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## Methods of Urban Impact Analysis

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## Neighborhood Self-Help Development



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METHODS OF URBAN IMPACT ANALYSIS

2. NEIGHBORHOOD SELF-HELP DEVELOPMENT

by

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## FOREWORD


This paper reviews the probable urban impacts of a neighborhood self-help development program. It is the second in a series of policy research monographs called Methods of Urban Impact Analysis.

The President's Urban Policy message, on March 27, 1978, inaugurated urban and community impact analyses. As part of its response to this message, the Office of Policy Development and Research commissioned several prototype analyses of the urban impacts of federal programs. This paper is one such prototype. It was written by Professors Edward Greenberg, Charles L. Leven, and James T. Little of the Institute for Urban and Regional Studies at Washington University in St. Louis, Missouri.

This work was conducted in May and June 1978, before formal guidelines for urban and community impact analysis were set out in Circular A-116 of the Office of Management and Budget. As a result, this paper does not follow the OMB format, although it does address the major concerns of the guidelines thoroughly and thoughtfully.

The neighborhood self-help development program evaluated in this paper is based on a paragraph in the President's National Urban Policy announcement which called for a \$15 million commitment to neighborhood self-help programs. The President's message recognized the role of neighborhood associations in housing and neighborhood revitalization, and it recommended funds for housing and revitalization projects in low-income areas. This paper concludes that the urban impacts of the program would be small but, in almost all respects, beneficial.

The purpose of this series is to explore a variety of methodological approaches to urban impact analysis. This report is not a detailed research study. It is based on a modest research effort over a short time period and relies heavily on the judgment of the authors based on their prior experience in evaluating urban impacts. Because it examines a non-existent program, its results are qualitative rather than quantitative. Despite these limitations, it provides a sensible, useful analysis of an important urban policy proposal, and it is well worth reading by all of us concerned with urban policy issues.



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## CONTENTS

Executive Summary.....	1
The Impacts.....	1
The Strategic Context.....	iii
Introduction.....	1
The Nature of Urban Impacts.....	4
Urban Impacts of Self-Help by Neighborhood Individuals (NIND)...	7
Urban Impacts of Self-Help by Neighborhood Organizations (NORGs) in Targeted Neighborhoods.....	10
Impacts on housing and neighborhood condition.....	10
Impacts on income and employment.....	16
The Unemployed.....	17
Part-Year Employed.....	18
The Nonparticipants.....	19
Impacts on population and residential assignment.....	22
Impact on local fiscal condition.....	26
Impact of NORGs on Non-Targeted Neighborhoods.....	28
Effect of Geographic Scope on Urban Impacts.....	35
Effect of Program Scale on Urban Impacts.....	37
Appendix A - Supporting Data	
Appendix B - A Perspective on Urban Impact Statements	
Bibliography	

## Executive Summary

Our study leads to two conclusions. First, we conclude that the urban impacts of a neighborhood self-help initiative almost surely would be positive and could be substantial. Second, for substantial impacts to result, the self-help initiative would require development of the NORG program within a strategic context for urban development policy in general.

### The Impacts

Prospects for substantial impact of self-help initiatives by making assistance available directly to individuals are limited; operation through some kind of neighborhood organization (NORG) would seem required. The major urban impacts of a NORG effort would be felt in the targeted areas themselves and would mainly result in improvement of housing units and general neighborhood condition. Housing and neighborhood condition in non-targeted neighborhoods might remain unchanged or improve, but the slowing down of the filtering process that would result could hasten decay in neighborhoods poorer than those targeted as well as slowing down obsolescence in areas somewhat better than those targeted. This effect would depend on the overall balance of supply and demand for housing units in the area. This balance could be upset not only by uncoordinated actions by NORGs, but also by a policy of stimulation of new construction (mainly in the suburbs) in excess of what is required by increases in the number of family units and obsolescence of

existing units. And, remembering that it is the intent of NORGs to slow down obsolescence, there is even less need for perpetuating a suburban building boom.

Capturing the benefits of neighborhood improvement for the original disadvantaged and minority residents would require protecting them from displacement. This could be done through use of Sec. 8 or coop ownership in targeted neighborhoods, but it would not contribute to widening choice for disadvantaged and minority (DM) groups. In the very short-run, the initiative might slightly reduce the amount of socioeconomic integration achieved at the neighborhood level, though impacts on integration in the long-run are not clear.

The neighborhood improvement impact could be further enhanced by improved public or private business services in targeted areas, but these impacts are likely to be quite modest. Substantial improvement of local public services would require more political influence and independence than NORGs are likely to achieve, while recent urban trends suggest that private business redevelopment lags far behind residential redevelopment even in more promising middle class areas.

Impacts on income and employment would come almost entirely through job creation, would be positive, but would be fairly modest even under the best of circumstances. Due to the technical requirements of the rehab work to be performed, a substantial share of the jobs would go to other than the disadvantaged. With special attention by the NORGs and some compromise with economic efficiency, however, there could be significant employment of disadvantaged and minority workers.

Small positive impacts on employment and sales taxes could result, mainly for the central city jurisdiction, and some modest reductions in

welfare and public assistance outlays might also result. On the other hand, pressures on central city government for increased expenditures for public services complementary to neighborhood improvement also would result.

Increases in the property tax base in the targeted neighborhoods would result, and these increases could be substantial. To a considerable extent, however, they would be offset by decreases in site values in other neighborhoods, but the offset would not be complete. Reallocation of tax base between jurisdictions could happen, but would be unlikely. Most of any positive impact on property tax revenues would accrue to the central city.

In total, impacts on local fiscal condition would likely be positive but quite small.

### The Strategic Context

The dependence of positive impacts on the careful coordination of a neighborhood self-help initiative with the whole gamut of urban redevelopment and related policies must be stressed. Most important is the coordination of strategy for certification of units for Sec. 8 rent subsidy eligibility with the NORG program; much more than simply making Sec. 8 available in targeted neighborhoods is involved, since the aggregate stock of Sec. 8 units within the metro housing market as a whole would have to be kept in balance. Almost as important is the need to keep stimulation of suburban new-home construction limited to what the metro market in the aggregate can absorb without collapse of values in older neighborhoods; unfortunately inner city or near suburban housing cannot be made attractive unless new construction remains fairly expensive.

Coordination with the proposed Federal Home Loan Bank Fund for extending special loan credits to S&Ls making an inner city commitment would help assure an adequate flow of credit for residential investment and coordination with the proposed National Development Bank and National Bank for Cooperatives would help assure the necessary credit for such business redevelopment as might seem feasible.

Coordination with CETA could help bring about the conditions in which the "hard to employ" could be brought more fully into labor force participation on NORG rehab projects; exemption from Davis-Bacon provisions would also be important in this regard. Coordination with UDAG efforts could help ease the problem of providing the necessary complementary local public services. It would be important to enable NORGs to take maximum advantage possible under the laws of various states permitting abatement of taxes for improvements, access to special development credit funds, and/or transferring eminent domain and land assembly powers to neighborhood groups.

Finally, we believe the initiative will be counter productive if it is decided to foster a small number of NORGs in each of a large number of metro areas. In this case, there could be severe negative impacts on the non-targeted neighborhoods.

## I. Introduction

The President's Urban Message describes the "Self-Help Development Program" as follows:

Neighborhood associations are playing a key role in housing and neighborhood revitalization. We must strengthen that role.

I will request \$15 million in FY 1979 for a self-help development program to be administered by the Office of Neighborhoods in HUD.

This new program will provide funds for specific housing and revitalization program projects in poor and low-income areas. Each project would involve the participation of local residents, the private sector and local government and would require the concurrence of the mayor.

The initiative that will be proposed surely will not consist of a list of specific projects; rather, it will create organizations at the neighborhood level which can facilitate such projects. It is that organizational capability which we will analyze.

We should make clear that we analyze only the urban impact of a self-help initiative at the neighborhood level, not the impacts of urban development programs in general. For example, we would not attribute the impacts of the spending of CETA funds or the availability of additional mortgage funds through S&Ls as part of the impact of a neighborhood self-help initiative. With or without that initiative, those funds would still be spent or made available. Accordingly, what we will analyze here is the differential impact of urban development programs which could be expected from adding a neighborhood self-help initiative.

We see four ways in which the self-help program could be carried out. While the President's message refers to "neighborhood associations,"

and the Urban and Regional Policy Group (URPG), under Policy 4, recommends, "...that the administration help strengthen and expand neighborhood and voluntary group efforts at self-help," the encouragement of self-help efforts directly by individuals on their own behalf does not seem to be ruled out. As will be clear in later discussion, the possibilities for self-help at a strictly individual level are quite limited, but initiatives directed at neighborhood individuals (NIND) will be discussed as one of the four possible patterns for organizing a self-help effort.

Much more likely is that self-help will be carried out through some sort of neighborhood organization (NORG). At least in embryonic if not more robust form, such non-profit organizations already exist in most urban neighborhoods, and the President's message speaks of "strengthening" and not "establishing" them. The organizational details and specific range of powers of such groups cover a wide range, but for the most part, they seem to be of three general types.

The simplest kind of NORG is one which engages almost exclusively in planning, coordinating and lobbying. Such a coordinating NORG (COORDNORG) exists for the purpose of increasing the neighborhood's share of community-wide programs and/or insuring that funds that might be spent in its neighborhood are spent in ways consistent with the neighborhood's objectives.

A more substantial form of NORG is one which not only plans and lobbies, but which also operates services and/or facilities in the neighborhood, typically with grants or under contract from a private or governmental body. The most typical kind of contracting NORG (CONTRNORG) is one which operates services which supplement or parallel those of



local government; such things as neighborhood health clinics, after-school enrichment programs, or vocational counselling and job referral. A stronger form of CONTRNORG is a neighborhood organization which takes over the operation of a neighborhood public service on behalf of, and substituting for, the service normally provided by the municipal government.

In its most highly developed form, the NORG would not only plan and provide services, but would also own and operate residential and such commercial property as retail stores, service establishments, and manufacturing enterprises. Actual ownership might be by the NORG or by the tenants, employees, or customers of the property or establishment. In any event, even if not cooperatively owned, it would be operated for the cooperative benefit of a particular group or of the neighborhood as a whole. Thus, the third kind of NORG to be considered will be the cooperative NORG (COOPNORG).

## II. The Nature of Urban Impacts

Before proceeding to discuss the urban impacts of NIND and the three kinds of NORGs described above, it remains to present our definition of urban impacts. As indicated above, we mean something other than the benefits of the program. For example, the major direct benefits of a neighborhood self-help initiative might lie in the increased feelings of potency or efficacy that neighborhood residents could enjoy by virtue of achieving a sense of control over at least part of their lives. These benefits might accrue whether or not any substantial impacts, positive or negative, on the larger dimensions of urban area performance were manifest. It is the impact on these larger more generalized aspects of urban performance that we analyze here.

The eventual OMB guidelines for urban impact statements can be inferred generally from the language on pages P4 and P5 of the URPG report. The relevant urban impacts as indicated in that report can be classified under four headings:

### A. Impacts on housing and neighborhood condition.

These include changes in the stock (construction or demolition), changes in the quality of existing housing units (reinvestment or maintenance), and various neighborhood characteristics other than housing which would directly impinge on residential quality. There will be special concern with the impacts on housing and residential quality available to the disadvantaged and minority (DM) components of the population.

B. Impacts on income and employment.

Many public programs directly effect incomes through wage or transfer payments, especially to DM components. These payments, moreover, would effect other incomes indirectly through respending and multiplier relationships. Here, too, we are especially interested in income and employment impacts on the DM population.

C. Impacts on population and residential assignment.

First of all, these include any impact on total metropolitan population and its composition in any impacted areas. Second, they include the distribution of population or residential assignment among individual jurisdictions and neighborhoods, including the assignment of particular cohorts, like DM groups. Third, they include three other more subtle dimensions of the resultant assignment. (1) What would be the impact on displacement, especially displacement of DM groups? (2) Would DM groups, whether displaced or not, have a wider or narrower range of choice of neighborhoods and living arrangements as a result of a policy initiative? (3) What would be the impact on the degree of integration by race and/or economic level?

D. Impacts on local fiscal condition.

Almost any Federal policy initiative will have an impact on local fiscal condition simply due to the associated expenditure of Federal funds at the local level. Expenditures of local governments might be decreased (lower welfare outlays as

DM groups are brought into the labor force) or increased (need for more security services as population increases); expenditure requirements might also be reallocated between the central city and the suburbs. Similarly, tax revenues might increase (higher employment and/or sales taxes as economic development occurs) or decrease (displacement of local tax effort from Federal initiative), or be redistributed among jurisdictions.

### III. Urban Impacts of Self-Help by Neighborhood Individuals (NIND)

It is unlikely, in our view, that an NIND effort could be very effective. The biggest limitation on the effectiveness of an NIND effort probably lies in the difficulty of providing satisfactory incentives for non-homeowner residents to exert self-help efforts. Under a CETA effort, tenant residents of a neighborhood could be employed to fix up housing units or other facilities in their neighborhood with the wages received being sufficient incentive for their participation. But the fact that they were working in their own neighborhood would be relatively incidental to the effort, and the impacts would be essentially the same as with any initiative directed at increasing employment among DM groups.

Providing the incentives for tenants to engage in a self-help effort (that is, where at least part of the return to the participant is in the form of the improvement to his or her neighborhood and surroundings) is what would be difficult. Successful tenant efforts at improving their housing, for example, would result in increased rents, offsetting the benefits of their efforts at best, displacing them from the neighborhood at worst.

Real improvements in non-housing components of the neighborhood also are likely to result in increased rents. Even efforts aimed at improving their income-earning ability as opposed to their neighborhood condition (for example, operation of day-care centers) is likely to produce higher site-rents for the neighborhoods affected. This could be avoided, of course, by extending the initiative to all DM groups regardless of neighborhood, but then we would no longer have a neighborhood self-help effort.

In principle, homeowners would find it much easier to capture the benefits of their efforts themselves, but the opportunities for their effective participation would be severely limited in most instances. In general, homeowners would find self-help efforts outside their own home fairly unattractive. True, a group of them might be encouraged to clean up an empty lot on their block; except for these kinds of fairly trivial examples, however, they probably would find the return to their time much higher in fixing up their own home than in fixing up the neighborhood. The frequently encountered high quality of individual apartment interiors in very distressed public housing projects is an example of this kind of rational response.

Encouraging them to fix up their own home would seem to be fairly easy, and a variety of instruments for stimulating that effect are available. The simplest is to subsidize the non-labor inputs, an extension of the "I'll buy the paint if you paint the flat" technique commonly invoked by landlords. Limitations on a paint-up/fix-up campaign seem severe, however. First of all, only about 20 to 30 percent of housing units in poverty neighborhoods are owner-occupied and probably at least half of these are occupied by non-poverty families. And of those owned by DM groups, a large share are probably owned by elderly and disabled (both of whom are heavily represented in poverty areas), so that perhaps as few as 5 percent of the housing units in target neighborhoods might be affected by this kind of initiative, even if confined to improvements within the scope of the skills possessed by eligible residents.

More extensive home improvements might be attempted, requiring inputs of professional as well as owner labor. Inducement could come via offering reduced interest rates or more effectively insured credit,

but that would call for the use of the owners' efforts as part of the process. An example would be to allow the owner to furnish part of the required labor effort in lieu of a downpayment ("sweat equity"). But, here again, we are limited to the DM homeowner in targeted areas whose income is low enough to qualify, whose health is good enough to provide substantial labor input, and whose present employment commitments are limited enough to allow substantial time for a self-help effort.

An initiative directed at neighborhood organizations (NORG) as opposed to individuals probably should allow for subsidized raw materials or credit to DM homeowners wanting to fix up their own properties, simply as a matter of equity. By themselves, however, NIND efforts would have trivial urban impacts (though it is hard to imagine that they would be negative) and so they will not be considered further.

#### IV. Urban Impacts of Self-Help by Neighborhood Organizations (NORGs) in Targeted Neighborhoods

In this section, we discuss the likely impacts of self-help efforts through NORGs, for the most part confined to those impacts that would occur in the targeted neighborhoods directly participating in the initiative. We will largely confine ourselves to the nature and direction of likely impacts without respect to the funds available or to the areal scope of NORGs. In later sections, we will consider in more detail the impacts on neighborhoods other than those targeted, as well as the sensitivity of impacts to the size and scope of NORG efforts.

The discussion of impacts on targeted neighborhoods will be organized into four subsections corresponding to the four classes of urban impacts indicated in Section II above. In each section, we will discuss the various kinds of NORGs -- COORDNORG, CONTRNORG and COOPNORG -- as appropriate to the impact being considered.

##### Impacts on housing and neighborhood condition

Basic to any belief that a NORG could result in overall improved housing conditions is the belief that somehow or other a NORG can improve the attractiveness of investment in housing in the DM neighborhoods that would be targeted. As implied by the President's message, NORGs would have no Federal resources at their disposal other than what might be needed to support their administrative overhead so that, whatever resources -- private or public -- they attract to their neighborhood must result in a reduction in resources available in other neighborhoods.



The fact that the resource allocation is a zero-sum game does not imply that re-allocation in the direction of neighborhoods with sponsored NORGs will not produce net benefits. Indeed, one of the most powerful arguments in favor of the self-help initiative is that the NORG may be in a good position to identify the neighborhood's needs and potential for redevelopment. Furthermore, the NORG can serve as coordinating agent for resources drawn from diverse sources and thereby increase the effectiveness with which they are used. However, the available evidence from the Model Cities program is mixed. In some cases, neighborhood control led to less rather than more effective resource utilization.

Impacts on housing improvement funds from the private sector, however, could be significantly positive to the extent that a NORG increases the profitability of residential investment in its area. By virtue of its existence and the formulation of an overall neighborhood plan, it could reduce lender uncertainty. This effect could be substantially strengthened to the extent that the NORG identifies particularly promising rehab projects which qualify for the recently announced \$10 billion (over five years) Federal Home Loan Bank fund for lenders making special efforts to finance inner city investments. Perhaps even more important, a NORG could increase the ability of residents in its neighborhood to pay for housing services by alerting them to their eligibility for Sec. 8 rent subsidy assistance and by assisting property owners in their area to have their buildings qualified for Sec. 8 tenancy. As we shall argue later, this rent subsidy may be critical if the benefits of the housing improvement are to accrue to lower income residents.

A basic issue for the housing impacts is the extent of the need for a modest upgrading that would seem most appropriate to a NORG-type effort vs. a substantial rehabilitation and/or replacement of capital equipment. Even a COOPNORG would hardly engage in anything close to new project construction. Also, it is the structurally more modest kinds of rehab that could most easily generate the employment impacts discussed later.

Data from the National Housing Survey indicates a significant role for rehabilitation which could use low-skilled resident labor fairly intensively. Roughly speaking, about 10 percent of all rental units in 13 sample cities have open cracks or holes in the interior walls with something in excess of 5 percent having broken plaster or peeling paint.\* Furthermore, significant numbers of units occupied by black-headed households exhibit these same structural deficiencies as well as defective floors and leaking roofs which could also be remedied using neighborhood labor.

Of structural deficiencies which require substantial capital investment for correction, heating systems would appear to be the most widespread problem for rental units. The overall breakdown rate varies across cities with a low of 2.2 percent of rental units in Columbus to a high of 17.2 percent in Newark.

The relatively high incidence of such breakdowns poses two problems for any rehabilitation program. First, it is unlikely that the repair or replacement of these systems can employ neighborhood labor -- volunteer or otherwise -- to any significant extent. Secondly, replacement

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\* Details are to be found in Appendix A.

of such systems requires substantial capital investment. Experience with self-help coop housing in New York indicates that, even where it is very selectively applied and economically successful, only very modest renovation is possible out of tenants' own funds. This further underscores the need for integrating housing rehabilitation with a program which increases tenants' ability to pay.

There is good reason to expect that the success of the program may depend on the ability of the NORG (or private investor) to undertake not only light rehab, but also to make some substantial capital improvements. While it might be less true for single-family units, it is the case that in the multi-family homesteading sponsored by U-HAB in New York, that some major improvements are needed. But even in these cases substandard "sweat equity" labor has been supplied by prior tenants in substantial amount, both for previously abandoned building and for "as-is" sales to existing tenants.

NORGs might also act to improve neighborhood conditions other than residential structures. To the extent that these efforts are directed at activities outside the municipal service delivery systems, positive but modest results might be achieved. Data from the National Housing Survey shows that a high percentage of all households and of black-headed households found neighborhood conditions undesirable or services inadequate.

Perhaps the most striking feature of these data is the relatively small number of households which found schools inadequate. The importance of this is that, since adequacy of schools is effectively beyond the control of the NORG (probably even a CONTRNORG), a high level of dissatisfaction might severely limit the effectiveness of the NORG's

efforts. However, other neighborhood conditions and services which elicited a significantly higher negative response can be affected by a self-help program. Litter, for example, is clearly a problem and neighborhood clean-up efforts are frequently one of the first projects undertaken by NORGs. NORGs which do not get beyond this stage frequently sink into a sea of disillusionment. But coupled with a strong housing program, with anti-litter activities following rather than leading, the neighborhood improvement impacts could be significant. Abandoned and deteriorating housing, which also loom as important concerns, are directly addressed by the housing improvement efforts.

Supplementing or reorganizing regular municipal services would be very much more difficult for a NORG, though conceivably a CONTRNORG could undertake such a role, essentially as an agent or sub-contractor of the city government. Individual subdivisions within suburban municipal jurisdictions frequently undertake such a role; for the most part these have been middle or upper-middle class phenomena. Perhaps these kinds of activities could be stimulated in DM neighborhoods, though likely some "give-back" of its pro rata share of municipal funds for particular purposes might be required. Positive impacts from these activities are thus possible, but it is our judgment that they are likely to be modest. The main problem is the likely reluctance of city agencies to surrender part of their budget, and hence control over jobs, to a neighborhood group in the regime of generally falling municipal employment that we are likely to face. Also, the public services that are seen as most unsatisfactory in the National Housing Surveys are not especially suitable to self-help employment inputs from neighborhood

residents themselves (police protection) or amenable to solution at the neighborhood level (public transportation).

A final area of housing and neighborhood condition in which NORGs might make an impact is in private business services. However, so far as service availability is concerned, the prospects here too are probably modest. We conclude this despite the fact that large numbers of all, families, and very large numbers of families headed by blacks, report dissatisfaction with shopping. But, even in middle class neighborhoods with constant population, neighborhood commercial business has declined sharply relative to the number of households. In inner city areas where property values have been rising sharply (NW Washington east of 14th Street, for example), commercial redevelopment has lagged far behind. It may be that some large retail chains have closed down inner-city outlets largely out of irrational fear or unrealistic expectations as to the profitability of serving entrapped residents. Aside from overcoming this kind of bias, however, a NORG is not likely to have much effect on making more business service available in its neighborhood.

These kinds of business opportunities could be exploited even by a COORDNORG, simply by reducing uncertainties for a private investor. They might be exploited even more effectively by a COOPNORG depending on the COOPNORG's ability to achieve lower operating costs through greater cooperation of neighborhood residents, since it is not sensible for a COOPNORG to provide a business service that was not otherwise profitable. Perhaps the COOPNORG would have more success in utilizing hard-to-discipline, low-skilled workers, often with low motivation and poor health, than did the Model Cities agencies, but on the basis of past experience large successes are unlikely.

Impacts on income and employment

Conceivably, rental returns of DM property owners or business operators in targeted neighborhoods would be affected by a self-help initiative, but only to a minor extent. Also, increased demand for workers in occupations much above those paying minimum wages also would be small compared with the size of the metropolitan labor market. Accordingly, the positive income and employment impacts would be confined to increased employment prospects for DM segments of the population.

Without a major thrust of a COOPNORG to get into such major employment-creating activities as manufacturing, and in view of the rather limited employment impacts in business service establishments or public service takeovers, the main direct employment impact would come from the improvement in the housing stock and associated neighborhood space.

However, there is also an indirect employment impact via the multiplier effect. Each new job created via the self-help program will increase income in the urban areas to the extent that wages exceed the transfer payments (unemployment compensation and welfare) previously received by the newly employed worker. This additional income will in turn create additional opportunities. The magnitude of the multiplier effect depends on the size of the urban area; in the New York SMSA, for example, each dollar of income generated directly by the program will generate 2.5 to 3 additional dollars through the multiplier effect. In a small urban area, Madison, Wisconsin for example, about 0.75 additional dollars would be generated. It must be stressed, however, that this does not imply that one additional job in New York will create

more additional employment than an additional job in Madison, but rather that more of the jobs which are created will be in New York because of its large and diversified economic base.

None of these multiplier effects will occur, however, unless the sponsored NORG is able to create new jobs through rehab and neighborhood improvement programs. An important question then is how such programs would affect employment in general and DM groups in particular.

It is quite possible that the labor used to perform the rehabilitation and repair are hired from the general labor force of the city and surrounding areas. In this case, one can expect little or no impact on the employment patterns of neighborhood residents or even of DM groups. We will assume, therefore, that the NORG makes special attempts to utilize DM workers from the neighborhood. We recognize that some short-run efficiency may be lost in pursuing this policy. However, since the distribution of employment and income is itself an object of policy, it is important to understand whether utilization of neighborhood DM residents is feasible.

A major factor in the impact on employment is the labor force characteristics of the DM part of the population. We focus particularly on the unemployed, the part-year employed, and nonparticipants in the labor force. Hiring a full-time employed person for the program is not likely to have significant short-term or long-term effects since the jobs will probably not lead to a major increase in income or skills. Supporting data for the following discussion may be found in Appendix B.

The Unemployed. As is well known, poor people and people living in poverty areas tend to suffer greater unemployment rates than the

general population. Unemployment rates in poverty areas of metropolitan areas are high both in absolute terms and relative to the rest of the area. Poverty area workers are relatively concentrated in those occupations which could be utilized in much of the rehabilitation, repair, and neighborhood improvement jobs that would be undertaken. For 1970, the higher unemployment rates among experienced workers were to be found in the categories of nonfarm laborers, operatives, and service workers (other than private household). Indeed, these three categories accounted for 50 percent of the unemployed in 1970. Considering the high incidence of these occupations in poverty areas and their low-paying nature, it is reasonable to believe that even more than 50 percent of the unemployed in poverty areas are in these kinds of occupations.

Although teenage unemployment rates are extremely high, they do not represent the majority of the unemployed in poverty areas. The "Urban Employment Survey" revealed that in New York poverty areas, for example, teenagers accounted for less than one-third of the jobseekers. The fact that the unemployed include a large proportion of men and women over 20 is favorable for the employment impacts of a self-help initiative.

Part-Year Employed. In addition to the unemployment rate at a particular point in time, poverty area residents are much more likely to experience some unemployment during the course of a year than are other workers. Data gathered for the "Urban Employment Survey," which covered poverty areas in six major U.S. cities, indicated that from a



quarter to a third of the workers experienced a spell of unemployment during the year, about twice the rate for the U.S. as a whole. Another aspect of part-year employment is the part-time job. There is some tendency, according to the "Urban Employment Survey," for employed persons in poverty areas to be more likely to have part-time jobs than the U.S. average, though this incidence was not constant across the six cities included in the study. Although most of those working part-time did so voluntarily, a somewhat greater proportion of workers in poverty areas than the rest of the nation worked part-time for such economic reasons as slack work, material shortages, and repairs to plant and equipment.

The Nonparticipants. The pool of unemployed and partially employed represents a significant potential labor force for self-help initiatives. There is another set of people which may be even more important: those who do not consider themselves to be in the labor force. As will be discussed below, some of the unique features of self-help programs may be exploited to draw many such people into the labor force. Difference in participation rates of residents of poverty areas as compared with nonpoverty areas is extremely large and is found for most age and sex categories. Thus, the phenomenon of lower participation rates is not due to the age or sex distribution itself, but rather to DM status. Of particular interest for our purposes is the fact that the lower participation rates persist for male family heads in the 25-64 age bracket, a group which we would expect to be working, or at least looking for work.

Perhaps the most striking difference between poverty and nonpoverty areas is the difference between participation rates of female family

heads, ages 25-64. We find that 49 percent of this group who live in poverty areas are in the labor force, while 73 percent of their counterparts in nonpoverty areas are members of the labor force. A possible explanation is that the female family heads, aged 25-64, in poverty areas have more children to care for than those in non-poverty areas. A NORG which is sensitive to the problems of caring for children may be able to arrange flexible hours and provide day care facilities to enable increased participation. Moreover, since the work will take place in the neighborhood, travel time will be reduced.

The experience of nonparticipants residing in New York City poverty areas indicates that 12 percent of the 25-54 year old men were neither working nor looking for work. "Ill health or disability" as the reason for nonparticipation is given very often by poverty area residents. In connection with a self-help program, note that 40 percent of nonparticipants reporting health problems "...wanted or might want a job." About half of these would require special arrangements -- rest periods, light work, part-time work, care of physicians, etc. It might be more feasible for such special needs to be accommodated by a NORG than by a commercial employer. Health problems figure prominently as a reason for nonparticipation in poverty areas because the occupational patterns there are heavily skewed to work which requires physical strength and stamina. Accordingly, a NORG which is sensitive to these issues may be able to structure work tasks so that the disabled can engage in useful work.

Another aspect of labor supply might be briefly mentioned. In "Work Attitudes of Disadvantaged Black Men," an attempt was made to examine nonparticipation as a function of attitudinal variables. Such

factors as discrimination, preferences for black co-workers or supervisors, and discontent with norms of bureaucracy and authority, were found to be on the minds of many of the men who had never worked. It may be possible for a NORG in a black area to be sensitive to such issues and thereby attract additional men into the labor force.

If special attention is paid to recruiting from the ranks of the unemployed and from nonparticipants who would like to work, employment can be increased, at least in the short-run. Of course, there may be some sacrifice in efficiency from the use of such workers. It may also be more expensive to recruit from these groups, and they may require special services. Nevertheless, the data suggest that employment and income of neighborhood residents can be increased, at least for the period during which the improvements are being made.

A rough idea of labor supply and demand for repairs and rehabilitation may be obtained from the following computation. Atlanta, Chicago, and Detroit had 391,200 units needing repair of cracked walls or paint in 1970. Although adding these numbers involves some double counting but underestimates the number of units requiring rehab, the sum of 235,000 units (60% of the total) is an order of magnitude estimate of the number of units in poverty areas which would be susceptible to the kind of light or medium level rehab that would be appropriate to a self-help initiative.

Assuming that it costs \$10,000 to rehab a unit, that 3/4 of the cost would be for labor, and that 1/2 of the labor input would come from relatively unskilled neighborhood residents, a demand for about \$881 million of labor services of neighborhood residents could be generated. Assuming a five year rehab effort and a wage rate modestly above the

minimum wage (say \$6,000 per year at present levels), this adds up to about 30,000 potential jobs per year for neighborhood residents compared to over 500,000 residents who were unemployed or out of the labor force in the poverty areas of these cities in 1970.

Longer-run gains in income and employment (after rehab is completed) are less certain. The main sources of longer-run gains would appear to be in the training, the experience, and the changes in attitudes toward work which occur as a result of participating in the self-help program. If the self-help initiative is linked with a vocational training program, and with CETA or the youth employment program, workers can increase their human capital and therefore their permanent income. Beyond these effects, however, it is difficult to see why there should be any longer-run effects, with the possible but not likely exception that new business will be attracted into the area which are able to arrange flexible working hours and work tasks.

#### Impacts on population and residential assignment

As indicated in previous sections, although impacts on housing and neighborhood condition and on income and employment might be very weak, in no case was it seen as plausible that they would be negative. Impacts on population and residential assignment are likely to be more controversial, displaying both positive and negative dimensions.

Impact on total metropolitan population is likely to be fairly trivial in extent. The resultant neighborhood improvement, if successful, would make at least some neighborhoods more attractive to DM groups and might be expected to hold them in large metro areas to a greater extent. There are two reasons for believing that such impacts would be

weak. First, recent experience indicates that higher welfare payments do not seem directly to attract DM groups to large cities, though they may hold them there longer. Many of the DM in-migrants to New York, for example, do not apply for welfare benefits until many months after their arrival. And if welfare is a weaker magnet than was thought, improved neighborhood conditions are not likely to be very strong either at the metropolitan level. Second, even if they were an attraction, they presumably would be being developed in poverty areas of most large SMSA's at the same time, thus offsetting a substantial part of the drawing power of any particular SMSA.

Impacts on the population within a given metro area are quite another matter, however. This is a critical issue, since the extent to which the benefits of the housing and neighborhood improvement fall to original neighborhood residents depends on their willingness and ability to remain in the neighborhood. If the housing and neighborhood improvement aspect of the program is successful, housing price increases are to be expected for two closely related reasons. First, as we have argued earlier, landlords' gross revenues must increase if they are to have an incentive (or the ability) to undertake property improvements. Secondly, rents will rise as a consequence of the increased attractiveness of the housing and the neighborhood. In the absence of a rent subsidy which increases the ability to pay of lower income residents (or an operating subsidy to a COOPNORG), this price increase will inevitably lead to displacement. Thus, the ability of the NORG to coordinate Sec. 8 and the housing improvement program is crucial insofar as direct impacts on the DM population is concerned.

Increased use of Sec. 8 in DM neighborhoods raises an important policy issue. The issue is whether or not special efforts should be made to qualify Sec. 8 housing for such households in their original neighborhoods. To a considerable extent, Sec. 8 has been used as a way of providing housing opportunities for DM groups in middle class and/or white neighborhoods. It seems unlikely that Sec. 8 can be used simultaneously as a way of providing improved housing opportunities for DM groups in their "own" neighborhoods and as a way of securing housing for the same groups in non-poverty areas.

Note that qualifying "everything" of sufficient quality for Sec. 8 is not a way out. Indeed, present law (and there seems no proposal to the contrary on the horizon) permits, but does not require, the landlord of any standard quality housing to make it available to Sec. 8 tenants, and Sec. 8 does not guarantee a market rate of return on the property. Although at present Sec. 8 qualification probably assures occupancy at fair market rentals, it assures that occupancy only to the end of the lease of the occupying family, which at present is limited to three years. Accordingly, for the availability of Sec. 8 tenants to increase a landlord's willingness to bring his property up to standard condition, there must be some assurance that his qualification for Sec. 8 continues much longer than the original three year lease and that a substantial aggregate excess of Sec. 8 units not be made available in the housing market as a whole. Thus, using Sec. 8 as the device to protect the DM population from displacement as their original neighborhood improves is likely to come at the expense of the range of choice open to them in other neighborhoods. Restriction of location choice would operate even in the absence of barriers to movement or limitations on entry to new

neighborhoods. It lies simply in the economic reality of requirements for aggregate balance in the Sec. 8 market over all neighborhoods. We are somewhat reluctant to define this impact unambiguously as either negative or positive. If an objective of DM groups is a desire to live as a minority in non-poverty areas, their objective will be frustrated. On the other hand, if their objective is to live in standard housing with decent neighborhood conditions, regardless of the DM composition of their neighborhood, they may be better off for the consequence of a strong NORG initiative.

We are tempted to conclude that the latter, more optimistic, view may be closer to reflecting reality. For one thing, we note that the strongest resistance to assisted relocation of inner-city DM residents to the suburbs through Sec. 8 has come from existing NORGs in inner-city neighborhoods, at least in the experimental relocation programs in the Chicago area. This resistance may reflect the self-serving objectives of some NORG officials, but we also note the painfully slow rate at which interested landlords and willing migrants are being located: not more than a few dozen families a month.

While the pulls on displacement are all in the direction of providing more protection, and the pulls on choice all in the direction of limiting it, pulls on the resulting degree of socioeconomic class integration, at least in targeted neighborhoods, would be in both directions. On the one hand, to the extent that NORG efforts produce significant improvements in housing and neighborhood conditions, its neighborhood would become more attractive to the middle class. On the other hand, insulating the initial residents from displacement would limit the opportunities for in-migration of the middle class, at least



short of new project development specifically aimed at middle class occupants. Despite the fact that the neighborhood could emerge as a satisfactory and low-cost alternative for the middle class, it is our judgment that increases in socioeconomic integration in targeted neighborhoods would be nominal. Perhaps most important is the apparent unattractiveness to the middle class of lower class neighborhoods regardless of physical condition. In fact, strong middle class appeal could be expected to develop only where it was anticipated that the area would become predominantly middle class. Without displacement, this could only occur in neighborhoods with very substantial developable open space and where the management of the NORGs would not be concerned about losing control to middle class in-migrants; these conditions are not likely to occur in many places.

#### Impact on local fiscal condition

This sub-section on local fiscal impacts can be brief mainly because the impacts are likely either trivial or offsetting. The one possible exception is the impact on local fiscal condition stemming from changes in income and employment. Increased employment, especially of those previously nonparticipants in the labor force, would both increase taxes (wage taxes and/or increased sales taxes through greater spending) and reduce expenditure (welfare and public assistance costs). On the other hand, as indicated earlier, it is doubtful that more than modest employment impacts could be realized, and even then they would probably be fairly short-run, say five years or so.

Property tax yields from targeted neighborhoods could increase substantially, since property values would rise substantially if



expected improvements in housing and neighborhood conditions were realized. Part of this increase might be offset by tax concessions that might be achieved by a NORG, especially a COOPNORG. In many areas, there would be nothing to prevent a COOPNORG from acting as a private redeveloper. In Missouri, for example, under the Sec. 353 urban redevelopment program, a COOPNORG could secure a blighted area designation, control over eminent domain powers, and abatement of improvements from increased property taxation completely for 15 years and partially for another 10 years. A COOPNORG would have more limited abilities to borrow from private lenders than would a private developer, but its tax abatement possibilities would be the same. In any event, tax abatement possibilities notwithstanding (and they would seem not to be an essential feature of rehab under Sec. 8), at least in the long-run property tax yields in targeted areas would rise. As will be indicated later on, however, much of this is likely to be offset by declines in other neighborhoods, though the offsetting declines might be outside the central city jurisdiction and the offsets might not be complete.

Except for impacts on wage and property taxes and somewhat indirectly on sales taxes, there is no reason to expect any other impacts on locally generated revenues. Also, there is no reason to expect any particular direct impact on grants-in-aid or revenue sharing payments from state and Federal government, except for the limited funds granted by the Federal government for operating expenses of the NORGs.

Noticeable impacts on the expenditure side probably would be confined to reductions in welfare and public assistance due to increased employment, but these impacts would be modest and mostly temporary. So far as other expenditures are concerned, there may be pressures for

increases as a consequence of the demands by NORGs for complementary program support from local government and/or discrimination in public service delivery away from DM neighborhoods in reaction to increasing fiscal stringency. Overall, however, impacts on local expenditures would likely be small, as would net impact on total local fiscal position.

#### V. Impact of NORGs on Non-Targeted Neighborhoods

The impact of a NORG initiative on non-targeted neighborhoods would depend on the geographic coverage and the scale of the NORG efforts. These considerations will be discussed more fully in the next two sections, but we will conclude that, for the most part, effects in non-targeted neighborhoods are likely to be modest in scope and confined mostly to other central city neighborhoods.

If successful, the self-help program will shift housing demand toward target neighborhoods. Since NORG efforts are unlikely to effect total metro population, the shift in housing demand toward the self-help neighborhoods must necessarily affect other neighborhoods and housing market segments within the metro system. But, given the likely scope and scale of effort, the initiative's overall impact on housing markets and population distribution is likely to be small. It is difficult to pinpoint exactly which neighborhoods will be affected in terms of a central city-suburban dichotomy, but the impacts of the program should be highly localized to neighborhoods which are spatially adjacent to the target neighborhood or those which occupy a similar position in the overall ranking of housing and neighborhood quality. The impact will be at a maximum in neighborhoods which are close both spatially and in quality. Hence, the magnitude of central city and suburban impacts will depend on

the location of target neighborhoods. It might be expected that a majority of the NORG efforts would be in central city neighborhoods; however, in many metropolitan areas there are significant numbers of older suburban neighborhood which could benefit from the program.

First, we will consider the impacts of the NORG initiative on neighborhoods similar to targeted neighborhoods. Impacts on the rehabilitation of housing units can be decomposed into two parts: the "removal" of low quality units and the addition of higher quality units. Even simple rehab can be thought of as the removal of a substandard unit and the addition of a standard unit. The removal of the low quality units reduces the supply of such units and will result in a price increase. It will also result in increased demand pressure both at slightly higher levels and lower quality levels, causing price increases at these quality levels if the rehabilitated housing had been occupied. If it had been abandoned, these effects will not occur, and the program will produce a pure supply increase.

The addition of higher quality units will result in lower prices for units of that quality and for units of slightly higher and slightly lower quality. Hence, the net effect of the rehabilitation program will be a lowering of prices for units of about the same quality as the new quality level and an increase in prices of units of about the same quality as before rehabilitation.

Improvement in neighborhood services would have similar price effects: price increases in low service-quality neighborhoods and price reductions in higher service-quality neighborhoods. Independent of any rental subsidies under the Sec. 8 program (and the self-help program must be evaluated in this way since the Sec. 8 subsidies would

exist independently of the self-help program), the price impacts of housing rehabilitation and improvement in neighborhood services under the self-help initiative would work to the disadvantage of those households who consume lower quality housing. The price effects are simply another aspect of the displacement problem which often accompanies substantial upgrading of a neighborhood. Not only are lower income households priced out of rehabilitated neighborhoods, but also their moving puts upward pressure on prices in neighborhoods to which they move, affecting other residents of these latter neighborhoods as well.

On the other hand, a rent subsidy program such as Sec. 8 will create demand pressures at those quality levels to which the subsidy applies. It could be argued, therefore, that self-help rehabilitation programs would be useful in offsetting these price increases, at least for housing at the quality level with which the initiative is concerned. However, it must also be recognized that a subsidy-induced price increase will induce a supply response from the market. One aspect of this supply response is a reduction in the rate of flow of units from the standard quality level in the program to lower quality levels; this would occur as part of the normal filtering process. This will ultimately lead to increased prices at lower quality levels.

The strength of the price effects clearly depends on the number of units and the quality distribution of affected units that are upgraded in any market (metropolitan) area. If the number of units is small, or if they are distributed over a fairly wide range in the quality spectrum, the price effects are likely to be negligible. If, on the other hand, a significant number of units in the same quality spectrum are affected, the price effects could be substantial.

The impacts of NORG programs on geographically adjacent neighborhoods are somewhat more difficult to predict. It is clear that deteriorating housing and low service levels have a negative impact, not only in the neighborhood in which they occur, but also in adjacent neighborhoods. Furthermore, neighborhood improvements such as recreational and shopping facilities which result from the initiative would have a positive impact on adjacent neighborhoods. Finally, a successful NORG may be highly visible in adjacent neighborhoods and serve as a model for similar efforts.

However, the most important impacts in adjacent neighborhoods are likely to result from market effects. This results from the fact that metro-area housing markets are to some extent localized. Thus, the demand and supply shifts induced by a self-help rehabilitation or neighborhood improvement project will tend to be concentrated in the localized market. For example, a program which reduces the supply of lower quality housing could generate a significant increase in the price of housing for lower income households. This, in turn, could set off downward socioeconomic change in another neighborhood. Thus, the self-help initiative could, through its very success, create another problem neighborhood. On the other hand, the program might, through its success, stabilize or reverse the negative expectations which generally underly the neighborhood change process as a whole. Since the widely held expectation of socioeconomic change can, by itself, produce the expected result as an outcome, the reversing of the expectations could have a positive impact.

But even here, the effect must be evaluated with care. It is through the neighborhood change process that low cost, although moderate

quality, units are provided to the low income market. Once having entered the low income market, these units typically are depreciated fairly quickly. In fact, it can be argued that the depreciation is too rapid and that the poor must move too frequently. Nevertheless, given incomes of the poor, these are the only circumstances under which units of even moderate quality would be available to them. Therefore, if the neighborhood change process were significantly slowed, the continued supply of moderate quality units to the low income market would abate, with the result that prices would rise as would the average quality of housing occupied by such households provided they could meet the higher costs.

Impacts on income and employment in non-targeted neighborhoods would be small and mainly offsetting. DM populations in non-targeted neighborhoods would tend to get some jobs from a NORG initiative -- more jobs to the extent that the NORG-generated labor needs were focused on DM groups in general and fewer jobs to the extent that such needs were focused on target neighborhoods in particular. In any case, the sum of increased labor demand for DM participants would be unaffected by the division between targeted and non-targeted areas. Proximity to the work and easier access to information about it would suggest a preponderance of effect in targeted neighborhoods. This effect probably would be reinforced by the special efforts required to bring the "hard to employ" into the program since NORGs may be expected to concentrate their efforts almost solely on neighborhood residents.

The impact on the demand for non-DM labor, which mainly would reside outside targeted areas, is uncertain. On the one hand, the NORG-sponsored rehab and neighborhood improvement efforts would create

additional demand for skilled labor services complementary to the unskilled DM labor brought into the effort. On the other hand, to the extent that NORG-sponsored efforts were exempted from Davis-Bacon requirements to pay "prevailing wages" for construction labor (if they were not exempted, their prospects for absorbing large amounts of DM labor would be seriously reduced), some DM labor might substitute for more skilled labor. In any event, given the offsetting nature of these impacts, we conclude that the net impact on income and employment in non-targeted areas would be minimal.

The impacts on population in non-targeted areas are implicit in the earlier discussion of impacts on housing supply and demand and prices in non-targeted areas. For example, if residents of targeted neighborhoods were effectively protected from displacement, residents of non-targeted DM neighborhoods would also be less susceptible to displacement, and residents of non-DM neighborhoods less likely to experience socioeconomic downgrading of their neighborhood. On the other hand, if a NORG initiative produced displacement by virtue of its success, displacement or flight in non-targeted areas would be induced as the process of neighborhood filtering speeded up.

Practically speaking, a NORG initiative would not worsen the ability of DM groups in targeted neighborhoods to choose other locations, but it would likely result in increased choices to stay in their original areas. To the extent that that was true, it would also be neutral with respect to the choice set available to residents of non-targeted neighborhoods, but would tend to reduce the number of families opting for inter-neighborhood moves. Finally, to the extent that the NORG initiative successfully insulated DM groups in targeted neighborhoods from



displacement by the middle class, it would result in less movement of DM groups into middle class neighborhoods. In that sense it would not promote socioeconomic integration at the neighborhood level and would tend to slow down inter-neighborhood movement for all groups and the neighborhood succession process for most neighborhoods. Thus, it might lead to less socioeconomic neighborhood integration than is arithmetically possible with an equi-proportional assignment of housing quality and family types among neighborhoods. However, if we allow for responses in the supply of housing types and the demand for locating in different neighborhoods as part of the dynamic adjustment process, whether a successful NORG initiative would produce less socioeconomic integration in final equilibrium has to be regarded as an open question.

As far as local fiscal condition is concerned, the impact on non-targeted areas substantially would offset that in the targeted neighborhoods. If employment taxes generated in non-targeted neighborhoods rose because of employment of DM groups there, this would be offset by lower employment taxes generated by employing residents of targeted neighborhoods. The total reduction in welfare or public assistance costs generated by a NORG initiative also would be substantially independent of its neighborhood distribution.

By far the most important fiscal impact on non-targeted neighborhoods would be on their property tax base. To the extent that the property tax base consists of site rents, any increase in property tax yields in targeted neighborhoods would be partially offset by decreased tax collections in other neighborhoods. Moreover, since, as was argued above, most of the affected non-targeted neighborhoods probably would be geographically nearby, any substantial inter-jurisdictional transfer of property tax base is unlikely. Some net increase in property tax yields



is possible, of course, to the extent that the property tax base consists of reproducible capital in addition to site value. Thus, assuming that targeted neighborhoods were concentrated in the inner city, one should expect some increase in the central city's property tax receipts, but the net increase would be far smaller than the increase in tax yields from targeted neighborhoods only.

#### VI. Effect of Geographic Scope on Urban Impacts

Presumably the scale of neighborhood at which NORGs are likely to be organized is similar to that of existing organizations, many of which came out of the Model Cities experience; they typically operate over a half dozen or so Census tracts. It is important to note that impacts could be quite sensitive to the areal scale at which NORGs were created.

Larger scale NORGs would have the advantage of internalizing impacts in non-targeted neighborhoods, might offer some administrative scale economies (but these are likely to be small, at most), and might achieve superior bargaining power with municipal agencies (this would be especially important for a CONTRNORG). Smaller scale NORGs, on the other hand, would seem much more effective in meeting particular resident needs and focusing on DM groups especially, thus making real self-help participation much more likely. Perhaps the appropriate balance could be struck by encouraging NORGs to form at the geographic scale that the residents themselves think of as their "neighborhood." In that regard, however, Anthony Downs believes that that scale can vary greatly from city to city, from as many as a few hundred thousand down to as few as 10 or 15 thousand population.

There is another and still more subtle consideration involved in the question of the most appropriate geographic scope for a NORG, namely

the emerging role of the neighborhood as a decision-making unit in the mature or declining metropolitan area. This issue can be most easily understood by considering the notion that the mature metropolis is likely to consist of a number of residential/employment nodes, each somewhat denser than most of present suburbia, but less dense than present inner cities. They would be quite scattered in space to enhance living-working at a fairly small and secure scale, but also integrated into a regional transport network for periodic but fairly infrequent access to specialized consumption and services. In this type of metropolis, there would be a metropolitan-wide interest only in facilities for fairly specialized functions (airports, medical centers, universities, stadiums, etc.) and much of the land use in the regional system would be non-urban. In essence, metro regions are merging onto substantial segments of and, in some cases, entire states.

The foregoing suggests that budgeting for these specialized functions might gravitate to the state level, and to individual communities for routine public service delivery so that scale diseconomies can be avoided and idiosyncratic needs of residents met. The problem here, however, is that, while most suburbs have satisfactory scale, most central cities are too large to fit into this emerging metro/regional system optimally. What this suggests is the emergence of the central city neighborhood as a quasi-suburb. This would reinforce the political viability of the metro/regional system; it would also conflict with the political strength of the central city government. Sensitive and important political issues are involved in all of this -- the vested political interests of "city hall" and the ambitions of DM groups for capturing those interests. We do not pretend to predict or assess the

desirability of various possible outcomes on this score, but we do wish to point out that fostering NORGs at this time may speed up the evolution of such organizations into legitimate government units.

Another aspect of geographic scope is whether NORGs blanket, or only selectively target on, DM neighborhoods. If they are very selectively targeted, possibilities for adverse compensating effects on non-targeted poverty and/or DM neighborhoods are substantial. Such negative spill-over effects could be avoided if NORGs were organized over very broad geographic scope, but, as indicated above, that would limit their program effectiveness as well as political cohesiveness. The other alternative is simply to have a large number of NORG organizations; that possibility depends mainly on the scale of resources available for a self-help initiative.

#### VII. Effect of Program Scale on Urban Impacts

It is obvious that the effectiveness of self-help initiatives is related to the amount of resources devoted to their stimulation and support. We will not dwell on that rather obvious reality further, but we would point out what might prove to be a particularly troublesome feature of that relationship, namely that it is unlikely to be a directly proportional one.

In the extreme case of an effective NORG being supported in only one of many DM inner-city neighborhoods, the impacts could be substantially disruptive. This is not because of any probable failure of the self-help initiative in the targeted neighborhood; quite the contrary, it is likely that without competition it would be very successful in attracting Federal program and municipal resources disproportionately to its area. But it would also likely draw to it the most effective

leadership and the most productive and most easily employable of the DM population throughout the city. This could leave other DM neighborhoods still more deprived in the same way that the selectivity of rural-urban migration in the 1950's left many rural counties sociologically and economically deprived.

To prevent these negative impacts on non-targeted neighborhoods and thereby enhance the overall effectiveness of the initiative, NORGs should be made available and encouraged in almost all DM neighborhoods within a metro area simultaneously. If total resources are limited, this suggests that favorable impacts would substantially be enhanced by the support of NORG initiatives more or less exhaustively in a small number of metro areas, rather than selectively in a large number, based on our view that substantial inter-SMSA migration is not likely to be stimulated by differential development of self-help initiatives among SMSAs.

In this regard, we note that the figure indicated in the President's Urban Policy Message for Fiscal 1979, \$15 million, is disturbingly small not simply because more is better than less. It is disturbing because it will lead to difficult allocation decisions on which political pressure will be exerted for a decision that would be counter-productive to achieving the most substantial positive impacts with the available resources. Assuming a modal neighborhood of about 50,000 population, we would judge that a paid staff of about ten people would be needed for an effective NORG, even of only a COORDNORG variety. A mix of professionals, sub-professionals, and some unskilled workers might result in an average salary of about \$15,000 a year, or a wage bill of \$150,000. With overhead for space rental, supplies, etc., and a minimal resource commitment to secure cooperation of volunteers, at least \$300,000 for total annual budget for a typical COORDNORG would be required; a CONTRNORG or COOPNORG

would probably require greater minimum commitment. Moreover, while some local resources might be available for NORG support (some local matching might even be a program requirement), in the present era of local fiscal stringency it seems unrealistic to think of more than a third of the cost being borne locally.

What this all adds up to is that \$15 million of federal funds at \$200,000 per NORG could not support more than about 75 NORG organizations nationally. Effective blanketing of DM areas in an SMSA might call for from 5 to 20 NORG organizations, with more being required in the larger, more troubled SMSAs. Thus, at the announced funding level, only about 8 or 10 or maybe 15 SMSAs could participate in a neighborhood self-help initiative that was organized to secure maximum positive urban impacts. On political grounds, we doubt that such an allocation could prevail; much more likely is that 50 or 75 areas would get one, or maybe two, NORGs each with chances for substantial positive impact being largely dissipated. Indeed, as remarked above, one cannot rule out the possibility of a significant negative impact.

Appendix A

Supporting Data

Table 1

Housing Conditions for All Households  
(thousands of units reporting conditions)

SMSA	Owner Occupied (O-O)	Renter Occupied (R-O)	Interior Walls				Stairs Need Repair (R-O)	Roof Leak (O-O)	Roof Leak (R-O)	Fuse Blow- Out (O-O)	Fuse Blow- Out (R-O)	Heat Breakdown (O-O)	Heat Breakdown (R-O)
			Open Cracks (O-O)	Open Cracks (R-O)	Peel Paint (O-O)	Peel Paint (R-O)							
Atlanta	295.3	210.8	6.8	19.8	5.7	15.2	9.1	11.7	16.5	35.8	19.8	13.9	10.0
Chicago	1269.6	1013.1	27.6	98.0	14.3	63.6	67.0	60.7	63.5	185.7	124.1	68.5	89.5
Cincinnati	276.4	169.2	6.6	17.1	6.5	12.5	10.3	10.7	13.2	43.4	19.4	18.0	11.1
Columbus	184.3	123.5	4.9	11.3	4.8	7.7	2.3	6.6	8.4	24.4	13.4	11.5	8.2
Detroit	970.3	366.3	25.5	42.0	31.6	41.1	22.2	43.2	22.1	132.1	45.2	63.8	24.3
Hartford	131.2	87.3	2.0	7.1	1.4	3.4	6.7	3.0	5.3	18.7	9.2	6.1	6.5
New Orleans	186.2	171.4	5.2	22.6	3.9	13.3	4.9	9.1	13.6	31.7	26.4	7.0	7.6
Newark	322.3	260.9	8.1	36.4	5.7	31.0	26.3	16.8	23.8	31.0	23.5	28.9	45.0
Patterson Clifton Passaic	270.5	161.2	6.4	14.9	5.6	12.1	8.9	10.0	10.9	29.3	15.6	17.9	20.1
Philadelphia	1030.3	494.4	43.3	69.4	33.2	45.0	15.0	50.6	51.1	131.4	47.4	71.5	58.3
Rochester	188.0	94.4	4.2	8.0	4.1	5.4	3.1	6.7	5.6	25.4	10.5	12.7	9.2
San Diego	304.5	233.7	4.8	13.8	3.4	11.2	4.2	12.3	13.4	34.7	22.1	11.4	7.6
Washington, DC	471.0	501.9	17.0	62.2	14.1	46.7	19.5	17.8	35.0	75.9	57.9	27.2	59.3

Source: National Housing Survey; Washington D.C., Detroit, Newark -- 1974; all others -- 1975.

Table 2  
Housing Condition for All Households  
(% of units reporting condition)

SMSA	Percent Owner Occupied With:					Percent Renter Occupied With:					
	Open Cracks	Peeling Paint	Roof Leak	Fuse Blowout	Heat Breakdown	Open Cracks	Peeling Paint	Roof Leak	Fuse Blowout	Heat Breakdown	Defect Stairs
Atlanta	2.3	1.9	4.0	12.1	4.7	9.4	7.2	5.6	9.4	4.7	4.3
Chicago	2.2	1.1	4.8	14.6	5.4	9.7	6.3	6.0	12.2	8.8	6.6
Cincinnati	2.4	2.4	3.9	15.7	6.5	10.1	7.4	6.3	11.5	6.6	6.1
Columbus	2.7	2.7	3.6	13.2	6.2	9.1	6.2	5.3	10.9	2.2	6.6
Detroit	2.6	3.3	4.5	13.6	6.6	11.5	11.2	6.0	12.3	6.6	6.0
Hartford	1.5	1.1	2.3	14.3	4.7	5.4	2.6	4.0	7.0	5.0	5.1
Newark	2.5	1.8	5.2	9.6	9.0	14.0	11.9	9.1	9.0	17.2	10.0
New Orleans	2.8	2.1	4.9	17.0	3.8	13.2	7.8	5.3	15.4	4.4	2.9
Patterson	2.4	2.1	3.7	10.8	6.6	9.2	7.5	6.2	9.6	12.5	5.5
Philadelphia	4.2	3.2	4.9	12.8	6.9	14.0	9.1	10.3	9.6	11.8	3.0
Rochester	2.2	2.2	3.6	13.5	6.8	8.5	5.7	5.3	11.1	9.7	3.3
San Diego	1.6	1.1	4.0	11.4	3.7	5.9	4.8	5.3	9.5	3.3	1.8
Washington, DC	3.6	3.0	3.8	16.1	5.8	12.4	9.3	7.0	11.5	11.8	3.9

Source: Compiled from Table 1.



Table 3  
**Housing Condition for Families Headed by Blacks**  
 (number of units reporting condition)

SMSA	Open Cracks or Holes	Broken Plaster- Peeling Paint	Holes in Floor	Plumbing Breakdown	Heating Breakdown	Opinion of Structure Poor	Roof Leak
Atlanta	11,100	8,100	3,900	2,400	3,500	8,000	6,300
Chicago	45,300	22,600	14,500	7,700	33,700	34,800	20,000
Cincinnati	27,100	4,300	2,800	600	3,800	3,700	4,300
Columbus	2,500	1,300	1,000	900	1,800	1,900	1,200
Detroit	23,400	23,800	6,500	4,800	10,500	N.A.	8,600
Hartford	800	300	200	100	1,500	1,100	600
Newark	19,300	15,700	7,800	4,100	6,700	N.A.	11,200
New Orleans	14,400	8,100	7,500	2,600	3,300	7,300	6,900
Patterson	3,500	2,900	1,100	800	1,600	2,800	1,200
Philadelphia	32,000	17,400	12,700	5,900	21,300	19,800	12,900
Rochester	1,600	1,500	600	700	2,300	2,100	1,300
San Diego	1,300	400	200	700	800	900	1,400
Washington, D.C.	33,200	24,000	12,100	83,000	31,200	N.A.	18,200

Source: National Housing Survey

Table 4  
 Neighborhood Condition for All Families  
 (% of families reporting)

SMSA	<u>Undesirable Neighborhood Characteristics</u>			<u>Inadequate Services</u>		
	Litter	Abandon.	Det. Housing	Schools	Street Light	Shopping
Atlanta	17.3	8.6	9.3	4.2	24.4	10.8
Chicago	15.0	8.7	9.6	3.7	N.A.	12.1
Cincinnati	18.6	8.1	11.5	3.9	22.2	11.0
Columbus	19.9	7.1	12.0	3.5	40.9	9.2
Detroit	15.5	11.4	10.2	5.6	22.4	13.7
Hartford	14.1	6.9	10.8	4.0	16.0	11.7
Newark	13.5	7.6	8.6	5.4	13.9	12.6
New Orleans	22.6	10.0	12.6	6.1	11.8	8.6
Patterson	12.2	6.7	9.3	3.7	21.9	13.4
Philadelphia	18.7	14.5	11.1	4.0	20.3	14.1
Rochester	14.2	7.8	10.3	2.2	33.3	11.7
San Diego	12.9	1.9	9.7	5.8	29.8	12.8
Washington, D.C.	14.6	5.0	6.2	5.3	14.2	12.1

Source: Compiled from National Housing Survey

Table 5  
 Neighborhood Condition for Families Headed by Blacks  
 (% of families reporting)

SMSA	Undesirable Neighborhood Characteristics			Inadequate Services		
	Litter	Abandon.	Det. Housing	Schools	Street Light	Shopping
Atlanta	23.8	15.9	13.6	3.3	17.1	24.3
Chicago	29.8	28.9	20.6	8.4	10.8	22.2
Cincinnati	33.7	26.9	26.1	5.5	14.4	22.8
Columbus	35.7	17.7	20.3	6.9	33.7	17.7
Detroit	33.1	33.4	19.7	10.2	19.5	24.6
Hartford	28.9	21.4	26.6	11.6	13.3	26.6
Newark	31.4	27.9	22.8	9.4	17.9	22.9
New Orleans	34.4	16.5	20.0	4.5	16.6	12.4
Patterson	34.2	27.1	28.6	5.6	14.7	19.5
Philadelphia	30.7	43.4	23.1	6.3	16.9	23.6
Rochester	31.8	28.6	29.7	6.3	19.8	14.6
San Diego	23.8	6.6	12.9	8.1	39.0	24.3
Washington, D.C.	25.2	13.0	12.2	6.3	12.8	24.0

Source: National Housing Survey

Table 6  
Unemployment Rates, 1st Quarter, 1978

	Total U.S.		Metropolitan Areas	
	Poverty Areas	Non-Poverty Areas	Poverty Areas	Non-Poverty Areas
<u>Total</u>				
Both sexes, 16 yrs. & older	9.4	6.3	13.0	6.2
Males, 20 yrs. & older	7.4	5.0	11.0	4.9
Females, 20 yrs. & older	9.0	5.7	11.4	5.6
	23.3	17.2	32.3	17.1
<u>White</u>				
Both sexes, 16 yrs. & older	6.8	5.9	8.8	5.7
Males, 20 yrs. & older	5.5	4.7	7.2	4.6
Females, 20 yrs. & older	6.7	4.7	8.5	5.2
	16.1	15.6	20.8	15.2
<u>Black</u>				
Both sexes, 16 yrs. & older	15.8	11.1	17.8	11.0
Males, 20 yrs. & older	13.0	8.7	15.9	8.8
Females, 20 yrs. & older	13.8	9.2	14.3	9.1
	41.2	38.1	44.1	38.2

Source: Employment and Earnings

Table 7

## Occupational Distribution of Employed Workers, 1970

	<u>Poverty Areas</u>	<u>Remainder of City</u>
Professional, technical and kindred	8%	17%
Managers and administrators	3	8
Sales workers	4	8
Clerical and kindred	18	24
Craftsmen and kindred	11	12
Operatives	18	11
Transport	6	4
Laborers	8	4
Service workers	20	11
Private household	4	1

Source: U.S. Census Special Study, "Low Income Areas in Large Cities."

Table 8

## Labor Force Participation Rates, 1st Quarter, 1978

	<u>Total U.S.</u>		<u>Metropolitan Areas</u>	
	<u>Poverty Areas</u>	<u>Non-Poverty Areas</u>	<u>Poverty Areas</u>	<u>Non-Poverty Areas</u>
Total	55.0%	63.7%	53.5%	64.2%
White	56.0	63.4	54.3	63.8
Black	52.6	67.1	52.5	67.4

Source: Employment and Earnings

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Table 9

## Labor Force Participation Rates, 1970

	<u>Poverty Areas</u>	<u>Non-Poverty Areas</u>
<u>Male</u>		
16-24	59%	67%
25-64	83	93
Family head, 25-64	88	95
<u>Female</u>		
16-24	43	54
25-64	48	53
Family head, 25-64	49	73
Wife of head, 25-64	42	44
With own children under 6	34	32
With own children 6-17	42	45

Source: U.S. Census Special Study, "Low Income Areas in Large Cities."

Table 10  
 Status of Nonparticipants in the Labor Force  
 above 25 years of age, 1968

	<u>NYC Poverty Areas</u>		<u>U.S.</u>	
	Age 25-44	Age 45-54	Age 25-44	Age 45-54
<u>Male</u>				
In labor force	90%	84%	97%	95%
Not in labor force	10	16	3	5
In school	1	--	--	--
Ill health or disability	7	14	1	3
Other reasons	2	2	2	2
<u>Female</u>				
In labor force	48%	55%	46%	54%
Not in labor force	52	45	54	46
Ill health or disability	10	19	2	4
Family respon- sibility	36	22	50	41
Other reasons	5	1	1	1

Source: "Working Age Nonparticipants," U. S. Department of Labor, Bureau of Labor Statistics, Regional Reports No. 22, June 1971.

**Appendix B**

**A Perspective on Urban Impact Statements**



## Appendix B

## A Perspective on Urban Impact Statements

In his Urban Message of March 27, 1978, the President called for an analysis of the urban impacts of new Federal initiatives. The need for such analysis is manifested by many examples of unintended and un-contemplated impacts on our cities arising from Federal initiatives which worked at cross-purpose to Federal urban policy. On the other hand, stating that its urban impacts should be identified prior to the approval of a new policy initiative does not tell us what impacts are important, or how they are to be identified. This report is an example of what we think an operating urban impact statement should be.

In formulating an urban impact statement, we have as examples the variety of impact statements already required by law; such things as environmental or employment impact analyses. In these cases, however, the problem of impact analysis is somewhat different: environmental impact statements generally call for the effect on the environment of a specific facility, such as a dam or reservoir in a particular location; employment impact statements are often concerned with the expected job loss from the closing of a particular military installation. So far as urban impacts are concerned, however, we examine a general initiative that is being proposed for the Nation or some class of agents in it, rather than a specific action in a particular place.

This difference strongly suggests that detailed research studies are not likely to be useful for general initiatives. Such studies can be done effectively only with respect to fairly concrete situations, but since a large number of specific situations may be contained in a policy

initiative, a large number of situational variants would have to be studied in order to come to conclusions about the general impact of an initiative over the whole of our urban society. In addition, even in very concrete situations, experience with environmental impact statements has shown us that it is often easy to develop so much detail as to obscure rather than illuminate the impacts. The environmental impact statement for the Alaska pipeline, for example, consisted of 16 large volumes of material and, after its completion, the decision-making community still had no unambiguous view of the impact of the pipeline on the environment. In contrast, this report will be experimental as well as illustrative. It is based on a very modest research effort (about 40 man days of professional time) over a very short period (about one month); it relies heavily on the judgment of the authors based on their substantial prior experience in evaluating urban impacts; it is written in a concise form and non-technical language in an attempt to make it directly understandable by policy administrators as opposed to professional social scientists.

We should also note that this report does not deal directly with the question of whether the proposed initiative should be carried out. It is not a cost-benefit analysis, and we recognize that in many cases the final decision might be to carry out an initiative even though its urban impact might be very small or even negative. By the same token, this report is not meant to recommend the particular way in which the initiative should be carried out. To the extent that the report discusses the conditions under which favorable or unfavorable urban impacts might be expected, the findings here have implications for how the initiative might best be put in practice, but this report is not a

comprehensive analysis of program operation and cannot be regarded as a cost-effectiveness analysis.

In a real situation, the initiative to be studied would be defined in some detail and the impacts to be considered would already have been spelled out in administrative guidelines. In this illustrative and experimental situation, neither of these are the case, so that we have selected an anticipated policy initiative and made some assumptions about what are the relevant urban impacts.

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Having tried it once, we favor the policy of producing an urban impact report on the basis of a modest and short effort, drawing much more on an accumulated knowledge of past and on-going urban research than on a special study effort organized especially for this assessment. Not only does this approach save a great deal of time and money, but it is our judgment based on past research experience that our findings would not be materially altered with a much longer and more detailed study. We certainly would develop some greater confidence that our understanding was correct with more study, but it is doubtful we would much reduce the annoying ambiguities which necessarily still linger in our understanding.

It also might be argued that other experts could have been found whose judgment of the urban impacts would differ from ours. We have no doubt that this is the case. But it is unlikely that those differences would disappear or even be much reduced by each of us doing a major research study, given the very general nature of the initiatives that are to be assessed and the wide variety of particular actions possible within them.

Thus, simple analysis or complicated research study notwithstanding, it appears that the administrator or legislator who decides on the initiative must also decide which of the possibly conflicting assessments of its urban impacts is most cogent and compelling.

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