cities would be working with small developers, who were generally undercapitalized and therefore were able to offer few concessions as part of the negotiating process. In these instances, the city rather than the developer had to grant concessions in the form of additional financial support to keep the projects going. The negotiation process is also effected by whether a local community organization is available to assure that the development is responsive to resident objectives and needs. In New York City, local community groups exercise considerable impact on the development process through their voice in how the shared syndication proceeds from the proposed development would be spent to meet the housing and community needs of the surrounding area.

As a result of the negotiating process, the cities and the developers have forged partnerships which have accomplished goals which neither could have achieved independently. For example, the city was able to improve deteriorated housing which was having a negative impact on the surrounding neighborhood; for their part, the developers often received the commitment of CDBG funds to improve the area surrounding their projects, and may have received short-term financial assistance to get their projects off the ground.

A minority of cities in the NSA Demonstration would have benefited from technical assistance in how to negotiate with developers. These cities were largely unaware of the development process and lacked any knowledge of the potential exchanges and concessions they could negotiate with developers.

The NSA Demonstration provided examples of how cities could be effective negotiators with developers in obtaining the type of housing they want for their neighborhoods. Unfortunately, few cities fully explored the range of possibilities provided to them under the discretionary aspects of the program. Cities also underestimated the demands for assistance which would be placed upon them by the developers as the program progressed. The negotiation process was shown to be one of the most potent tools for local communities to affect the housing activities undertaken in their target neighborhoods.

- Local governments succeeded in rehabilitating small properties.

Projects proposed under the Demonstration were considerably smaller, on average, than other Section 8 projects--the average size of an NSA project was 31 units versus 77 units for other Section 8 projects. This would seem to indicate that one of the central premises that local governments could provide the intensive hand-holding necessary to get smaller projects moving that the Area Office never could may be correct. Certainly, in several of the NSA cities the local program staff made substantial efforts to encourage and nurture proposals for small properties.

- Owners of small properties require substantial technical assistance.

The Demonstration shows conclusively that if small multifamily properties are to be rehabilitated, their owners/developers typically will require extensive technical assistance. Lacking the background in development or the network of development professionals of the large-scale developers, small property owners needed assistance in estimating project costs, obtaining financing, dealing with costly delays in processing and finding competent contractors. As a result, they typically looked to the cities to supply these services. A future housing strategy which targets small properties should require that these types of assistance be made available if it is to succeed.

- The rehabilitation of occupied structures presents serious relocation problems that cities and developers make every effort to avoid by only rehabilitating vacant structures.

The cities and developers, in an attempt to lessen the significant time and cost burdens imposed by relocation policies, avoid rehabilitating occupied structures wherever possible. Initially, occupied structures appeared to have advantages for rehabilitation since they generally were in better repair than vacant structures. However, mandated relocation expenses, especially given that many relocations were permanent rather than temporary, made the use of occupied structures less attractive. As a result, the majority of cities initially targeted their Section 8 units to vacant structures to avoid the problems associated with relocation. However, the cities found that there was an insufficient supply of vacant buildings available, and as a result a majority of cities have had to relocate existing tenants.

The reason that relocation have tended to be permanent in nature is attributable to the character of the Section 8 Substantial Rehabilitation process. Prior to rehabilitation of a building, a

family may be living in overcrowded conditions; following rehabilitation program regulations may make that family ineligible to live in its previous unit because of this overcrowding. A family's income may exceed Section 8 limits, making it ineligible. A project may involve switching a building from primarily family to elderly tenancy or vice versa, making the existing tenants ineligible. As a result of these and other factors, many of the cities who initially proposed the temporary relocation of tenants were faced with the considerably higher costs and administrative difficulty of permanently relocating the tenants.

While cities currently use their CDBG funds to pay for relocating costs, the ever escalating demand for CDBG funds makes it unlikely in the future that cities will be as willing to commit the necessary resources to pay for relocation; as a result, they will increasingly opt for a policy of targeting vacant structures to avoid the need for relocation. This could either impair the ability of cities to target the buildings most in need of rehabilitation or could result in further cutbacks in local housing efforts.

- Targeting community development resources to a neighborhood significantly supports ongoing housing efforts.

Both HFDAs and moderate-sized developers stated the importance to their investment decision of having a good neighborhood environment. Both viewed the provision of community development improvements in the proximity of a project as important to the long term health of the project.

In the NSA Demonstration those neighborhoods where a higher than average concentration of CDBG funds were expended per block showed greater improvement and were more likely to have their housing units in place than neighborhoods which expended below average amounts of CDBG dollars per block.

- The NSA approach involves modest levels of housing and community development assistance and is most appropriate for neighborhoods which are only moderately deteriorated.

The modest resources which were mobilized for the NSA Demonstration were at best minimally adequate to revitalize the target areas. Often, cities diluted the impact of these resources by dispersing them across overly large neighborhood areas. As noted earlier, the greatest impact on the condition of the sample neighborhood occurred where cities concentrated the limited resources into subareas of the NSA.



The NSA neighborhoods, while not uniform by any means, generally were, by design, neighborhoods which had housing and infrastructure problems that were only moderately worse (though they may have been concentrated in pockets or blocks) than conditions in the city generally and were substantially better than in the worst areas of the cities. Even given this environment, most program administrators doubted that the Demonstration could succeed in meeting all of the revitalization goals of the neighborhoods.

Based on the NSA experience, a modest community development and housing revitalization approach like NSA is unlikely to be effective in dealing with the severe problems of a city's worst neighborhoods. If an approach similar to NSA is to be implemented in moderately deteriorating neighborhoods, the most successful strategy seems to be to concentrate the available resources into a well defined target area.

For the most part, the cities were not innovative in developing other program strategies to support the modest level of federal subsidies available to the Demonstration. The coordination of other housing and community development resources generally involved the use of other available HUD housing programs along with previously committed CDBG allocations.

- The unanticipated escalation in interest rates and the resulting lack of financing forced the cities to develop innovative procedures for keeping their projects moving forward.

The rapid rise in interest rates which occurred while the program was just beginning had a chilling effect on many of the projects, yet several cities provided the necessary support to keep the projects moving forward.

The high cost of financing often caused project costs to escalate to a point where they were no longer feasible under the Section 8 Fair Market Rents. The assumption that a high proportion of the projects would be conventionally financed was not borne out due to high interest rates, especially later in the Demonstration. As a substitute, the GNMA Tandem program was quickly over-subscribed and the state HFDAs were also severely constrained by the impact of high interest rates.

To overcome this problem several cities used their CDBG funds to support the projects. The city of St. Louis pledged CDBG funds to bridge the gap between the cost of the project and what the units could be developed for under the Section 8 guidelines. Other cities used CDBG funds to pay for developer "soft costs", thereby lessening the total financial burden of the project. This willingness on the part of the cities to pay a portion of the predevelopment costs was especially helpful to the small developers who experienced the greatest difficulty in overcoming the costs associated with long processing delays.

## 6.2 Insights Regarding HUD Housing Programs

The Section 8 Substantial Rehabilitation program has traditionally been the least utilized portion of the Section 8 program, even though there is an evident need for the rehabilitation of multifamily rental properties. The NSA Demonstration's dependence on this program for the bulk of its units meant that cities that lacked prior experience with multifamily rehabilitation programs now had to become involved. Thus, the experience of the Demonstration cities offers an opportunity to assess the workings of this housing program. Several insights can be drawn from the experiences of the NSA cities regarding the Section 8 Substantial Rehabilitation program.

- Section 8 substantial rehabilitation, especially with FHA insurance, is a cumbersome tool for rehabilitating small buildings.

It took over 27 months to process an NSA Section 8 unit--far too long for a program that was supposed to meet the needs of small property rehabilitation. The problems with the Section 8 Substantial Rehabilitation program related to: (1) the unfamiliarity of key development actors with the program; (2) the difficulty in adopting program procedures to the particular nature of rehabilitation; and (3) the fact that the amount of time required to process a project was not related to the relative size of the project.

Regarding the first point, the Section 8 Substantial Rehabilitation program was not widely used by developers, the cities, lenders or the Area Offices prior to the NSA Demonstration, and as a result they were unfamiliar with its procedures at the start of the Demonstration. This led to delays as all the parties involved gradually learned the program's procedures. Often, this unfamiliarity led to a rigidity in interpreting regulations on the part of the Area Office and a hesitancy to invest in an unproven program by the lending community.

The Area Offices were hesitant to exercise administrative discretion in applying the program's procedures, especially those relating to FHA insurance standards, and as a result, the emergence of new site specific problems frequently delayed the processing of projects. The greatest difficulty with Minimum Property Standards subsidies occurred in smaller buildings, where greater flexibility was required to get the necessary units included in a confined building configuration.

The NSA experience with the Section 8 Substantial Rehabilitation program suggests that this program was clearly inappropriate for rehabilitating small multifamily buildings. A more flexible regulatory approach was required to accelerate the processing time and allow for a more reasonable method for dealing with the site specific problems which emerge during development.

- The Section 8 substantial rehabilitation program does not provide appropriate incentives for small scale rehabilitation projects.

The Section 8 Substantial Rehabilitation program does not provide sufficient incentives for small projects or small developers. The chief financial return for the developer is in the form of syndicating the tax depreciation available from the projects. Yet, projects which are smaller than 25 units cannot generate sufficient revenues to make the depreciation worthwhile to syndicate. This is because the administrative and legal fees of syndication are substantial, making only larger projects sufficiently profitable. Small developers also lack the financial resources to wait out the long processing times associated with Section 8 projects. This is particularly difficult, given the substantial front-end costs associated with preparing a Section 8 Substantial Rehabilitation proposal.

The Area Offices and state HFDAs have difficulty in cost-effectively processing smaller projects, since they often require at least the same level of attention, and often more, than larger projects. This can be attributed to the greater assistance that is required by small-scale, inexperienced developers, and the fact that developing the necessary units in the confining dimensions of a small multifamily building is often more difficult than working in larger structures where there is more flexibility in fitting the units into the structure's shell.

- FHA insurance was viewed as essential in assuring that projects would go forward.

A majority of the NSA projects (56 percent) utilized FHA mortgage insurance, even though it meant longer processing times and an additional regulatory burden. The reasons why insurance was popular given these drawbacks was its usefulness in guaranteeing the soundness of the project to potential investors. Thus, the most important role of the insurance was to lessen the element of risk in investing in the NSA projects. This function is particularly important in a program like NSA, which works in transitional areas and with housing types (multifamily rehabilitation) which are unfamiliar to conventional lenders and/or state housing finance agencies. As a result, the FHA insurance plays an important role in getting the program established in these neighborhoods, and for this reason should be considered a valuable policy tool for any future housing program which attempts to innovate in either the type of units or the condition of the neighborhood where these units are to be located.

However, the current processing requirements for FHA insurance created a large part of the delay in the NSA projects. Procedures to enhance flexibility in the Minimum Property Standards for rehabilitation would serve to lessen the time delays associated with FHA insurance processing; this is especially important for smaller projects.

### 6.3 Insights Regarding HUD Demonstration Programs

The NSA Demonstration represents one of the largest Demonstration programs undertaken by HUD with 116 cities participating and a total federal outlay of over \$1.2 million in assisted housing and CDBG funds. The large scale of the Demonstration ensured that across the universe of participating cities a broad range of experience was represented. In addition, the Demonstration was carried out during a period of turbulent economic conditions, and this allowed an examination of how it responded to the changing environment in which it operated. Several insights can be drawn from the NSA Demonstration which are of interest for future HUD Demonstrations:

- Overly large Demonstrations can be inefficient and ineffective.

The scale of the NSA Demonstration resulted in a series of problems which related directly to its size and the resulting difficulty in supplying the close administrative support which is implied in the development of a demonstration program. Four of the main problems resulting from the Demonstration's size were: grantsmanship, an overconstrained design, inadequate monitoring and provision of technical assistance, and general delays.

Grantsmanship--In a demonstration it is very difficult to control the site selection process adequately so that each application can be analyzed carefully. This leads to a grantsmanship exercise where applicants parrot the necessary assurances on paper but have little expectation of fulfilling the Demonstration objectives; rather, these communities see the program primarily as a means of securing additional federal resources. In a smaller demonstration, its administrators have a better opportunity to evaluate applications and eliminate applicants who are merely seeking additional resources rather than making a true commitment to the demonstration's goals and objectives.

An overconstrained system--The decision to conduct a large demonstration implies that the commitments to the demonstration have been substantial both within and without HUD. Various parts of HUD and many outside constituencies, (which in the NSA Demonstration included the U.S. Conference of Mayors and several major cities), all try to shape the demonstration to meet their own objectives. While this is partially beneficial, since it builds support for the demonstration, it can lead, as it did in the NSA, to a demonstration trying to serve too many different, and possibly conflicting, objectives making it difficult for participants to do anything well.

For example, a partial list of the NSA Demonstration's objectives included the following: to increase local control over neighborhood revitalization; to rehabilitate small buildings; to minimize displacement; to provide relocation assistance; to increase HFDA involvement in inner cities; to increase involvement by the private sector; to foster better coordination of community development planning and implementation; to enhance community participation; and to change internal Area Office relations between the Multifamily Housing and Community Planning and Development divisions. While each of these objectives were inherently worthwhile, together they were often conflicting and made it difficult for program participants to determine which goals to pursue.

The presence of these numerous goals also made it difficult for HUD to provide priorities among these objectives to guide cities. This led to each city trying to do what it could or wanted, ignoring those parts of the Demonstration it did not want to do or thought would do poorly.

Inadequate Monitoring and technical assistance for participants.--The large size of the demonstration, and the limited number of Central Office administrative staff which were committed to it made it very difficult for HUD to monitor the progress of the participants adequately and to provide sufficient technical assistance when needed. A demonstration, by its very nature, implies carrying out new procedures and processes and its administrators need to respond flexibly to changes which occur due to general events impacting the demonstration. The role of the staff is to keep the demonstration on track through these changes and to provide the needed assistance to localities to keep their programs moving forward. If the demonstration is too large or if insufficient staff resources are made available it will be difficult to meet this objective.

Delays - Overly large demonstrations take longer to get underway, and this means that an assessment of the demonstration's consequences will also be delayed. As a result, a demonstration can quickly lose its momentum and its constituency, and will not receive the continuing priority, attention and endorsement within HUD or at the local level, lessening the chance for its eventual success.

Overall, the probability of a demonstration succeeding would appear to be enhanced by keeping it sufficiently small so that: (1) it can be closely monitored by HUD; (2) so that the participants are truly committed to the objectives of the demonstration; (3) the goals for the demonstration are sufficiently limited so that they can be achieved during the term of the project; and (4) that sufficient flexibility can be built into the demonstration design to allow it to quickly respond to changing conditions.

Appendix A

CHARACTERISTICS OF THE SECTION 8 PROJECTS  
BY SAMPLE NSA

Table A-1

CHARACTERISTICS OF THE SECTION B PROJECTS BY SAMPLE NSA\*

City	NSA	Number of Projects	Project Type		Project Size					
			Rehab	New Construction	1-10	11-24	25-49	50-99	100+	Unspecified
Akron	Highland Square	8	7	1		2	3	2	1	
Atlanta	Edgewood	1	1						1	
Atlanta	Westend	2	2				1		1	
Boston	Franklin Field	1	1					1		
Boston	Roxbury/Savmore	2	2				1		1	
Burlington	King Street	20	20		12	6	1	1		
Cleveland	Glenville	3	1	2			1	1	1	
Cleveland	Near West Side	1	1			1				
Detroit	CBD	3	3					1	2	
Indianapolis	Crown Hill	7	6	1**	5			2		
Lewiston	CBD	11	11		2	2	2	5		
Los Angeles	Hollywood	20	18	2	4	6	4	6		
Lowell	CBD	1	1							
Lowell	Lower Belvedere	3	3				1	2		
Luzerne	Freeland Borough	2	2			1	1			
Miami	Little Havana	23	23		3	12	6	2		
New Haven	Dwight-Edgewood	4	4			1		1	2	
New Rochelle	New Rochelle	5	5		1	2		1	1	
New York	Far Rockaway	1	1						1	
New York	Flatbush	2	2			1			1	
New York	Manhattan Valley	5	5				1	2	2	
New York	Sunset Park	2		2**					2	
New York	Washington Heights	6	5	1			4		2	
St. Louis	Midtown Medical	2	2					2		
St. Louis	Union Sarah	1	1					1		
Savannah	Victorian District	17	16	1	12		2	1	1	1
Seattle	International District	4	4			1	2		1	
Seattle	Stevens	4	4				3			1
Trenton	South Trenton	2	2						2	
Utica	Corn Hill	4	4				1	3		
TOTAL		167	157	10	39	35	34	34	23	2

Table A-1 (continued)

## CHARACTERISTICS OF THE SECTION 8 PROJECTS BY SAMPLE NSA\*

City	NSA	Household Type				Processing Stage		
		Family	Mixed	Elderly	Unspecified	Construction Start	Project Complete	Terminated
Akron	Highland Square	2	1	5		3	1	
Atlanta	Edgewood	1				1		
Atlanta	Westend	2						
Boston	Franklin Field		1			1		
Boston	Roxbury/Savmore	1		1		1		
Burlington	King Street	20				3	5	
Cleveland	Glenville	2	1				1	
Cleveland	Near West Side	1				1		
Detroit	CBD		2	1		2		
Indianapolis	Crown Hill	6	1					5
Lewiston	CBD	10	1				1	
Los Angeles	Hollywood	7	5	8		2		
Lowell	CBD		1			1		
Lowell	Lower Belvedere	1		1	1	3		
Luzerne	Freeland Borough			2				1
Miami	Little Havana			21	2	3	17	1
New Haven	Dwight-Edgewood	2	1	1			1	
New Rochelle	New Rochelle	3	2			1		
New York	Far Rockaway	1						
New York	Flatbush	1	1			1		
New York	Manhattan Valley	3	2			2		
New York	Sunset Park	2						
New York	Washington Heights	6				1		
St. Louis	Midtown Medical	1	1			1		
St. Louis	Union Sarah	1						
Savannah	Victorian District	11	2	3	1	2	3	1
Seattle	International District	4				1		
Seattle	Stevens	3		1				2
Trenton	South Trenton		2			2		
Utica	Corn Hill	1	2	1		1		1
TOTAL		92	26	45	4	25	29	11



Table A-1 (continued)

## CHARACTERISTICS OF THE SECTION 8 PROJECTS BY SAMPLE NSA\*

City	NSA	Source of Units			Financing Source						HUD Mortgage Insurance		
		HFDA	Non-HFDA	Inspec- ified	11(b)	HFDA	Private	Tandem	Other	Inspec- ified	Yes	No	Inspec- ified
Akron	Highland Square		8					6	1	1	8		
Atlanta	Edgewood		1					1			1		
Atlanta	Westend		2							2	2		
Boston	Franklin Field		1					1			1		
Boston	Roxbury/Savmore		2					2			2		
Burlington	King Street	13	1	6	13	1				6		14	6
Cleveland	Glenville		3					3			3		
Cleveland	Near West Side		1			1						1	
Detroit	CBD		3							3	3		
Indianapolis	Crown Hill		7			5			2		2		5
Jewiston	CBD		4	7	4			3	3	1	8	3	
Los Angeles	Hollywood		19	1		2		16		2	20		
Lowell	CBD	1	0		1							1	
Lowell	Lower Belvedere		3					2		1	3		
Luzerne	Freeland Borough		2		1					1	2		
Miami	Little Havana		22	1	12		9	1		2		22	1
New Haven	Dwight-Edgewood	1	3			1				2	2	1	1
New Rochelle	New Rochelle		4	1	1					4	1		4
New York	Far Rockaway		1			1					1		
New York	Flatbush		2					2			2		
New York	Manhattan Valley		5					1	1	3	5		
New York	Sunset Park		2					1	1		2		
New York	Washington Heights		6					1		5	6		
St. Louis	Midtown Medical		2			1				1	2		
St. Louis	Union Sarah		1							1	1		
Savannah	Victorian District		17		1		11	1	1	3	4	12	1
Seattle	International District		4		1		2	1			2		2
Seattle	Stevens		4					3		1	4		
Trenton	South Trenton		2							2	2		
Ulica	Corn Hill		4		4						4		
TOTAL		15	136	16	38	3	31	45	9	41	93	54	20

Note: \*As of 10/1/81.

\*\*Mixed projects containing both new construction and rehabilitation.

Source: HUD Section 8 MIS/ISRAE Update.