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**BOSTON'S HOUSING IN 1984:
ISSUES AND OPPORTUNITIES**

by

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BOSTON'S HOUSING IN 1984; ISSUES AND OPPORTUNITIES

Rolf Goetze

McCormack Fellow

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EXECUTIVE SUMMARY

Sharp cutbacks in federal aid for housing and community development now challenge Boston to become more resourceful in its housing strategies. In the neighborhoods where new solutions are needed, much has already been happening that can be adapted and expanded. Fortunately, the City's resurgence can also help achieve more results with less public resources, but a fresh approach involving community interests is essential. At the same time, local laws, procedures and programs devised to address past problems must also be critically re-evaluated to determine their appropriateness to the new realities.

Confidence in Boston's future is being uplifted, and many neighborhoods have come to experience new housing demand, even where deterioration and abandonment still persist. The new challenge is to harness this demand, tap latent community resources, and confront housing problems on a neighborhood basis, working at the margins with private and community interests, rather than simply creating a costly but limited number of rental units for disadvantaged residents, consuming all the available assistance in a few showcase developments, low-income "Cadillac" housing.

Affordability has emerged as today's dominant housing issue, as the multi-faceted, persistent housing "crisis" has evolved over the last twenty years. However, thousands of abandoned dwellings and empty public housing units remain; there are more homeless than were ever recognized before; and many more thousands of small scale properties, containing 2 to 6 units, are in tax arrears.

Financial approaches dominated during the 1970s, as large amounts of federal urban renewal, community development and housing dollars flowed to Boston. Assisted rental developments replaced private construction; then as the emphasis shifted towards rehabilitation, costs rose from around \$11,000 in 1970 to as much as \$90,000 per unit in 1983 for modernizing uninhabitable public housing.

The Great Society commitment to produce affordable rental housing expanded from a limited number of categorical federal programs into a mind-boggling maze involving more tools, more agencies and levels of government, and much more time, as it became necessary to piggy-back subsidy upon subsidy to achieve visible results. The Boston Housing Partnership and Linkage, the symbolic tithe on downtown developers, are but the latest steps in this progression so ill-suited to the 1980s.

Perceptions have played a critical role along the way, focussing public attention on such issues as red-lining, disinvestment, speculation, arson, gentrification, and displacement. Meanwhile, compared to suburban prices, Boston values are still a bargain. Actual private housing costs, both in home prices and rents, lagged inflation for years. Recently however, they have begun to compensate for inflation. Affordability has therefore become the timely issue as rental housing at 1970s prices vanishes.

Since people do not shop for housing as regularly as for groceries, the dramatic price changes confront them only when they move, making things seem even more critical. A household moving today must suddenly pay considerably more, and its outcry makes everyone think there is a housing shortage, when in fact vacancy levels in habitable housing are normal. However, finding an affordable dwelling does seem difficult when for years one could move on to the next hand-me-down, and pay little more than before. Now, newcomers have become interested in such properties. This may mean a neighborhood is improving, but housing costs will continue to rise, especially for those who move about.

Boosting neighborhood confidence through home improvement incentives stimulated much fix-up of resident-owned properties during the 1970s. Now the more difficult properties remain: absentee-owned 3-10 unit structures. Nevertheless, tackled directly, a public subsidy to write down \$5,000 per unit -- but a fraction of the \$75,000 required for each unit of public housing modernization -- will refurbish any but the most rotted, gutted shell. Appropriately administered, public outlays can recondition many more units in the private stock and boost neighborhood confidence as well. Parts of Dorchester and Jamaica Plain have already been "bootstrapping" themselves in this way.

Increasing the capacity of community groups and residents to fix-up past neglect will take time, however. Many interveners, yearning for quicker results, will seek to continue the familiar but increasingly inappropriate federal low income rental housing model, piggy-backing multiple subsidies, while ignoring fresh approaches to neighborhood revitalization that can both harness Boston's renewed vitality, as well as achieve more with less.

This paper identifies new approaches which operate principally at the neighborhood level, linking with both private and community resources to make the most of the available public assistance. Instead of producing units through financial wizardry, this approach seeks to simplify the system and harness the City's resurgence without taxing it.

Viewed from the traditional perspective, Boston's housing situation appears "very challenging." Community Development Block Grants for the current Year IX amount to \$22 million, but this only sounds like a lot. If it were directly turned into \$50,000 dwellings, mortgages, or whatever, only 440 units would result, helping only a fraction of one percent of Boston's 220,000 households. Furthermore, much of this \$22 million is already earmarked. For example, this year, only \$12.5 million were committed towards housing services, and over a quarter of that, \$3.4 million, went to the Boston Housing Authority, towards Modernization and Security.

The recently devised Linkage concept has been prematurely heralded as a substantial new source of funds. Drawing a modest stream of resources from major new private developments, it promises an estimated \$37-52 million over the next ten years in new money dedicated toward housing. Since it will take time for this flow to become established, Boston can count on no more than \$3-5 million annually from Linkage, as currently proposed.

A total housing budget of some \$16 million annually is what the traditional housing planners will have available in coming years. Their choices, in elementary terms, are:

- o Help 400 houses with \$40,000 per unit?
- o Help 1,600 houses with \$10,000 per unit?
- o Help 16,000 houses with \$1,000 per unit?

Even 16,000 households are well under 8 percent of Boston's households, and several times that number, more than 20 percent of its residents were in "poverty status" in 1980. Furthermore, what can one do today with \$1000 to make a lasting improvement?

One thing is clear. The stock surplus of the 1960s and 70s which kept rents down is gone. Henceforth, renting will actually cost more than owning. Shortages will rapidly raise values. Residents can acquire title to their units and share in rising equities, or let others reap the windfalls -- and then displace them. Rent controls offer only false protection.

New and more appropriate responses are possible, however, due to the changed realities. The important consideration is whether new initiatives that work indirectly are acceptable, ones leveraging more community effort and private resources. If that drawback can be accepted, at least in applying the bulk of the scarce housing resources, then much more becomes possible:

- "Thaw" the inventory of more than ten thousand properties in tax arrears, by forgiving taxes that are unlikely ever to be paid. Convey them to new resident owners and non-profit housing sponsors, expanding the Land Bank model.
- Redirect new housing demand entering Boston's neighborhoods, towards the substandard stock so that private interests do more of the reconditioning. This involves both making weaker neighborhoods more attractive and allowing accessory apartments to be created where demand is strong.
- Weatherize housing stock occupied by long term lower income residents with outright grants to owners, recapturable upon sale. This not only creates many new local jobs, but will also discourage sales, thereby averting significant increases in future housing costs. Less than \$800 per unit can achieve substantial energy savings -- and every 45 units adds a lower skilled job to the local economy. It also pays back in fuel savings in less than four years.
- Help residents to buy their dwellings (possibly with tax exempt mortgage assistance, public write-downs, or the promised 1984 federal tax credit certificates) before regional shortages further raise existing home values. Much of Boston's existing stock is worth twice its current market price, if residents could maintain it and meet its operating costs. Were the City to provide the tools and training suggested in this paper, residents would capture this rise in home equity for themselves and develop more pride in their communities at the same time.

II. PROBLEMS AND NEW OPPORTUNITIES

Efforts to attain these new housing goals run up against four serious constraints: 1) demand/supply imbalances, 2) unsophisticated owners and community groups, 3) an income/expense gap unbridgeable with the subsidies available, and 4) a host of existing laws, regulations and excessively complex assistance procedures that indirectly discourage improvements.

A. The Four Challenges

1. Demand/Supply Imbalances. Wherever effective demand is either too weak or too strong, this destabilizes neighborhoods, and if the underlying market imbalances are not resolved, efforts directed only at obvious symptoms like deteriorated conditions will prove futile. Where demand remains too weak, deterioration will continue; where it stays too strong, prices will soar; both threaten the ability of residents to remain.

New rental construction on vacant lots was a very counter-productive past strategy. It not only cost hundreds of thousands of dollars per parcel, but it drew the remaining demand into the new developments, while making their surroundings appear shabbier. This further imbalanced local markets. Today, these developments still soak up disproportionate subsidies to avert their foreclosure. Improving only abandoned structures with public subsidies, the subsequent policy, was also inadequate to revitalize neighborhoods.

Today, regional housing shortages and swelling demands are rapidly changing neighborhood markets. Rent controls would seem an obvious answer, but experience in "hot" markets like San Francisco teaches that such efforts to protect prior tenants can backfire into arson and traumatic displacement.

Boston's primary challenge now is to understand and find new ways to deal with the underlying mismatches between demand and supply, neighborhood by neighborhood. Now that overall housing demand is improving, this involves redirecting housing demand from areas where it is too strong towards others where blighting 3-10 unit properties currently still hold back demand. This is like "orchestrating musical chairs."

2. Unsophisticated Owners, Residents, and Community Groups. Since many residents in the weaker market areas were unable to afford decent housing, dysfunctional "survival techniques" sprang up, such as skipping out

on rent obligations, not paying taxes, and exploiting available laws and assistance programs. Many shrewd owners sold their properties early to the unsuspecting. Educating and informing less sophisticated owners is now a major challenge. Other owners simply let their properties go. As community groups now seek ways to recondition these, often with inadequate resources and know-how, they encounter a maze of red tape.

3. Income/Expense Gap. The actual expenses of maintaining smaller frame structures often substantially exceed their rental incomes, and available subsidies were not really used to bridge this gap. To demonstrate more visible results, initiatives like subsidized construction were pursued instead. Unfortunately, these developments were intensely costly and only looked as if they would improve neighborhoods, while they actually diverted attention from the underlying private rental income/expense gap that was causing general deterioration and disinvestment and made everyone count on more future subsidies.

Sufficient additional assistance to aid resident households directly is even less obtainable now. Increased employment opportunities also seem unlikely. Thus tenants will have to choose to double up and pool their available incomes to obtain decent housing, or discover new ways to become more resourceful; otherwise, disinvestment in this stock will continue, and some of it will be made available to the more affluent.

4. Excessive Complexity of the Public Sector. For years the City has remained unable to deal effectively with abandoned structures that blight their surroundings, and the "freezing up" in Tax Title of a significant part of the stock due to unpaid property taxes.

An enormous bureaucratic tangle has built up around each of the estimated 6,000 abandoned and tax encumbered properties that remain standing, which will require both leadership and much patience to resolve. These tax title buildings represent the City's most substantial source of new, decent affordable housing. If the accumulated taxes are abated, they can be renovated by community groups and private market forces. However, excessive red tape, fragmented responsibilities, and lack of coordination still bar access to this substantial resource.

Programs like the Boston Housing Partnership require extraordinary effort to produce 500 rehabilitated rental units, and well over \$35,000 per unit in subsidies. This threatens to soak up most of the remaining available public resources committed towards housing. Since private

interests could do so much more today if red tape were reduced, this no longer seems the most appropriate response. Some critics, experienced in reconditioning Boston's housing in other ways, consider the Partnership model too rigid, cumbersome and costly, and they fear Linkage will only prove to be "more of the same."

If the City could cut existing red tape and break out of its unattainable commitment to produce more affordable rental housing, then tapping community resourcefulness can "gut rehabilitate" structures for homeownership for well under half the cost. Observers cite such Boston examples as the Land Bank model, Living in Dorchester, Urban Edge, and Neighborhood Housing Services to substantiate the point.

This search for new approaches has just begun with the Linkage debates for which Boston's NDEA provided some useful data. Figure 1 is reproduced from the NDEA report, Potential Effect of Linkage Funds on Housing Assistance Programs in Boston. Note that the average subsidy required ranges from \$1,500 to \$12,000 per unit, and that the participant income ranges from \$13,000 to \$22,000, well above the annual incomes of many single parent households and those on Welfare -- all those in greatest need.

A serious amount of the general public assistance currently still available, like welfare and fuel assistance, is also wasted. Fuel assistance to tenants pays for heat in uninsulated buildings, and welfare payment practices often make it more difficult to resolve problems with tenants. Proper incentives should encourage existing owners to weatherize their rental properties, deal effectively with tenant problems and reward good residents.

Furthermore, the various subsidies and agency regulations are often so confusing and complicated that small scale, unsophisticated owners, the most needy, fail to qualify. Sometimes shrewder operators have managed to exploit these same programs. This has induced agencies to redouble their safeguards, resulting in even more red tape.

B. Appropriate Local Responses to these Challenges

It must be recognized at the outset that the City can only work at the margins, redirecting housing demand, rationalizing and clarifying its laws, regulations and procedures, and providing only limited assistance. High unemployment, which underlies the inadequate incomes of many tenant

Figure 1: NATURE OF BOSTON'S HOUSING ASSISTANCE ACTIVITIES

BY SIZE OF STRUCTURE AND CONSTRUCTION COST

	1 - 4 Unit Buildings	5 - 9 Unit Buildings	10 + Unit Buildings
<u>MODERATE REHABILITATION</u> Avg. Construction Cost: \$4 - 5K/unit Average Subsidy: \$1.5K/unit Avg. Participant ¹ Income: \$13 - 16K/yr			
<u>SUBSTANTIAL REHABILITATION</u> Avg. Construction Cost: \$12-13K/unit Average Subsidy: \$5 - 6K/unit Avg. Participant ¹ Income: \$18 - 20K/yr			
<u>GUT REHABILITATION</u> Avg. Construction Cost: \$24-40K/unit Average Subsidy: \$8 - 12K/unit Avg. Participant ¹ Income: 22K/yr			
<u>NEW CONSTRUCTION</u> Avg. Construction Cost: \$40-60K/unit Average Subsidy ² : \$10K/unit Avg. Participant ¹ Income: \$13-15K/yr ²			



City assists large number of units



City assists small number of units



City assists units on occasional basis

¹ Family of four.

² At \$40K Construction Cost.

households, is a problem beyond the reach of any local housing initiatives. The City's potential roles are by no means insignificant, but media debates about housing issues have led many to expect much more -- far more than is currently within the power of the city to deliver through any housing programs.

The new relationships between housing supply and demand make entirely new and more appropriate responses possible. Federal homeownership incentives are a powerful, inescapable subsidy that the City can exploit instead of ignore. The important consideration is whether initiatives that work indirectly are acceptable, ones leveraging more community effort and private resources. One observer challenged that "no new City administration could get by with fewer results to photograph, no ribbons to cut." However, if that drawback can be accepted, at least in applying the bulk of the scarce housing resources, then much more becomes possible:

1. "Thaw" the inventory of more than ten thousand properties in tax arrears, by forgiving taxes that are unlikely ever to be paid. Convey them to new resident owners and non-profit housing sponsors, expanding the Land Bank model.
2. Redirect the new housing demand entering Boston's neighborhoods towards the substandard stock, so private interests do more of the reconditioning. This involves both making weaker neighborhoods more attractive and allowing accessory apartments to be created where demand is strong.
3. Provide outright grants to weatherize housing stock occupied by long term owners and lower income residents. This not only creates many new local jobs, but will also discourage sales, thereby averting significant increases in future housing costs. Less than \$800 per unit can achieve substantial energy savings -- and every 45 units adds a lower skilled job to the local economy. It also pays back in fuel savings in less than four years.
4. Help residents to buy their dwellings before regional shortages further raise existing home values. Much of Boston's existing stock is worth twice its current market price, if residents knew

how to maintain it and meet its operating costs. Were the City to provide the tools and training suggested in this paper, residents would capture this rise in home equity for themselves and develop more pride in their communities at the same time.

III. SOME CONTEXT AND RECENT HISTORY

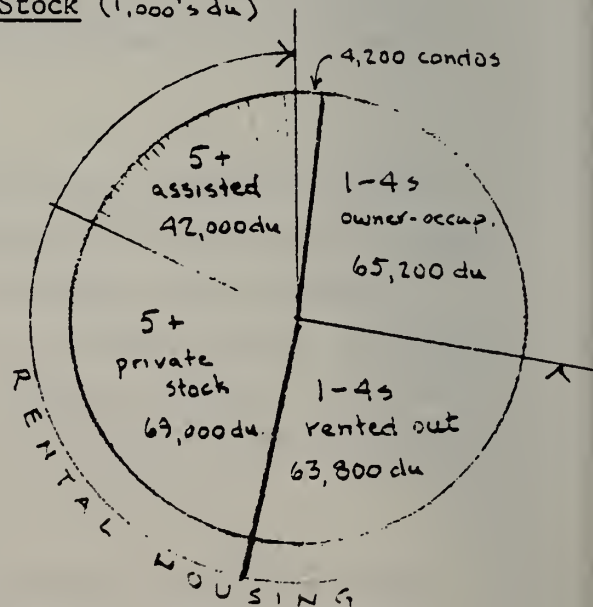
A. Boston's Changing Housing Situation

1. THE CURRENT SITUATION

- Private housing remains essential to meeting Boston's housing needs. Even after many decades of substantial federal and state aid, public assistance reaches only 16%, one in every six Boston dwellings is assisted. Focusing on the rental stock, merely one quarter is assisted.
- Some of this assisted stock may well be sold off at market prices in coming years (due to Washington budget-cutting), jeopardizing the ability of even these assisted households to remain without paying much more rent.
- Over 54 percent of the dwellings in Boston (some 133,000 units) are still in the private rental stock, much of it provided by resident owners of small buildings at such low rents that they have been dubbed "friendship rents."
- One-half (nearly 64,000 units) of this private rental stock is in 1-4 family homes, frequently resident-owned, matching a similar amount in private (unassisted) multifamily properties.
- Half the rental stock was rented at below \$191/month in 1980, much of it in this 1-4 family inventory.

Figure 2: The Composition of Boston's Housing Stock (1,000's du)

stock type du/struc	owner occupied	renter occupied	total dwellings
1s	29.9	4.0	33.9
2s	17.3	20.0	37.3
3-4s	18.0	39.8	57.8
condo	4.2?	?	4.2
5+ priv.	—	69.0	69.0
5+ subs.	—	42.0	42.0
<u>TOTAL</u>	<u>69.4</u>	<u>174.8</u>	<u>244.2</u>



2. SIGNIFICANT CHANGES OCCURRED IN THE 1970s, REFLECTING NATIONAL TRENDS

- Boston's total housing stock grew very little in the past decade. Assisted production of subsidized housing offset abandonments and losses, primarily in absentee-owned 2-6 unit stock. Also, a substantial number of larger multi-unit properties were rehabilitated under public programs, shifting a considerable amount of stock from market rate to assisted housing.
- Average household size of renter-occupied units declined 24% from 1970 to 1980, from 2.5 to 1.9 persons per household, while vacancy rates remained significantly high. This confirms not only that the overall market for rental housing was slack, but also suggests that tenants were spreading out to occupy more space in marginal "hand-me-downs".
- Tenants increasingly became the disadvantaged remainder -- single parent families, elderly, minorities, etc. -- as others moved out of the City or became resident owners in response to federal homeowner incentives.
- Rents did not keep pace with inflation during the 1970s, but many household incomes did not even keep pace with rents.
- Rents became increasingly inadequate to cover maintenance or refinancing. Sometimes not even operating costs were covered.
- Some rental housing was disinvested as a throwaway. Other rental stock became suitable for conversion to condo ownership.
- Some owners, fearing vandalism of empty units, preferred renting out their units at below market rents to leaving them vacant. Less available household income, however, led to undermaintenance and disinvestment.
- Rent skip-outs and challenges, sometimes spurred by Legal Assistance on the basis of substandard conditions, further reduced rents to the point where some owners gave up.
- In hindsight, there was actually an unrecognized housing "surplus" in the 1970s, as economics and demographics spurred middle class migration to the suburbs, contributing to abandonment. Within Boston, this migration also created a surplus of rental units, allowing households to move about with ease and even spread out into smaller households.
- Recent economic conditions now make future growth in new private housing unlikely, while a sharp change in the federal political climate has also virtually stopped the expansion of assisted housing.

3. BY 1980:

- Housing conditions and market dynamics came to differ considerably between the stronger and weaker neighborhoods of the City. The smaller properties in minority areas tend to be owned by inexperienced landlords and exhibit far more symptoms of distress.
- Lower income tenants throughout the City, even some with financial assistance, have insufficient funds to meet basic needs. This induces many to cut what corners they can. As a result, owners try to avoid providing them housing.
- Smaller-scale, 5-10 unit properties, both the empty and the poorly managed, are a significant cause of surrounding disinvestment that past assistance programs have not adequately addressed. Their owners often have major difficulties collecting sufficient rents and holding down costs.
- Lack of management skills is a critical problem for many owners. This affects their ability to collect rents, hold down costs, and provide the necessary maintenance to avert accelerating deterioration.
- Rising heating costs are a major factor driving up housing costs for which no effective programs have yet been devised.
- Financing costs also add substantially to housing costs when and wherever properties are sold and refinanced.
- Many properties are now owned by interests that would like to sell and are either financed at out-of-date, below market interest rates, or owned outright. Many are just waiting for the "right offer."
- Relatively low past housing demand, coupled with the flow of deep federal production subsidies, allowed state and local governments to ignore the continuing loss of countless thousands of private housing units through abandonment, demolition, and arson.
- Many past assistance programs, laws and other measures were created fragmentally, to address symptoms. These programs were applied without regard for their deeper impacts, either on future cost-effective maintenance or on others denied assistance. Instead of encouraging existing owners to maintain and weatherize their housing, some provided disincentives, actually confusing owners and reducing their sense of control over their own investments.
- Tax title accounts and code violations now reflect the roughly one out of seven properties that are to some degree in economic difficulty.

● The estimated 15,000 parcel inventory of Boston tax title properties provide a major opportunity for producing more affordable housing. Of this inventory:

- 5000 are as yet only "six-month loan" parcels, where owners, with cash flow problems, have elected to "borrow" from the City. A significant number can never pay up.
- 3000 are parcels with occupied buildings, often small and resident-owned, and beset with tenant poverty and problems, as well as unsophisticated owners
- 3000 are parcels with abandoned buildings, half of which have been foreclosed by the City, and half remain in private hands. Many, again, are 1-6 unit properties.
- 4000 are vacant lots scattered throughout the city, the end stage. Many are now unbuildable. Others should be "land-banked" for future private development, and leased for interim uses like Victory gardens.

4. IN COMING YEARS

● A rising tide of new demand for housing has begun to enter one neighborhood after another, first in close-in Charlestown and the South End, next in parts of Dorchester and Jamaica Plain. Unlike the tide however, it usually first touches the better stock on hilltops and glacial drumlins before invading the flat lands.

● As regional shortages increase, Boston's stock will seem increasingly attractive to many households throughout the metropolitan area that do not yet have housing. These new households often can neither afford new construction nor the going prices for existing suburban housing.

● Current City demographic patterns and projections also identify a swelling diversity of needs converging on this stock, of which low and moderate income households and elderly are but two components. Inadequate regional production will spur increasingly strong competition for available and potential dwellings throughout many different neighborhoods.

● Such shifts in demand promise to sharply inflate property values in the near future, making it advantageous for any residents who can to "buy in" as soon as possible, even if today's prices already seem unaffordable to them.

5. PREPARING FOR A DIFFERENT FUTURE

- These factors have all profoundly altered Boston's housing situation, requiring new responses. Curtailed conventional and assisted housing development has already created perceived shortages, rising prices and rents. While forcing existing residents to pay more or "double up," neighborhood stigma will also evaporate, making many willing to pay more to rent and even to consider owning.
- Much more existing housing can be reconditioned and maintained by these new trends and market forces than seemed likely a few years ago if City programs are redesigned to exploit the opportunity. Without planning however, the new excess of demand will put increasing hardship on tenants.
- Already, in newly attractive areas like Dorchester and Jamaica Plain, tenants are pooling incomes and increasing their household size to meet new rents. Attempts to convert triple deckers to condominiums for sale to residents have also begun to be successful.
- Displacement, by disinvestment, deterioration or arson, as well as by speculators in rising markets, imposes substantial hidden costs as residents are uprooted from familiar surroundings. After-the-fact public substitutes for their prior support networks are not only costly and imperfect -- but also unavailable.
- To avoid displacement, the City must shift excessive demand to weaker markets and increase the supply in stronger areas through appropriate new private construction and by allowing accessory apartments.
- Nevertheless, if current trends prevail, there will be more low income, single person-headed households with dependent children, as well as elderly. Generally not willing or able to become homeowners, these will swell the ranks of tenants. Increasingly, unable to match rents paid by the entering middle class, they will agitate for more effective rent controls.
- Rent controls, which only appeared to be effective in Boston's slack market of the earlier 1970s, will be inadequate to deflect these incoming market forces.
- Using regulations to safeguard the interests of less affluent tenants facing a soaring demand often results in displacement through arson.
- Since the federal "Cadillac" low income housing production model is no longer affordable, new initiatives must be devised that involve residents more fully as partners in improving their communities.

6. INFERENCES FOR NEW POLICIES

- Boston today fortunately has neither San Francisco's overheated, excessive demand, nor any longer the housing "surpluses" of a St. Louis or Cleveland.
- Slowing of both private and assisted production throughout the Boston region is more the cause of these unanticipated market changes, than the much heralded demand resulting from new "baby-boom" household formations.
- Nevertheless, with public assistance curtailed, tenants' expectations will become an increasing challenge to handle. Tenant advocates are forceful interests that will demand either help or a scapegoat. Their needs must be accommodated.
- Boston's current overall balance between housing supply and demand is a significant, favorable opportunity that can be preserved through new planning approaches.
- Now is still a good time for residents to take title to their own dwellings in Boston. Much of the stock, however, is currently not yet in any condition that makes anyone eager to own it.
- This balance between supply and demand needs to be monitored at the neighborhood level, however, to identify mismatches before they become serious.
- This balance can be preserved through sensitive planning of appropriate new private developments to meet the demands of newcomers, some limited assisted production to meet special needs, and allowing accessory apartments in larger dwellings, as well as by improving the existing stock in other ways which enable residents to remain.
- A significant rent/income gap will remain in many dwellings, however, which will require greater resourcefulness if not new resources to address.
- For proper maintenance, many rents, on average, now need to increase by some \$50 per month before regulatory efforts like code enforcement can become effective.
- Rent controls should not even be considered in any situations where a rent/income gap exists (see Appendix A). Across-the-board controls can quickly destroy irreplaceable private housing in any but the strongest markets.

- Title turnover and refinancing should be discouraged wherever possible, because that increases rents by as much as \$100 per month simply to cover today's interest costs while providing no actual physical improvements to the dwellings.
- Many of the residential properties in tax title can be reconditioned if the City can predictably abate unpaid taxes for new resident owners and non-profit redevelopers. This improves both neighborhood image and spurs more nearby private reconditioning.
- New initiatives encouraging long term owners to retain title and make weatherization improvements would provide the best economic payback and actually benefit existing tenants the most in the long run.
- New programs that boost resident-ownership (condos in triple deckers, cooperatives) are also important to develop now, before growing scarcity and the resurgent interest for living in Boston boost prices further out of the reach of current residents.
- Assistance to new construction should be severely limited. It should only be employed to address special needs such as transition communities for welfare dependent, single parent families, or an experimental initiative to determine the costs and suitability of manufactured homes.
- The media-supported clamor to power up the outdated and unaffordably costly low income housing production system (consuming in excess of \$20,000 in subsidies per assisted unit) must be strongly resisted, because so much more housing can now be gained through expanding already existing neighborhood models committing grants of \$1,000-5,000 per dwelling on reconditioning strategies. These can leverage much more private effort and mobilize latent resources throughout communities that still feel blighted and not yet "linked" to Boston's revitalization.

B. The Public Sector Response

1. PAST DIRECT ASSISTANCE APPROACHES

A Housing Task Force inventoried Boston's housing situation nearly a decade ago, paying close attention to conditions. Much of what that Task Force reported in 1974 is still relevant today. The housing condition analysis sought to determine the costs of bringing Boston's entire housing stock into code compliance. Condition categories were established, ranging from "A", units requiring no more than minimal work, to "D", units requiring gut rehabilitation, and "E", units which should be demolished.

The Task Force report, Housing in Boston (1974), stated "an owner can 'gut rehabilitate' units for less than \$10,000, provided he owns the building, it is in fair structural shape, and he is not required to hire and train unskilled persons, obtain consent of community groups and the like. In other words, these costs are not to be compared with rehabilitation costs under federal housing programs like Section 236." (p. III-10)

Ownership self-interest remains the most cost-effective approach to housing fix-up, even though costs have doubled. The report further notes, "The productivity for the [federally assisted] Code Enforcement Program . . . has been about 67 percent that of the private sector. The productivity of money invested in gut rehabilitation (section 236) has been as low as 40 percent." (p. III-18) Figure 3 illustrates these cost options in current dollars.

Back in 1974, the Task Force estimated that reconditioning Boston's housing would cost \$291 million in private investment, if private self-interest could be harnessed. At the time, however, it was recognized that in many sections the market was too weak, and that public investments would have to come first. Allowing for the reduced efficiency of public programs, a well-targetted \$268 million in public money was judged necessary to fix up and demolish the worst properties (in place of the \$166 million this would have cost private owners, had they been motivated).

The federal high cost production model added many thousands of low income housing units during the 1970s. This diverted attention from continuing private stock losses. Soaring operating costs in these assisted developments now jeopardize their continued existence as low income housing. Efforts to "save" these through financial "bail-outs" would absorb even more

Figure 3: Fix-up Costs by Rehab Approach

Fix-up Program: Productivity: Condition (Cost of Fix-up per unit)	Private	Public	
	By Owner 100%	Sec. 312, HIP 66%	Sec. 8 40%
\$ 0			
A Good As Is \$500	A		
\$1,000			
B Requiring Modest Fix-up \$1,500	B		
\$2,000		\$3,000	
C Requiring Sub- stantial Fix-up \$4,000	C	\$6,000	C'
\$6,000		\$9,000	\$15,000
D Requiring Gut Rehabilitation \$16,000	D		\$40,000 D'
\$20,000			\$50,000
E Requiring Demolition	E		

resources, far beyond what is now available. Ways should be explored to convince HUD to convey them to new owners in good condition for a nominal sum.

The City lacks the basic research, including some representative income expense proformas of private and assisted alternatives, to determine where scarce resources can most effectively be applied. Appendix B, Monitoring Neighborhood Change, outlines a vitally needed basic research strategy, which can take advantage of the recent City-wide property equalization data.

2. INDIRECT CITY APPROACHES

Ebbing neighborhood confidence was identified as a serious obstacle to continued private investment in the mid-1970s, and the Neighborhood Confidence Project was a response, marketing triple deckers and the neighborhoods then red-lined and out of fashion. It started with posters for Dorchester and Jamaica Plain, then a Triple Decker brochure, and continued with prime time TV specials like Jamaica Plain The Options in the City. In its day, this contributed substantially to turning neighborhood perceptions around, as media coverage and TV specials induced many to see Boston's prospects through fresh eyes.

The Housing Improvement Program (HIP) resulted as well, which provided technical assistance and simple rebates to resident owners making code related improvements to their own properties. A great many such owners participated, particularly in areas with renewing confidence (and some, it is said, more than once), but problems remain nearby. Absentee-owned properties, often accumulating unpaid taxes, discourage and hold back the market.

Only on some fully abandoned properties did the City initiate actions. Homesteading was its primary response, enabling a few community groups to fix up some 65 properties per year with deep public subsidies for transfer to new, resident owners.

Private interests can now be motivated to recondition these properties. Each "eyesore" that is improved or removed will leverage a great deal more private and community effort today. Homesteading was conceived back when the private market strength was missing. Today, it is no longer the best model.

3. CURRENT CITY OF BOSTON HOUSING ACTIVITIES

The City has continued modifying past approaches into an impressive-looking array of programs in recent years, but too many are cosmetic and do not address such underlying problems as the excessive red tape affecting Tax Title properties.

The Linkage Report to the Mayor, Appendix VII (October 1983) provides a useful summary of all the current public housing initiatives, which should be consulted for more detail. The Office of Housing, part of the Neighborhood Development and Employment Agency (NDEA), has handled many of the Community Development Block Grant (CDBG) initiatives, and the Boston Redevelopment Authority has supported a number of projects creating housing with Urban Development Action Grant (UDAG) assistance.

I.	CDBG-Assisted Housing Programs	(FY 1984: c. \$13.5 million)
1.	Cash Back Program	closed out
2.	Cash Up-front Program	\$1.3 million
3.	Home Loan Program	1.2
4.	Rental Rehab Demonstration Program	.4
5.	Deferred Loan Pilot Program	.2
6.	Homesteading Program	3.1
7.	Section 312 Rehabilitation Loan Program	.4
8.	Housing Creation Initiative	1.05
9.	Boston Housing Partnership, Inc.	.6
10.	Abandoned Property Preservation Program	.65
11.	BHA Development Modernization/Security	3.4
12.	Neighborhood Housing Services	.6
13.	Fair Housing Commission	.55
14.	Community Disorders Unit	.07
II.	UDAG-Assisted Housing Programs	(c. \$26.2 million)
1.	Copley Place	\$18.8 million
2.	Columbia Point (seeking \$20 million more)	3.5
3.	Neighborhood Housing UDAG	1.4
4.	Westland Avenue	1.8
5.	Lower Mills (0.7 pending)	.7

Evaluating, or even describing each of these programs is well outside the scope of this paper. However, it is important to recognize that adopting new approaches will encounter the resistance of many constituencies expecting all of the above to continue and expand. Few realize how costly many of these programs are on a per unit basis -- both in direct public subsidies as well as in terms of unrecorded staff time and effort.

Some of the City programs already represent shifts in the directions advocated in this paper. For example, it has become policy of the Office of Housing to grant resources to complete one "free" weatherization item (attic insulation, or storm windows) to all participants in its housing programs.

Other programs are directed at restoring a few key structures blighting neighborhoods, but the federal Davis-Bacon provisions requiring the payment of prevailing market wages (union-scale) inescapably force costs far higher than if community residents provided more of the actual labor. This simply underscores the 1974 Housing Task Force finding that acting through owner self-interest remains a much more cost-effective way to maintain and recondition housing.

4. APPROPRIATE RECENT INITIATIVES

Changing existing laws and procedures is essential if better use of available assistance is to be attained. What to do about blighting properties and property tax delinquency has been a sore issue with community residents for at least twenty years. City powers to foreclose and auction were rarely utilized because unpaid taxes so easily exceeded market value of the property. Now, with the market resurgence and the reduced assessments on these properties (due to revaluation and Proposition 2 1/2), more effective solutions are becoming possible.

State foreclosure legislation, dating from the Depression, has long been overdue for reform. This year, the City is more aggressively seeking a comprehensive rewrite of General Law chapter 60, governing the collection of local taxes. Accelerating foreclosure, holding trustees responsible, and otherwise clarifying and expediting procedures, are all part of this year's vitally important taxation study package. Passing these revisions is essential to "thawing" the City's large inventory of tax title properties.

RETAP, for Rehabilitation of Tax-Abated Properties, is a most welcome new City initiative, also known as "8 of 58," for sec. 8 of Gen'l Laws chapter 58. On an experimental basis, the Boston Assessor supports tax abatement applications of qualified resident (or non-profit) buyers of 1-6 unit tax delinquent and deteriorated properties to the State Commissioner of Revenue. The purpose is to forgive enough of the unpaid taxes to make immediate rehabilitation feasible.

Action on a RETAP application is promised within 60 days by the City, but the state Department of Revenue still presents hurdles. So far, tapping the City's large inventory of tax delinquent properties has not yet become "standard operating procedure." However, according to Lynn Rowan, the RETAP Coordinator in the Assessing Department, interest on the part of ordinary citizens as well as some community groups in this recent program is rapidly mounting. Those familiar with tax collection and assessing will recognize that even this administrative breakthrough has not been easy to achieve. It requires seeing taxes not merely as a revenue problem but as an important housing issue.

Utilizing RETAP, Living in Dorchester and the Codman Square Housing Development Corp have both been able to restore properties and make them affordable for homeownership. For Pat Cook of Living in Dorchester total costs — acquisition, fix-up, and construction financing -- have stayed under \$12,000 a unit. This results in \$300 monthly carrying costs with a 20 year \$15,000 mortgage at 8% interest (from tax exempt financing). These experiences suggest that public write-downs at sale, combined with private (no strings) construction financing, are a better way to produce affordable housing, now that private financing is again readily available.

A one-time public write down of around \$5,000 is sufficient to reduce resulting final costs after fix-up in many different market areas to under \$15,000 per unit. If more 8% mortgages can be provided through public agencies like MHFA, this not only produces affordable housing but also a more lasting neighborhood recovery than most section 8 rental developments. At higher permanent financing rates of course, greater write-downs at sale would be needed.

The Mutual Bank for Savings has confirmed these economics. Since appropriate stock can still be bought today for well under \$10,000 per unit, this bank has been providing the construction financing sought by groups like Living in Dorchester.

The Massachusetts Government Land Bank has developed a fully functioning program for the reconditioning of deteriorated, tax delinquent properties from its experiences with similar non-profit groups. The Land Bank model utilizes RETAP, and then provides state tax exempt financing for homeownership, and demonstrating that existing community capacity only needs to be expanded. David Knisely of the Land Bank stresses that the model has been working for some time, but to "fine-tune" it, tax abatements must become more predictable, and applications must be processed promptly by the state Department of Revenue.

The Land Bank is currently selecting additional capable redevelopers. It is prepared to shoulder the necessary risks, and then continue to provide 8% 20 year homeowner mortgages on a pilot basis. This is a model that MHFA could adapt and expand for similar situations all over the state.

5. THE LACK OF AN OVERALL HOUSING POLICY

There has been a proliferation of assistance programs in recent years, basically leveraged by CDBG and UDAG resources. Gaining an overview of the results of all these public expenditures is extremely difficult because so many specific initiatives are being without any overall policy concept.

The Jamaica Plain Community Housing Task Force is one significant community response to the vacuum in overall planning and communication. It has expanded to include members from all over Boston and begun to act as a clearing house for many new ideas worth consideration. However, after years of unresolved "housing crises," it seems there is still no end of worthy objectives, no light at the end of any specified tunnel.

Awareness of an important opportunity is emerging, nevertheless. Many more residents could be helped through minor assistance, costing under \$1000 per household. On a very limited scale, ESAC, the Ecumenical Social Action Committee in Jamaica Plain, has been specializing in meeting such repair needs, particularly of the elderly: porches, stairs, railings, plumbing, windows, gutters, electrical, roof, and ceilings. ESAC has been arranging such repairs for under \$400 per household and thereby leveraging additional improvements in the surrounding community. ESAC may well be unique; it generally seems difficult to provide only limited assistance when needs appear overwhelming.

An overall guiding concept and sense of direction remain lacking throughout the City. There is no real policy planning. The City needs to identify changes in market dynamics and appropriate interventions to influence who will live in the City a decade from now. Planner participation in forums like the Community Housing Task Force is essential to determine what has actually been accomplished with past assistance, what new needs have arisen, and what is most effective in leveraging more revitalization. Identifying the counter-productive reactions to past assistance initiatives is also vital.

A new guiding concept is needed that is more appropriate to the new realities. Since these have not yet been properly confirmed, discussions often remain tied to outdated problem definitions and fail to take advantage of new opportunities.

To paraphrase Margaret Mead, the people can describe how and where their shoes pinch; it takes a shoemaker to improve the situation. Now is a good time to reconsider past housing approaches and determine which of them have been cost-effective, to decide what should be continued and why, and to design new initiatives that harness Boston's renewed vitality in ways that benefit more of its residents. This paper can only initiate discussions leading to new actions.

IV. DECISION OPTIONS

Housing affordability will remain an inescapable problem for many Boston residents for the foreseeable future. Years of public promises and the creation of many publicly assisted developments have maintained the illusion that decent, affordable housing would eventually be provided directly by public initiatives.

The familiar, widely used low income housing production system requires a great deal more in subsidies per unit than taxpayers now appear willing to support. Federal assistance cutbacks have forced this model into partial dormancy. However, since it involves so many actors -- community groups and non-profit as well as profit-making interests -- these are all actively promoting extension of the compound subsidy approach with whatever public resources can be obtained: Linkage funds, state assistance, even selling municipal properties like parking garages. Before supplying more resources to heavy subsidy models like the Boston Housing Partnership, some basic policy questions must be considered.

Working closely with communities is a widely espoused goal. To many, this simply means working them into the Federal model, not just to advise, but to become employed. To those disregarding the economics, this appears appealing because there seems to be something for each participant. One critic however, has called it "The Cadillac model, funding three-piece suits." From a broader perspective, only a very limited number of residents and tenants actually benefit. Fortunately, new initiatives are now possible that can be designed to involve a greater number of residents in many more flexible ways.

A. Affordability

The rent gap for many Boston households in private housing will continue to grow. Appendix A explains in detail why this will occur, and also shows how across-the-board rent controls and other regulations imposed without understanding the underlying economics and market dynamics would only make situations much worse in the long run.

Policy makers will become forced to admit, at least to themselves, that with only some \$16 million in discretionary annual housing resources, plus a few UDAGs, there is little that can be done directly about affordability,

which is essentially an income and employment problem.

Since the available public resources are unlikely to be spent as housing vouchers to simply reduce every household's rent gap, the policy options narrow to deciding what types of production and/or fix-up models should be encouraged in the future. Should a few households be helped visibly and substantially, or many more through more limited support per household? Which models provide the biggest "bang for the buck?"

The private market still provides useful reference points. In Boston today, it can deliver decent housing for some \$400-450 per month, or around \$4,800-5,400 per year. (As long as refinancing can be avoided, this drops to \$300-350 monthly.) Private interests today can also still acquire, recondition and make such stock available for sale to homebuyers for less than \$15,000 per unit. The Mutual Bank for Savings, which provides the financing to some private entrepreneurs, confirms that they make sufficient profits in this enterprise to remain in business.

Accessory apartments are affordable housing that is being created elsewhere in response to strong market demand that new construction cannot address. In strong Boston neighborhoods, there is now tremendous potential for converting underutilized rooms, attic or basement spaces into additional efficiencies, studios, and mother-in-law apartments -- without undermining surrounding property values.

The homeowner typically needs to invest only several thousand dollars to create a new dwelling yielding \$2,000 to 4,000 annually in extra income. Renting at \$175 to \$325 monthly, this affordable housing quickly pays back the owner's investment. Such conversions provide more than just economic benefits to both homeowner and tenant:

- Small apartments for both young and old households seeking affordable rental housing
- Supplemental income for older homeowners
- Security for older homeowners from fear of criminal intrusion or personal accidents when alone
- A way for older homeowners to stay comfortably in homes they might otherwise have to leave

Fostering accessory apartments, or "granny flats" as they are termed in California, requires merely relaxing zoning standards. In fact in many cities and towns surrounding Boston, countless such apartments have already been created, through building inspectors "merely looking the other way."

How these should be taxed is a natural question. The City could of course raise the property's assessment and derive some revenues, but this would render the apartments that much less affordable. Most jurisdictions, including such fashionable areas as Westport and Weston, Connecticut, have not reassessed, which renders this new housing that much more affordable.

Homesharing can also provide more affordable housing. Homeowners with an empty bedroom, seeking companionship, some extra income, help in maintaining their housing, or perhaps services in lieu of rents, can be matched with complementary individuals needing shelter.

West Suburban Elder Services has been successfully providing such services in Boston's suburbs for years. Homesharing in Seattle, a city similar in size to Boston but now with a very tight housing market, estimates Seattle still has over 100,000 "empty" bedrooms. There obviously is a major opportunity of providing good shelter at reasonable cost if inexpensive match-up services can be set up. College room-mate matching, which for-profit services will do by telephone for under \$100 per successful match, is on the low cost side. At the other extreme, homesharing can involve comprehensive services including home inspections, multiple interviews and references, and even crisis intervention, in which case, costs become too great to consider this "affordable" housing. As with accessory apartments, there can be a host of benefits in such new arrangements, beyond economics.

B. Resident Ownership Makes Housing More Affordable

The Land Bank model, providing tax-exempt mortgages, has recently demonstrated that when unpaid Boston property taxes are waived, some non-profit groups can produce decent affordable housing units for under \$15,000 by reconditioning tax title property. Financed for 20 years at eight percent, this costs around \$300 monthly, which places it within reach of any household with a \$12,000 income. Unassisted, using market rate financing, the monthly costs would be nearer \$400, requiring a \$16,000 household income.

For any Boston household which can be induced to buy the unit in which it resides, the gap between what it can afford and the market price of decent housing is actually quite modest because the value of the stock is

still so depressed. Even using only private developers and financing, a one-time public writedown of less than \$5,000 is required to make decent units available for only \$10,000. This places such housing within reach for many households.

Devoting the entire \$16 million in available housing resources to this approach would recondition over 3,000 rental dwellings a year, transforming that many households into homeowners. This not only provides them growing equity but enables them to share in the coming boom in Boston housing values. It also quickly builds community pride.

If this "writedown model" could further be targetted upon those structures most blighting to their neighborhood surroundings, then it would leverage even more community effort and private resources, virtually "bootstrapping" the neighborhood to a market recovery.

C. Reconditioning Tax Title Properties

"Thawing" the Tax Title inventory of smaller buildings should be considered since so much of it is highly visible, sapping neighborhood confidence. Some buildings should be demolished, but the rest can be fixed up, involving community residents in deciding which properties should be fixed up and where they would like to invest scarce public resources.

Repairs can then be handled by such community based models as Living in Dorchester, Urban Edge, pursuing the RETAP/Land Bank approach. There are scores of community based groups which can help set new priorities for scarce public resources, if the City would define some explicit alternatives and provide some market data on costs and rent gaps.

The costs in public write-downs to make the housing affordable would be very similar to the preceding homeownership model, as demonstrated by recent Land Bank activities, but city and state would have to reduce existing red tape.

An experimental Transition community for needy, single parent families could also be created from this stock to meet a critical need in Boston. A variant of congregate housing, transition communities provide temporary shelter. In Warren Village in Denver, the best example, families come, benefit from a year's stay to begin to rebuild their lives. They utilize the counselling and day care services provided, find jobs, and then move out to hold their own. There, section 8 subsidies, combined with creative

private assistance, help one family after another. This contrasts with the usual Section 8 development housing people permanently dependent on assistance. Any existing, multifamily stock could be utilized, but deep subsidies are required. In this model, however, the human transformations justify such deep public expenditures.

D. Weatherization

Policy makers should consider weatherization of existing stock as another very cost-effective strategy to reduce housing costs. Proper treatment of a triple-decker -- full attic and wall insulation, storm windows, and caulking -- costs around \$2,000, under \$700 per unit. This provides much unskilled employment, which future fuel savings can pay for. Every fifteen such frame structures net a full work-year of additional employment within Boston.

Applied as energy conservation grants, the same \$16 million available annually in discretionary housing resources would result in over 22,000 weatherized units every year, and create over 500 new jobs lasting as long as the weatherizing program continued. These jobs would be even more suited to the less skilled than those provided by the fix-up for homeownership models above. Furthermore, weatherization would at least reduce future increases in resident housing costs by capping heating bill now averaging \$600-\$1,200 annually..

The preceding alternatives certainly provide many attractive payoffs. Each should be considered more fully before refueling the dormant Federal \$35,000 per unit model which can produce little more than 400 units from the entire \$16 million. Some mix should be the outcome, tailored by resident participation in community discussions of these alternatives.

E. Fine-Tuning Interventions to Market Dynamics

To obtain the greatest possible response from the available public resources, the City's new housing approach must also become more sensitive to widely different market contexts. In many areas, private resources can now be harnessed to do much of the reconditioning and pay for it as well. City policies and programs need to differentiate among market areas as well as by

property types.

Monitoring neighborhood change is becoming an essential research activity for the City or an "Urban Observatory." Appendix B proposes a way of doing such basic research, and outlines some reasons for it. In brief, growing demand in many neighborhoods now can actually make "pump priming" approaches effective. Results in some market areas become possible with far less effort than was required in the past. It is like getting something moving, but in many neighborhoods, the road is no longer "uphill." Those administering public resources must now avoid needless spending to achieve revitalization.

The City should develop a new array of assistance programs attuned to the strength of the surrounding market contexts, and draw upon the advice of residents and private interests in fine-tuning the mix. In stable neighborhoods City interventions should be limited to maintaining that market stability.

Weaker markets should receive the bulk of the attention and public resources. Here, new initiatives should visibly improve the housing fabric in ways that stimulate neighborhood recovery so that assistance can again influence private decisions (instead of replace private actions).

Appropriate strategies include fixing or removing "eyesore" properties, helping provide work write-ups and weatherization, aiding the elderly, forgiving back taxes in cases where homeownership and affordable housing result, and persuading tenants to become homeowners or members of cooperatives. Even such mundane actions as enabling people to garden on vacant lots are important — to reduce public pressures to cover these with expensive new assisted housing developments.

F. A Set of New Neighborhood Supportive Strategies

Solutions to many of the previously identified housing problems lie in boosting demand in Boston's weaker neighborhoods, while reducing tenant-landlord polarization, the number of intervening actors, and the complex regulations and conflicting objectives of the many agencies that were created with the intention of helping the disadvantaged.

Improving the prospects for both this stock and its current residents also requires increasing the savvy of its current owners, and enhancing the attractiveness of neighborhoods by improving their image and certainty of

the future.

Efforts spent on marketing, mediation, neighborhood capacity building, weatherizing and promoting resident ownership, should match dollars spent subsidizing physical construction.

- In areas of relative market stability, the City should limit its interventions to a market-supportive role. However, it should:
 - Discourage sales of residential properties unless conditions warrant.
 - Encourage weatherization, heating system upgrading/conversions, and paint and facade improvements that complement private initiatives.
- The main efforts should be directed towards correcting imbalances in the more troubled markets, concentrating particularly on the needs of the smaller-scale owners. Here the guiding principle linking rights and responsibilities espoused by the New Haven Housing Court is useful:
 - Owners are entitled to rent, but must provide habitable premises. Tenants have the responsibility to pay rent along with rights that must be protected.

Illustrative supporting strategies accompany each of the four major objectives in the following section. Objectives 1 and 2 are stated first because they are both critical and more difficult to attain than objectives 3 and 4, which can be pursued by the City acting unilaterally.

OBJECTIVE 1: Improve Supply/Demand Balances and Certainties

Boosting effective demand through more assistance provided directly to lower income households would require more federal and state aid than is ever likely to become available. Redirecting excess housing demand to weaker areas, however, can easily be done by the City.

1.1: Marketing on-going neighborhood changes and publicizing the long range plans are important to boost neighborhood confidence. For example, neighborhood marketing, house tours, street fairs, and community festivals can address neighborhood image problems. This strategy is inexpensive to pursue, but it must be done indirectly, acting through community interests.

1.2: Visible reconditioning of tax title properties, especially the conspicuous, 3-10 unit buildings as well as some selective demolitions, will turn around negative neighborhood perceptions when tied in with some key public improvements. Visible fix-up works like pump-priming in areas where confidence can be restored.

Properly administered, a modest initial public commitment can trigger a market resurgence, inducing others to fix-up properties without seeking additional subsidies. An average write-down of some \$5,000 per unit, or \$10,000 to 50,000 per targetted property, is required.

1.3: Community involvement. Such fix-up should be coordinated through community-based organizations, setting priorities for limited neighborhood fix-up and improvement budgets, allocated on the basis of need. These community budgets would help the City determine how much weatherization, how many tax title properties (or how many trees) should be done each year. Staffing time for "interactive planning" is the main cost.

1.4: Media coverage. As improvements take place, community interests can best capture TV and news attention to interpret and broadcast the significant changes that are rebuilding neighborhood image, such as the establishment of cooperative ownership of some small, multifamily properties or their conversion to condominium tenure by residents. The Neighborhood Confidence project in the late 1970s demonstrated that the City only needs to provide the know-how.

1.5: Publicizing Future Neighborhood Improvements. Three year plans for public improvements, as well as new initiatives for rehabilitation, weatherization, and appropriate new developments for meeting special needs should be publicized by the City.

1.6: Publicizing Future Socio-demographic Trends. The City should also release socio-economic and demographic projections, which are often more positive than most people's fears. This helps reduce the feelings of risk and uncertainty in transitional areas and encourages further investments by current owners, instead of more sales to the unsophisticated. No additional costs are incurred.

OBJECTIVE 2: Educate and Inform Small-scale Owners

Many owners now need help in understanding their options and handling their problems. For example, those unaware of available assistance also often fail to grasp their responsibilities in holding and accounting for tenant security deposits, and thus end up in Housing Court.

2.1: Training Sessions and Community Workshops. Identify common problems encountered by unsophisticated owners and encourage community-based organizations to develop appropriate solutions, e.g. effective rent collection, eviction, and weatherization measures, how to develop tenant pride and participation in maintenance, more cost-effective repair strategies, etc. Private interests can provide the support; the City should coordinate and schedule sessions, as appropriate, at least at the beginning.

2.2: Technical assistance. Foster the provision through local organizations of technical assistance in management techniques to small owners, utilizing expertise from the private sector.

2.3: Mediation services can help tenants and landlords work out their differences before their relations polarize further and disinvestment accelerates. Assuming an average cost of \$250 per case (less than one month's rent), an annual budget of \$250,000 would permit 1,000 cases to be mediated every year, greatly reducing local housing conflicts and saving substantial amounts of housing in the longer run.

2.4: Stop-gap repair services, guidance and technical assistance for the elderly, a la ESAC, would enable many to continue residing in their dwellings. Providing technical assistance and guidance to owners seeking to create accessory apartments can "produce" a substantial amount of affordable rental housing.

2.5: Brochures, Disseminating Techniques and Information can help both owners and tenants clarify their respective rights and responsibilities. As the above initiatives identify common problems, effective remedies will emerge. Various channels exist for informing owners. For example, debates about conditions upon occupancy and who caused subsequent damage can be

handled through a Certificate of Habitability, based on a file which includes interior and exterior pictures, taken at time of listing for rental. Usage of such a system should then be promoted through the Housing Court, the Rental Housing Association, neighborhood and community groups, Realtors and Legal Assistance. Even inserts in tax and utility bills can be used to promote consciousness of particular issues like weatherization.

OBJECTIVE 3: Reduce the Income/Expense Gap

Discouraging discretionary sales can help hold down financing costs, and thereby rents, because properties owned for some time usually have lower debt service. Such inducements as generous weatherization grants (or abatements and assessment deferrals) for owners holding title for more than five years would discourage needless sales. If weatherization grants are provided, liens lapsing after five years would further encourage existing owners to remain, holding down rents more effectively than rent controls.

3.1: Considerable basic research into normal, private housing costs will be an outgrowth of monitoring neighborhood change, as elaborated in Appendix B. Such research is critical to developing more cost-effective public initiatives and interventions. It must not be ignored because it does not directly "seem to be doing anything."

3.2: Housing cost benchmarks. Income/expense proformas can be created for monitoring representative properties and developed into a reliable system for determining actual housing costs. Boston currently lacks economic yardsticks for judging actual housing performance analogous to miles per gallon statistics for automobiles. Many 5-10 unit structures seem to be obtaining "less than 10 m.p.g." — and a "free gallon now and then" of fuel assistance is not really an answer.

Benchmarks would lead to discovery of more efficient ways to provide housing services from the existing stock, like downsizing units to meet the demands of smaller households. A research budget of \$50,000 per year committed to monitoring and interpreting costs in a representative set of benchmark properties would help rationalize the chronic housing debates. This initiative might also be supported by some private interests such as the Greater Boston Board of Realtors or the Rental Housing Association.

3.3: A housing code more sensitive to health-impairing violations and actual cost of repairs would result in more rational use of rent revenues.

Pittsburgh made code enforcement more "sensitive" by developing a professional scoring system for violations, which also became the basis for effective rent escrowing to resolve serious deficiencies.

Cases violating such a more realistic code should be pursued even when residents move out, to assure that repairs are actually made before conditions get worse and more costly to correct. Consistent violators should also be listed publicly and barred from participation in any City programs. This requires a serious staff commitment, but no new budget outlays.

3.4: Rent Escrowing. Secure better code compliance so that basic repairs are made before conditions worsen, following the Pittsburgh model. Establish rent escrowing accounts with a neutral party to encourage timely repairs and assure that rents are actually collected and released to owners upon completion of repairs.

3.5: Improvement incentives for small-scale, longer term owners for weatherization, heating system conversions and other such measures reduce operating costs, as previously discussed. Grants averaging \$500-1,000 per unit are required.

3.6: Potential economies of scale. Limited equity cooperatives and other groups can take advantage of economies of scale in purchasing insurance, accounting, legal counsel, general maintenance and materials, and other services. Individuals with relevant expertise in the private sector could help in such efforts.

3.7: Adaptive Re-use. Develop experimental pilot projects to meet special needs such as transitional communities for single parent families, as discussed in section IV C.

3.8: Creating Accessory Apartments. Considering how much average household size has recently declined, some owners should be encouraged to downsize their individual units so that they cost less to heat and maintain. Some experimental rehabilitation should be tried to evaluate the costs and

benefits of reducing the size (while increasing the number) of dwellings in representative existing structures.

Boston might also foster new ways that increase household size and "pool" resources, like encouraging in-laws and elderly to remain with their families, reversing recent trends and utilizing available shelter more fully.

OBJECTIVE 4: Revise Assistance Programs and Regulations

In the past, cities encouraged new, assisted construction in weaker neighborhoods, often a self-defeating approach when it weakened the local market for existing housing by diverting some of the remaining demand into the new developments. Federal rehab programs also commonly encouraged owners to count on special low interest financing, causing many to postpone repairs until they could obtain it. Taken together, past housing assistance often inadvertently compounded market weaknesses and increased dependence on more aid.

4.1: Expedite Tax Abatements and Reduce Tax Delinquencies. Extending RETAP beyond 12/31/83 and revising chapter 60 will not only produce affordable housing (with little additional subsidies), but also leverage considerable improvements in surrounding properties. Simplify administrative procedures wherever possible.

4.2: Streamline Assistance. Each agency seeking to improve housing conditions must simplify, clarify, and publicize its programs so residents have less need of intervenors to receive their benefits. Current assistance practices often have little recognized but critical counter-productive side effects that waste a great deal of public and private resources. For example, paying directly for energy used and preventing utility shut-offs, discourages weatherization. Energy programs must be fundamentally reconsidered.

4.3: Fuel Assistance and Winter Utility Protection Law. Revise energy assistance so that market incentives for owners to weatherize are restored. Bring together owners, tenants, and utility representatives to change the system so tenants at least bear part of their utility responsibilities.

Interventions at the state and federal level are necessary to achieve such program revisions.

4.4: The Welfare System. Simplify assistance procedures and increase housing and heating allowances to the extent possible. Welfare payments for rent are not only inadequate, but must allow the owner to be fully paid by the first of the month. Welfare cut-offs should be communicated to owners immediately, before they lose any rent.

4.5: Certificate of Habitability. The Housing Inspection Department should become the certifier of conditions for all assistance programs. Inspections at change of occupancy with interior and exterior photographs would reduce grounds for tenant/landlord conflict.

4.6: New Weatherization and Improvement Incentives. See strategy 3.5 as well as section IV D, above.

G. In Other Words:

The private rental system now operates quite wastefully and inefficiently. Rents are often not fully collected. Money that goes to lawyers could be redirected towards improving the housing. Resources that are now simply spent on energy could be invested to reduce heat losses. In some areas, small households occupy space that used to housing more members.

Now is the ideal time to reconsider how the rental housing system can be fine-tuned to conserve more of the affordable stock, before housing markets become much stronger and any new assistance programs are devised in Washington. Boston's stock remains a great resource that is still undervalued; much of it is owned by investors used to only limited returns. Pursued with some imagination and skill to avoid the need to refinance this housing at today's market interest rates, considerable improvements are possible if the spirit of the preceding strategies is properly grasped and consistent new programs and initiatives are developed.

V. IN CONCLUSION

Expectations now shape countless housing decisions to move or stay, sell or buy, invest or do nothing. Many neighborhood changes proceed from misleading perceptions that too easily become self-fulfilling prophecies. To redirect housing actions wherever the urban fabric is coming under stress now requires understanding "governance" and dealing with the expectations already shaping the behavior of all the various housing interests. What motivates and constrains each one? How can their behavior be beneficially altered through public policies? We must first understand what really shapes housing behavior instead of simply continuing to spend public resources in ways that conventional wisdom and the most vocal community leaders seem to direct.

To harness the market forces transforming neighborhoods, requires reconsidering codes and zoning regulations, property revaluation and tax foreclosure procedures, as well as the influence of recent local assistance practices. Many challenging issues today, like tax title and disinvestment, are surrounded by an intricate but little considered web of rules and payoffs to the many interests affected. For lack of a better word, this new concept is called "governance."

Planners now must consider perceived problems and become more explicit in what the City seeks to accomplish. No longer can they simply respond with public subsidies to address symptoms. A self-assessment can guide this process, following a checklist of neighborhood revitalization questions posed in Figure 4.

Consider dealing with an abandoned, delinquent six unit apartment building. An owner with cash flow problems may have only intended to "take out an informal loan" from the City, but before he realized it, he soon owed more to the Tax Collector than he could pay back. Then again, he may have deliberately allowed rental properties to deteriorate in order to qualify for federal subsidies. The City, instead of simply earmarking the property for assisted rehab in the next Partnership or UDAG package, must now address the underlying causes of the situation.

This situation may actually have been caused by too little demand and curtailed private lending, compounded by counterproductive city assessment, rent control, and code enforcement procedures that drove responsible owners

Figure 5.1: Checklist of Questions for Redirecting Neighborhood Revitalization

Analyzing the Situation

—How is the neighborhood "system" malfunctioning? As compared to a stable, well-working neighborhood, what actors are not performing their expected roles? Which of the neighborhood's usual "coping mechanisms" has broken down?

—What is the range of city powers and resources available to address this problem? What does local government seek to accomplish?

—What roles can private institutions and community interests play in helping to address this problem?

—Who are the key actors in the neighborhood for this particular issue? How does the city relate to these actors—through subsidies, regulations, taxation, licensing, or provision of infrastructure? Can any of these be adjusted to serve as an incentive/disincentive to help resolve the issue at hand?

—Why is "do nothing" not an appropriate local government response to the situation?

Weighing the Alternatives

—What are the politics associated with any approach being considered?

—Policy analysis is a must. What costs and benefits are associated with each alternative? Who will win and who will lose if a particular approach is chosen?

—How will each of the major neighborhood interests (home owners, tenants, bankers, realtors, insurers, merchants, organizers, and others) be affected by the alternatives? What, if anything, will each be encouraged/discouraged to do?

—Neighborhood diagnosis is essential. What are current neighborhood conditions? How do residents and others feel about the neighborhood? How have these conditions and attitudes been changing?

—How much of the city's motivation for action is that "everybody else is doing it?" How much is desperation—"we have to do something"—a factor? Have these factors discouraged or influenced objective policy analysis in any way?

Implementation Considerations

—How long will it take for the strategy to start working? Are neighborhood market conditions likely to have changed by then? If so, what will the strategy do, given the new market conditions?

—What steps must be taken to implement the approach? What approvals are required? What new "systems" are needed?

—What city agency will take the lead in implementing the strategy? Will it be sensitive to the perspectives of other interests or will it pay more attention to agency preferences?

—If, after implementation, the approach is found to have seriously undesirable effects, how easily could the policy be withdrawn or modified?

Gauging the Impact

—What measures of outcome will be used to assess the impacts of the strategy?

—What are likely to be the particular impacts of the strategy on the various interests, public, private, and community, in the neighborhood?

—Once the strategy has made its impact, will the affected neighborhood be made more self-sufficient or more government dependent?

—What would happen in the neighborhood if the strategy was not used and the city did nothing?

Source: Adapted by R. Goetze from "Rediscovering Governance: Using Non-Service Approaches to Address Neighborhood Problems; A Guide for Local Officials," SRI-International, Menlo Park, California, February 1980, pp. 77-78.

to sell out to the less experienced some time ago. Private lending for improvements may have been withdrawn because rental income seemed inadequate; reassessment may only reflect false values, based on condominium conversion potential. Controlling rents and enforcing codes then without adding income is futile, encouraging more tax delinquency and arson.

The actual causes may not be welcome revelations, but subsidizing such rehabilitation only compounds matters when "governance" is actually spurring disinvestment and public resources are inadequate to help everyone. Dysfunctional aspects of the system need to be corrected, not disguised.

This new approach to policy formulation is important because it allows the City to eventually free itself from reliance on ever more public assistance to be spent in traditional ways. It permits the City to design new strategies instead, using the available public resources more effectively.

The frequently endorsed Neighborhood Housing Services (NHS) model in Pittsburgh developed out of such a joint public, private and community process reexamining the actions and causes shaping neighborhood dynamics. There, a partnership process forged effective new constituencies which revised local codes and zoning, dealt with negative neighborhood images, changed inappropriate forms of public assistance, as well as boosted maintenance and managerial savvy on the part of owners.

In Boston, similar reforms in governance are long overdue. Like shedding a heavy handicap, the results will prove liberating. Reexamining governance can produce new initiatives that are more appropriate, tailored to the local situations in ways no centralized planning or federal program guidelines could ever achieve. Boston's widely emulated Housing Improvement Program, granting owners direct cash rebates instead of cumbersome interest reduction loans, was a suitable innovation in its day; marketing neighborhood images and triple-deckers, was another appropriate initiative. Today, weatherization, increasing resident ownership, and "thawing" the Tax Title inventory, are opportunities awaiting similar fresh, innovative approaches.

This creative approach to policy formulation draws upon insights already present "out in the grass roots," but is easily suppressed by unthinking reliance on past models. These latent insights remain there, however, only waiting to be tapped by public officials and private interests through a better grasp of neighborhood change and new opportunities.

Many may doubt that such a radical redefinition of local effort is called for, skeptical how much more productive it can actually be. They may still be yearning for a continuation of "the familiar," be it comprehensive planning or dealing in RFPs to obtain CDBG resources as in past. In that case their actions in denying both the realities and the new possibilities are part of the problem, wasting everyone's time and resources.

As understanding of the underlying forces shaping neighborhood dynamics increases, urban recovery becomes attainable with considerably less additional public assistance. Local interests will become more resourceful. Imaginative new approaches will open up — even to handle the more difficult challenges like displacement, condominium conversions, and demands for controls on rents.

The true revitalization of Boston's neighborhoods will become evident when tenants fix a leaky hot water faucet rather than idly cursing the landlord. This little but important act toward improving their housing is but the first step on the road to recovery, as they soon come to feel more self-reliant and less antagonistic. The tenant household that stays, buys, and adds a room rather than moving out soon helps build a sense of community. Many such convergent changes can begin to mend local housing systems more effectively than doubling all the past public money and providing it again today.

Planning, conducted from City Hall, seems still too preoccupied with responding to crises, instead of going into the neighborhoods to "listen" to the residents. If we now put one tenth the time, talent, and resources into understanding market dynamics that are spent responding to crises, our powerless feelings about housing and then the housing itself will improve.

For too long, it seems, the drone of federal policy machinery lulled and obscured much already happening "by itself" in countless neighborhoods. Recently, this federal engine produced more noise than power, promising but not really taking people where they want to go. Now the federal engine seems suddenly shut down. After the initial panic, communities are finding they are on their own, in small sailboats, with only limited auxiliary power. With a better knowledge of weather, wind, and tides, they can still get where they choose; but now they must understand what is possible and decide their own destinations. Who knows, getting there may even become more enjoyable.

APPENDIX A: MORE ABOUT RENTAL HOUSING

The influence of rental economics and housing market dynamics are important to understand before adopting new regulatory measures like rent controls.

The Question of Fair Market Rents

The U.S. Census revealed that \$200 to \$250 was a common monthly rent in Boston in 1980, but this is very misleading, based on out-of-date financing and undermaintenance. Many rental properties are owned outright, without any financing; "friendship rents" to long term residents are still very common.

To maintain their stock properly today, many owners would need to receive at least \$100 more monthly rent per unit; and if title turnover or refinancing is involved, breakeven rents turn out to be as much as \$400 to \$500 per month. Inflation has doubled the cost of providing decent rental housing, along with everything else.

During the 1960s and early 1970s, urban housing was out of fashion everywhere, in San Francisco as in Boston, while the nation, pre-occupied with suburban child-rearing, overbuilt its housing stock. Because of slack urban demand, rents in general ended up below the break-even point. Disinvestment set in and much stock began to slide towards abandonment.

In Boston, as elsewhere, suburban over-development was an underlying cause of such urban ills as abandonment and arson. The media obscured and polarized this situation by focusing on frustrated residents railing at ineffective local officials, reports of redlining by banks, and identifying slumlords and unscrupulous real estate practices. Suburban overbuilding caused many urban problems like racial steering and redlining by brokers, insurers and lenders. Addressing these in isolation could not cure the housing disinvestment actually caused by regional supply/demand mismatches.

Rents remained inadequate because tenants could always move on to the next hand-me-down. Housing standards could have been enforced if regional growth had been less during the 1970s. Proper maintenance would have cost only another \$30-40 a month back then, and much more stock would have been maintained and thereby saved.

Federal incentives for subsidized development made matters worse.

Federal programs provided deep subsidies that guaranteed an extra \$200 and more per month to developers of showcase projects in deteriorating areas, instead of providing broad, shallow assistance to address the \$40 income/expense gap in existing housing. These developments further siphoned off demand for existing rentals in the community and distorted resident expectations in these neighborhoods even more.

Boston's median contract rent of \$191 in 1980, therefore, is the product of outdated financing or outright ownership and a disinvestment psychology still shared by too many lenders, owners and tenants. In today's dollars, \$250 monthly would provide a break-even rent for stock so owned and still in adequate repair, and perhaps \$350 would induce the necessary upgrading by existing owners to make up for deferred maintenance. Title turnover and refinancing at prevailing interest rates adds another \$100 monthly to rents without any visible improvements. This only introduces current capital costs and still limits the owners' returns on equity to levels that seemed inadequate years ago.

Sales and refinancing were postponed for years in the hopes that finance costs would return to prior levels, but current owners will not own and defer repairs forever. Figure A shows these relationships for the "same" unit:

Various Illustrative Rents for the "Same" Unit

	"Disinvestment" Deferred Maintenance	Break-even	"Gentrification" Upgrading
Under current ownership	\$200/mo	\$250/mo	\$350/mo
After turnover*	300/mo	375/mo	500/mo

*If turnover not obtainable, disinvestment accelerates.

SOURCE: Prepared by R. Goetze from housing interviews in the Boston area.

Federal homeowner tax deductions compound the problem by limiting obtainable rents. Most households that can afford \$450 monthly are already in a tax bracket that makes resident ownership much more advantageous. (\$417 per month is one-quarter of a \$20,000 annual income.)

If rents cannot be raised to these levels, then the owner's net income drops so low that the structure would be worth less than two years' gross rents at current capitalization rates. Under such a foreshortened economic time horizon, few rational owners undertake improvements; rather, they allow

the property to run down and even stop paying local taxes to salvage what they can -- ending up among the one in seven properties in Tax Title.

Much of Boston's rental housing thus seems trapped in a dilemma that rent controls would only exacerbate. Roughly a doubling of rents would be needed to recondition the dwellings without subsidies and to compensate for the effects of inflation. The majority of present tenant households, however, would find such rent increases intolerable.

Too Many Interests Are Now in Conflict

More and more actors in increasingly conflicting roles have come to be involved in rental housing. Needless turnover is spurred by national tax incentives, raising rents. Differences that tenant and landlord used to settle between themselves or were forced to live with now involve so many interests, policies, boards, and procedures that actions are disjointed, increasing mistrust and driving up costs. To keep them down, interests must work together.

Operating costs, for similar housing services, are much lower under homeownership because many responsibilities converge upon the homeowner, encouraging him to address problems in a timely, efficient manner. For a homeowner to get back at himself, the way some tenants try to get back at their landlord, would be absurd.

Tenant/landlord polarization causes available resources to be wasted. In such situations, simple operating matters like fixing a leaky faucet, bathroom drain, or gutter are often ignored until more serious damage has occurred.

World-wide forces are driving everyone to greater self-reliance or to doing without -- and tenants cannot escape these macroforces. Just as renting a car is an expensive convenience compared to owning, renting a home is also becoming a luxury because operating costs are handled so inefficiently. Indeed, rentals were considered suited for those who could not afford ownership due to an anomaly. Like hand-me-downs in an era of surplus, used housing could be obtained for just its operating costs. Today, as scarcities loom and throwaways vanish, maintenance and acquisition costs have reemerged as an integral part of housing expenses that residents must either pay (even if it requires doubling up) or that others must pay on their behalf, be they private institutions, landlords, or the public.

Landlords and the federal government now seem less inclined to continue subsidizing tenants.

Existing rental housing then must become more efficient in its use of available resources. This includes retaining the lower interest financing many current owners still hold, and using the available rental incomes more effectively, instead of looking for additional new subsidies and tax gimmicks. Maintaining affordable rental housing requires retaining the existing owner and his financing, not antagonizing and replacing him.

Reviving Housing Demand is the Key to Improving Housing

Recently, as construction throughout the Boston region has slowed, various Boston neighborhoods have begun to attract new households formed from the "baby boom generation." For years many residents simply moved to another hand-me-down. Now, the property has frequently already been bought by someone else -- as an investment, either to reside in or to convert to condominiums. Stock that may no longer be profitably fixed up and rented to current residents has often become attractive, as condominiums, to more affluent owners.

Neighborhood market climate is the primary determinant of the future of the housing stock in any given location. The many different types of owners, residential households, and stock types, as well as wide range of motives for owning, buying and selling residential properties are bewildering. However, market climates tend to sort out the various types of owners. The shrewdest and most sophisticated operate in rising markets, whereas in weak markets, where demand is inadequate to maintain the supply, ownership tends to have passed to the inexperienced and unsophisticated.

Appropriate housing policies must consider the crucial differences between well-functioning and problem markets.

Only stable markets encourage sound maintenance. Stock located in such areas, where demand balances supply, tends toward more steady and predictable appreciation. Owners rent to tenants who rarely cause problems, pay their rents regularly and impose only normal wear and tear. If not already adequately insulated, the owner weatherizes in order to hold down heating costs and obtain better rents. In Boston, during the 1960s and early 1970s, such stability was confined to enclaves such as Ashmont Hill, Melville Park, Savin Hill, and parts of Jamaica Plain, South Boston and elsewhere.

Declining markets, where supply exceeded demand throughout much of the 1970s, experienced much deterioration, disinvestment, and abandonment. Even though lack of adequate income often induced tenants to "skip out" after falling several months behind in rent payments, owners often continued to rent to such households instead of leaving their properties vacant and vulnerable to vandalism. This downward spiral was further encouraged by Legal Aid's advocacy of tenants' rights against "slumlords."

Tenant-oriented fuel assistance, like oil refills for empty tanks and the moratorium on winter gas shutoffs, further encouraged residents to seek ways to avoid meeting their full housing costs. Most owners of such marginal properties actually lack the resources, managerial skills, and motivation to properly maintain and weatherize their properties.

Lack of income to invest or live elsewhere often brought owners and tenants together in declining neighborhoods. Now, a legacy of unresolved problems prevents these areas from rallying as the market climate improves. A substantial amount of deferred maintenance remains, for which the community possesses neither the skills nor adequate resources.

Motivation is also lacking because the residents tend to focus on unresolved problems instead of the emerging opportunities. Now however, growing urban demand provides grounds for renewed neighborhood confidence in the future. Along with the newcomers, some well-targetted assistance directed at visible blight can boot-strap these neighborhoods. As results become visible, residents will discover new roles they can play in boosting neighborhood pride and restoring the community.

Rising markets can be identified through the new ownership types that enter to take advantage of demand exceeding supply -- traders, investors, and outright speculators. The South End and Charlestown are already classic cases, but many sections of the city, from parts of Allston-Brighton and Jamaica Plain to many neighborhoods in Dorchester and East Boston, have been affected.

Conversion of multifamily properties to condominiums for sale to newcomers in higher tax brackets is one sure sign. Here, the tide of rising demand can be harnessed directly to recondition the properties, but financing at current interest rates will quickly inflate rents as previously mentioned. Enabling prior residents, particularly tenants, to share in the benefits of renewed neighborhood vitality is possible; one solution is to keep local markets from becoming too strong.

The slumlord greedily pocketing rents is mostly a convenient media myth. More detailed research, examining case histories and current income/expense statements of physically comparable properties, not surprisingly, confirms that in weak markets housing properties generally perform poorly as investments. Too often, these properties have ended up in the hands of unsophisticated owners before falling among the one out of seven in Tax Title. Or they are available "for a song" to those more aware how soon the market may rise.

According to general investment theory, higher risks usually accompany higher returns. In many of Boston's residential areas, however, this has now become reversed. The better real estate investments are accompanied by much lower risks, a fact more apparent to newcomers than existing residents and unsophisticated owners.

How Some Marginal Owners Survive

If we understood the survival techniques of those owners providing decent rentals in marginal areas, then we could encourage more to follow. These owners have managed to minimize their losses, as well as to produce the utmost in housing services from the limited rent dollars available to them.

Some owners are better able to control such factors as vacancies and losses, as well as heating and financing costs, taxes and insurance, according to a recent New Haven study of private rental housing. Their net income (return after expenses but before financing) can vary enormously. Their property values, however, are even more influenced by changes in neighborhood market climate.

An owner who can increase his net income by \$240, only \$12 per month, improves his property value by some \$1,000. In rising markets, such gains are easy to obtain -- from new tenants. In fact in strong markets, rents can jump by much, much more, but then much of this is absorbed by refinancing.

On the other hand, the loss of just one month's rent, or \$250, radically alters "the bottom line" downward. In weak neighborhoods, it is difficult to decide which is worse: accepting a dubious tenant now to avert vandalism or another month of vacancy. Either way, the impact on rental income and property value can be devastating.

Many owners of marginal properties are small time landlords making a living the hard way and generally limited in their managerial abilities. Sometimes tenants lacking other resources even take advantage of them. Such owners delay initiating eviction procedures until they have already lost several months rent, and then often find the eviction delayed through many more months of legal maneuvers because they failed to comply with all the stipulations attending an eviction.

Heating costs are the major expense issue confronting rental properties today. In areas where tenants can ill afford to pay more rent, nothing rewards landlords for investing in weatherization. In these areas, antiquated heating units, poor insulation and lack of storm windows have inflated heating costs in smaller, frame stock tremendously, often to over \$1,200 annually per unit. In these markets, owners cannot recover any major outlays for weatherization through rent increases. However, believing that most tenants can obtain special fuel assistance, they transfer responsibility for heat to their tenants.

Property damage, as well as wear and tear, also tends to be much greater in troubled areas that seem invaded by many juveniles. Even when owners attempt repairs they quickly become discouraged by recurrent damage. Sometimes this is even done deliberately by tenants to create grounds to avoid rent payments. Other owners feel powerless to prevent the overcrowding that produces high wear and tear, resulting in more deterioration.

Insurance that is reasonably priced is also more difficult for owners of marginal properties to obtain because of the higher risks. Many have been forced to purchase insurance through the Fair plan, which results in higher premiums for less coverage.

High interest rates have already been discussed. High financing costs have discouraged sales because the necessary rent increases to cover them were unobtainable, "locking in" the current owners.

The property tax burden in marginal areas was disproportionate, until recently, and thus a significant contributor to blight. Taxes unpaid for a few years rapidly compounded to a total greater than the worth of the property, causing some owners to simply walk away.

Property owners who encountered financial difficulties had no recourse; sufficient rental income to improve matters, sell, or pay off tax delinquencies was simply unavailable. As a result, around 1,200 buildings containing roughly 4,000 units are abandoned, and several times that number

are in Tax Title.

Derelict 3-10 unit "eyesores," scattered throughout marginal areas now discourage all the neighboring owners from investing any more. Each day they remain standing, empty and boarded up, they undermine the efforts of any who might otherwise do something because, right or wrong, they are taken as evidence that local demand is too weak to support the existing stock.

A great many owners of two or more unit properties have managed to survive so far without public subsidies or assistance. In fact, most are wary of such aid. Their success lies in obtaining steady rental income and doing their utmost to control expenses. Retaining reliable tenants, being systematic about rent collection and clearer in their eviction procedures has saved them from the fate of their fellow owners. In the bulk of the rental inventory, these owners provide the best rentals, often at "friendship rents." Losing them and their goodwill would be a disaster for tenants.

Across-the-board rent controls would prove very harmful to these precarious rental situations. These owners already consider measures like the Fair Housing Ordinance a further threat to their ability to survive. They yearn instead for more effective programs to recondition or eliminate the blighted structures dotting their neighborhood, even if direct assistance to them is unavailable.

NEIGHBORHOOD DEVELOPMENT

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NEIGHBORHOOD MONITORING

By Rolf Goetze, PhD

INSIDE:
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ANALYSIS
PITTSBURGH
STYLE
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Interest in differentiating neighborhoods for treatment has grown in recent years, but debates about bank redlining have made planners reluctant to classify neighborhoods explicitly. Nevertheless, with diminishing resources, planning now requires a closer understanding of how and why neighborhoods change, in order to devise more appropriate interventions.

Effective neighborhood planning involves matching local housing supply and demand by tailoring interventions to particular market dynamics.* Where there is too much supply, disinvestment, abandonment, and even arson continue, as ebbing confidence prevents the investment of sufficient capital and effort to maintain the housing. On the other hand, where demand exceeds available supply, speculation, gentrification and soaring costs take over, often forcing out prior residents.

Planners can play a key role in keeping markets on middle course -- and this article is intended to help them find that new course. Despite a few proverbial Newarks or San Franciscos where market mismatches are too extreme, in most neighborhoods of most cities, planners can countervail, by influencing local markets at the margins.

A new planning/policy approach calls for a land use information system (LUI System), differentiating neighborhood dynamics and attuned to reflect year-by-year changes.

Conceptually, this land use information system is developed on three levels: (1) a census block-type information system for background; (2) an extensive, citywide parcel-based system for monitoring shifts in neighborhood dynamics, and (3) an intensive monitoring of some five to ten microstudy areas typifying various market

dynamics to detect the causes of changes in specific submarkets. This requires a well-integrated, three-tiered local information system.

The U.S. Census Background System

1980 census data are now becoming available, but they are only very rudimentary because information is aggregated, presented through cross-tabulations, and gathered only every ten years. Change can thus not be analyzed in detail. The time interval is also too long to detect the most significant changes at the neighborhood level, such as shifts from disinvestment to reinvestment, changes in the rate of turnover, and the resurgence of resident ownership after many years of decline.

Nevertheless, census data can provide both a valuable backdrop as well as fresh reference points for measuring future changes in such factors as population, race, household size, and income on the demand side, and dwelling counts and sizes, rents values, vacancy rates, and turnover on the supply side.

At this background level, the emphasis should be placed on contrasting neighborhood dynamics over the 1970-1980 interval. Rents, values, household size, dwelling counts and vacancies should be examined. Changes over time in rank, or in deviations from the citywide norm, are very informative.

An Extensive, Parcel-Based System for Monitoring Change

One comprehensive system should be constructed to integrate available existing information, by parcel, focused on monitoring housing patterns and neighborhood change. The best judgment of which data to integrate into this citywide system develops from the intensive monitoring of five to ten study areas (discussed below). Jurisdictions should consider the following factors in creating a LUI System.

In addition to assessments, municipal assessing departments often have computerized sales and title records by parcel. If available, structural fire data and housing-relevant police statistics should be included, along with engineering or building department data on housing improvements,

* Rescuing the American Dream (New York: Holmes & Meier, 1983) details this new approach. Its elements are identified in Rolf Goetze and Kent W. Colton, "The Dynamics of Neighborhoods," Journal of the American Planning Association 46 (April 1980), 184-194.

additions, and demolitions. Some states, like Connecticut, will provide data on all real estate transactions for a modest fee, and often a private corporation compiles sales, transfers, and mortgage data by parcel.

For only a few dollars per parcel, the Sanborn Map Company of Pelham NY will field survey entire city sections, develop a master address list, and reliably code the land use, condition, and vacancy status of each property. This is very useful to cities no longer sure what is currently "out there." Periodic updates by Sanborn are then both inexpensive and valuable for monitoring further changes.

After deciding which factors can readily be obtained on each parcel, such data should be geocoded and electronically stored and available for console terminal displays and special studies. Citywide norms for values, turnover rates, appreciation, sales-assessment ratios, and so forth should be generated to guide neighborhood analysis. From this LUISystem, three immediately useful products should be developed:

A simple base file of pertinent data related to each parcel, suitable for at-a-glance review on CRT monitors. Property should be callable to show such data as structure type, number of units, condition, vacancy status, tenure type, assessed value, and last market sale date and value. Too much information clutter is as harmful as incomplete or erroneous data, so care must be taken to assemble a useful base. If the data cannot be readily retrieved, manipulated, and up-dated, the system is worse than useless.

A paired sales analysis to monitor value changes over time of all properties sold more than once. This is much more useful for monitoring microdynamics than changes in areawide averages. In some areas and for certain house types, appreciation will be substantial; for others it will be low as particular property types or areas come into or go out of favor. Such differences are important for creating tailored policies.

A monitoring of assessment/sales ratio trends to detect inequities, changes, and contrasts. Local real estate taxes are a significant burden on property owners, and differential impact can strongly influence individual decisions to maintain, disinvest, or reinvest.

Beyond these, several more factors should be integrated into the parcel-based system, if the microarea studies confirm their usefulness. Annual data on residents' moves, occupations, and household sizes are especially helpful for predicting future trends. In many cities such data are still gathered, even though R. L. Polk's service was recently discontinued. By electronically comparing current households with past residents, "who has come" with "who left," sensitive interpretation can reveal changes in a timely way. Also, by comparing such resident data with sales or title records, shifts toward absentee ownership (heralding disinvestment) become apparent early enough to intervene effectively.

Property tax delinquency, liens, fires, and recorded home loan credit (often available from the state bank commission) should also be considered for the LUISystem, because they reflect the changes actually occurring.

Microcomputers can now help local planners create a LUISystem for under \$10,000 in hardware/software costs. The Lincoln Institute of Land Policy has created a "generic" software system, originally for assessors, called SOLIR (Small On-Line Research), which enables planners to interact directly with their data and explore hidden patterns.

- SOLIR is an extensive software package helping planners and policy makers quickly and easily store, manipulate and display large amounts of land related information on Radio Shack microcomputers.
- SOLIR enables the planner to store up to 120 different characteristics ("factors") describing a single record (parcel, block, ward, etc.) for up to 1500 separate records on a single compact diskette (or 30,000 such records on one hard disk).
- Data can be entered manually or accepted electronically from other computer systems.
- These data can then be sorted, copied, indexed, displayed, and analyzed in many useful ways, limited mainly by the planner's imagination.

New Haven and Cleveland are lead cities employing SOLIR in land planning, policy analysis, and management applications involving public, private, and community interests. Acquiring the software involves attending a one week, hands-on course or two offered by the Lincoln Institute, and thereby qualifying as a master user.

Those interested in obtaining the software should contact

- Mathew MacIver, Lincoln Institute of Land Policy, 1000 Massachusetts Avenue, Cambridge, MA 02138. (617) 661-1152

Jurisdictions interested in creating their own LUISystem should

- contact Rolf Goetze, 129 Leonard Street, Belmont MA 02178. (617) 489-2739

Intensive Monitoring of Five to Ten Case Study Microareas

"Neighborhood listening" is an approach recently pioneered in some cities like Boston and New Haven. It commences with gathering both objective and subjective data in half a dozen different areas, sampling the range from strong to weak markets. Representative areas, each containing some two hundred structures, are both manageable and informative.

Sound local policies arise out of well-grounded understanding of what is now actually taking place in these submarkets. Without it, officials frequently make erroneous judgments, such as treating a neighborhood on the verge of rediscovery as if disinvestment were still the key problem, or assuming that a few low-interest home improvement loans in a weak area are an effective stopgap until more assistance becomes available. (This further stigmatizes the area and usually discourages even ordinary maintenance, because non-recipients wait for ever more aid.)

To fully understand the dynamics in changing neighborhoods, these study areas must be closely monitored through both statistical and interview techniques, to detect subtle shifts in motivation on the part of residents, potential and actual buyers, sellers, tenants, investors, brokers, and lenders. If residents had more money, would they stay and upgrade, or move out? Comparative economic data on housing costs and appreciation provide useful insights. Contrasts between areas and changes over time are both important to analyze.

Regularly hearing from real estate brokers, community leaders, and loan officers is a poor substitute for this, because "folk wisdom" and misinformation are so easily passed on. Planners should do the research to substantiate whether people are actually investing or disinvesting, and determine why.

To detect patterns in these microcases, the data can be recorded on index cards and basemaps, but interactive microcomputers are becoming useful to handle such analyses (see box). Once the appropriate and consistent early precursors of change are identified, however, they should be factored into the computerized extensive, citywide monitoring system. For example, neighborhood listening may suggest that certain tenure shifts or the entry of particular occupations herald change. Counting mail boxes may reveal that new demand is producing illegal conversions. Monitoring such data on each parcel on a citywide basis would then prove useful in tracking divergent market dynamics. Since these microcase studies identify the most appropriate data for incorporation into the LUISystem, they should commence as soon as possible, before the system has become fixed and firm.

As microcomputers advance and the cost of data retrieval declines, as laser disc technologies promise easier storage and access to old data records and photographs, municipalities will discover that the benefits of creating an integrated local information system far outweigh the costs.

Such monitoring of "hard" and "soft" data is best coordinated by a single experienced person, involved in all policy discussions relevant to community development and housing revitalization. Responsibility should not be diffused among many individuals, because understanding arises from a careful synthesis of many contradictory impressions. The goal is to reach beyond conventional wisdom, to learn what actually shapes maintenance and market behavior.

Past policies often created unrealistic citizen expectations that are now part of the problem. Armed with better understanding, planners can lead the way, and become part of the solution.