

Saving Affordable Housing  
 What Community Groups Can Do & What Government Should Do  
 by John Atlas and Ellen Shoshkes  
 A National Housing Institute Study  
 Funded by the Ford Foundation

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– John Atlas

## Saving Affordable Housing Foreword

The National Housing Institute, with funding from the Ford Foundation, has made available *Saving Affordable Housing*, a practical review of selected examples of community-based groups that have preserved and revitalized affordable housing. After a quick introduction and context, the report delves into the meat of six project case studies. These case studies illuminate and contrast what works for each group, along with the challenges they face. Each study explores what these groups have done to preserve and enhance not just housing stock, but also entire neighborhoods. The final chapters are the most useful, identifying the elements of success and the lessons learned by each provider.

*Saving Affordable Housing* is a good tool for housing practitioners, students of housing and community development, policymakers and planners, CDC boards, and resident groups. The report is full of great illustrations and practical experience. It is more useful than most case studies because it moves past the rhetoric of government programs and even the process of deal making and focuses on elements of success and the lessons learned. The report finds leadership and long-term commitment necessary to revitalizing affordable housing and neighborhoods where families can survive and flourish.

This report may be helpful to those interested in the specific construct of a deal or the specific financing tools for saving affordable housing, but that is not its best value. Nor is its best value the occasional observation of the role of a specific piece of legislation or government program in ensuring government commitment to saving affordable housing. In fact, as a former Deputy Assistant Secretary for FHA-Multifamily Programs, I might debate some of the observations about the motivations for proposed changes in federal policy in the last four years.

But I would not debate the valuable lessons this report clearly presents about the importance of a committed owner who is clear that the end product is good accessible housing that serves residents today and in 10, 15, and 20 years; the importance of good technical assistance, including asset and property management; and the opportunities to integrate technology and services that aid low and moderate income communities.

After 24 years in the affordable housing business, however, I have learned that a finance team, a technical assistance provider, and a "great deal" do not alone make good housing. Even a great owner is not the most critical element. The key, as this report recognizes, is that saving affordable housing involves building neighborhood capital. *Saving Affordable Housing* quickly creates a vision of a healthy neighborhood and highlights the role of residents in housing and neighborhood revitalization. And it encourages policymakers to recognize and support local assets. This point is illustrated by a comment on page 47:

Where...entrepreneurial leadership and commitment is present, government policy should ensure that groups have access to the money and technical assistance needed to create or restore safe, decent affordable housing and make their cities more hospitable to capital investment, consumer confidence, and the poor and an aspiring new middle class.

Good urban entrepreneurs know that saving affordable housing must be done with a vision of a healthy neighborhood as the end product. This report will give you lots of insights into how to foster that healthy community.

Helen Dunlap

President

National Low Income Housing Coalition

## Saving Affordable Housing Introduction

Since the 1980s, factors as diverse as the globalization of the world economy, job migration from the inner cities to the suburbs, government neglect and cutbacks, the epidemic of illegal drugs and violence, rampant racial and social discrimination in housing and employment, the feminization of poverty, even government-sponsored housing that replaced stable inner-city neighborhoods with massive high rise projects – "warehousing the poor" – have all contributed to the enormous rise in homelessness and the growing gap between incomes and the cost of decent, affordable housing in the United States.

The scarcity of affordable housing affects all segments of society: households with two full-time wage-earners as well as those on welfare; white people along with African Americans, Native Americans, Hispanics, and most other ethnic minorities; young, middle-aged, and retired people; urban, suburban, and rural residents. (For further discussion of the affordable housing crisis, see Appendix A.) Yet few Americans understand the scope of the problems associated with preserving troubled affordable housing. Even the Department of Housing and Urban Development (HUD) doesn't know how much of its inventory meets its "troubled housing" definition – i.e., badly deteriorated, in danger of conversion to market-rate housing or foreclosure – although it is clearly a significant portion.

Preserving America's existing supply of affordable housing becomes even more critical in light of the waning federal commitment to create new low-income housing. While there is a great need for new housing production programs that will serve many different segments of society, the nation must strive to preserve extant distressed housing stock before age, neglect, and/or market forces remove it forever from the rapidly diminishing inventory of affordable housing. From a purely fiscal standpoint, it makes sense to protect prior government investments in affordable housing; it is often cheaper to preserve existing units than to replace them.

In this report, National Housing Institute (NHI) focuses on community-based efforts to save this large, vulnerable inventory of affordable housing facing the loss of federal subsidies and/or foreclosure by HUD, state housing agencies, and other mortgage holders, and not protected by existing preservation laws. (For a description of at-risk units, see Appendix B.) This study takes a close look at some of the nation's most successful community-based initiatives to save inner-city subsidized and affordable housing and asks:

- \* Under what conditions can nonprofit community-based solutions succeed in saving endangered housing?
- \* What is necessary for the long-term sustainability of resident and community-owned low-income housing?
- \* What can we learn from the motivations, leadership, and organizational structure of groups that succeed?
- \* How can successes be replicated most effectively?

To help answer these questions, NHI identifies the key elements of success among six initiatives to save troubled affordable housing. These initiatives involve different properties and local

markets, subject to different regulations and financing. One element they hold in common, however, is entrepreneurial leadership-leaders committed to saving affordable housing through creative, innovative action.

This research demonstrates the wide array of factors these leaders must consider. Certainly, turning troubled projects around requires sufficient financing. In addition, the new owner must deal with the project's physical condition and should be capable of not only undertaking and completing a rehabilitation plan, but also operating, managing, and maintaining the project. Effective leaders must also address residents' needs, as well as any security deficiencies, drug and crime problems, and other social problems that affect tenants. This further requires the ability to work with the surrounding community, including local government.

Most importantly, this report specifies what the leaders in our study did in partnership with government to save endangered housing. Drawing on the lessons of these cases, and from previous research, NHI outlines steps the federal government can and should take to create effective partnerships with state and local governments and the thousands of community-based organizations (CBOs) dedicated to saving affordable housing and rebuilding the communities in which low- and moderate-income Americans live. By studying these successful partnerships, NHI aims to help guide future efforts to save affordable housing.

#### The Focus On Community-Based Nonprofit Solutions

We studied three different models of community-based ownership, the community development corporation (CDC), the co-op, and the community land trust (CLT).

CDCs and CLTs vary in size, scope, and funding sources, but most share certain characteristics: they operate within a geographically defined low-income target area, they are controlled by many people who live in that area, and they provide such social services as day-care and senior centers in addition to undertaking economic development projects like housing. They also often act as advocates in pressing city hall for better municipal services and in challenging banks to increase their lending in low-income neighborhoods.

Nonprofit CDCs are now commonplace, numbering between 2,000 and 2,200 nationally. Their capacity and sophistication have grown dramatically in recent years. Approximately half of all housing ever produced by CDCs was completed between January 1988 and December 1993. About 30 percent of all CDC housing was produced between 1991 and 1993. (National Congress for Community Economic Development 1995)

A co-op provides housing while trying to get along with neighbors and struggle for its fair share of city services. Co-ops differ from CDCs in that they are controlled by residents. All co-op residents are members. Co-ops are run by elected boards of directors, which select and terminate tenants and issue all rules and regulations. Although members have the power to control the board, management companies often set policies for co-op boards when residents do not know their rights and responsibilities well enough to direct and set policy themselves.

These nonprofits may be the only groups willing to invest the time and work to save and build affordable housing, and they have provided effective, workable solutions to the housing problem.

While private for-profit developers have an important role to play in providing affordable housing, there is a fundamental problem with relying on private developers to supply and restore publicly subsidized housing. The use of government grants and tax subsidies to finance low-income housing generates conflict between public goals to provide low-income housing and private interests to make a profit at taxpayers' expense. A good example of this is the problems we now must face caused by housing programs initiated more than two decades ago that paid private developers to produce low-income housing with affordability requirements that extended for only a limited period of time. Clearly, today we can see that such policies are not in the public's long-term best interest when poverty is increasing and government support for new housing is waning.

#### Civil Society and Nonprofit Community-Based Housing

There are several compelling reasons why public policy should concentrate on enlarging and empowering the nonprofit community-based development sector.

Most importantly, in order to save affordable housing in troubled communities, we must rebuild core institutions in the inner cities that make up the civil society. These are the Tocquevillian independent associations that Harvard Professor Robert Putnam calls the social capital of our inner cities.

Putnam's research emphasizes that solving community problems requires a strong civil society, or what he calls "social capital." Putnam stresses the importance of strong organizations and networks that promote trust in the community and that facilitate coordination and cooperation for mutual benefit. The growing number of nonprofit community groups, like those studied in this report, are prime examples of such non-governmental, non-market institutions that underpin democracy and give hope for the revitalization of our inner cities.

National leaders, including senators Bill Bradley and Dan Coats, are increasingly pointing out that we won't be able to achieve a better society without strengthening our sense of community and the institutions that form the civil society. In a speech to the National Press Club in Washington, DC on February 9, 1995, Senator Bradley defined civil society as:

...where Americans make their home... hang out with their friends, meet their neighbors, educate their children, worship their god. It is in the churches, schools, fraternities, community centers, labor unions, synagogues, sports leagues, PTA's, libraries and barber shops....It is where opinions are expressed and refined, where views are exchanged and agreements made, where a sense of common purpose and consensus are forged. It lies apart from the realms of the market and the government, and possesses a different ethic. The market is governed by the logic of economic self-interest, while government is the domain of laws with all their coercive authority. Civil society, on the other hand, is the sphere of our most basic humanity and love.

David Blankenhorn, president of the Institute For American Values, put it this way:

Civil society turns children into good citizens. Government alone, no matter how well constituted, cannot achieve this goal. The incentives of a free-market economy, as valuable as they are, cannot achieve this goal. Only the family and the other associations of civil society can

turn children into good citizens. These institutions are our seedbeds of civic virtue – the foundational sources of competence, character, and citizenship in free societies...

The point both Bradley and Blankenhorn make is that it is more than joblessness, inadequate education, and poor housing that trims opportunities for ghetto residents. Saving inner-city housing requires reversing the erosion of social capital and rebuilding civil society. All across America, but particularly in our inner cities, we need to strengthen families, neighborhoods, communities – all of which are essential to the mutual trust and responsibility on which economic development and self-government depend.

Nevertheless we have grown indifferent, and at times even hostile, to our need to nurture these institutions. These structures of trust and cooperation seem to be decomposing before our eyes. The decline of these institutions has a devastating impact on city residents who want to improve housing opportunities in their communities. Concerned citizens do not collaborate to improve housing because so few respected institutions in the community exist that encourage people to come together for everyone's benefit.

Putnam and other researchers such as John P. Kretzmann (Shelterforce 1995) and John L. McKnight demonstrate that social capital enhances the benefits of investment in physical and human capital. These different kinds of capital are complementary, not competing alternatives. The research suggests that investments in housing will be more effective if they are coupled with reinvigoration of community associations.

Because of the importance of Putnam's work for housing policy, his findings are worth reviewing. In his book *Making Democracy Work: Civic Traditions in Modern Italy* (1993), Putnam shows that working together and prospering is easier in a community with a substantial stock of social capital – an insight that has powerful practical implications for overcoming poverty and improving housing in our inner cities.

Putnam studied regional governments in Italy for over two decades. In this seminal work, Putnam addresses in an empirical way the question of what makes democratic institutions stable, effective, and prosperous. Beginning in 1970, Italians established a nationwide set of potentially powerful regional governments virtually identical in form. Putnam sought to understand why certain regional governments proved to be dismal failures – inefficient, lethargic, and corrupt – while others have been remarkably successful in creating innovative day care programs and job-training centers, and promoting investment and economic development.

What could account for these stark differences in the quality of government? It was not government organization, since that was quite similar from region to region. Nor did other factors, such as party politics, ideology, social stability, political harmony and population movement, account for these differences. The relative success or failure of each region was determined not even by the usual measures of prosperity, such as wealth, level of education, or access to natural resources. Instead, Putnam's findings indicate that the success of a region was determined by the degree to which trust, reciprocity, and therefore civic engagement, were woven into the social fabric. The successful Northern regions in Italy have many active community organizations. According to Putnam, "Citizens in these regions are engaged by

public issues, not by patronage. They trust one another to act fairly and obey the law. Leaders in these communities are relatively honest and committed to equality. Social and political networks are organized horizontally, not hierarchically. These 'civic communities' value solidarity, civic participation, and integrity."

In "uncivic" regions, the concept of citizenship is stunted. Engagement in social and cultural associations is meager; public affairs is somebody else's business, not that of the residents. "The successful communities," writes Putnam, "did not become civic simply because they were rich. They became rich because they were civic. The social capital embodied in norms and networks of civic engagement seems to be a precondition for economic development, as well as for effective government. Development economists take note: civics matters."

Federal policy has not always recognized the importance of social capital. Some past government programs, such as the interstate highway, urban renewal, and public housing programs, have often blindly ravaged existing social networks. As Putnam wrote: "The fact that these collective costs are not well measured by our current accounting schemes does not mean that they are not real. Shred enough of the social fabric and we all pay."

The troubled state of so much of the nation's affordable housing stock stems from national economic policies that have rendered 20 to 30 million Americans superfluous. A fundamental change in government policy at the national level is needed to really address the problem of saving affordable housing. Public monies, however, should be spent only in ways that strengthen community organization, not weaken it. As Putnam writes:

Government policies, whatever their intended effects, should be checked for their indirect effects on social capital. In any comprehensive strategy for improving the plight of America's communities, rebuilding social capital is as important as investing in human and physical capital... Conservatives are right to emphasize the value of intermediary associations, but they misunderstand the potential synergy between private organization and the government. Social capital is not a substitute for effective public policy but rather a prerequisite for it and, in part, a consequence of it. Social capital, as our Italian study suggests, works through and with states and markets, not in place of them.

Government interventions that neglect or undermine the building of this social capital are detrimental. On the other hand, social policy that encourages social capital formation – building the civic community, the networks and norms of civic engagement – enhances the effectiveness of government action.

Our examination of successful case studies demonstrates that strengthening nonprofit CBOs will allow them to play the roles that the settlement houses did a century ago: nurturing social activity, such as sewing clubs, and civic activism – embodying community as much as charity. These emerging and established organizations are needed in addition to the restaurants, barber shops, and churches that provide critical sources of social capital in low-income communities.

Strengthening social capital (in the form of CDCs and co-ops) by itself will not save affordable housing. But increasing social capital will help create the right environment to reverse inner-city

decline. As some of the case studies in our report show, these nonprofit organizations can provide the underlying foundation for political and other organizations that, in turn, can help mobilize a community, create political involvement, and connect people in ways that can help save affordable housing

CDCs and housing co-ops can become critical institutions (similar to local schools, community policing departments, and local churches) for communities above and beyond the services they provide. Communities can congeal around these institutions. These organizations help people develop leadership and organizational skills – chairing meetings, talking to the press, making speeches, lobbying elected officials. They shift people from passive spectators to active, self-confident citizens. The experience of cooperative ownership and self-management itself helps people overcome their cynicism and sense of powerlessness. This, in turn, helps prepare them for future success.

We hope this local energy can also affect inner-city development by influencing national policy. A national network of housing CBOs is needed to promote breakthroughs in social policy, as other nongovernmental community-based groups have done in the past: PTAs joined with other women's voluntary federations to push historic breakthroughs in social policy, including mothers' pensions and health benefits; and the American Legion formulated and won the GI Bill, which opened access to college for millions of Americans. So too a national network of housing CBOs can pressure government for better housing programs, and can then work with government to administer and expand these programs.

#### The Shift in Federal Housing Policy

From the New Deal to the late 1970s, national housing policy was based on the belief that the federal government could help solve our housing problems. During these years, the government played an expansive role in housing. Federal policies stabilized the banking industry and gave lenders greater incentives to extend credit to homebuyers. Washington also provided subsidies to local public housing authorities and private developers for low- and moderate-income housing. Although policymakers debated how much the government should spend and how much it should regulate lenders and landlords, they agreed on the basic premise that Washington had a key role to play.

Until the Reagan administration, every President from Franklin Roosevelt to Jimmy Carter increased federal housing assistance. During the 1980s, the Reagan administration began to scale back and dismantle federal housing programs. The Reagan/Bush administrations froze and cut funding for the poor. They slashed federal housing funds by over 70 percent. To balance their budgets and pay for needed services, local governments had to increase regressive real estate taxes on the middle class, which helped fuel the anti-tax, anti-government revolt.

We are now at a dramatic turning point: the dismantling of the federal role in housing. The 1996 budget – championed by the Republican-dominated Congress elected in 1994 – included a 25 percent reduction in HUD's budget, with programs targeted to people with the greatest housing needs bearing the bulk of the reductions. The 1997 housing appropriations bill passed by Congress and signed by the President in September 1996 dropped the number of new families receiving housing certificates and vouchers to zero. (DeParle 1996) President Clinton and many

in Congress favor eliminating long-standing housing programs and devolving many of the programs that will be spared. And in its 1996 convention platform, the Republican National Committee even proposes – as some members of Congress have suggested – to abolish HUD altogether. (Shelterforce 1996)

President Clinton and HUD Secretary Henry Cisneros have responded to the attacks on HUD by unveiling a plan to "reinvent" the department. The short-term (three-year) plan streamlines and consolidates HUD's crazy-quilt programs and redirects funds to states and cities. The long-term effect will be a drastic reduction of HUD's mission and the dollars it provides to house the poor.

HUD has become an easy target – associated with welfare, big cities, and crime – ridden public housing projects, which are often pointed to as an example of the failure of activist government. Yet much of the blame for the failure of federal housing programs for the poor belongs with public officials who were ideologically antagonistic to the programs they ran. As Los Angeles Times reporter Robert Scheer wrote in *The Nation*, "From 1969, with the exception of the four Carter years, the hopes of various housing programs were in the hands of conservatives who often demoralized the programs' staffs and recipients, and plundered their meager funds. These officials engineered a self-fulfilling prophecy: attack government programs as corrupt and then prove it by stealing from those same programs."

While HUD and its programs should become less top-heavy and bureaucratic, the department's many unheralded successes warrant continuation and expansion. If HUD programs are simply cut, rather than transformed, the trends of increased homelessness, declining homeownership among the poor and working class, and inner-city decay will only worsen.

#### Restoring Faith in Government

Preserving America's existing supply of low-income housing is one of the greatest challenges facing our nation. What can we do to preserve these units for low- and moderate-income households? Success will depend not only on local initiative, leadership, and creativity, but on an active and effective federal role as well.

The federal government has often promoted investments in social capital, from agricultural extension services in the last century to tax exemptions for churches in this one. Our national housing policy must renew that effort by prioritizing the building of social capital via nonprofit CBOs as a vital ingredient in redevelopment. CBOs have the potential to build the kind of core institutions that enhance social capital in the inner city and make the critical difference in whether government policies succeed in saving affordable housing and reversing decline.

Without public faith in government, however, efforts to save affordable housing and rebuild communities will have trouble achieving large-scale success. Poorly designed and underfunded housing, coupled with lackluster, incompetent, or unethical government bureaucrats, has fostered the belief that most government interventions to meet the housing needs of the poor have failed. This allows opponents of activist government to say – as they are now – "We told you so." When faced with a choice between more or less government, the public today can easily be swayed to favor less. The choice of no action, however, leaves problems to grow worse, and the public grows more cynical and angry.

The partnerships reflected in these case studies point to a way out of this policy deadlock. They are the synthesis of progressive ideas and mainstream values. Above all, what the case studies have in common is civic participation – activism – that is fostered, not hindered, by non-bureaucratic government assistance. We hope the successes recounted in this report will help restore public faith in government's ability to have an effective housing policy for low- and moderate-income households, and to work with local groups to tailor programs to local conditions and needs.

This report aims to influence national policy and inner-city development. By focusing on successful efforts to preserve troubled affordable housing, the study seeks to provide the reader with proven methods that can be replicated and expanded through enlightened public policy. We hope others will learn from these observations, put them to good use, and continue to improve the scant body of research in this area.

## Saving Affordable Housing

### Research Components

Six case studies are at the core of this report. Other sources of information include previous research, facts and ideas generated in an all-day conference, and several round table discussions with expert academics and housing practitioners.

### Case Studies

In addition to prior research, our study analyzes and draws lessons from six successful efforts by nonprofit community-based groups that preserved low-income housing. We chose two projects in Boston, two in Denver, one in Chicago, and one in New York City. Ellen Shoshkes, an architect and planner, was director of the research team. Cindy Wong was research assistant.

First, NHI identified the types of properties that can and should be captured as permanent affordable housing. These units (single family and multifamily) fell under one or more of the following broad categories:

- \* Federally Subsidized Projects with expiring affordability restrictions
- \* HUD foreclosures
- \* Projects with private owners opting out of Federal Section 8 subsidy contracts
- \* Resolution Trust Corporation (RTC) and Federal Deposit Insurance Corporation (FDIC) properties
- \* Subsidized projects with state or local expiring affordability restrictions
- \* Department of Defense surplus property
- \* Fannie Mae and Freddie Mac foreclosures

Some of these properties were already within a regulated environment where the ownership transfer and affordability procedures are tightly prescribed (e.g., prepayment projects with expiring federal use restrictions). Others, such as RTC properties, are more loosely regulated through statutory requirements, and still others have benefited from public assistance that carries no such regulations. We realize that some of these inventories will be shrinking in the near future, and others will increase. RTC takeover and disposition has ended, and its responsibilities are being taken over by the FDIC. Expiring federal use restrictions are in the forefront, while the expiration of state and local use restrictions is not yet fully upon us.

### Criteria Used To Choose Case Studies

When we began the search for successful projects, we looked for housing groups that:

- \* at a minimum, maintained their units as decent, safe, and affordable
- \* were not previously studied
- \* represented a diversity of geographic regions and ownership types
- \* committed to retaining most of the residents when substantial rehab was necessary
- \* were preparing for future financial expenses and preparing future organizational leaders
- \* nourished a sense of community by encouraging neighborliness and participation of residents in decision-making
- \* cultivated shared expectations of public behavior – such as respecting one another's rights and responsibilities, caring for each other, and acting not solely for one's own benefit but in the interest of the community

The NHI staff and research team selected cases after conducting a literature search and preliminary surveys and consulted housing experts across the country.

We know there are many additional successful efforts, and this will not be the last word on the subject. Others will build and improve on what the pioneers in our study have done.

#### Previous Research

Since one ignores past experiences, failures, and successes at one's peril, we need to learn from past efforts to preserve low-income housing. This report has reviewed previous research that focused on HUD's attempts to sell endangered housing to other private developers, and other HUD property disposition strategies; the expiring use legislation; the Resolution Trust Corporation; and CBO efforts to save and build low-income housing.

To our surprise, we found very little previous in-depth research that took a close look at why community groups succeed. We did find three excellent studies: one is a detailed 1983 study of New York City co-ops by Ron Lawson; the second is *Strategies and Saints*, a book by Langley Keyes, which examines seven federally subsidized inner-city housing developments – including three run by CDCs and one co-op – that in the late 1980s initiated promising strategies for confronting drug trafficking. The third is a 1994 study, "Confronting the Management Challenge: Housing Management in the Nonprofit Sector," by Rachel Bratt, Langley Keyes, Alex Schwartz, and Avis Vidal. We have relied on some of these studies' findings to supplement our understanding of the groups we examined.

#### Study Advisory Board

NHI convened an advisory board of affordable housing advocates, researchers, and practitioners from around the country. Various members of the panel assisted NHI in identifying possible organizations for examination. Following on-site research, NHI held two roundtable discussions with members of the advisory panel. Panel members continued to review research findings through the completion of the study. (See Appendix C)

#### Saving Affordable Housing Conference

To help prepare this report, National Housing Institute also invited 100 housing experts and activists who have been involved in saving affordable housing to a conference to discuss and analyze this problem. Attendees included members of our advisory board and leaders of organizations that successfully saved affordable housing. Here we had a chance to test some of our findings and preliminary conclusions and gather ideas and suggestions from other housing experts before drafting this report. (See Appendix D)

#### Key Assumptions

This report assumes an ethical and caring government committed to an honest affordable housing policy. The report explores efforts in which the long-term affordability of housing depends not upon abandonment of the federal role, but upon the federal government helping state and local coalitions take decisive action to save this important national resource.

Another basic assumption of this report is that the for-profit sector cannot serve as the primary vehicle for preserving troubled affordable housing. These housing units face tremendous

financial burdens, and the tasks involved in preserving them are too great and too varied to be performed well by those with financial motives. The profits in saving this housing accrue to residents, local communities, and society as a whole. That is why long-term solutions must rely on community-based nonprofit groups and residents themselves.

#### Some Caveats

This report explores why some community-based groups have succeeded in saving troubled affordable housing, seeks to record the elements of success, and draws its conclusions from common themes. Yet, since our case studies differ considerably from those of Lawson and Keyes, and from each other, a one-size-fits-all message is not so obvious. While each effort has strong leaders who do a remarkable job saving affordable housing, the barriers they face differ.

Tenants of the Marksdale project in Boston transformed a moderately deteriorated property into more than safe, decent affordable housing, while Denver's Mercy Housing Inc. (MHI) and Chicago's ACORN Housing Corporation (AHC) have dealt with seriously troubled housing. No person or organization was even willing to try to save the neighborhood AHC is attempting to save in our Chicago case study. MHI and AHC started with a disaster and made the housing safe, dry and affordable.

The institutional, socioeconomic, and political contexts in which these heroic people work are quite different. The heroes in Boston and with the Atlantis group in Denver have a very supportive environment in which to perform. The co-op tenants in Harlem have the unenviable task of trying to negotiate in a place as large and complex as New York City.

Notwithstanding these caveats, we believe our research project will provide a clear outline of the common denominators among these successful efforts to save affordable housing. We hope our study will serve to expand local capacity, and these local efforts will help inform and shape national policy.

## Saving Affordable Housing Case Studies

Unless otherwise indicated, the research team gathered information and quotes in the following six case studies through interviews, site visits, surveys, and organizations' literature. All demographic data is from the U.S. Census Bureau.

### Study Site Comparisons

<b>Project</b>	<b>Marksdale Gardens</b>	<b>Bancroft Apartments</b>	<b>New Heritage House Apartments</b>
Location	Boston	Boston	Denver, CO
Sponsor	Self-sponsored	Urban Edge	Atlantis Community Inc.
Project Type	Tenant Cooperative	Rental Buildings	Rental Building
Building Type	178 Townhouse Units HUD Foreclosed Prop. Disp.; Drv.	45 2-, 3- & 4-bedroom Units HUD Foreclosed Prop. Disp.; Drv.	34 unit/3-Story Apartment Building
Program	8	8	RTC Affordable Housing Disp.
Acquisition Date	1984	1981	1991
Income Range	NA	\$5,000-\$25,000	\$10,000-\$25,000
Monthly Rent Range	\$432	\$783-\$1,043	\$290-\$350
Household Type	2-Parent Families	1- and 2-Parent Families	Primarily Single Residents

  

<b>Project</b>	<b>Grace Apartments</b>	<b>Homesteading Program</b>	<b>507 West 140th Street</b>
Location	Denver, Colorado	South Chicago	Scattered Sites New York City
Sponsor	Mercy Housing Incorporated	ACORN Housing Corp. of IL, Inc.	Community Service Society of NY
Project Type	Rental Buildings	Community Land Trust	Tenant Cooperative
Building Type	Two Buildings/53 Units	50 Single Family Homes	16 Unit Apartment Building Ownership Transfer Program (CSS)
Program	RTC Affordable Housing Disp.	HUD Foreclosed Property Disp. 1987 (first house in pilot program)	1984
Acquisition Date	1992		
Income Range	\$10,000-\$12,500	\$15,000-32,000	\$5,000-\$25,000
Monthly Rent Range	\$351-400	\$500	\$212-\$300
Household Type	NA	1- and 2-Parent Families	1- and 2-Parent Families. Singles

### Marksdale Gardens, Boston Limited Equity Cooperative Housing

During the administration of Governor Michael Dukakis the Commonwealth of Massachusetts aggressively promoted affordable housing. With strong political and financial support, the state's housing community acquired a level of skill and sophistication that continues to evolve in the current environment of reduced funding. Likewise, Boston's rich network of housing groups and programs received strong support from former Mayor Flynn and remains vital during the current administration of Mayor Menino. In addition, HUD's Boston-area office has earned a reputation for innovation. As a result, several pilot programs to preserve HUD-assisted housing have taken place in the Boston area and have served as models for broader implementation.[1]

Massachusetts, however, is among the states hardest hit by HUD foreclosures and expiring use contracts, and its at-risk properties are concentrated in Boston. From 1965 to 1980, private developers in Boston built about 14,000 low- and moderate-income housing units with HUD-insured mortgages and subsidies. Residents of these units faced various problems: poor management, property deterioration, financial failure, and eventually HUD foreclosure. According to a 1975 report by HUD's Boston office, 7,000 Boston-area families faced rent increases or displacement due to foreclosure.

Housing advocates and residents of HUD-owned developments protested these conditions, resulting in new legislation, Section 203 of the Housing and Community Development Act of 1978. According to the Citizens' Housing and Planning Association (CHAPA), Section 203 required HUD, for the first time, to preserve the developments as low- and moderate-income housing, and to maintain decent living conditions, minimize displacement, and ensure tenant participation. The law also required HUD to confer with tenants to determine whether to sell each project it owned with federal subsidies. For subsidized projects, HUD was automatically to provide Section 8 project-based subsidies in communities that needed low- and moderate-income housing. (Bratt 1989)

To test these new policies, HUD established a Boston-area demonstration as part of a national study of owner-management models for financially failed, subsidized, HUD-held developments. HUD agreed to sell properties to qualified resident organizations and to include residents in the process as much as possible. The CHAPA provided technical assistance to residents during the demonstration's two-year planning process, helping them to evaluate alternatives, make informed decisions, and prepare for the disposition.

Of the nine HUD property disposition sales to tenant cooperatives nationwide, five originated in the Boston regional office and stemmed from the demonstration. Among these five co-ops – all still in operation today – Marksdale Gardens was formed. Marksdale residents acquired the property as a limited equity co-op in 1984, and have managed it since 1988. Once endangered, Marksdale is now an affordable and desirable place to live.

Many Marksdale residents cite the stability of tenure and social cohesiveness as sources of satisfaction. "I'm second generation here and there are quite a few like me, who have lived here for 20 or more years," said board member Sandra Jenkins, who explained why, after having moved away, she often drove over an hour to help organize the co-op and later decided to move back. "It felt like taking part in something special, it was something I needed to do. I knew these people my entire life, and I saw it slipping away, people had raised their families and were getting older and didn't know what was happening, and I felt like I had to do something. Me and my family had as much of a stake as anyone."

#### Neighborhood Context

Marksdale is located in Roxbury, one of the Boston area's most blighted communities. As in many city neighborhoods, the predominantly black and low-income population is relatively recent. Roxbury underwent a series of transformations, as waves of immigrants settled in Boston and then moved out to the suburbs. Some sections of the community are noted for the variety and architectural quality of their homes, including Victorian mansions in park-like settings, pre-war

bungalows along tree-lined streets, and blocks of triple-deckers. But, Peter Medoff and Holly Sklar note in their 1994 book, *Streets of Hope*, "When whites moved out, so did private and public investment in everything from schools and housing to business and street repair, creating a self-fulfilling prophecy of disinvestment and decay wrongly blamed on newcomer people of color."

An urban renewal plan in 1963 resulted in demolition of over half the area's homes. Marksdale was built on this cleared land, under HUD's Section 221d(3) program, as housing for families displaced by urban renewal. The program was designed to serve a slightly higher-income population than the public housing program. (Bratt 1989) Marksdale has received praise for its architectural plan, the clustered townhouse style, an alternative to high-density, high-rise public housing design.

#### Sponsor

St. Marks Congregational Church built Marksdale between 1964 and 1966.[2] The church initially managed the buildings, employing congregation members, many of whom were also Marksdale residents. But by 1978 St. Marks had fallen more than \$1 million behind in payments on its HUD-insured mortgage, and HUD assumed control of the property as "mortgagee in possession," a preliminary to foreclosure. HUD issued a request for proposals for a management company and chose the low bidder. The company then antagonized residents by laying off the previous, well-liked staff. Another management company was brought in, but it too was considered insensitive to residents.

Resident Minnie Clark, who moved to Marksdale with her family in 1964, said she and several other residents began planning to turn the complex into a co-op. But according to Clark, the management company decided it also wanted to own the property and began to undermine the residents' initiative. That made Clark, who had been involved with the Boston Tenants Association, resolve to fight even harder to save their homes. She and other tenants went door to door, explaining, convincing, and cajoling others to take control and form a co-op. "I kept beating up on them, saying it's really not that different from paying rent," she said. "Little by little, people began to envision what we meant."

#### Acquisition

By 1980, the Boston-area demonstration had started. Warren Gardens, another project in the demonstration, had already begun the process of forming a co-op, so the timing was right to form a co-op at Marksdale. HUD's Boston staffer Phil Salamone agreed to help Marksdale residents. His support was crucial, given the management company's lack of cooperation. Marksdale tenants formed a resident association with an eight-member board, and circulated a petition to document support for the co-op plan.

HUD advised the fledgling resident association that Marksdale's rents – well below market at approximately \$180 for a two-bedroom, \$198 for a three-bedroom, and \$250 for a four-bedroom apartment – would not cover costs. "HUD said you've got to do something right now about rents, so people won't blame the new resident co-op," recalled Clark, who became board president. "They recommended a \$100 increase right away and another \$100 when the buildings were sold." Moreover, HUD wanted the resident association to have two months' market rent in place.

"So we started collecting the money, slowly, like a Christmas fund, and put it in an escrow account. But not all the residents had the money at that time. The Episcopal City Mission lent us \$40,000, and that filled the gap. The people who were behind paid back the money over time, and we soon repaid the loan."

In February 1984, HUD was ready to deed the property to the resident association. In the meantime, they had faced several challenges, including the management company's attempts to discourage members from supporting co-op conversion (several developers who were interested in the property came from as far away as California to make promises to residents in exchange for their support), and HUD's misplacement of paperwork, which forced residents to repeat the work four times before 1984.

After trying for financing from local banks, Marksdale residents finally closed with the National Consumer Cooperative Bank on a 15-year \$700,000 loan at 13.5 percent interest. HUD agreed to pay overdue real estate taxes and absorb the amount in arrears from the original mortgage of \$2.4 million.

Neighborhood Context: Ten Years Later

Marksdale is situated between two rough neighborhoods. During a week of pleasant spring weather, with trees and flowers in bloom, residents gardening, children playing, and elderly women chatting, it was clear why residents have described Marksdale as "an oasis in the midst of a wasteland."

Many of the neighborhood troubles that affect Marksdale residents, however, are more subtle than gang and drug activity. As Clark pointed out, "You can't get a cab here, there's no nice restaurant, and the shopping is limited. And, other than here, people don't take care of their yards and street the way they should."

Marksdale's 178 two-story townhouses, on both sides of Humboldt Avenue, face interior common areas. The common areas are mainly lawn, landscaped with trees and shrubs. The units are contemporary yet conventionally "homelike," with wood clapboard, brick facades, pitched roofs, and small front and back yards, some with low white picket fences. All have private entries. A tall wooden fence lines the street side, but the complex is open to the public, and pedestrian paths leading through the courtyard often serve as neighborhood short-cuts. Nevertheless, there is a sense of enclosure and privacy.

While monthly housing costs have increased at Marksdale since the co-op conversion, they remain well within the affordability range of area low-income families. Charges were about \$528 for a two-bedroom, \$608 for a three-bedroom, and \$680 for a four-bedroom unit at the time of this research. In comparison, median contract rent in 1990 was \$432 for Roxbury and \$564 for the Boston area as a whole, according to the Boston Redevelopment Authority. Moreover, many median-rent apartments in Roxbury are in poor condition, whereas Marksdale units are well-maintained and feature amenities such as oak floors, eat-in kitchens, basements, sliding glass doors, and patios.

The Marksdale complex also includes a two-story commercial building, which houses the co-op offices on the second floor. The co-op has had trouble leasing the ground floor. Several

businesses, including a bodega and a video shop, have opened there but have been unsuccessful. Directly across the street from the plaza, however, is a newly renovated city park, and beyond is a newly renovated technical high school. Nearby are several buildings under renovation. Down the street is the Trotter School, one of Boston's best "magnet" elementary schools. Across the street diagonally is St. Mark's Church, which serves as a de facto community center and the site of co-op membership meetings. Despite frequent vacancies, the commercial plaza has the potential to serve the purpose for which it was designed: to be a focal point or a miniature town center in the community.

#### Security

Marksdale employs no formal security measures. Although a crime watch formed by residents several years ago has petered out, informal surveillance seems to help reduce crime. According to Clark, "The board used to in the evening walk the grounds to see what security [was] needed. We were just another set of eyes to report problems. We send out a notice if there is a suspicious character, or events. ...[Residents] call and say 'Be on the look-out, there's someone around.'"

One resident concurred that self-policing is an effective deterrent of neighborhood crime. "We try to keep it all [crime and drugs] out of here. ....You keep your eyes open. They're going to come in here anyway. It would be nice for Marksdale to hire security. There are security guards on a project up the hill on Humboldt, none down here. But the crime that way is more than down here. Could it be that...we don't tolerate it down here, so that's why we don't have that heavy traffic of people?"

Yet the level of danger in the neighborhood can also be a matter of perception, Clark pointed out. "This neighborhood is not plagued by violence. It's relatively safe. People watch TV, so there's a perception of major crime going on, but it's just not true."

#### Governance

Marksdale's nine-member board meets monthly to oversee management decisions. The co-op holds elections annually, and members serve rotating three-year terms. Although a nominating committee looks for potential members, and residents can nominate from the floor during elections, current members are usually re-elected. Six have served since the co-op's beginning. Four original members, however, are now of retirement age. One member commented, "Every year we try to recruit new board members, but unfortunately, if you get two or three people who will do work, nobody else will take up the banner."

Yet Marksdale appears to have benefited from continuity of board membership. As member Sandra Jenkins said, "We know each other really well and respect each other. There's no need to push your point because Suzy over there is going to take over the floor. It's a very comfortable situation, and that's a big part of why we work so well together."

The way an organization functions is usually a reflection of the person at the top. Clark is a very calm person, one resident said, and her demeanor rubs off on other people. "She will sit and listen and then tell you what she wants." Eric Segal, director of the Boston-based Association for Resident Controlled Housing (ARCH) offered a similar description of Marksdale's top-down management: "Plato said, the best government is a benevolent dictatorship. Minnie is like that. She rules with an iron hand. She's very smart, doesn't let anything get out of her control, doesn't take anything for granted."

Clark's contributions evoke impassioned tributes from neighbors and co-workers. "She's virtually fearless," Jenkins said. "You don't say to her 'you can't do this' – that's what people said to them [the resident organizers]. Especially because they were all 'girls' – and girls with no experience." Jenkins continued, "She's really committed, and not just to Marksdale, but to the community. ...She's more than the president of the board, she ends up being the friend, the surrogate mother, the person that helps fix problems."

#### Property Management

For Marksdale's first four years as a co-op, HUD and the National Cooperative Bank required it to be managed by independent management companies. But, largely due to Clark's property management background, HUD agreed to let the board manage the property itself, which it began doing in 1988.

Clark works part-time, serving as administrative property manager. Marksdale also retained the previous managing agent's six-person staff. Many staff members are dedicated to the co-op's mission; they see their work as more than a job.

The most frequent complaints the staff hears are over parking, loud music, and rule enforcement, which seems inevitable, with so many elderly people living with children who have limited play area. Yet as one board member observed, "We try to enforce rules so that children won't be destructive. There are some rules that I would like to enforce better, but there is always that give and take. You can't just enforce rules – you have to walk gingerly around some situations."

Maintenance of common areas is also an issue. Assistant site manager Pam Carter explained, "We encourage tenants to do a nice job with the yards and grounds. But one tenant is taking care of the common area next to his house, claiming it as his own and not allowing the kids to play in it. It really looks nice, but he cannot claim it."

As with security, self-policing seems to work well with grounds maintenance. "Call me the guard," one resident commented. "If I see anyone doing something wrong, I correct them. I'm very conscious about how the yards look, even in the winter." Resident Isaiah George said, "If you see a person working in their yard on a nice day, you'll see other people getting out there. That's one of the things you need for a co-op to work."

Marksdale encourages self-help, as a way to save money and develop a spirit of cooperation. Residents are encouraged to do as much as possible, said Clark, such as cutting their own grass, or conserving water. "When we started out," Clark explained, "water and sewer charges were about \$28,000 a year; now they are \$112,000. The charges have increased but not water usage. We also encourage people to upgrade their interiors," Clark added. "We provide the labor if they supply the materials. And if they can't afford the materials, we'll pay and add the cost to the monthly carrying charges. We'll go ahead and do it for the elderly who can't afford it, just because we think it's needed."

Project-based Section 8 certificates have helped Marksdale maintain affordability. About half the residents, mostly elderly, were receiving Section 8 subsidy. In hindsight, Clark wishes she had accepted increases in the Section 8 contract when HUD offered them. "Now I advise groups,

'Don't take a small amount for operating subsidy,'" she said. "When people move out, we have to upgrade the unit to current market standards. It costs about \$11,000 to \$18,000 per unit vacancy turnover. But it's important to create a nice environment. You can always get good people if you have something good to offer."

#### Tenant Selection

Marksdale's vacancies are filled from a waiting list (which does not identify who is eligible for subsidy). The rigorous tenant selection process involves a credit check, landlord references, a home visit, and at least one interview with the family, which Clark conducts in the co-op office.

"We sit down with the whole family, get to know them, their lifestyle – if they leave their children unattended after school," Clark explained. Potential residents receive a handbook that tells of Marksdale's history, describes the co-op concept, explains the rules, and includes a copy of the lease. "We try to find out whether they are willing to compromise and be part of the community," Clark said. "We tell them that this is a democratic environment and we want them to participate as much as they can. We say, 'Look around. See what this place offers. And we have these expectations of you. If you can't live with what we have, you should look for other housing.'"

Isaiah George, who was turned down when he was a single father but admitted after he married, approves of the strict policies. "They uphold family value systems. If you put a bunch of people who aren't motivated together, you are going to have a problem."

#### Resident Profile

More than half of Marksdale's residents have lived there since its inception in the mid-1960s. About one-quarter are now senior citizens, which may in part explain why turnover was relatively low until recently. Out of only 60 vacancies in 10 years, deaths accounted for one-third of the turnover. (Neidhardt 1993)

At the time of this research, the average age of all residents was 34 years, while the average age of heads of households was 57. Twenty percent of the residents were over 62. The average family size was 2.2 members, and 43 percent were single-person households. Only about 20 percent of the households were headed by males. Fifty-one percent received social security or pensions, and 7 percent received welfare. The average adjusted income of residents was \$12,173, compared to Roxbury's average household income of \$26,963.

Marksdale's population is almost entirely African American. "When Marksdale was built it was integrated, and not a little, a lot," asserts Clark. "Then there started to be a lot of negative publicity about Roxbury, so whites wouldn't come in. At first we tried to set aside five units for majority families, and not all in the same clusters. We held out as long as we could, but couldn't keep them vacant too long. It didn't work."

#### Resident Participation

"Resident participation is not at a level we had hoped for," Clark admitted. "Maybe we haven't banged on people's doors to get that participation." In an attempt to reach out to residents, co-op staff circulate a newsletter and notices of upcoming votes. But most communications are informal, made when residents call or visit the office. Another conduit of co-op news is "the grapevine," or, as one resident put it, "the elderly ladies who are out on the bench all day."

The co-op previously held more group activities. While a few social traditions survive, such as an annual shareholders' dinner, Clark said, "...some [residents] have gotten so un-participatory that a bunch of work falls on just a few." This holds true at annual membership meetings.

Assistant site manager Pam Carter noted, "You get the same crowd ...about 30 to 40 people. It's never what you want, but you take what you can get."

#### Training and Technical Assistance

The co-op has also benefited over the years from its ongoing relationship with Michael Gondek, executive director of the Community Economic Development Assistance Corporation (CEDAC).[3] Marksdale first retained Gondek as development consultant when the co-op began self-management in 1988. Since then, he has met with the board president weekly, to review the budget, potential funding, tax matters, strategic planning, and money-saving ideas. Gondek also chairs Marksdale's annual membership meetings.

Also, at the time of co-op conversion, board members participated in 16 training sessions as part of the 1980 HUD demonstration.[4] Since then, the board has periodically hired outside consultants to conduct training sessions for both new and old residents.

Additional assistance comes from the Association for Resident Controlled Housing (ARCH), a national network of co-ops, of which Clark is a member. ARCH provides yearly training (basically brainstorming sessions) for co-op boards of directors. And an informal association of the six developments that participated in the HUD demonstration led to the formation of Residents to Residents, an organization of experienced co-op leaders who advise and support the current generation of "groups undergoing the arduous and frustrating process of trying to buy their complexes from HUD." (Boston Globe 1993) As a participant in the process of housing preservation in Boston, Marksdale benefits from the contacts and access to resources that typically result from such networking.

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Bancroft Apartments, Boston  
Resident-Controlled Subsidized Rental Project

In the early 1980s, HUD had about 4,500 units in Massachusetts slated for disposition. About 40 percent of these units had been developed by one owner, Maurice Simon. Simon's company had rehabilitated 800 rent supplement units and over half the 2,000 Section 221(d)(3)[5] properties rehabilitated through the Boston Urban Rehabilitation Program. By the mid-1970s, half these units were in default, and conditions looked bleak, with faulty wiring, peeling plaster, lack of adequate heat and plumbing, and leaking roofs. Then Greater Boston Legal Services began representing tenants in civil suits against Simon. (Bratt 1989)

In 1982, HUD became the "mortgagee in possession" of Simon's buildings, known as the Granite Properties. In 1983, the Community Economic Development Assistance Corporation (CEDAC)[6] convened a task force on HUD distressed properties. The task force worked to

ensure that HUD sold the 1,800-unit Granite package to nonprofit owners, rather than the highest bidder as it usually did.

In the late 1970s, Urban Edge Housing Corporation, a local CDC, had already begun working to preserve three Simon-owned buildings in the Egleston Square neighborhood of Jamaica Plain. The CDC now admits it was naive when it bought the development known as the Bancroft Apartments without adequate subsidy for the many necessary repairs.

#### Neighborhood Context

Jamaica Plain has welcomed many waves of immigrants – from Germany and Ireland at the beginning of this century, and more recently from the Caribbean and Latin America – and today it is one of Boston's most racially diverse areas. (Crawford 1994) The latest wave of immigrants, however, have been young, upwardly mobile professionals and artists. In the mid 1980s, gentrification transformed several neighborhoods that had declined during the 1970s. Yet poverty persists; in 1990, over 19 percent of Jamaica Plain's population lived below the poverty level, while Boston's overall poverty rate was just over 8 percent.

The Egleston Square area of Jamaica Plain has a reputation for being unsafe. "Five to seven years ago, things here were really bad," said Greg Molina, who was hired by Boston's Public Facilities Department to promote local economic development. "People used to be really scared; they would see gangs on the corner, bums. There's no sense of that anymore. But people still have that stereotype idea that they should be afraid of Egleston."

Molina cited Egleston Square's many abandoned buildings as one source of the problem. Until 1989, Egleston Square was the site of a train station that was relocated as part of an improvement plan. "The closing of the T station affected Egleston Square merchants immensely," said Molina. "Planners thought that removing the elevated tracks and station would actually enhance the commercial atmosphere of Egleston Square – people were wary of stopping and shopping because of crime or the perception of crime under the tracks.... But unfortunately, [the station closing] just killed all the foot traffic."

The three buildings known as the Bancroft Apartments are near the old station.[7] The three-story brick structures, on two non-adjacent sites with a common back parking lot, contain 45 units altogether. One site faces Columbus Avenue, a major thoroughfare between downtown Boston and its western suburbs. The units facing Columbus are classic Boston rowhouses, with front stoops, high ceilings, and bay windows facing a park-like setting. The units on Bancroft Street, however, are plain brick boxes facing a vacant lot.

#### Sponsor

Urban Edge owns and manages nearly 500 units, including the Bancroft apartments. Urban Edge's office is just a few blocks away from Bancroft, its first multi-family rental property and acquisition from HUD.

Urban Edge, which celebrated its 20th anniversary in 1994, began as a nonprofit real estate broker. The Ecumenical Social Action Committee, founded in the 1960s, formed the brokerage to fight redlining. When the program grew, it "spun off" as a separate company. Mossik Hacobian, a trained architect who joined Urban Edge in 1978 and eventually became Executive

Director, described Urban Edge's evolution from brokerage to multifamily ownership and management:

"There were quite a few vacant buildings in the neighborhood, and we felt we needed to intervene in this cycle of disinvestment and abandonment. We received a demonstration grant to buy one to three family houses, renovate them, and sell them to owner occupants. Then in early 80s, so many people wanted to live and speculate in the neighborhood that...we became concerned that multifamily units that had been serving low-income families would be converted to higher-priced housing. Our involvement in homeownership was based on a belief that residents should have control of their housing and the development that happens within their community. When we turned to multifamily rental housing we were still trying to capture the same concept."

Today Urban Edge consists of two separate corporations: Urban Edge Housing Corporation, a tax-exempt nonprofit; and Urban Edge Property Management, a nonprofit that is not tax exempt. Altogether, Urban Edge employs about 50 people, a quarter of whom live in its developments. Urban Edge oversees two commercial buildings and 475 residential units in 10 developments, ranging in size from 6 to 183 units.

#### Acquisition and Rehab

Before submitting a proposal to buy the Bancroft property, Urban Edge approached tenants to explain the plan and gather their opinions. That allowed the organization to structure a proposal that was responsive to residents needs, Hacobian said.

Although Urban Edge's first bid in 1979 for HUD disposition property was unsuccessful, it was a useful learning experience for the group. When Urban Edge later submitted a proposal to acquire the Bancroft Apartments through a Transfer of Physical Assets, its staff was better prepared. "This time we knew what we had to do to qualify as a purchaser," Hacobian said. "We raised the downpayment by selling four limited partnerships."

In 1981, Urban Edge acquired the Bancroft property for \$300,000. The following year, HUD sold Urban Edge a 103-unit package on several scattered sites in Jamaica Plain and Dorchester. Urban Edge acquired both these developments under similar terms: both obtained 15-year Section 8 project-based subsidy contracts. Practically overnight, Urban Edge became responsible for 148 subsidized rental units.

When Urban Edge acquired the Bancroft and Jamaica Plain Apartments, it intended to pay for capital needs with operating revenue. To formulate its operating budget, Urban Edge had inspected the property and developed a list of needed repairs. The buildings were in poor physical condition. "Basically, HUD's attitude was, they were occupied, so they must be habitable," said Urban Edge construction manager Matthew Yarmolinsky. HUD had supposedly rehabbed the buildings before Urban Edge bought them, he said, but the minimal improvements came after about 15 years of deferred maintenance. A few years into the process of running the buildings, Urban Edge needed more money for repairs, and consequently spent nearly 10 years piecing together funds for necessary improvements. At the same time, the need for capital improvements at Jamaica Plain Apartments, where the difficulties were compounded by the scattered sites, added to the complexity of the process.

Between 1989 and 1995, Urban Edge estimated, it completed capital improvements to Bancroft totaling \$1.5 million. A \$750,000 grant from Boston's housing linkage program in 1988 had begun the improvements to Bancroft and three other HUD-subsidized developments. This first-time use of linkage funds for rehab set a precedent for affordable housing preservation – not just production – to become a legitimate use of such funds.

Envisioning a \$2 million capital improvement program for 200 units (\$10,000 per unit), Urban Edge negotiated for an increase in the Section 8 subsidy. Urban Edge used its and HUD's inspections to show that existing replacement reserves and escrow could not meet capital needs. HUD agreed to increase subsidies to allow Urban Edge to escrow up to \$1,000, rather than \$300, per unit per year. Other sources of funding then fell into place. Urban Edge received a \$215,000 grant for Bancroft from the Federal Home Loan Bank's Affordable Housing Program, along with a tax credit, which it is trying to syndicate to provide equity for a second phase of work.

Phase one improvements included all new windows, bathrooms, and flooring; many new kitchen cabinets; electrical improvements and converted light fixtures (to fluorescent); amounting to a cost of about \$17-18,000 per unit. Additional work included masonry, roof repairs, and site improvements.

The rehab required no tenant relocation, which saved money but added to the complexity of the process. Yarmolinsky explained, "The longest the bathroom would be out of commission was 7-10 working days, but the tenants were still able to live in the unit. We relied on the fact that the residents either had friends or family nearby to use the bath and shower facilities, and we also provided a stipend for the inconvenience. The cooperation by the residents was phenomenal."

Even after such extensive improvements, Urban Edge did not raise rents, which are set by HUD based on a formula in the Section 8 contract. But without subsidized rents, Hacobian stressed, Urban Edge would not have been able to afford the capital improvement program and still serve such low-income residents. HUD is under no obligation to renew the Section 8 contracts when they expire in 1999; yet like Minnie Clark at Marksdale, Urban Edge hopes to receive at least a 5-year renewal.

While Urban Edge refinanced the mortgage on Bancroft in 1991, it couldn't pay its increased debt service through interest reduction alone. "By carefully scheduling capital improvements, we could reap a return in operating costs," said Yarmolinsky. Having identified a need above \$2 million just for 45 units at Bancroft alone, Urban Edge sorted its list, beginning with basics like code compliance, and moving to what was needed to restore the building to like-new condition. Next, Yarmolinsky and his staff prioritized the work based on which repairs were most essential and would yield the greatest savings over time. For example, work that helped conserve water was a high priority. "Water bills in the city of Boston have probably quadrupled or quintupled in the past five years," Hacobian noted, "and they're expected to continue to increase at a rate of 15 to 20 percent a year."

Neighborhood Context: Ten Years Later

The Bancroft buildings on Columbus Avenue are modest yet respectable, resembling many other renovated blocks in Boston. The buildings on Bancroft Street are less presentable but reasonably

secure, despite some graffiti, litter, and young men gambling on the sidewalk. The area sees little through traffic, and the project's only open space is its triangular-shaped parking lot. The parking lot is also used as a play area, although there are several playgrounds nearby. Parents clearly feel more secure watching their kids through the kitchen windows. But the parking lot is not always so safe; until recently, it has been the site of muggings and a repository for stolen cars.

The Bancroft site reflects Egleston Square's concurrent trends of revitalization and decline. But signs of revitalization are increasing, according to Greg Molina, economic development coordinator for the neighborhood. "Now, some who were in gangs are involved with community youth, making a difference. The crime rate went down, the community started working together. More people are saying 'enough is enough,'" said Molina. "There is still a lot of work to be done, but the atmosphere in Egleston Square has changed. There has been an increasing feeling of optimism and hope."

In 1991 the City of Boston, Urban Edge, the Egleston Square Neighborhood Association, and other groups formed a partnership to revitalize the area, primarily through housing and open space improvements. In the past decade, most of the abandoned buildings in the Egleston Square have been acquired and renovated. With the housing problem under control for now, Urban Edge has expanded into commercial development. In 1991, the City designated Urban Edge to transform the former train station into a retail complex named Egleston Center. "We see Egleston Center as an anchor project to revitalize the neighborhood," said Molina, while admitting that Egleston Square is still "a hard sell."

A shooting near Egleston Square "heightened everyone's concern," Hacobian said, but also led to some positive developments. A bank that had just foreclosed on a commercial building where the shooting had occurred offered the building to Urban Edge. The YMCA, which had already been considering opening a branch in Egleston Square, agreed to become a tenant in the building. The Ecumenical Social Action Committee also became tenant, operating an alternative high school for drop-outs. Urban Edge moved its community services and maintenance departments there. And Fleet Bank agreed to park a trailer nearby to serve as a temporary branch until the bank opens one in Egleston Center. "This neighborhood has never had a bank," Hacobian said.

#### Security

About four years into Urban Edge's involvement in multifamily housing, the organization realized it had not fully understood the scope of its duties. "With homeownership, you finish a building, sell it, and go on to the next one," Hacobian said. "But with multifamily, you have this ongoing relationship with the residents. You have to have good management."

Urban Edge started a community services department in 1986. The department surveys Urban Edge residents biannually, seeking feedback about services and the neighborhood. The survey also asks residents to prioritize a list of 15 to 20 services. "Safety, after-school programs, and day care are always among the top five choices," Hacobian said.

Urban Edge now has a good handle on safety and security, according to Hacobian. "Basically, we make it clear that we're not going to look the other way. Residents know that we will do whatever it takes to achieve the goal of reducing drug activity in the neighborhood." This has included summoning reluctant tenants to testify in court, allowing police to use vacant

apartments for stakeouts, and giving police a list of building residents and keys to common areas. "The police now have the means to pursue somebody into the building if they suspect something illegal is going on," said Hacobian, he added, "This idea came out of the tenants' council." [8] For one location where drug activity has been particularly rampant, Urban Edge is seeking assistance through HUD's drug elimination program. Urban Edge also participates in a Massachusetts Housing Finance Agency (MHFA) initiative that helps pay a security company to patrol MHFA-financed CDC-owned properties and other properties nearby.

Some of Urban Edge's security efforts, such as monthly meetings with the police and other community leaders on neighborhood security, have become part of the community's social life. For example, after a shooting in nearby Roxbury, [9] this group decided to do something "a little more creative than just wait for the police," recalled Urban Edge board chair Lillian Cooper. "People were getting fed up. One woman said, 'We should take back the streets.' Mossik said, 'Okay, lets do it – next Tuesday.'" This began the "Take Back the Streets Campaign" in spring 1991. Residents began patrolling one particularly active corner in warmer months. Cooper explained, "The idea was not to have a confrontation, just to be visible. The drug dealers didn't know what was going on. [The patrol] was mostly women. Drug buyers stopped coming. They didn't want to be seen. Of course, that doesn't stop the dealing, but it got it out of our neighborhood." The group began congregating in a little playground, and the patrol expanded to three nights a week and became like a block party, with performers, games, and food. Urban Edge has continued the program each year, although participation has dwindled since that first summer.

"There's two ways you can deal with security," Hacobian commented. "One way is the punitive way – something happens and you punish it. The other way is preventative – you eliminate the opportunity for it to happen by enhancing the things that are safe and instill a sense of community pride."

#### Governance

Urban Edge's board of directors has 15 regular members and 7 alternates, of whom 10 are tenants. "Our goal is to have a majority of the Board consist of residents of Urban Edge developments," said Hacobian, and Urban Edge encourages resident involvement in all decisions that affect their homes and neighborhood.

Urban Edge's by-laws mandate that board composition reflect the diversity of the community, a mix of black, white, and Latino. Hacobian said Urban Edge looks for board members with a commitment to the organization's mission. He noted that board members should be committed to diversity, affirmative action, and affordable housing. Urban Edge also looks for willingness to commit time, to monthly meetings and one-hour workshops held beforehand. The board generally reaches decisions by consensus, Hacobian said, so members need to be prepared to talk. And the board tries to recruit people with some knowledge of the business, or for new initiatives, such as Urban Edge's recent focus on community services and youth programs.

A majority of Urban Edge's board members are women, pointed out Lillian Cooper, a Roxbury resident serving her second term as chair of Urban Edge's board. Cooper joined the board after going into semi-retirement 10 years ago. Hacobian also noted that activist women are "the backbone of a lot of community development."

A diversity task force recently formed to ensure that such inclusiveness also extends to Urban Edge's hiring policies. "Ten years ago, Urban Edge had a different staff make-up," commented Cooper, who is black. "Now there are more minorities. The upper echelon is still white male, but there will be changes in that over time."

#### Property Management

Urban Edge Property Management, governed by Urban Edge Housing Corporation's board, is a 30-person company that oversees a budget of about \$5.5 million. Subsidies account for about 60 percent of the budget, while the rest is generated mostly from rent.

Urban Edge first undertook property management in 1983, when it owned 175 units in Bancroft and two other developments, all of which were deteriorated. By 1985, when Urban Edge's portfolio had grown to 307 units in six developments, it hired a consultant to evaluate its property management services. Urban Edge adopted the consultant's recommendations, and hired The Community Builders (TCB), an experienced nonprofit management firm, to monitor their implementation. In late 1985, at the urging of HUD and MHFA, Urban Edge handed over all property management to TCB, which had already been managing two Urban Edge developments. But Urban Edge was determined to reorganize and eventually resume property management. It did so in 1991, by which time it had 425 units in nine developments. In 1993, Urban Edge again engaged a consultant to review the quality of its property management. The consultant recommended that Urban Edge consolidate all property management operations under a director of property management, to further separate property management functions from the CDC.

Despite Urban Edge's efforts to improve its property management, in November 1993 MHFA was still dissatisfied with the organization's progress and required it to contract with another management agent for its MHFA-financed properties. Other lenders and regulators subsequently imposed similar conditions. Urban Edge believes MHFA's actions were poorly timed, given the progress it had made. But the group devised an arrangement for TCB to serve as management agent "of record," providing oversight and guidance, while allowing Urban Edge Property Management staff to continue. This arrangement was to last as long as necessary to address the concerns of residents, lenders, and regulators. Included in the agreement are performance criteria that serve two functions: to monitor the quality of Urban Edge Property Management services, and to evaluate Urban Edge Property Management's capacity to resume full control of its operations.

Urban Edge has estimated the cost of its property management capacity-building effort to be \$300,000 over three years. This includes the cost of new staff, consultants, and equipment. The two primary funding sources for these items are management fees and grants. Therefore, property management is a high priority in Urban Edge's multi-year fundraising campaign commenced in 1994. Urban Edge also plans to become recognized as a Community Housing Development Organization (CHDO), which would make it eligible for HUD technical assistance funds for part of TCB's services.

High quality, community-based property management is central to Urban Edge's plans for the next decade. Urban Edge argues that property management is pivotal to its future because the Boston market needs a greater supply of effective management companies for affordable

housing, CDCs have the ability to address that need, and a successful property management operation can help support Urban Edge's community building efforts.

Urban Edge Property Management aspires to be "as good as any of those companies out there," said property management director Jack Geary. "We don't want [our relationship with Urban Edge, the CDC] to be, 'Well, you guys are lousy managers, but you're family, so we have to protect you.'"

#### Tenant Selection

Since all Bancroft's units receive Section 8 subsidies, HUD dictates tenant selection criteria. That means people at risk of becoming homeless are a top priority. But the income level of residents in Bancroft and similar projects is typically slightly higher than that of public housing residents. Geary, who has a background in public housing property management, explained, "Urban Edge has a little more latitude than public housing does to get people out and keep people out if they're causing problems. ... You have to be consistent, you need some quantifiable thing, so we look at ability to pay, arrests, convictions. We could probably do more, but we are dealing with low-income housing." But, he also commented, "Right now our tenancy is fine."

More than half of Bancroft residents pre-date Urban Edge ownership, and Bancroft is usually fully occupied. Maintenance supervisor Kadian Mullings said, "It's a great bunch of people down there. The tenants know the management cares. Things get done, eventually." He said security is not a big problem, although that was not always the case. "Before, that [management's responsiveness] was not happening, so tenants didn't care. When Urban Edge first took over, there was lots of drug dealing, and people were behind in rent. There were four drug evictions in 1986 alone, and there have been 10 altogether." When the boyfriend of an evicted tenant threatened to shoot Mullings, Urban Edge wanted to reassign him. But, he was determined to stay and make a difference. "My tires were slashed in the same incident, but I don't want to give them the upper hand," he said. "Some people might say I'm foolish, but this attitude comes when you're committed to something and want to see changes."

Bancroft site manager Margarita DelRosario concurred: "My car window was broken and Urban Edge wanted to provide me with 24-hour security. But you cannot show that you're afraid. People are fighting back here, they are not moving. Some people have been here 10 to 20 years. The residents genuinely feel a special commitment to Urban Edge, the community, and the building. When I was first assigned to Bancroft I said to myself, 'Oh God, what did I do?' But just to see the progress in a short period of time, you've got to have a good feeling." Nodding at Kadian she added, "We feel very attached to Bancroft. .... There are some strong personal relationships. We just want to make them happy."

Urban Edge

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Saving Affordable Housing

New Heritage House Apartments, Denver

A Model for Independent Living

"From the very beginning, when its fortunes depended almost exclusively on gold, silver, oil, and real estate, Denver has been... riding a Wild West economic roller coaster... Good times and bad, they always seem to hit harder in Denver. Throughout the 1970s, no American city boomed more than this one, as high-rolling oilmen, land speculators, and savings and loans bet it all....Then, poof! Recession struck in the early 1980s," New York Times reporter Drummond Ayres Jr. wrote of Denver. The changing fortunes described by Ayres were bad for the city's whole economy, but a disaster for the poor.

Denver is now enjoying a major economic comeback, after a decade of stalled growth. Ayres reported that once more the engine driving the comeback is a building boom, "a good part of it paid for, Great Depression–style, with public works money." This revitalization is seen in the conversion of decrepit office and warehouse space into luxury lofts, artist studios, galleries, and a profusion of new restaurants, clubs, and microbreweries. In addition, "the rejuvenated downtown now boasts a new baseball stadium, library, rail system, and a soon-to-be-completed amusement park," noted Ayres.

Denver's revitalized economy has attracted a new migration of residents – by some estimates 2,000 weekly – pushing the area's population above two million. The citywide residential vacancy rate, as high as 13 percent a few years ago, has come down to between 4 and 5 percent, while rents have recently increased an average of 12 percent per year.

One sign of new unmet housing needs in Denver has been homelessness rising at the same rate as rental prices. Colorado has had no sustainable affordable housing production program since the federal housing cutbacks of the early 1980s. Yet while the S&L crisis of the late 1980s hit hard in Denver, the "silver lining" for housing advocates was the large number of foreclosed HUD and RTC properties that became available as affordable housing. Federal, state, and local agencies responded to the availability of property by forming a partnership with nonprofit organizations to acquire RTC multifamily developments in bulk, creating 416 affordable housing units in three municipalities. (Chambliss 1991)

#### The Colorado Bulk Purchase

For its Affordable Housing Disposition Program, begun in 1990, RTC's regional office in Denver hired Elaine Covert and Mary Clark, both longtime affordable housing advocates. But the job was uncharted territory for the RTC, which provided no clear rules and set inherently conflicting goals: to maximize returns on RTC assets, while, as directed by Congress, maximizing availability of affordable housing for low- and moderate-income people. The RTC also sought to avoid an adverse impact on the local real estate market. Yet such conflicts were easily resolved in RTC's Denver office. As Covert reports, the Denver office "has always been clear that our mission was to preserve affordable housing. At first it seemed like a problem not to have firm rules, then we began to see it as an opportunity."

When the RTC published its first list of properties available for disposition under the Affordable Housing Program (AHP) in September 1990, Covert and Clark had already been involved in a forum known as Fifty for Housing, a monthly meeting of affordable housing advocates, builders, service providers, public officials, and consultants. In their new roles with the RTC, Covert and

Clark met with the group to explain the requirements and expectations for the 790 units in Denver, Colorado Springs, and Grand Junction.

Participants included representatives of local government; the Colorado Housing and Finance Agency (CHFA); and the state Coordinating Council on Housing and the Homeless, a task force appointed by Governor Roy Romer. A representative of the task force asked whether the RTC would help market Colorado's foreclosed S&L multifamily properties as affordable housing. The state wanted to acquire as much RTC stock as possible, but RTC regulations only offered a narrow opportunity for public agencies and nonprofits to purchase units for affordable housing. The task force felt that a public agency or nonprofit group would be more likely than a for-profit owner to try to preserve the affordability of the housing while maintaining the units in decent condition.

Covert and Clark agreed that the state was capable of such an undertaking. CHFA had experience with multifamily housing and property disposition from its Rental Acquisition Program, which targeted distressed projects emerging from Colorado's depressed economy. Many CHFA staff were well prepared for the tasks involved in a bulk purchase, such as identifying distressed properties, negotiating for purchase, renovating the properties, and making them available to nonprofits committed to keeping them affordable. (Chambliss 1991) And CHFA had financial resources from its Housing Development and Revolving Loan Funds. CHFA also had authority to sell 501(c)(3) bonds for nonprofit groups and provide credit guarantees for a limited number of nonprofit rental projects.

After the meeting, a task force of Fifty for Housing began working with Clark and Covert to acquire as many RTC units in Colorado as possible. They set out to reduce the purchase price of units, thus reducing the need for ongoing subsidy. The RTC allowed reductions in price, as long as at least 35 percent of the units in each building were deed-restricted to make maximum rent affordable for the economic life of the property (40 to 50 years) to people whose incomes were 65 percent of the area median. The RTC Land Use Restriction further required 15 percent of the reserved units to be affordable to those with incomes less than 80 percent of median. The remaining 20 percent must be affordable to those with incomes less than 50 percent of median.

The RTC did not offer its own financing, and wanted CHFA's help in financing, identifying potential nonprofit owners and managers, and preventing private buyers from "cherry picking." The RTC offered to sell 10 properties together, if CHFA would help find funding and act as purchaser. In January 1991, CHFA agreed to RTC's terms, including accepting some properties in the package that it would not have wanted otherwise.

AHP director Covert said it was important that the sales price include rehab dollars, to address the concern that some buyers or investors would not do the rehab and just continue to "milk the properties." But to set a sales price, RTC had to obtain appraisals on properties with encumbered leases. This was unfamiliar territory for many local appraisers, since so little low-income housing had been developed in the area in 20 years. Some appraisers were coming up with what RTC's Clark called "squirrely" numbers. "So we reduced [the appraisal] by 30 percent for [the package]. This was as low as we could go." Clark explained. Next, Covert and Clark had to

convince RTC top management to agree to the price. They succeeded essentially by saying, "This is what we're going to get for these ten buildings, and some we couldn't sell otherwise."

Assembling the properties also involved outreach to nonprofits. Catherine McAuley Housing Foundation (CMHF), technical assistance advisor for RTC's multifamily housing disposition in Colorado, helped provide interested groups with information on RTC's program and the purchase process, identify buildings appropriate for groups' needs, and conduct feasibility studies. As groups indicated interest in specific properties, CHFA staff provided estimates and generally worked to make acquisition of that building viable. Architect Blake Chambliss, who worked with the RTC and CMHF and was among the first affordable housing advocates on CHFA's board, explained, "Pro forma were developed, purchase prices set, funding sources identified to fill the gap to meet equity requirements, excessive renovations costs, or the costs for the nonprofit sponsor's program-driven conversions." CHFA raised money for gap financing for each project. Funders included the Federal Home Loan Bank (FHLB); Denver's Rental Rehab program, Skyline trust fund, and Community Development Block Grant (CDBG) funds; and Colorado's Division of Housing. In some cases, nonprofits applied directly to sources for additional financing.

CHFA also had to define its relationship with nonprofits interested in owning the properties. "CHFA could play one of three or four roles – as owner-rehabber-lender; owner-rehabber; owner-lender, etc," said CHFA's Grace Buckley. In general, CHFA did not want to be an interim owner, so the agency tried to negotiate deals with each group. "Essentially, we said 'you guys decide, based on what you don't want to do yourself,'" Buckley said. "...In one or two cases, CHFA said it did not want to be the lender. So the agency did call a lot of the shots, but if a group had something else in mind, fine."

Meanwhile, in August 1990, new RTC rules had begun requiring all multifamily housing to be placed in a clearinghouse, to ensure wide marketing of properties for affordable housing. RTC regulations mandated that a state housing finance agency or other government designee run the clearinghouse. CHFA agreed to serve as Colorado's clearinghouse. RTC's AHP staff had already been meeting with CHFA, CMHA, and local nonprofits, but during a 90-day period other potential buyers had the chance to tour the properties and attend buyer awareness seminars. Potential buyers had to submit notification of serious interest and agree to the deed restriction. Then RTC sent out a bid package to all interested parties and allowed them 45 days to prepare a bid.

Bidders had problems, however, acquiring current information such as rent rolls or operating cost data. Some properties had been acquired with no records. One building in the CHFA package had title problems that took more than a year to clear. The property had to stay in the package to keep the total value up. "That is one of the problems of buying property from a public agency," Clark said. "Many of them have problems, which adds to the complexity of the acquisition process. But on the other hand, the problem properties were an advantage, since the sale would have to go through RTC's regular bid process – investors would probably be less interested in a package with some 'dogs.'"

Although CHFA was the only bidder for the package, RTC management still felt the initial bid was too low. So RTC and CHFA returned to the table to negotiate. "We were afraid that if anyone dropped the ball, the whole deal would die, so we kept to the mandated timetable," said Clark. The deal was closed by late May 1991, five months after CHFA agreed to serve as intermediary. CHFA bought the 10-building package for 70 percent of the appraised value, discounted essentially due to RTC's land use restriction.

CHFA signed RTC's Land Use Restriction on behalf of the ultimate nonprofit buyers. The restriction, which determined for each property how many units were to be set aside for low- or very low-income households, applied to any new buyer but disappeared for foreclosed property. RTC designated CHFA to monitor all properties in the bulk purchase to ensure compliance by end-buyers.

One property in the package was renamed New Heritage House Apartments by its buyer, Atlantis Community Inc. With this new name, Atlantis christened more than a typical nonprofit group's first housing venture. Atlantis, according to a brochure from the organization, sought "to enable low-income, severely disabled people to live independent, self-determined lives in communities of their choice." More recently, New Heritage has attracted national attention as a model for accessible supported housing. What distinguishes New Heritage from other projects is that its disabled tenants reside in a setting where most tenants are not disabled.

New Heritage is a 1960s or early 1970s era three-story brick building with a simple facade that gives no hint of the special qualities of its interior courtyard (see "Rehab" section below). By the time Atlantis surveyed the property, years of deferred maintenance had taken their toll. The development also had a reputation as a drug haven. Despite this deterioration, Atlantis's plans for New Heritage initially met with strong local resistance. Neighborhood residents feared that plans for the development would negatively impact the neighborhood. Atlantis representatives met with neighborhood groups and city council members to ease their fears. One staff member recalled, "They were happier to get Atlantis as a buyer because we cleaned up the property."

Neighborhood Context

Denver's Congress Park neighborhood, just southeast of the central business district, is home to several foreclosed buildings in the CHFA bulk purchase. Congress Park, like most of Denver's central neighborhoods, is a Neighborhood Revitalization area, targeted by the city for CDBG funds. Congress Park borders a large park and upscale residential areas, including a historic district of patrician, Victorian-era homes. The neighborhood has a mix of architecturally distinctive, pre-war apartment buildings that fit with its single-family homes. With quiet, tree-lined streets and a stable, mixed-income population, Congress Park is an atypical low-income neighborhood. A few blocks north, and along the main commercial street, there are more run-down buildings and signs of neighborhood decline.

New Heritage, in Congress Park, is one of the best located of the bulk purchase properties, and is ideal for its disabled residents. The area's wide, flat one-way streets have little traffic, which is good for maneuvering wheelchairs. Across the street from New Heritage is a bus stop – essential for residents with disabilities. Also across from the project is a closed elementary school with a schoolyard that the city still maintains in pleasant condition. The school building itself is being developed into upscale, pre-sold townhomes in the \$170,000 to \$220,000 price range.

According to John Bailey, a New Heritage resident who grew up nearby and previously worked in real estate, "This is one of the most popular single-family markets in the city. People pay a premium for hardwood floors and stained glass." A large Victorian home next to New Heritage recently sold for \$135,000. In 1990, the median value of Congress Park's owner-occupied homes was \$115,064, nearly 33 percent higher than the \$86,800 median value for the city as a whole. Median contract rent for the area, however, was only \$286 per month, nearly 25 percent lower than for the city as a whole, at \$375.

On New Heritage's status in the community, Bailey remarked, "Prior to the time when Atlantis took over, this place was one of the objects of [area homeowners'] scorn. This building was the cause of difficulties for many of those homeowners. With Atlantis' policies, we're now the heroes, almost."

#### Sponsor

A nonprofit founded in 1975, Atlantis serves the severely disabled, many who have multiple disabilities or who were previously institutionalized. Atlantis also organizes around national issues through its advocacy organization, Americans Disabled for Attendant Programs Today (ADAPT). ADAPT activists initially organized around transit issues, then focused on the Americans with Disabilities Act (ADA), and now push for Medicaid-paid, home-based personal assistance.

Atlantis' literature says the organization has "long struggled against the medical orientations and bureaucratic restrictions attached to funding for home health services." Atlantis Director Mike Auberger saw an opportunity to stretch these limits when the Robert Wood Johnson Foundation (RWJ) offered funding in 1990 under its "Improving Service Systems for People with Disabilities" program. Project Director Karen Tamley recalled, "The [Request for Proposals] had nothing to do with housing. Mike looked at this and thought 'What can be done to make property accessible as an ongoing resource?'" Atlantis subsequently received a \$500,000 grant "to explore new and creative ways" to provide on-site services to help people with disabilities live independently in integrated settings.

Although the Robert Wood Johnson grant does not cover New Heritage staff salaries, it helps pay for three Atlantis staff positions, which allows Atlantis to use other funds to hire staff for New Heritage. Auberger, who has been with Atlantis for 18 years, works part time, providing overall guidance and supervision on this project. Tamley, who joined Atlantis two years ago, administers the grant. Jim Parker serves as property manager, a new position for him. Atlantis hopes to keep this management team intact when the Robert Wood Johnson grant runs out.

Auberger has worked for accessible housing in Denver for nearly two decades and has mostly found the effort "an uphill battle." In 1994, nearly 30,000 disabled people needed adapted housing in Denver, while only 500 accessible rental units existed, mostly in segregated settings, according to Tamley. Yet Denver, named the Most Accessible City in the nation by the President's Committee on Employment of People With Disabilities, has now become a magnet for the physically disabled, partly due to Atlantis's work.

Atlantis stresses the importance of placing disabled people in no more than 25 percent of its units – thus preventing a "disabled ghetto" from developing. Atlantis plans to apply this principle to other projects in downtown Denver, Colorado Springs, and Durango.

#### Acquisition

To undertake the Robert Wood Johnson project, Atlantis turned to a more experienced nonprofit developer, Hope Communities Inc., formed by a coalition of churches in 1980. Hope Communities was also interested in buying two RTC-CHFA properties. Hope's Director, Ray Stranske, suggested Atlantis hire Vikki Gold, Hope's long time housing consultant who had recently founded The Developer's Resource (TDR), the only Denver organization that was capable of serving as consultant to nonprofit affordable housing developers. Gold explained, "Atlantis's role was to handle the soft part of the development process and to learn development and property management by working with us (TDR) during the two-year start-up period. It was a neat partnership. Now Atlantis is disconnecting...."

CMHF and CHFA helped Atlantis find the right building and funding sources for its program. The low acquisition cost of the New Heritage property, along with other subsidies, allowed almost all rents to be kept below market rate and funds to be used for services. As Property Manager Jim Parker explained, "Sometimes it's harder to get operational funding than to reduce debt service. People will fund bricks and mortar more than programs, especially something new.... This [paying for services with building income] is a more entrepreneurial form of subsidy."

On the same day in May 1991, CHFA closed the bulk purchase and all 10 sales to nonprofit owners. For Atlantis, this further complicated the process. New Heritage's actual purchase price was \$100,000. Rehab cost \$375,127 plus \$32,511 in soft costs, including the developer's fee, bringing the total to nearly \$15,000 per unit. CHFA provided permanent financing, and capitalized rehab costs into the first mortgage.[10] The Federal Home Loan Bank Affordable Housing Program, the state Division of Housing, and the City's rental rehab program and Skyline Trust Fund provided gap financing.

#### Rehab

As with most of the bulk purchase buildings, New Heritage was occupied when Atlantis acquired it. RTC regulations required that new owners keep existing tenants, regardless of whether or not they met income qualifications. Atlantis gave remaining tenants the option of staying during rehab, but according to resident manager John Bailey, all but 10 moved, and recently only two of the original tenants remained.

As part of the package, CHFA imposed high standards for rehab of the property. They "wouldn't let the property be rehabbed on a shoestring, and let the buyer end up with a perpetually deteriorating property," said Covert. Yet there was little consensus among Atlantis consultants on whether to rehab the property to "like new" condition or to just meet code standards. Stranske wanted the minimum amount of rehab in order to do more projects. Gold's approach was, "Do the most work possible. We should do the best with what we've got. Whoever lives in and owns the building in the future will have their own set of issues to deal with." Ultimately, the amount of rehab is a balance between short- and long-term concerns, funders' requirements, building codes, and budget.

Rehab work included adding an elevator and secured access with a locked fence in the open area between the building's two back wings. The three-story, three-wing building wraps around a central courtyard and has a back parking area. The building also has a secured entry vestibule. Open stairwells and corridors surround the interior courtyard, similar to atrium-style buildings in mild climates like California. Atlantis also filled in a swimming pool in the center of the courtyard and turned it into a flower garden.

Each unit also underwent moderate rehab, enough "to make the most of what was already there," said TDR Construction's Jim McNerny. Eight units were also specially adapted to provide features for people in wheelchairs, such as lower counters and switches, higher outlets, and buffers to prevent scuffing of the walls. Bathrooms feature pocket doors to save space, roll-in showers, and pedestal sinks with wing faucets.

TDR's Jim McNerny served as general contractor for the rehab. He worked closely with city inspectors and argued for a more liberal interpretation of the handicapped access code – for example, allowing space for a k-turn rather than a circular turn in the bathroom, or counting the shower and the area under the sink as floor space, rather than insisting on a radius of clear floor space. "This was a different way of working," said McNerny, "based on functional specifications, not what the code says....In moderate rehab we try hard to avoid city codes. The city was great in this case. They allowed us to do whatever." Atlantis's Jim Parker adds, "We're not asking local officials to reduce standards for health and safety, just to allow us to use a different means of [meeting the code]. Our position is, 'Don't say that we can't do something if it works just as well as the code standard.'"

After renovation, Atlantis leased wheelchair accessible units first, which "set a tone," Tamley admitted. "The other 80 percent of the residents were turned off a bit. But the occupancy rate has stayed high." Atlantis has continued working towards its goal of "universal design," a concept that eliminates barriers that cause segregation of people with disabilities and avoids having to hold customized units vacant for people with disabilities.

#### Services

Atlantis plans to purchase four developments with government special needs money and other grants that will allow it to keep debt low enough to allocate rental income for services. Residents who fail to "qualify" for other benefits could still use these services. To meet the needs of severely disabled clients, Atlantis has developed a range of services, including home management, life education, attendant services, medical services, employment, recreation, and transportation. Atlantis also runs the Mark D. Ball Learning Center, which, under a contract from the Colorado Division of Rehabilitation, in conjunction with other area programs, offers basic education, life education, crafts and recreation, employment preparation, and job skills training.

The availability of home-based care for the seven Atlantis clients who live at New Heritage (some of whom need as many as three visits a day) has made independent living possible for some who would otherwise be forced to live in institutions. At New Heritage, a resident "maintendent" helps maintain the building and provides personal care to disabled tenants who require help dressing, cooking, bathing, or doing other activities.

Atlantis operates on the philosophy that people with disabilities should not be forced into a standard routine for the convenience of service providers. Jim Parker explained, "If someone is not home, the attendant comes back later. If someone doesn't want to get up, it's okay. We don't compromise people's health, but we give them a range of options....The very severely disabled want to have a life rather than be told what kind of life they can have." Added Karen Tamley, "Atlantis is unique because it serves the highest support needs of the disabled....[Some] who have been threatened to live in nursing homes never had to because of Atlantis and New Heritage House Apartments."

#### Property Management

For Atlantis, the most complicated part of the New Heritage project was not creating a setting for independent living, but the day-to-day business of managing a subsidized rental property. "A lot of nonprofit groups, like Atlantis, just don't have the experience in hiring and supervising staff," commented Atlantis Property Manager Jim Parker. Atlantis contracted with Faith Management, a Hope Communities subsidiary, to provide property management and management training to New Heritage staff.

Parker himself joined Atlantis after the two-year training period. He had been a Vista volunteer in El Paso when he met Atlantis staffers in the early 1980s through his work in the accessible transportation movement. "After working together on advocacy issues for so long, joining the staff was a natural evolution," he recalled. "Right now my role is one of learning. I'm learning from Vikki and Ray, and you learn as you go."

Atlantis's commitment to hire people with disabilities, who may require special training or supervision, adds to the difficulty of training staff. Parker said using Atlantis clients for some procedures, such as cleaning units after tenants vacate, works only marginally. A client who had been doing the clean-up was unreliable, Parker said, so Atlantis will return to contracting for that service. Although hiring a cleaning service will cost more, there is a trade-off: having a unit cleaned more quickly allows it to be rented sooner.

Having to comply with several different sets of regulations further complicates managing the property. For example, rents must meet both RTC and FHLB criteria. In addition to the RTC's deed restriction, setting aside 35 percent of the units for income-eligible residents, FHLB's affordable housing program requires that households pay at least 20 percent of their income for rent. And some residents have Section 8 certificates that also involve reporting requirements. Tamley reports, "It takes one full staff person just to administer the project, to make sure tenants are in compliance."

Bailey described Atlantis's decision to hire him as resident manager. "At first, [Atlantis] felt like they didn't need a resident manager. Then they found out that practically nobody but me and another woman were paying rent. ....Faith [Management] wrote a letter to all the residents, asking if anyone wanted to manage the building. I called them – they knew I had been in the real estate business – and I said I'd consider running the place if I could run it my way; but if not, I was thinking of moving.... So I wrote up a proposal, based on my past experience as a building property manager, got the job, and mostly what I wrote up then is still in place."

Part of Bailey's job is explaining the rent structure to each prospective New Heritage tenant. At the time of this research, New Heritage rents averaged \$300 for a one-bedroom, \$425 for a two-bedroom, and \$350 for a handicapped accessible one-bedroom apartment. "Rents are up to \$500 a month for similar apartments in other parts of Denver," Tamley said. "...What do you do for people on SSI or fixed income? At market rent, few disabled people can afford to live independently and have some disposable income."

Working with people with disabilities makes it harder to evict those with overdue rent, according to Parker. He said Atlantis has "carried" tenants, or charged them less, when they could not pay rent. "Part of this organization's philosophy is in conflict with keeping the project up and running," he said. "So I've become a little hard-nosed about it. It's not that I want to be hard-nosed, but I feel I have to be."

#### Tenant Selection

Like many of the bulk purchase properties, New Heritage had some drug problems. Rather than evicting dealers for criminal behavior, Tamley said, Atlantis just did not renew their leases. Since then, however, Atlantis has removed tenants for drunk and disorderly behavior or domestic violence problems. One tenant was evicted for non-payment of rent. Another, after being evicted, sued Atlantis in small claims court for the security deposit.

The tenancy has taken time to stabilize. Bailey contends that maintaining stability should only require "a good lease form, a good application form, and a good set of rules." He said New Heritage's rules are "just common sense. As long as they don't swear, don't get drunk in the courtyard, great, I'll give them a chance. The one thing I insist on is cleanliness of the property, though. People would litter. Now, there is very little of that. I think this block is one of the cleanest blocks in the neighborhood."

Disabled residents must also abide by the rules. "Some disabled people need to be ready to live in a nice place," Auberger said. "They have to learn that they can't leave trash around, stuff like that. If they are not willing to live by the rules, somebody else is."

To fill vacancies, staff members consult with management of nearby buildings, rely on word of mouth, and place ads, if necessary. Bailey said a good application form is crucial in gathering credit information, job history, and references, but added, "If you don't follow the form and check the information out, I'll guarantee that if you're running an apartment house, you will go broke." He said Faith Management incorporated HUD and CHFA requirements into the basic form he gave them. Bailey's rules alone cover two legal-size sheets. "It's written in blunt language," he admitted. "It looks formidable. People come in and look at the first few paragraphs, and the people you don't want won't come back. I give them the rules first, then I hand them the application."

But Parker said vacancies are taking longer to fill than they should. Some of this is due to slowness in getting the units cleaned, he noted, "But some is due to the style of the on-site manager, who is a little gruff, and not as aggressive about renting as one might want. Yet you can't please everyone." Auberger added, "I would rather have vacant units than problem tenants. A few people can have a negative effect on the whole project."

#### Resident Profile

New Heritage residents who responded to a survey included several single men and women, one single mother and young child, and a married couple with a young child. Adults ranged in age from 22 to 82 years, with a median age of 34. Three were over 60. Limited information was available on residents' ethnic backgrounds. Three identified themselves as African American, one as Hispanic, one as American Indian, and one as Asian. Eight reported their incomes as less than \$10,000. Two households listed incomes over \$25,000. Of six respondents who are neither retired nor receiving SSI, the mean income is \$12,500. Five residents commute to work by car and four use public transit.

Among 10 residents interviewed, five had lived at New Heritage for less than a year; four had lived there between one and three years; and only one had lived there more than three years. Just before moving into their current apartment, seven had lived in the Denver area, and two had moved from other states.

#### Resident Satisfaction

Six of the residents surveyed described themselves as satisfied or very satisfied with their apartments, two were neutral, and two were dissatisfied. Yet nine described the present condition of their apartment as fair, good, or excellent. Not surprisingly, half of the respondents cited the availability of services, ability to live independently, and accessibility of the units as important considerations in the decision to move to New Heritage. Eight out of 10, however, also cited low rent as an important consideration, and six reported that living at New Heritage has made them feel more financially secure. Five said that they would feel sorry if they had to move, and eight had no plans to move.

Residents offered mixed responses to questions of security. About half reported fearing crime in the neighborhood, and half said they did not. Six felt area crime had remained the same or only increased moderately, while three felt it had increased greatly. Only two felt a need for increased security in the building, while five felt the need for more security in the neighborhood. Yet when asked to identify problems from a list, the respondents nearly unanimously responded "no" to each choice, such as run-down buildings, inaccessibility, litter, street crime, burglaries, harassment, drug-related activity, and lack of recreation facilities. Further, when asked what they thought neighborhood conditions would be like in two years, almost all said conditions would stay the same or improve.

When Atlantis surveyed tenants as to whether they would want to hold meetings or set up an association, most said they did not feel a need to become involved in such activities. A bulletin board hangs in the front vestibule for posting community notices, and the resident manager is usually home and will speak with residents. The building's layout allows residents to cross paths in the courtyard or see each other coming and going in the open corridors, so residents at least know each other by sight. Most of the disabled residents are also Atlantis clients, and many work in the Atlantis office. While the clients who visit or work in the office are not directly involved in property management, they do see Atlantis's property manager Parker, program director Tamley, and executive director Auberger on a regular basis and have plenty of opportunity to voice an opinion.

#### Organizational Capacity

The New Heritage project was meant to be a learning experience for Atlantis staff. Unfortunately, staff turnover has pushed the learning curve back a bit. Karen Tamley

commented, "It takes some time to train people. ....So the shuffling of staff has contributed to a lot of headaches. And because we've never done a project like this before, future projects will probably be a lot easier. We'll probably be dealing with the same agencies and we'll be more familiar with the reporting procedures."

Tamley said Atlantis is also unique in its efforts to hire disabled employees. "I didn't have a background in housing, but I had other relevant political and advocacy skills. It's hard to find qualified disabled staff; the disabled are highly undereducated as a group. And this is not just a job, it's more of a lifestyle. ....All of us are learning on the job. But we are committed to independent living. Atlantis prefers to hire people who both share the philosophy and have a disability."

Bailey, however, thought Atlantis should hire a knowledgeable real estate professional. "Any multi-family property owner, in order to survive, has to be a financial mechanic, know real estate law and financing backwards and forwards, and be willing to study the particular market they are in," he said. "...Then, there is a need to know actual costs and know how to supervise contractors. Atlantis is learning. They are not kids in this business any more."

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Grace Apartments, Denver  
A Rental Project in a Marginal Location

The group of women's religious communities that established the Catherine McAuley Housing Foundation (CMHF) (see New Heritage case study) also formed Mercy Housing Inc (MHI). MHI was interested in a few properties in CHFA's bulk purchased RTC properties. However, when CHFA kept those properties, MHI turned its interest towards the Grace (then Le Baron) Apartments.

MHI consultant Dan Morgan recalled, "No one was interested in Grace because the buildings were in very bad shape and it was in a bad neighborhood. We did some quick pro formas, but it had been appraised much too high, the numbers would not work." Then, after area gang activity drew negative publicity, the price dropped "overnight" from \$400,000 to \$60,000. MHI financial consultant Ken Hoagland recalled, "We were aware that Grace was a high-risk property, but when the price dropped dramatically, it seemed like such a good deal, Mercy couldn't not buy it. CHFA tried to convince them not to buy it, and refused to finance it. Essentially, they said 'no' to the neighborhood."

Neighborhood Context

The two-building Grace apartment complex, in Denver's East Colfax neighborhood at the City's eastern edge, sits at an intersection that forms the border of the city and county of Denver. Across the street is the city of Aurora, a working class suburb in Arapahoe County. The East Colfax neighborhood is a square, bordered by Stapleton International Airport to the north, Lowry Air Force Base to the south, sparsely developed land in Aurora to the east, and the upscale

Denver neighborhood of Montclair to the west. This location was once an asset, the gateway to jobs and activities at Stapleton and Lowry. Because both were scheduled to close, the neighborhood's future is uncertain.

East Colfax shows all the signs of neighborhood disinvestment-run-down buildings, garbage-strewn vacant lots, and a general appearance of neglect. The area's large blocks of low-rise apartment buildings, built in the 1960s and 1970s, reflect the style of that time-set back from the street and surrounded by lawn and asphalt. The generic architecture and property layout contribute to a lack of visual cohesiveness that seems to reflect an underlying lack of community cohesiveness. And while East Colfax has a semi-suburban appearance, the area has its share of inner-city problems. In the last five years, it has become notorious as a center of gang activity, drug trading, and related turf wars.

Grace Apartments' neighborhood is predominantly African American, and one local individual said of the area, "If there is a ghetto in Denver, this is it." Census statistics, however, do not reflect any ghettoization that may exist, in part because the census tract includes sections of the prosperous Montclair area. According to the 1990 census, East Colfax had only a slightly higher concentration of minorities, at 17 percent, than the City of Denver as a whole, at 14 percent. African Americans comprised about half the nonwhite population and 9 percent of the total population in East Colfax, compared to the citywide ratio of about one-third of the nonwhite population and 6 percent of the total population. East Colfax's Hispanic population, at 12 percent, was lower than the proportion citywide, at 23 percent.

East Colfax's housing stock consisted mostly of rentals; only 10 percent of the area's units were owner occupied, compared to nearly 62 percent citywide. Rents-both in the census tract and at Grace (about \$340 per month for two bedrooms)-were below market rate in 1990. Yet 23 percent of the area's units were counted as vacant, compared to 9.3 percent citywide. This suggests that the combination of cheap rent and available units is not enough to convince people to live in the neighborhood.

Yet according to Mary Dray, head of property management for MHI's Denver office, the quality of applicants at Grace has improved, although many people still fear the neighborhood. "That's probably more of a perception problem, lingering from past, than reality," she said. "The problem now is how to change that perception."

To an outside observer, however, the neighborhood has more than an image problem. New management took over the building next to Grace, and property manager Richard Birkey said it seemed to be full of drug dealers. "In this neighborhood there is not much of a continuum," he said. "The buildings are either good, safe, like an oasis, or drug infested. ...The problem here is, some owners seem to be in cahoots with the gangs or really don't care. They buy a building, fix it up to a minimum, and fill it with dealers-because they pay their rent on time and in cash."

Sponsor

Mercy Housing Inc., a network established in 1981 and co-sponsored by five religious groups,[11] manages over 600 affordable housing units and has developed or preserved more than 1,500. MHI and its subsidiary, Mercy Services Corporation, provide direction and support to nine Regional Housing Corporations throughout the country.[12] Of MHI's 222 units in

Denver, about half are independent rentals and half are transitional units. Sister Geraldine Hoyler, who heads MSC, explained MHI's philosophy: "We consider housing to be on a continuum from shelters to ownership, but we only work in the mid-part of the continuum: transitional, supportive rentals, and independent rentals."

MHI defines transitional housing as limited to two years, during which residents must participate in an intensive program of services, as required by lease addenda. "Typically such addenda would be general, based on case management," said Sister Geraldine. "But the program often includes elements such as education, budgeting, clearing up past stains on record, parenting skills, conflict management, or other training to help that person position [himself] for independent living."

MHI mainly works on family-oriented developments. According to the organization's promotional literature, its programs "focus on enhancing practical skills, strengthening the family unit, and providing individuals with the skills and motivation to set and pursue goals." MHI believes families require supportive services to help them break the cycle of poverty. The organization also helps residents locate additional, outside services, if needed.

MHI felt strongly about its capacity to revive the troubled LeBaron (now Grace) complex, which it saw as a next step for residents of its Decatur Place transitional project.[13] MHI convinced CHFA to include the property in the bulk purchase. Financial consultant Ken Hoagland explained, "Both the city and CHFA said 'yes' because it was Mercy. Mercy was well aware of the risk involved, but their attitude was, 'Someone's got to do it, and that's our role.'"

#### Acquisition

MHI financed Grace with tax credits, a conventional mortgage, and a small amount of grant money, including funds from the federal Rental Rehab program (through the city and the FHLB's Affordable Housing Program). Hoagland helped MHI president Sister Lillian Murphy compile the financing, since CHFA would only agree to serve as pass-through, not to finance the project. The acquisition price was \$43,000, and the rehab came to \$1.5 million, or about \$28,302 per unit. "But it could have probably used \$2.5 million in rehab," said Sister Geraldine, who became involved at the end of the rehab. "We never could get enough money to do all the rehab we should have done."

"We fund most of our property development at this point in time through tax credits," she continued. "But after several years of doing this, my rule of thumb for a tax credit deal to be affordable is that you can finance 50 percent from the tax credit buyer, paying at least 60 cents on the dollar; 25 percent can be serviced debt, i.e. a first mortgage; and 25 percent must be unserviced, i.e. a grant or other 'free money.'" Sister Geraldine thought Grace-which was done before MHI had "concocted those rules"-was carrying too much debt. "We're way below my 25 percent target for unserviced debt." But, Ken Hoagland pointed out, "the deal was done that way because it was what was available."

#### Rehab

When MHI acquired the Le Baron property, the two four-story brick buildings were in poor condition. The only clue that these simple slab structures were built as middle class housing less than a generation ago was that the buildings were painted white and landscaped with shrubs. Aside from that, the complex possesses no amenities often found in formerly middle class

dwellings that have become low-income housing. Odd features such as nonstandard window openings-which make the place a maintenance nightmare, according to property manager Richard Birkey-suggest that the place was built in a rush, possibly as housing for personnel of the nearby air force base or airport.

The building contained all one- and two-bedroom apartments, and MHI decided to reconfigure the units to create a mix of two, three, and four bedrooms, thereby reducing the total number of units from 67 to 53. With an extremely limited budget, Sister Geraldine said, "We made all sorts of judgments about what we would replace or not, and how to do the rehab. We ended up with more two-bedrooms than the market could support, though, and not enough three- and four-bedroom units. And because of the layout of the buildings and assumptions made about the target market, we ended up with some really small bedrooms." Sister Geraldine said the organization had estimated its market for Grace to be families with younger children, but the demand has come more from families with older children, for whom the second bedrooms are too small.

Although the Grace complex was much more habitable after the renovation, the place was simply never built to last. Less than three years later, MHI had to lend money to its subsidiary, Mercy Services Corp., to replace the boiler at Grace. Then, faced with massive destruction of units by tenants, Mercy Services had to borrow substantially more for a major reconstruction program. Without a parent company with such deep pockets, Grace would have been in deep trouble. As one observer noted, "Banks that did not want to lend to the project initially would certainly not lend to it after it had failed once."

#### Property Management and Security

Early on, MHI hired former Decatur residents as property managers at Grace. "MHI made that decision," according to Sister Geraldine, "because people thought that you would have a manager that was understanding of the needs of those folks and that would help facilitate the move [from Decatur to Grace]. And I would say it worked well with some people, but it wasn't adequate to deal with some of the more difficult problems."

MSC helps ensure high-quality, long-term property management. Sister Geraldine explained some of the property management changes at Grace: "We have changed security, staffing, and the way we manage the project. It took about a year to make these changes, because you keep thinking that there's got to be a more economic way to do this ....There's no reason for a development this size to have to put security in the building all night, every night. ....A 53-unit project should not require more than one full-time [on site] staff, and we have one and a half, plus the security guards."

Nevertheless, the building's 24-hour security appears to be producing the desired results. Before adding more security, "[Grace] would have the police...here two or three times a night," Richard Birkey said. "We were on the police department's top ten public nuisances list. Now, we're off the list. The police are also working more closely with us; they are more responsive now, and get here quicker when we call."

Birkey, who got the manager's job by responding to an ad in the paper, recalled that during the interview, MHI staff wanted to be sure he knew what he was getting into. He was warned that the gangs were literally chasing managers out. But Birkey has over 11 years of experience in

low-income housing management, and he needed a job and a place to live. He sees this current experience as a challenge. "Occupancy was low when I came in, and I had to evict at least 10 residents. We spent the first six months ridding the project of undesirables-gangs and drugs are innate in this neighborhood."

MHI staff suspected that bad elements in the neighborhood were a major source of the problems at Grace. A previous property manager helped organize a group of local landlords to share information about tenants and help improve the neighborhood. Interest has waned among other owners, but Birkey is trying to rouse participation again. MHI hopes the landlord group and the relationship with Decatur will make Grace a viable place.

Despite the external origins of some problems besetting Grace, MHI still concentrates its property management efforts more at improving conditions within the complex than in the neighborhood at large. Birkey believes that MHI needs to "quit investing in heavy security doors. The problem is inside already." After less than three years of occupancy, many of the rehabbed units had already been badly "trashed." Birkey described the damage to the units as "burned carpeting, person-size holes in the walls, burns on walls, incense burns, empty ammunition cases strewn about, extreme filth, bad smells." He noted that "a combination of poor housekeeping and damage go hand in hand with drug dealing."

MHI's Mary Dray concurred with Birkey's assessment. "The problem now is not so much the rehab, or investing in the latest security system. It's more labor intensive. It's more important to invest in people. We need people to tend to this place on a 24-hour basis." However, Dray added, "As we have been able to afford to, we are fixing up the units one by one, then renting them. Now, we have rented all the units that are clean and sanitary-in fact they are going quickly."

#### Tenant Selection

To address the problems with its tenancy, MHI strengthened its tenant screening. Sister Geraldine said MHI has reduced the number of people in the building with Section 8 certificates. "We were having a lot of trouble with Section 8 folks fronting for the dealers," she said. "And this has never been our experience with Section 8 before."

At Grace, as well as at another MHI-run project in Kansas City, criminal background checks are conducted on all potential tenants. But according to Sister Geraldine, some dealers are finding women with no criminal history to front for them. "There are not hundreds of these cases," she said, "but enough to note a pattern."

#### Resident Profile

Out of Grace's 53 units, 42 were occupied at the time of this research. The resident population was racially mixed: of nine households surveyed, five were black and four were white. The median age of heads of household was 32. The median income was between \$10,000-12,500. Three of the respondents had lived in the complex for six months or less; one had lived there between six and twelve months. None had lived in the building before it was acquired by MHI.

#### Resident Satisfaction

Many Decatur residents objected when MHI tried to convince them to move to Grace. "Given a choice," said Mary Dray of MHI's Denver office, "they didn't want to move there." Dray, who had been working with Catholic Charities, recalled, "Catholic Charities would send people to Grace, but they would move out. It was not being managed properly, and they felt it was too

scary to live there. Our case managers wouldn't refer people there. And then some families from Grace moved into Decatur."

Of 27 original tenants, Grace retained only 10 or 12, according to Birkey, the on-site manager. Some of those residents were ready to move, Birkey said, but Grace staff reached out to keep them. "We said-'Please stay. What are your needs? We want you.'"

While Grace residents echoed the problems associated with ongoing crime and the initial management, residents also confirmed improvements since the new management team began. One resident commented, "The new manager has done much better at clearing up the crime. I get immediate results with any maintenance or anything else I ask for." Another concurred, "Finally we have a management/maintenance team here who truly care about the tenants. ...The buildings are finally being filled with decent people who care and appreciate their surroundings in most cases." The tenant said she didn't know how long she would stay at Grace, but "as long as we have a manager like we do, I won't move."

About half the respondents reported satisfaction with their units. Some reported such benefits as security, low rent, and a clean and quiet environment. However, residents disliked the water system, drugs and crime, trash, and the size (too small). Although several respondents said their current housing was an improvement over their previous situations-which included other apartments, a hotel, and even no housing at all-no respondent saw Grace as permanent housing. Most expected to stay for only a few years.

One respondent was unhappy with his living unit and the lack of play facilities for children. He wrote, "Too many people here have drug and gang connections. People and kids trash it out too much. Peeing in the elevator." He also did not find the atmosphere friendly, commenting, "...As far as a community, no-most are drug and gang connected."

Yet another resident's primary source of satisfaction was a sense of community and independence at Grace. The man, who had previously lived in a hotel, wrote, "It has nice apartments at low rent, the families are nice, and it's a close community setting." He said Grace's atmosphere is friendly because "everyone knows each other."

These comments coincide with Birkey's perception of a growing sense of community among Grace residents. "They smile at each other in the halls," he said. "We had a Christmas party and everybody came."

#### Resident Participation

Although Grace is not one of MHI's "supported rentals," the organization initially worked with residents to design community-building and self-esteem programs. With less than full occupancy, MHI must subsidize Grace's operating expenses. "We can't afford support staff right now," Mary Dray explained. "We are working to afford full-time management and maintenance staff." Birkey tries to encourage community spirit by holding resident meetings, but less than half of the residents tend to participate. And when Birkey and Dray conducted a needs assessment before beginning the reconstruction program, they "didn't get a great response." Still, they appear optimistic, and noted that some interns from the University of Colorado School of Social Work may help with tenant organizing.

Participation at Grace is made more difficult because many residents need a support system and education. Sister Geraldine said some Grace residents—for example, one who dumped spaghetti on the living room rug and let it mold—need to be in housing where there is subsidy attached to the project for a mental health agency to provide support services.

#### Marketing

MHI has concluded that it did not understand the market for this location. "We have learned that we have to get more focused on market assumptions and figure out where the invisible boundaries are that people won't cross," Sister Geraldine said. "Grace sits on a street that is a jurisdictional line between Denver and Aurora, which is both a different town and county. So that has made the neighborhood a wonderful hot spot for drugs, since police just chase criminals to the line, they won't cross the border. And Section 8 certificates also won't cross the line; they are portable, effectively, but that's how the program is administered here. So boundaries exist for a variety of reasons—psychological, monetary, and irrational."

Sister Geraldine said MHI has changed its target market for Grace. "It is employed people, with or without children, who are earning the minimum wage or slightly higher. We have moved away from targeting so heavily to families with children. And we are allowing smaller families in the larger units. The rooms are just too small, at least with the two-bedroom units. We're fine with the three's and four's, but the property is roughly half two-bedrooms." Sister Geraldine believes Grace would have been better off with about 40 larger units. "But that would have required a lot more soft money," she said, "because there would be fewer units to service the debt."

She continued, "As long as rental subsidies are being continuously reduced, then in order to make properties affordable, the rents have to be low enough for people to afford them..... That's why there is a need for soft money, but the soft money sources are drying up." She added, "The government can't have it both ways: take away the subsidies and then depend on nonprofits. Nonprofits also have to pay bills, pay staff. ....I don't think the bureaucrats appreciate the high cost of running income-eligible projects."

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Homesteading Program, Chicago  
Single-Family Community Land Trust Housing

Chicago is a city of neighborhoods,[14] harboring hundreds of community developers and organizers. When faced with widespread disinvestment in the late 1960s, a groundswell rose out of Chicago's rich community development/organizing constituency to work against neighborhood deterioration and abandonment. (Ervine 1994) Several grassroots initiatives born in Chicago went on to have national impact. For example, local activist Gail Cincotta, founder of National People's Action and the National Training and Information Center, helped establish the neighborhood movement against redlining, which brought about the Home Mortgage Disclosure

Act and the Community Reinvestment Act in 1977. (Johnson 1994) In the 1980s, the Association of Community Organizations for Reform Now (ACORN) participated in a squatters' campaign in Chicago and helped challenge bank mergers and win Community Reinvestment Act agreements earmarking \$200 million in loans for urban areas and affordable housing, ACORN boasts.

Despite these efforts, housing conditions in many Chicago neighborhoods declined during the 1980s. Chicago lost 40,719 units between 1980 and 1990, according to an early 1990s study by the University of Illinois at Chicago for the Chicago Rehab Network. Several communities, including Englewood and West Englewood on the South Side, were particularly hard hit, losing between 2,000 and 7,000 units each, according to the Chicago Affordable Housing Network. In 1993, Chicago had 8,000 abandoned residential structures, particularly evident in South and West side neighborhoods.[15] The City's policy, until recently, of demolishing abandoned buildings accelerated the loss of units. Many razed sites in low-income neighborhoods simply became vacant lots collecting trash.

#### Neighborhood Context

Through the 1950s, Englewood was racially and economically integrated, but in the late 1960s the area's demographics began to change dramatically. By 1990, 99.2 percent of Englewood's 48,434 population was African American, and 43.24 percent was living in poverty. The 1990 Census found the median household income reported was \$13,243, compared to Chicago's \$35,265 median. Unemployment among males over 16 was 31.2 percent, while Chicago's rate was 7.4 percent.

As Englewood residents' income fell 19 percent in the 1980s, their median rent increased from \$165 in 1980 to \$302 in 1990. Although Englewood's housing is mostly one- and two-family homes, nearly two-thirds of the units are renter occupied. The number of housing units declined 12 percent in the 1980s, to 16,916 in 1990. The area also had an 11.3 percent vacancy rate in 1990, and ACORN Housing Corporation estimated that 10 percent of existing units were abandoned. Despite these factors, the median value of single-family homes rose 71 percent – from \$24,700 in 1980 to \$42,300 in 1990 – due to development pressures.

For those who know the area, the statistics merely confirm the obvious. "There is no way to miss Englewood," said June Torres, ACORN Housing Corporation board president. "It was so torn down and broken up, just leaning houses and garbage dumps, no condition for people to live in. No one wanted to live there, not even the homeless, that's why they stayed downtown. People who did live there couldn't get financing from banks to fix up their homes, so people were just leaving. Now we've started to turn things around." [16]

ACORN Housing Corporation targeted Englewood because "it is a poor, unorganized community with a high number of single-family units and a low homeownership rate," said former Executive Director Chris Brown. Since ACORN organizers already had a strong neighborhood presence, the organization felt it could effectively pursue a strategy to increase homeownership there.

#### Sponsor

In the early 1980s, ACORN of Illinois, a branch of the national ACORN network, worked with the previously mentioned squatters' campaign in Chicago to pressure the city "to start dealing with low-income housing issues." But by this time, Chicago's organizing and community

development movements had grown apart. ACORN realized its advocacy work needed to be accompanied by a plan for action, Brown explained. ACORN's housing division spun off into a separate corporation, becoming ACORN Housing Corporation (AHC) of Illinois. This move was not an isolated decision, as ACORN chapters in New York, Philadelphia, Phoenix, and Little Rock formed housing corporations.

In addition to the executive director, AHC staff included an office manager, who also collected rents and answered homesteaders' concerns; a construction specialist, in charge of all rehab work, including approving specifications, bidding, and contractor supervision; an outreach worker to attract and interview homesteaders; and a part-time handyman.

#### Acquisition

AHC's homesteading program began in 1987 with a pilot project involving the rehab of two houses. AHC acquired these properties from the Federal Savings and Loan Insurance Corporation (FSLIC) – the regulator of federally-insured savings and loans – as part of a package of nine houses, of which six were in Englewood.

The pilot project ran into some problems, partly due to AHC's lack of experience, but also a reflection of the difficulty Chicago CDCs were having financing single-family housing. To address this problem, in 1990 a group of technical assistance providers – including the National Training and Information Center, the Chicago offices of Local Initiative Support Corporation (LISC), and Neighborhood Housing Services (NHS) – started a program to provide training and seed money of \$50,000 a year for five years to CDCs taking on single-family projects. The City provided CDBG funds for three years, while LISC and United Way guaranteed the final two.

Brown was among 14 executive directors who participated in this nine-month training program. The program gave AHC the technical and financial support to develop its lease-purchase concept and community land trust model. And it helped AHC pull together additional funding to expand the rehab project into a homesteading program.

Between 1987 and 1993, AHC acquired a group of houses, primarily from HUD, for its homesteading program. Acquisition of HUD-foreclosed homes, however, proved a lengthy and often frustrating process. In 1992, AHC was only able to purchase nine HUD homes, according to Chris Brown, because HUD's list prices were too high.

ACORN representatives met with HUD staff to establish a better working relationship and better terms for nonprofits interested in foreclosed property. As a result, HUD devised a demonstration that allows nonprofits to buy homes in designated revitalization areas at a 30 percent discount from HUD's list price. The discount lowered the average amount AHC paid for HUD-foreclosed homes in Englewood from \$14,000 in 1992 to \$9,800 in 1993.

AHC arranged financing for the program through Bell Federal Savings Bank and Fannie Mae. AHC's relationship with Bell Federal stemmed from ACORN of Illinois' 1990 campaign to push Chicago banks to expand lending and services to low- and moderate-income areas. In September 1991, after a year of negotiations, Bell Federal agreed to provide \$1.75 million in mortgages to individuals referred by AHC housing counselors, and a two-year, \$200,000 line of credit for AHC to acquire and rehab homes in Englewood and North Lawndale. In June 1992, Bell Federal

and Fannie Mae agreed to provide permanent financing for AHC's lease-purchase program, and Bell Federal helped AHC convince Fannie Mae to modify the program and recognize alternative payment methods, such as 60 hours of sweat equity towards the downpayment.

Bell Vice President Joe Bauer said this arrangement is "a two way street; the banks have a presence in the community and ACORN has a substantial lender." But he acknowledged that ACORN is taking all the risk. Even though Fannie Mae's role is to provide an outlet for fixed-rate risk, Bauer said, Fannie Mae credit standards were too high for low-income neighborhoods. "The fact that the population of low- and moderate-income neighborhoods is mostly minority raises the broader [issue of whether] credit standards adversely affect minorities," he said, adding that ACORN and Fannie Mae tried to define credit standards targeted to low- and moderate-income people, and then provide underwriting criteria for lenders that want to participate.

To date, AHC has acquired 56 properties – 40 from FHA/HUD, and the rest from FSLIC, the Veterans Administration, and private owners. To acquire additional properties for the program, AHC plans to use its relationship with several banks; the city of Chicago's CAP program, which conveys tax-foreclosed properties to new owners; and periodical listings of available properties from Fannie Mae.

#### Rehab

The first three houses in AHC's homesteading program were rehabbed by potential homesteaders. While sweat equity keeps costs low, AHC discovered that the quality of such work can be uneven. Now the organization hires contractors to rehab all the houses to the same standard.

Expansion of the program prolonged AHC's construction period and added 33 percent to the cost per unit. But the delay and added cost can be partly attributed to AHC's lack of experience. Scattered site rehab of single-family homes is a complex, "messy" process, which more experienced developers tend to avoid. AHC also had tried to save money by not hiring an architect as project manager, only to discover that it took much longer than anticipated to prepare specifications and send drawings out for bid.

In 1993, AHC made several changes aimed at improving construction phase efficiency, such as expanding the pool of contractors from whom to solicit bids and using detailed schedules to monitor each project's progress. Architect John Tomassi, who worked with AHC on the first 20 to 30 houses, helped systematize the writing of specifications.

In 1995, AHC hired an outside consultant to inspect the houses, write-up work specifications, and provide cost estimates. AHC's construction manager typically reviews and revises these specs and puts the jobs out to bid. This process, which includes several visits to each house, is designed to eliminate expensive changes later on.

#### The Homesteading Program

Under the program, AHC deeds the property it has acquired to the ACORN Land Corporation (merely the ownership entity). Once rehab is complete, AHC enters into a long-term lease with the homesteader. Members of AHC's board interview all potential homesteaders. Participants must earn between \$15,000 and \$32,000, to qualify as very-low to low-income for the area; not already own a home; and have a bank account. Buyers must also pay a \$1,000 "downpayment"

and nominal application processing fees, donate 60 hours of sweat equity labor per household, and attend homeownership workshops.

After two to three years, homesteaders can take title to the house, with AHC serving as a conduit to a local lender. These homesteaders must begin making payments directly to the bank. But AHC can pay arrears if someone falls behind. A homesteader who later wants to move must sell the title to AHC for the original purchase price, receiving no appreciation in the home's value. "We are very up front about that," said AHC's Sandra Maxwell. "It's one of the first things we talk about when we interview potential homesteaders. It's not a program for everybody. If you want an investment property, it's not for you." Homesteaders who do not wish to assume the mortgage may remain lease holders, although they are responsible for repairs and maintenance during the lease period.

AHC continues to refine its homesteading program. "Now we think our lease documents are some of the best in the country," said Brown. "We couldn't say that five years ago."

#### Governance

AHC has a 13-member board, all low income, and seven who live in Englewood. AHC points out that these members are neighborhood leaders who understand the community, not bankers, lawyers, and professionals. The board holds elections every three years and meets monthly to set policy, provide oversight, and interview potential homesteaders.

While AHC is currently responsible for governing the land trust, its staff and board stress the importance of building the homeowners' capacity to participate in decision-making. AHC's staff plans to work to increase turnout at homeowner meetings and improve their usefulness. Further, the 1993 annual report promises to show homeowners, room by room, what work the general contractor did, what is covered by the warranty, and to require homeowners to sign a document detailing their responsibilities.

To encourage autonomy and collective action among homesteaders, AHC created "homebuyers clubs." So far, the clubs have been inactive. Only two homesteaders reported meeting with other homesteaders frequently. Four reported meeting occasionally, and the rest said rarely or never. Homesteaders cited events such as block parties, neighborhood watch meetings, or community policing "beat raps," – rather than the homebuyers clubs – as providing opportunities to meet one another. One homesteader said "I'm too busy being involved with other issues with ACORN." Another said "I want to be involved. When they say they're having a meeting, I always want to attend, but I haven't."

#### Property Management

AHC discovered that its lease-to-purchase program involved extensive property management responsibilities. The program provides a full year guarantee on all its work on the home, but makes homesteaders responsible for repairs after the warranty period.[17] AHC also conducts annual maintenance checks and provides homeowner workshops during the three-year lease term. "We try to treat people like homeowners, even when they are leasing, or else they keep a rental mentality," said June Torres, adding that many of the families do not have a history of homeownership. "Also, the homesteaders sometimes do not want to bear the brunt of the expense of the repair, and so they ask us to do it."

AHC has also encountered property management problems, including late payments, low attendance at homeowner meetings, inadequate homeowner training, and difficulty tracking homesteaders' escrow funds. To address these issues, AHC aims to streamline rent collection, improve account management, and conduct regular homeowner meetings and training sessions. AHC staff also plan to conduct more frequent inspections during the first year of homeownership, along with drive-by inspections by the rehab specialist at least once every two months. Other objectives are to tighten rent collection and late-payment policy, encouraging homeowners to bring rent to AHC's office (although there was no immediate plan to relocate the office, shared with ACORN of Illinois in downtown Chicago, a 30 to 45 minute drive from Englewood.)

Given these tasks, along with expansion of the program with a recent HUD HOPE III grant-providing \$15,000 per unit for 40 units, AHC could become swamped by its expanding property management responsibilities before having fixed existing problems. LISC and the Property Management Resource Center, a Chicago-based nonprofit, are helping AHC address its problems with a training program for AHC, four other Chicago CDCs, and residents involved in single-family home purchases. LISC is also helping the CDCs learn to track and monitor expanded inventories without employing a huge staff.

#### Marketing and Sales

As of August 1995, 42 homes were occupied and 13 were under construction as part of the homesteader program. No homesteaders had yet become owners, despite AHC's goal of entering lease-to-own agreements with 75 families by the end of 1993. The pace of sales to date has been adequate "but needs to be greatly improved to have families lined up for ...[each home] before construction is complete," AHC acknowledged.

"We need to continually market the program, because it is not for everyone," a board member commented. "Some don't want to be in the land trust. Others don't want to live in Englewood; they don't want to spend the rest of their lives in such a bad neighborhood." (AHC's guarantee to buy back the home, however, may help offset this concern.)

AHC staff identified several problems with marketing, including:

- \* The difficulty of finding candidates in the targeted income range of \$15,000 to \$32,000 – higher than almost half of all Englewood residents – who can pay the full acquisition and rehab cost
- \* the difficulty of coming up with the \$1,000 "downpayment"
- \* poor prospect follow-through, with only two percent of those who expressed interest becoming involved in the program, and even fewer finishing.

AHC has improved its marketing and sales process, largely by implementing standard real estate practices, such as the use of listing sheets with floor plans and photographs. Staff consult a real estate broker for marketing ideas, and conduct a housing needs assessment for each family in the program. And instead of showing houses in all phases of completion, potential homesteaders are brought on tours of homes that are more than 50 percent complete. A computer software package is also in development to assist AHC and others in maintaining marketing information and data

on each family's housing need and resources. The software will also track properties from rehab into the property management stage.

AHC provides pre-loan counseling and plans to provide post-loan counseling, if necessary. One FHLB official observed, "ACORN is really good at outreach. With very low income homebuyers, there is more than just the financial aspect – homeownership entails a level of responsibility many low income people have a hard time committing to. When you have an organization like AHC behind you...it's reassuring."

Despite its successful outreach, AHC must line up twice as many families for the sweat equity requirement as the number of homes available, to end up with enough eligible homesteaders. Families can complete the 60 hours of volunteer labor in various ways (not necessarily at their potential home), such as helping with demolition, clean-up, and landscaping, or in the AHC office. But AHC's 1993 annual report notes problems with the sweat equity component, including low turnout, ill-prepared or poorly motivated volunteers lacking proper tools or material, and poor communication with volunteers. To solve these problems, AHC plans to conduct training workshops, formalize procedures, and establish an incentive system requiring families to complete their 60 hours within six months.

Once families have met the sweat equity requirement and become program members, AHC tries to involve them in other activities focused on broader social issues, such as local school reform or insurance redlining. AHC Director Chris Brown explained, "This is how some of our housing work ties into ACORN's community organizing. The quality of schools in the community impacts on whether people want to live in our houses."

#### Resident Profile

Of 13 families surveyed, five were married couples with children, and eight were single-parent families, of which seven were headed by females. The average household size was 4.15 persons. There were 34 children reported, and families also included nieces, nephews, grandchildren, and foster children. All of the respondents are African American.

Of the households that reported their income range, three reported incomes of \$29,000 to \$32,000, the top of the eligibility range; three reported incomes of \$23,000 to \$29,000; and three reported incomes of \$17,000 to \$23,000. Homesteaders' occupations included bus driver, janitor, laundry attendant, nurse, cook, security guard, machine operator, secretary, dispatcher aide, pressman, office manager, housewife, and foster parent.

#### Resident Satisfaction

Eight of the 13 residents who responded to a survey rated the present condition of their homes as "good," and one rated it as "excellent." One resident enthusiastically endorsed the entire program: "The housing program with AHC is by far the best in existence. It was designed to keep low and moderate income housing available, and the land trust is definitely the way to go. On a scale from 1 to 10, it would definitely get a 10." Some residents, however, raised concerns about housing conditions, which speak to the ongoing problems with rehab standards and supervision, as well as property management.

While homesteaders' views on the neighborhood varied, most were positive about their choice to live in Englewood. Many have friends and family there. Eleven predicted the neighborhood

would remain the same or be "somewhat better." Several expressed the kind of commitment to neighborhood revitalization that ACORN hopes to encourage: "People here go to the meetings and protest and [are] willing to do things to change."

When asked what they would change about the neighborhood, a typical response was "...get rid of the abandoned houses plus drugs and gangs." While all but three residents wanted increased security, most did not perceive their personal safety as a major concern. Three-quarters were only "a little" or "not at all fearful" of being a victim of crime in the neighborhood. As in many crime-ridden communities, the homesteaders negotiate a private "truce" with others: "If you keep to yourself, people don't bother you." One man concluded, "I like it here; we have gang problems, but that's everywhere. We're used to it. This is my dream place. People are not sitting by. People maintain their property. We have a program with the police department. If you get up, more voices will be heard."

#### Organizational Capacity

With its HUD HOPE III grant, AHC has embarked on a period of accelerated growth. "There is a need for greater depth of staff, and for additional operating support funds to help pay for that," a LISC official said of the organization.

Although AHC's board president reported the organization had been "losing money on rents – about \$2,000 per home must be raised in foundation support,"[18] AHC was financially stable. The organization's executive director has been very successful at fund raising, having raised a total \$4.5 million in permanent financing and \$1.5 million in acquisition and rehab loans. But AHC's goal is to eventually net a surplus to use in an internal loan pool for acquisition and soft costs.

At the time of this research, foundations, project-based assistance, and other sources helped cover AHC's \$300,000 annual operating budget. AHC received a five-year operating support grant from LISC, funded by the MacArthur Foundation. LISC has also shared operating costs with United Way, and AHC has participated in The Single Family Housing Initiative, a demonstration for United Way. AHC has also applied for United Way membership, which would provide access to full membership financing benefits.

LISC has helped AHC manage its growth and facilitate its financial independence from national ACORN by improving accounting practices. Although ACORN of Illinois was technically independent of the national organization, the national group shared some administrative costs with local affiliates and handled all audits and major accounting. As a result, the local group's finances were affected by ACORN operations in other states. Neither LISC nor Bell Federal were comfortable with this arrangement.

Upon LISC's recommendation in early 1991, AHC wrote a five-year strategic plan that identified rental housing as "something to do within the next five years, for those applicants who expressed interest in the homesteading program but whose incomes are too low." Board member Sandra Maxwell said AHC aims to serve its many members who don't want to be homeowners, or who receive Section 8 subsidies. ACORN now holds options on two multifamily buildings, which it intends to develop as a joint venture with an experienced property manager. "We don't know

much about multifamily, but do know we don't want to do property management," commented Maxwell.

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507 West 140th Street, New York City  
Cooperative Housing in Harlem

As a result of widespread disinvestment and abandonment in the 1960s and 1970s, a large stock of buildings fell into New York City ownership for nonpayment of taxes (a status referred to as "in rem"). Due to abandonment, the city lost 38,000 housing units annually between 1965 and 1968, one study estimated. (Lowry 1970) Most of the buildings were in low-income neighborhoods in Harlem, the Bronx, and Brooklyn, and in various stages of deterioration.

In 1976, to protect tenants and discourage further abandonment, the city changed its policy from selling in rem buildings at auction to managing properties until they could be returned to responsible ownership. The city saw in rem management as temporary, assuming landlords would "ante up" when faced with losing their buildings. Instead, many owners simply walked away. Moreover, there were few takers for many tax-foreclosed properties offered at auction.

A HUD-funded study summarized the underlying conditions conducive to such abandonment: "high operating and maintenance costs; non-availability of mortgage funds in 'redlined' areas; tenant incomes too low to support economic rents; vandalism; lack of investor confidence in buildings and neighborhoods occupied by minority groups and welfare recipients; and extreme friction between landlords and tenants." (Bach et al. 1993)

Another dimension of the abandonment problem was that nearly half the city's in rem buildings were occupied. "In effect, the city was increasingly taking over management of tenanted buildings in major disrepair." (Bach et al. 1993) Within two decades, the City "inadvertently created the second largest publicly-owned and -controlled housing system in the country." (Task Force 1993) By 1984, New York City managed 26,000 residential units in 4,000 abandoned buildings, housing at least 100,000 people. (Saegert et al. 1990) ...[T]ax foreclosure had evolved from a pragmatic, reactive policy response to private-sector housing abandonment into a major city role in what some called a 'new housing program for the poor.'" (Bach et al. 1993)

The city, however, had no desire to remain in such a role. Overwhelmed by the scale and costs of the abandonment problem, the city had become increasingly slow to take title to properties, and it aimed to create a long-term solution to the problem by enhancing the role of its Department of Housing Preservation and Development (HPD); creating financing mechanisms for rehabilitation of properties; and transferring management and ownership to the Housing Authority, approved for-profit entities, community groups, and residents.

Transferring properties to tenant ownership was time consuming and difficult, the city found. Each sale had to be approved by a community board, the Planning Commission, and the Board of Estimate, which could take from six to 12 months. (CSS 1984)

Nevertheless, allowing tenants to buy buildings directly from negligent landlords offers a cost-effective alternative to city take-over. Since 1980, HPD has sold over 650 buildings from the in rem inventory through a program to form low-income cooperatives, making this initiative the first sizable program in the U.S. to transfer ownership of privately-held buildings to low-income tenants. (Lawson 1983) For some communities, this shift to alternative ownership has been one of the positive, if unintended, consequences of private-sector abandonment. (Bach et al. 1993)

This was the case for tenants of 507 West 140th Street, who, after several years of quasi-abandonment in the late 1970s, had come to expect little maintenance or repairs from their landlord.[19] In 1980, with the heating system on the verge of collapse and the roof leaking badly, the tenants organized to confront their landlord. The landlord, however, did not respond to demands for better service. In 1981, tenants pooled their money for fuel and minor repairs. In June 1982, the landlord announced he intended to stop collecting rent and providing services. Still the tenants refused to abandon their homes, where most had lived for over 20 years. Lillian Young, who had moved into the building with her family in 1963, later recalled, "We didn't know what we were going to do. Some were depressed, some moved. But through encouragement with each other, we became stronger. ... We knew that either we would move or we would have to get together."

#### Neighborhood Context

Observers of New York life have noted that Harlem is a state of mind, a symbol of African-American cultural pride, and a place characterized by contradictory images of power and poverty. (Leavitt and Saegert 1990; Lawson 1983) The following description reflects the area's unique qualities and enduring problems.

"Harlem housing is attractive because of its substantial prewar stock, its advantageous location, including proximity to midtown Manhattan and Central Park, good subway connections, and access to major regional thoroughfares. It also has one of the highest concentrations of city-owned housing and land, and is the frequent target of public development plans." As a center of African-American political power, Harlem wields considerable clout when it comes to allocation of public resources for various types of projects. Nevertheless, while some of the area's housing stock was originally built to high quality standards, and despite the efforts over the past 20 years, "housing conditions in the neighborhood continue to be among the worst in the city." (Oppenheim et al. 1994)

507 West 140th Street, a 15-unit, five-story brick building in Harlem's Hamilton Heights neighborhood, is typical of the modest but sturdy tenements built in the early 1900's. Unlike many nearby buildings, its facade retains architectural distinctions of a previous era. The site, within a block of Broadway, is also near historic Hamilton Place and the City College campus. While planners consider the neighborhood well situated for revitalization, such indicators as foreclosure sales, parcels in tax arrears, and arson rates among the highest in the city (Oppenheim et al. 1994) suggest continued and severe disinvestment.

Sponsor

In 1982, the Community Service Society (CSS) of New York, one of the city's most established social service organizations, began the Ownership Transfer Project (OTP). The purpose of the project, said Corinne Coleman of HPD, was to keep buildings permanently affordable to low-income residents by transferring properties from private to co-op ownership before they were abandoned by landlords, taken over by the city, or sold to real estate speculators or gentrifiers. The OTP helps tenants develop boards of directors and begin to take charge of building operations; identify and negotiate with owners, mortgagees, and creditors to acquire buildings; develop repair and renovation plans for their buildings; obtain financial assistance for purchase and repair of their buildings; acquire the buildings; improve housing management practices; form a cooperative or other appropriate ownership entity; and prepare all tenants for cooperative ownership.

OTP properties with which CSS worked were among the city's most distressed privately-owned buildings. Yet tenants had to pay acquisition and rehab costs for these buildings, unlike the situation with in rem stock (essentially free) or HPD's Tenant Interim Lease program (in which tenants buy buildings for \$250 per unit). HPD participated by providing below-market rehab loans to OTP buildings. This marked one of the first times the agency allowed tenants to compete for such financing, according to Coleman. In addition, the city helped cover OTP staff time through a contract with CSS for the city to provide technical assistance to community groups.

Overall, OTP has helped 50 buildings, varying in size from six to 80 units, "acquire themselves," said Brent Sharman of CSS. OTP has recently focused on stabilizing projects already in the pipeline. One of the first buildings acquired by residents through the OTP program was 507 West 140th Street. CSS staff quickly referred to this building when asked to recommend a successful tenant co-op for study.[20]

#### Acquisition & Rehab

After several months of managing their building, the tenants of 507 West 140th Street knew they needed help. One resident knew an administrator of the city's 7-A program,[21] "the only well-established code enforcement mechanism available in New York City to intervene directly to deal with deterioration of privately-owned buildings when landlords fail to maintain them." (Oppenheim et al. 1993) This official met with the resident association to explain the program and how to proceed. That same evening, residents unanimously agreed to "do whatever was necessary to keep the building," said Young.

The tenants initiated a 7-A action, but when the landlord decided to sell the building in the spring of 1983, they feared someone even worse might buy it. The tenants enlisted attorney Doug Simmons and paralegal Teresa Diamond of the East Harlem Community Law Office (CLO), a branch of the Legal Aid Society. Simmons and Diamond agreed to help organize and train the tenants to assume responsibility for their building. Attorney Simmons recalled, "There was a real possibility the whole thing could fall apart." Since the group was so effective at managing the building – they had been doing so, de facto, for several years – Simmons felt some sort of ownership option made sense. After CSS staffers informed CLO of the recently launched OTP demonstration, CLO agreed that 507 West 140th Street seemed like a good candidate for the program. Some residents had doubts. "But no matter the risks," recalled Young, "it couldn't be worse than it was before."

During the project's critical early period, CLO staff provided management training, and coordinated various technical assistance providers' participation. The OTP process involved five technical assistance organizations, including CSS, CLO, Pratt Institute, Community Development Legal Assistance Center, and the Urban Homesteading Assistance Board (UHAB). HPD also participated, and the Wall Street law firm Simpson, Thacher, and Bartlett provided pro bono services. The Pratt Center for Community Environmental and Economic Development helped with architectural and engineering work.

The process began with an assessment of needed repairs. Then the CSS team evaluated whether the building was financially viable as a low-income co-op. The criteria for this included the condition of the building and the sources and amount of existing liens and mortgages. (CSS 1984) CSS project manager Linda Cohen worked with CLO to compile a budget that factored in tenant rents and amortization costs of \$5,000 per unit without a mortgage. The budget estimated that, for no substantial purchase price, rents would range from \$175 to \$250. While this meant a doubling of some rents from the previous rent-controlled levels, the tenants agreed to proceed.

Attorney Michael Levinson of Simpson, Thacher, and Bartlett negotiated with the landlord, who agreed to pay a \$1,300 corporate tax lien and sell the building for \$100 plus \$6,200 for back taxes. With title, fire insurance, and other closing costs, the acquisition price was \$11,000. HPD lent \$72,000 to replace the boiler and burner, and repair the roof, facade, plumbing, and wiring. A grant from the Urban Coalition's state- and federally-funded weatherization program helped buy 125 energy-efficient windows. The group paid \$780 for the largest (6.5-room) units and \$540 for the smallest (4.5-room) units.

The final agreement included a 15-year loan at 3 percent interest and raised monthly rents (or "maintenance fees") from \$88-\$199 to \$175-\$253. LaBorda Turner, then-Vice President of the Tenant Association who had moved into the building in 1959, commented to a reporter, "They're not steep for what we're getting. These are going to be our apartments, and if we maintain them, we'll live very well for the money." Juanita Young, a board member with an equally long tenancy, added, "In some buildings down the hill, people are paying \$400 to \$450 for places where the ceilings are falling in."

In March 1994, residents of 507 West 140th Street celebrated their first decade of co-op living. Lillian Young, co-op board President for the entire 10 years, recalled, "It was hit or miss, trial and error, and before you knew it, we were a cooperative."

Neighborhood Context: Ten Years Later

The area around 507 West 140th reveals few, if any, signs of the gentrification that many analysts during the 1980s had claimed would, for better or worse, transform this part of Harlem. The co-op building appears conspicuously sober next to its disheveled neighbors (several of which are 7-A buildings managed by the city).

Most of the storefronts on Broadway at West 140th Street are occupied, although many of the apartments above the stores appear vacant. The stores that line Broadway here are typical inner-city businesses – mainly service enterprises such as beauty parlors, barber shops, travel agencies, taxi dispatchers, small groceries, game rooms, bars, and fast food restaurants. Commercial

activity appears slow, while groups of seemingly idle men often fill the sidewalks and cluster in front of certain establishments.

One such group of men regularly gathers at the corner of Broadway and West 140th Street, near a bodega on the south side of the intersection and a game room in a converted bar on the north side. Over the past 10 years, these sites in particular and this neighborhood in general have become the turf of Dominican drug dealers. These dealers, as well as many of their customers, arrive daily, as if going to work. As their numbers increase, they tend to gather in front of the doorways and stoops, sometimes near the co-op. Anyone who lives on this block must pass this gauntlet regularly in order to take public transportation, shop, or walk to school.

"They know not to come in front of this building," said Ms. Young, who is in her 70s and now retired. "I'm on the ground floor and I don't want them in front of my window. I let them know, we live here. When I tell them to move, they move. You can call me the policeman of the building."

#### Security

Break-ins were common at 507 West 140th in the late 1970s when the landlord ran the building. So when tenants took over in the early 1980s, they quickly acted to secure the building. "We want to maintain very tight security. Especially – the first priority – security for the children," said Mrs. Lizama, board secretary-treasurer. Tenants improved security without spending much, simply by convincing other residents to be more vigilant about "self-surveillance." Since most residents know each other, enlisting the cooperation of the 15 households was fairly easy, the tenants association found. In addition, several elderly residents who stay home during the day often keep an eye out, and tenants used some of the building's rehab funds to install a more secure front door and intercom system. Residents are urged to keep the front door locked and only admit people they know, who must be buzzed in through the intercom. Moreover, the layout of the building, with a single entry and compact central stairwell, makes it hard to enter or leave the building unnoticed.

While residents reported feeling secure within the building, most expressed concern about security in the neighborhood and doubted that conditions would soon improve. Asked about their relationship with the police, particularly in fighting drug activity, Lillian Young replied, "We're the only clean ones [in the area]. And you have to be careful about what kind of help you ask for. This precinct has been named in the corruption scandal."<sup>[22]</sup>

#### Governance and Resident Participation

Resident participation in the co-op's bi-monthly meetings has generally been high – sometimes about 75 percent. Elections are held annually, and the board is open to any resident who wishes to join, according to Lillian Young. For 10 years, however, Mrs. Young was re-elected as president, although she insisted she was in her last term.

The co-op has faced problems with nonpayment of rent, which has helped to maintain financial stability. One of the most effective tools in ensuring timely rent payment has been the monthly financial report to residents. The report contains the co-op's bank statement and an explanation of the purpose of each check. Attached to this statement, along with general announcements, is the most current rent receipt, which shows who is or isn't paying rent on time. To further ensure against delinquent rent, the co-op seeks residents who do not collect welfare. If a resident

becomes unemployed, the board works out a payment plan. "The premise of the co-op was based on low-income working families," Mrs. Young said.[23] "We would be in big trouble if people couldn't pay rent."

Only twice in 10 years had the board asked residents to raise their rent, by 10 percent each time, just enough to cover costs. The co-op has been able to keep "rents" (i.e. monthly fees) low, in part, because of the low debt service. But OTP staff recommend annual rent increases. UHAB Director Andy Reicher explained, "A small annual increase of 2 to 3 percent every year generates an enormous amount of reserve funds, and it is easier for people to accept." Given the steep escalation of water and sewer charges and looming maintenance expenses, the co-op will have to ask for another hefty rent increase soon.[24]

With this in mind, board vice-president Grace Gooding expressed concern about the co-op's mini-population explosion. In 1967, only one "child" (college age) lived in the building. In 1985, four children lived there. When this research was gathered, there were 11, with several more due. "If people have too many children, they won't be able to afford an increase in rent," she said.

These factors, combined with the imminent (1999) end of the tax abatement period and the completion of mortgage payments, have caused co-op members to think about financial planning and asset management. Some younger residents would like to invest in building improvement and look into buying other neighborhood buildings or starting a trust fund for the children. The board needs to assess the building's condition, learn what financing a capital improvements program would involve, and educate shareholders on the options.

#### Property Management

Board members, who receive no management fee, always look for ways to save money. Some residents help with maintenance work, which helps keep the co-op's monthly charges low. For example, groups of residents wash the hallways when needed. However, as is frequently the case, the same people often end up doing the work.

Not everyone is completely satisfied with the board's management. "We have to deal with resident complaints all of the time," said Juanita Young. "Some people, no matter what you do, or how well you're doing it, are not satisfied." She said the board relies on interpersonal skills to handle conflict.

Tenants received early management training from CLO during the critical pre-acquisition phase. HPD later provided a six-week boiler maintenance class, resulting in three residents who can work on the boiler. CSS brought in UHAB trainers to provide a six-part program, which the original residents attended. Current residents train new tenants by reviewing the lease. Mrs. Young explained that board member training is not needed, "since we don't change members much. We use the rules and regulations as a guide. If we can't resolve a problem, we will bring in someone from HPD or CSS."

#### Resident Profile

At the time of this study, the co-op's 15 units were occupied. Eleven residents were children and three were seniors. Eight households were married-couple families; three were headed by females; adult siblings or roommates lived in three; and one resident was a single male. The median age was 35. Eight households were African American, one family was from Africa, and

five were from the Caribbean. All adults were employed – in such occupations as domestic worker, secretary, chef, computer operator, technician, cab driver, home attendant, carpenter, hospital dispatcher, Head Start coordinator, and manager – or retired.

One resident is pastor of a local church, to which several families belong. Of only three households to recently join the co-op, two moved there, one from New Jersey and the other from Brooklyn, to live near this church. The church stresses community revitalization as part of its mission. Co-op residents, both those who belong to the church and those who don't, demonstrate a commitment to cooperation and participation in collective/civic action. For example, church members frustrated with the poor quality and dangerous conditions of the local public school are planning to build their own.

#### Resident Satisfaction

While neighborhood decline was a concern, residents seemed very satisfied with their living situation.[25] Grace Gooding said that most of the shareholders want to make their apartments livable. "Why invest X dollars in the apartment just to let the city take it back?" she said. "All of the apartments need a lot of work still. There are two options: get with the program or leave. They're not going to leave, since there is nowhere to go. So they fall in. The rent here is comfortable; you would have to pay at least \$700 for an equivalent apartment. That's a major start for young people, especially with young kids."

Several residents described the co-op as "an extended family." Neighbors rely on each other for child care and express a shared sense of responsibility for each other's children. Several parents stressed the importance of strong family values. Many are saving to send their children to college. And, despite the area's problems, nearly everyone spoke of feeling strong ties to the neighborhood and a sense of pride about living in Harlem.

#### Vacancies and Resale Policy

In 10 years, only four of the co-op's units became vacant. In three cases, the residents were elderly. One time, early in the co-op's history, a tenant was removed for selling drugs. This involved a four-year criminal case that reportedly cost residents about \$10,000 in legal fees (paid for with personal savings). Since then, the board said, the building has had no drug problems. To continue avoiding such problem tenants, applicants must be recommended by a co-op resident. Sellers can also suggest replacements. At the time of this study, the co-op already had a waiting list of about 10 people.

The lease contains a strict resale policy. "The number of shares equals the sales price. When a resident wishes to move, the shares are first sold back to the corporation, according to a formula. The seller will receive the amount they paid for their shares, plus interest, times the number of years they have been a shareholder, plus the value of any improvements made that would have increased the market value of the unit, assuming that these were reported and documented at the time," said Mrs. Young.

#### Leadership

Lillian Young's leadership has been critical to the co-op's success. "We know that the programs were put together so fast," she said, "maybe they were not meant to be successful. Just for people to do the best they could. But I won't be a part of a failure. There's no reason for it. There are rules, resources available. Use what is available and plain common sense....Live within the rules and budget guidelines. We look at [the building] as our home and are determined to keep it."

The urgency presented by the crisis of nearly losing their homes helped forge close bonds among the original group of residents and enabled strong leaders to emerge. These leaders are mainly women – praised admiringly by one observer as "heroic defenders of the hearth" – who run the building on a shoestring, as they run their own households. Co-op leaders promote the principles of self-help and working together. Communications are important, and residents share financial and other news frequently. The key, according to Lillian Young, is to "believe in each other; believe in success."

But after a decade as a co-op, a new group of leaders seems ready to emerge. The "younger generation" has new ideas and lots of energy; they see different challenges and want to explore the co-op's meaning further. The older residents are more conservative and want to protect what they've made. The difficulty of such a leadership transition may be the most important challenge facing the co-op residents. Technical assistance providers may provide external guidance, but sustainability will likely depend on residents' ability to create an environment that encourages innovation as well as cooperation and collaboration.

Most members of this West Harlem co-op are making sacrifices in consumption so their children may have a better future, grounded in a solid moral and formal education. But their aspirations have led many of the younger residents into – not out of – this community. They are cultivating a culture of learning and cooperative living that draws on family and social networks deeply rooted in the neighborhood.

### The Elements of Success

What follows is a discussion of the important, parallel elements that emerged from the six successful cases in this report, from NHI's conference, from several meetings with housing experts, and from prior research.

The housing we studied exists in areas where private development is absent. Market forces dictate where development and businesses go. In these low-income and deteriorating neighborhoods, high returns on investment are not feasible. The groups we studied have a different standard of return and are the only players willing to risk the time and money to restore neighborhood housing.

Why did these community organizations and tenants decide to acquire their units? Why did the nonprofit organizations decide to go into the business of rehabilitating endangered apartments and troubled foreclosed housing? An awareness of the motivations of these organizations and resident groups is needed to understand how they succeed.

For CDCs, a deep and abiding commitment to social justice and the improvement of community is imperative. For co-ops, necessity is the mother of invention. For both, the existence of "entrepreneurial leadership" seems essential. Such leadership, combined with strong motivation and the critical ability to deal with a range of unanticipated problems, prepares a community group for its task.

Motivation

### Deep Commitment to Social Justice

The CDC sponsors were activist, often faith-based organizations driven by a long-term vision and commitment to core values, including social justice and saving the community for its residents.

ACORN Housing Corporation (AHC) of Illinois was an outgrowth of a national organizing campaign around bank redlining and HUD disposition policies. ACORN of Illinois, a branch of the national ACORN network, had worked with squatters in Chicago in the early 1980s to take over abandoned buildings and "put pressure on the city to start dealing with low-income housing issues." Later that decade, ACORN decided its advocacy work needed to be accompanied by development, and it established AHC.

Boston's Urban Edge also grew out of a project to fight redlining, a nonprofit real estate brokerage begun in the 1960s by the Ecumenical Social Action Committee. As it evolved, Urban Edge began to take control of run-down, scattered-site properties that no one else was willing to save as low-income housing. Mossik Hacobian, Urban Edge's executive director, has a personal mission identical to Urban Edge's original mission, which helps keep the organization focused.

Atlantis Community Inc. in Denver, well known for its advocacy for the disabled, seeks to launch a tradition of independent living opportunities for people with disabilities. This vision helped propel them into the affordable housing business.

Mercy Housing Inc. (MHI) in Denver was established by a group of women's religious communities and works to provide transitional, supportive rentals and independent rentals. Its main work is with family-oriented developments. MHI believes that members of this targeted population require supportive services that empower them to get out of the cycle of poverty.

The CDCs we studied had origins similar to other successful CDCs. For example, Brooklyn's highly sophisticated St. Nick's CDC is also a church-based organization, founded in 1975 by Monsignor Vetro, pastor of St. Nicholas Roman Catholic Church. St Nick's has evolved into a strong force for neighborhood betterment and preservation, with a staff of 100, a budget near \$20 million, and over 600 housing units that it manages. (Keyes 1992)

### Necessity and Struggle

For the co-op tenants in Harlem and Boston, it appeared that the only way to save, improve, and secure their housing was to take the initiative and acquire the property. In New York City, an uncaring landlord neglected his Harlem apartment building until fed-up tenants finally seized the initiative to convert the building to a co-op. They had to engage in an intense grass roots struggle to survive.

The other co-op we studied, Marksdale Gardens, a 178-unit townhouse complex in Roxbury, was originally developed as a rental by St. Marks Congregational Church. Under Church management, the residents got along, cared about each other, and paid affordable rents. But the project was poorly managed, and by 1978 it faced serious financial difficulty, with the church more than \$1 million behind in mortgage payments. HUD took possession of the project and started foreclosure proceedings. HUD also brought in management companies that were insensitive to residents and staff and failed to properly screen new tenants and make needed

repairs. The project began to fall apart, until tenants, led by Minnie Clark, struggled to turn it around as a co-op. Residents acquired Marksdale, on the verge of being resold by HUD, in 1984 and began self-management in 1988.

Tenants in the New York City and Boston co-ops were involved in tough, protracted struggles, against an uncaring slumlord in one case and government bureaucrats in another. Long-term success of co-ops is often correlated with this kind of struggle. In his comprehensive study of New York City co-ops, Ron Lawson found that the process of converting run-down apartments to co-op ownership works best when tenants take the initiative and develop group cohesion during a struggle to save their building. Lawson found that strong co-op organizations were often fostered by rent strikes prior to tenants taking over their buildings.

At the opposite extreme to pre-co-op joint struggle—a situation where a well-meaning outside sponsor chose to save a troubled building, expecting later to organize the tenants and persuade them of the value of co-op ownership—success was much less likely. This was the case with six of the eight buildings that Lawson examined that failed to become co-ops.

Co-ops that succeed through joint struggle provide valuable lessons for the future. When co-ops form as a result of a grassroots struggle—a squatters' action, a rent strike—residents appear to develop a shared vision, group cohesion, group decision-making skills, and self-confidence. The period of struggle is also a time for leaders to emerge and mature. One of the early leaders of the New York City co-op movement argued, in retrospect, that "if tenants have a long history of problems and it has prompted the emergence of internal leadership, this is important to ultimate success as a co-op." (Shur 1980)

#### Entrepreneurial Leadership

While some might consider community-based nonprofits and low-income co-ops the least likely candidates to succeed in the formidable challenge of saving low-income housing, our case studies prove just the opposite. That is because the organizations we studied have at least one dynamic, innovative leader who is not only hard-working but also savvy, like a successful small-business entrepreneur.

Calling these leaders entrepreneurs may surprise or unnerve affordable housing activists. Entrepreneurs are usually associated with private business. But these groups are in business—the business of saving affordable housing. This requires business skills including real estate finance, rehabilitation, and marketing. Further, an entrepreneur is defined as a person who uses resources in new ways to maximize productivity and effectiveness, according to J.B. Say, the French economist who coined the term. The leaders in this case study certainly fit that definition.

People described as "urban entrepreneurs" have played differing roles in the history of urban America. The individuals who lead the CDCs and co-ops in our case studies are part of this long tradition. In the early 1900s, urban entrepreneurs predicted and participated in the industrial growth of the city. In the 1970s and 1980s, they helped shape our post-industrial urban centers. The entrepreneurs that NHI studied, through their efforts to provide stable low- and moderate-income housing, contribute to a renewed confidence in cities in general and their communities in particular.

These urban entrepreneurs demonstrate a rare skill in bringing together disparate segments of society. They operate as "producers," mobilizing the participants, motivating other members of the community, and attracting capital to their communities. They are likely to initiate "booster" type strategies to attract others in an effort to accelerate growth or revival and increase the value of their own investment. Where this type of entrepreneurial leadership and commitment is present, government policy should ensure that groups have access to the money and technical assistance needed to help create or restore safe, decent affordable housing and make their cities more hospitable to capital investment, consumer confidence, and the poor and an aspiring new middle class.

#### Managing and Limiting Risk

Peter Drucker, the sage of management theory, tells a story of a symposium on entrepreneurship that he once attended. The papers presented disagreed on everything except the characterization of the "entrepreneurial personality" as having a "propensity for risk-taking."

Drucker, who was asked to comment on the papers, said he was baffled by this consensus. "I think I know as many successful innovators and entrepreneurs as anyone, beginning with myself. I have never come across an 'entrepreneurial personality.' The successful ones I know all have, however, one thing-and only one thing-in common: they are not risk-takers. They try to define the risks they have to take and to minimize them as much as possible. Otherwise, none of us could have succeeded."

Drucker defines successful entrepreneurs as people who "systematically analyze the sources of innovative opportunity, then pinpoint[s] the opportunity and exploit it." This ability is necessary to accomplish the complex task of saving affordable housing, especially with the unforeseen problems that will necessarily emerge.[26] The leaders in our study also demonstrated this propensity. They are usually the only ones interested in trying to save the neighborhoods and buildings.

No one was interested in the Grace apartments (then called Le Baron) in Denver because the buildings were run down and in a bad neighborhood. Mercy Housing did some quick pro formas and challenged the building's high appraisal. When the sales price dropped dramatically after an incident drew negative publicity to the area, MHI's financial consultant Ken Hoagland recalls, "It seemed like such a good deal, Mercy couldn't not buy it." Although the Colorado Housing and Finance Agency tried to convince Mercy not to buy the property and refused to finance it, the group went ahead with the purchase. Mercy quickly ran into trouble, but, like other successful entrepreneurs, defined the risks and then took steps to minimize risks and maximize opportunities.

#### Effective Leadership

The ability to reduce risk says something about the leaders we studied. Yet it does not necessarily demonstrate a certain personality type, as noted above. It has become conventional wisdom that effective leaders possess a common style. The successful groups we studied, however, have leaders with varying styles.

Mossik Hacobian of Urban Edge is a highly respected, smart, determined, and dedicated professional. You might call him a democratic empowerer. He encourages the exchange of ideas and debate at board meetings and is always looking to support good ideas that go along with the

vision and mission of Urban Edge. His general philosophy is to empower the residents and community using encouragement and support from Urban Edge. Although Urban Edge has faced its share of obstacles, Hacobian has successfully integrated all the "empowerment" rhetoric into positive action.

Minnie Clark of Marksdale is a patient and benevolent dictator. "She rules with an iron hand," said one close observer. "She's very smart, doesn't let anything get out of her control. Minnie doesn't take anything for granted, she wants to make sure everything is in good shape." Clark is very soft-spoken, the associate said, and her calm demeanor rubs off on other people. She sits and listens, and then tells people what she wants. She will not make a rash decision. She doesn't let things get to the point where she loses control. She's a positive influence and a cautious thinker.

Clark's contributions evoke impassioned tributes from her neighbors and co-workers. "She's virtually fearless," Sandra Jenkins said. "You don't say to her 'you can't do this'-that's what people said to them [the resident organizers]. Especially because they were all 'girls'-and girls with no experience." Jenkins continued, "She's really committed, and not just to Marksdale, but to the community. ...She's more than the president of the board; she ends up being the friend, the surrogate mother, the person who helps fix problems."

In his writings on the King-Garvey project in San Francisco, Langley Keyes discusses Carmen Johnson, the dedicated leader who has helped make the project a success. Through the force of her personality, her relationship with the local police station and the court system, and the respect she has among residents, Ms. Johnson was able to turn an endangered project around and even drive drug dealers from the development. On Johnson's style, Keyes writes, "Friendly and low-key, Ms. Johnson is not the 'charismatic' type. She does not command a powerful rhetorical style nor take center stage when talking to a group of people. Yet ... it is obvious that she is a force to be reckoned with. She is a manager who knows her project and is out walking the development and talking with people all the time...."

What Johnson, Clark, Hacobian, and other effective leaders of community-based housing share, rather than similar personalities, is a deep conviction in and a smart approach to their work. They make their commitment a reality through sheer hard work and by gaining widespread respect among those involved. They are savvy, tenacious, pragmatic, results-oriented, and customer-sensitive. They often possess technical skills. They solve problems through trial and error and quickly learn from their mistakes. They are also highly skilled at conflict resolution, and they encourage a sense of community and involve residents in decision-making. These entrepreneurs are able to access technical assistance and other resources, use resources in new ways, and benefit from long-standing relationships with consultants. Many play an active role as affordable-housing advocates and seek opportunities to share information, learn from others, and help shape housing initiatives, both locally and in the broader community. While these common practices vary in degree from case to case, and may not all be necessary in every case, they are links that have helped the projects we studied progress.

#### Technical Skill

Leaders who possess some of the technical skill associated with housing rehab and management are an essential element of success, this study and previous research have found.

Neil S. Mayer's study, *Neighborhood Organizations and Community Development, Making Revitalization Work*, which evaluated 100 neighborhood development organizations in urban areas, reported that all had participated in the HUD Neighborhood Self-Help Program in 1980. Their activities focused primarily on housing construction and rehabilitation, commercial rehabilitation, new business start-ups, and business assistance. The study, like ours, attempted to evaluate what conditions and factors contributed to successful community. Mayer found that one of the most significant contributors to good performance is a skilled executive director who, while not necessarily an expert, is familiar with community economic development.

Likewise, Keyes found that executive directors who had experience as housing practitioners and held positions at the state and city levels in jobs related to community development were important to success. One executive director, Keyes found, was well versed in the complexity of Boston's political institutions, having worked previously for the Boston Redevelopment Authority.

This was also true in our study. Marksdale's Minnie Clark, for example, had a background in property management and had related skills from her work with a tenants' rights organization as well as previous employment with two Boston property management firms. Mossik Hacobian joined Urban Edge in 1978 and eventually became Executive Director. Hacobian had studied architecture at Columbia in 1964, and had worked in housing rehab and as a community organizer.

ACORN Housing Corporation's experience in Chicago shows what can happen when some critical technical skills are lacking. The organization was inexperienced in rehabilitation contracting, and found that this affected the quality of the houses it was selling and drove up costs. AHC subsequently hired an architect to write rehab specifications to make the contracting process more precise, and a construction specialist to oversee the contractors.

#### Adaptability-Learning from Trial and Error

ACORN Housing Corporation learned from its mistakes, which is typical of an entrepreneurial approach. The leaders all exhibited the capacity for learning, through their pragmatism, use of trial and error, and awareness of changing conditions in the surrounding environment.

AHC was committed to using homesteaders as a rehab labor pool, but found that this limited the number of houses that it could rehab, caused uneven quality of the work, and actually drove up costs by extending the construction process. In spite of its intense belief in using "sweat equity" to strengthen the homesteaders' commitment, AHC significantly scaled back that aspect of the program in favor of a more professional approach that used experienced staff overseeing outside contractors.

Mercy Housing has also overcome early mistakes and achieved success through trial and error. At the outset, Mercy appeared to be doing everything wrong. When Mercy acquired the Grace (then LeBaron) complex, the building was in a poor shape, in a crime-infested neighborhood, and in need of substantial rehab. Then, after reconfiguring the units, Mercy discovered it had created more two-bedroom units than its target market could support, and not enough three- and four-bedroom units. The organization had not understood its market, and had underestimated the

need for security. Yet Mercy leaders raised money, reorganized, and reduced the risks by changing tenant selection and on-site management practices.

Atlantis Community Inc., with its deep commitment to the disabled, tried hiring one of its disabled clients to clean vacant units at its New Heritage project. When the client turned out to be unreliable, Atlantis went back to contracting for that service. Hiring a cleaning service cost more than hiring a client and strayed from the organization's ideology, but Atlantis needed vacant units cleaned promptly so they could be rented.

#### Creating a Shared Vision

Most of the leaders in this study demonstrate an ability to inculcate a shared vision among all those engaged in their attempt to save affordable housing. They work to get all involved parties focused on what they have in common, rather than on what divides them.

To describe this process in the case of the Dorchester Bay Community Development Corporation, Langley Keyes uses the metaphor of lenses, through which different parties see the world, converging into one clear image. At Dorchester Bay, there is a shared sense of appropriate roles for the board and staff, as well as a convergence of goals and purpose among the board, the executive director, the managing entities, and the tenants themselves.

The "shared vision" of St. Nicholas Neighborhood Preservation Corporation (St. Nick's), a CDC studied by Keyes, comes from the organization's unity around a set of community objectives. To maximize the likelihood of a shared vision, St. Nick's, which is both manager and owner of its residential properties, employs a tenant relations specialist to act as the bridge between tenants and management. While some conflicts do exist between management and tenants, St. Nick's now has a solid track record of uniting all parties.

Leaders of the projects in our study also work to unite those involved. At Urban Edge the players move beyond housing and view the community in a holistic way. Urban Edge attacks problems involving youth, security, jobs, housing, and social services. This requires leaders with vision and staff dedicated to achieving the organization's goals.

Urban Edge sustains this vision by looking for board members committed to the mission of the organization. Urban Edge is committed to diversity, affirmative action, and affordable housing. Urban Edge only recruits board members committed to these broad goals. Within that framework, however, there is much room for disagreement and debate. To reinforce its vision, in 1994 Urban Edge added a one-hour workshop before board meetings, to discuss in-depth topics such as property management, diversity plans, Urban Edge's history and accomplishments, the demographics of its service area, and what these demographics say in terms of policy-making and program design. The focus on vision and substance at board meetings helps Urban Edge attract members willing to make a serious time commitment. This vision also helps the staff avoid discouragement and contributes to keeping experienced, competent employees.

AHC involves its homesteaders in a continuum of training activities that communicate its vision of neighborhood improvement. Homesteaders are involved in pre- and post-purchase counseling and sweat equity rehab, and are recruited to join The Homebuyers Club that works to improve the neighborhood.

Most of the residents of the New York City and Boston co-ops also seemed to share the vision of their leadership. As in other successful projects, the example of these leaders and tenants shows that the more widespread the shared vision, the more likely the project will succeed.

#### Building Resident Participation, Self-Help, and a Sense of Community

Just as important to reinforcing a shared vision among residents and management is the idea of resident participation in decision-making. Most successful CDCs appear to believe strongly in the need for cooperation among owners, tenants, and management. Experience has shown that it is best for rental housing when on-site resident-managers act as a bridge between the residents and the owners or management company.

Some CDCs go further and encourage participation by forming tenant organizations. These often have high participation rates by tenants. At the Dorchester Bay CDC, for example, tenants play a significant role in running the buildings and have been vocal about management firms that have run the developments. (Keyes 1992)

Of the projects in this study, Urban Edge appears to take its commitment to resident participation furthest. Urban Edge encourages residents to be as involved and active as possible in all decisions that affect their homes and neighborhood. Before approaching HUD with its proposal to rehab the Bancroft property, Urban Edge consulted residents to develop a proposal that reflected their needs.

Urban Edge's tenants council is made up of representatives of its various developments, organized with help from Urban Edge's Community Services division. Residents also participate in community action campaigns, such as the anti-crime "Take Back the Streets Campaign." In addition, Urban Edge arranges meetings with resident. But obtaining resident participation is not easy, and few tenants usually attend.

Encouraging resident participation also requires training for oversight and conflict resolution, in order to work through unresolved problems. Urban Edge also recognizes the need to provide for ongoing training for residents, especially for new members who need orientation.

Urban Edge's long-term goal is for a majority of the board to consist of residents. The board often reaches decisions by consensus, so people come prepared to talk and have ideas aired. As Hacobian said, "It's a good way for people to try out their ideas in an open exchange, see how the ideas fare; and hopefully, the best ones will survive and we'll learn through each other."

St. Nick's, another CDC on which Langley Keyes reported, also takes resident involvement further with its "unique blend of traditional management skills and a strong grassroots community organizing component-the tenant relations specialists. The combination results from the historic existence within the organization of both community organizing and in-house management skills. The management and organizing arms of the group have come together in a synergistic way."

Management of St. Nick's housing is personal. While the coordinator of property management may not know each resident by name, she said she recognizes all of her nearly 600 tenants. She

sees the tenant organizations in each building as "critical" to her success as a manager. There is a historical, underlying presumption of management and tenants being on the same side because of St. Nick's grassroots origins. Both sides need each other to keep the buildings safe and protected.

"While the solidity of the tenant organizations varies from building to building, each has a tenant relations specialist (TRS) who works with the tenants not only on issues of organization but also to connect them with social services on a retail basis. The TRS plays the critical role-part advocate, part manager, part organizer, and part social service worker," Keyes wrote.

For low-income co-ops, tenant participation is just as important. Tenants of the Marksdale and New York City co-ops are automatically co-op members. While they attend board meetings in varying numbers, depending on the issues, the boards have little turnover in membership. Yet the long-term commitment of board members has the advantage of encouraging respect, good teamwork, and consensus decisions.

Marksdale's board members, who meet monthly and oversee all management decisions, encourage resident participation in annual elections to choose board members. A nominating committee reaches out to see who may be interested in serving on the board, and during elections people can nominate from the floor.

Marksdale's Sandra Jenkins described how the board makes decisions, which reflects the style of the New York City co-op as well: "We sit and talk to each other....until we come to a consensus. We don't have a group of people that jump up and down or are intolerant of people who don't agree with them. One time we couldn't agree and just decided to table it until the next meeting. We know each other really well and respect each other. There's no need to push your point because Suzy over there is going to take over the floor. It's a very comfortable situation, and that's a big part of why we work so well together."

Marksdale also conducts annual membership meetings. "Resident turnout at meetings varies depending on the issue," said assistant site manager Pam Carter. "You get the same crowd at the annual meetings, about 30 to 40 people....It's never what you want, but you take what you can get."

In their efforts to reach out to residents, co-op staff circulate a newsletter and notices of upcoming votes. However, most communications are informal, made when residents call or visit the office to report needed repairs or pay rent.

Despite the lack of member participation at times, residents interviewed seemed satisfied with the way Marksdale was running and made the usual polite excuses about why they were not involved in community activities. When it comes to security, however, resident participation certainly pays off. According to Minnie Clark, "People kind of network. We send out a notice if there is a suspicious character, or event. ...They call and say 'be on the look-out, there's someone around.'" The comments of residents interviewed confirm this aspect of resident involvement. "As a development, we try to keep it all [crime and drugs] out of here. You see strange people around there and you know they don't live around here. You keep your eyes open," said one resident.

For Atlantis, tenant participation means allowing residents easy access to the property manager, program manager, and director, and plenty of opportunity to voice their opinions. Residents who have complaints or are looking for information can find the resident manager at home most of the time.

Building resident participation also involves encouraging self help and a sense of community responsibility. Although self help is very difficult to bring about, many organizers of successful projects believe in the idea, both as a cost-saving technique and as a way to develop a spirit of cooperation and community responsibility.

In our successful projects, many residents help keep their place in good condition, confirming the notion that people take better care of their developments when they feel they have a stake in them. Residents help with security, trash pickup, minor repairs, and reducing expenses.

ACORN Housing Corporation's sweat equity requirement acts as a self-selection process—appealing to those willing to engage in self-help efforts. It also gives potential homesteaders the opportunity to learn more about the organization, the land trust, the requirements of the lease-purchase commitment, and in general what they are getting into. After the approximately six-month sweat equity period, the homesteader is informed and much better prepared to participate in the program than a tenant who simply signs a lease and moves in.

Urban Edge's efforts to foster a sense of responsibility among tenants is summed up in this way by one of its managers: "There's lots of wear and tear on these units, even if the tenants are good housekeepers. We challenge our tenants to be responsible for any damages.... When tenants realize they are partly responsible for maintaining their apartments, they take better care."

The staff at Marksdale keep people informed about what they can do by sending out flyers. Marksdale residents were quite conscious of the need to conserve water to keep costs down. Although water and sewer charges have increased, water usage has declined. As a Marksdale board member said, "All of us live here, and so it's in our interest to keep the cost down. You're the one left holding the bag."

This shared sense of ownership was conveyed by a resident this way: "If you see a person working in their yard on a nice day, you'll see other people getting out there. That's one of the things you need for a co-op to work."

Another resident remarked, "Call me the guard; if I see anyone doing something wrong I correct them. I'm very conscious about how the yards look, even in the winter. If someone throws trash down, I tell them to pick it up. The same with people with dogs, I tell them to use a pooper scooper."

"We try to get residents to do as much as possible for themselves," Minnie Clark said. "For example, cut their grass, except for the elderly, handicapped or disabled. We also encourage people to upgrade their interior; we provide the labor if they supply the materials. We have said

to people, especially those who pay market rent, if they can't afford the materials, we'll pay and add the cost to the monthly carrying charges."

Clark added, "We'll do it for the elderly who can't afford it, just because we think it's needed." Marksdale residents also make informal arrangements to help elderly members get to meetings, or to at least send them copies of the minutes afterwards. This pitching in by residents and staff at Marksdale and the other projects we studied helps build the sense of community and willingness to help each other.

The sense of community is built in many other ways. For example, most of the disabled residents at Atlantis's New Heritage project are clients, and many have worked as volunteers in the office. Some were also members of Americans Disabled for Attendant Programs Today (ADAPT), the organization's national advocacy group. A few ADAPT members moved to Denver from other parts of the country specifically to live at New Heritage. And at Marksdale and the New York City co-op, church connections contribute to the high degree of social cohesion. Leaders and staff build on a foundation of existing family, church, and social networks in the neighborhood.

Some of the groups in our study, however, have had problems trying to turn the goals of resident participation, self help, and community building into reality. A scattered site housing program such as ACORN Housing Corporation's, for example, is not conducive to creating a sense of community. In addition, the experience with self help rehab proved cumbersome and caused serious delays. AHC has tried to adapt to the situation by retaining a scaled-down version of sweat equity designed to enhance homesteaders' sense of community.

At MHI's Grace complex, the sense of community also seemed underdeveloped. Yet the leaders recognized the initial need to invest in people-rather than in rehab or the latest security system-and took steps to improve the situation. Mercy tries to encourage community spirit by holding resident meetings. Even with less than half the residents participating, the effort appears to be paying off. The sense of community is growing among tenants; according to one staff member, parties are well attended, and residents smile at each other in the halls.

Networking with Other Groups, Neighborhood Institutions, and Consultants

Successful rehab and management of affordable housing requires leaders capable of establishing good working relationships with all potentially helpful parties. Good leaders understand, or quickly learn, the importance of reaching out to other groups. These include individuals and institutions at the neighborhood, city, state, and even national levels.

Many institutions and groups can be important assets to community groups in their work of saving affordable housing. Among these groups are churches; neighborhood associations or crime watches; police departments, especially community policing divisions; technical assistance providers; and advocacy organizations. There are countless other organizations that can help a community-based organization build its capacity to run subsidized housing. The ability to reach out to this network is vital, and failure to bond with other institutions is often fatal.

Nonprofit housing sponsors, unfortunately, have a history of failing to exploit all potential help and leverage other people's experience. In Lawson's study of New York City co-ops, he found that, rather than building ties to the tenant movement, many co-ops became increasingly isolated.

Although 36 fledgling co-ops initially had ties to community organizations, which often acted as their sponsors, only 10 reported the continued presence of such ties by 1983. Lawson also found that most weak co-ops became isolated not only from their sponsors but from other low-income co-ops as well. Indeed, few co-ops he studied are in contact with one another—even those with the same sponsor. The weak co-ops stand alone, devoting their energies to mere survival.

Each of our housing groups, by contrast, found themselves nested in an array of organizations and institutions that helped them progress. The leaders of Marksdale and Urban Edge, for example, are active in the Boston housing community, and seek out opportunities to share information and learn from others. Both projects also were influenced by and helped shape housing initiatives in the broader community. As Keyes also found when he studied successful groups like the Dorchester Bay CDC, most of our groups were a part of a complex "ecology of institutions" bound together by formal and informal ties. These informal connections and relationships can be difficult to conceptualize and articulate. Successful groups invest the time and energy to become aware of all the possible institutions and people who can help and reach out to pull these networks together.

The most important relationship is the one developed with a group or individual who provides ongoing technical assistance. Lawson found that the failure to procure technical assistance to train the New York City co-op tenants in management inhibited the formation of strong organizations. In co-ops that failed, tenants were not well organized or informed about proper maintenance of the building and concern for other tenants. Some tenants, including the chairman of one tenants' association, were willfully delinquent in rent. Others were purposely disruptive. The success of some co-ops was totally dependent on a few staff people from the sponsoring corporations, which provided little or no education on general cooperative principles and procedures. The board of directors often functioned only perfunctorily—signing checks, etc. Work was done "for the tenants" and, with the exception of one or two individuals, no significant number of tenants were involved.

Both Marksdale and Urban Edge were able to access and maintain long-standing relationships with consultants. Almost immediately after beginning, Marksdale retained Michael Gondek, executive director of the Community Economic Development Assistance Corporation (CEDAC), as development consultant. Since then, Gondek has met with the board president weekly to review the budget and other matters such as needed improvements, funding sources, tax issues, and ways to save money.

ACORN Housing Corporation's success has been enhanced by its relationship with the Chicago Rehab Network and its recent connection to LISC, which will help improve its property management capacity. And MHI worked closely with consultants to put together the financial package, improve management, and encourage greater tenant involvement.

The groups we studied learned to build a level of trust among agents and organizations in the community. This trust comes from informal and personal relationships, as well as formal agreements, that have helped their projects succeed.

Financing and Entrepreneurial Spirit

All the groups we studied understood that the major problem facing low-income housing projects is the need for money. Nothing better illustrates the entrepreneurial spirit of these groups than the way they pieced together financing for acquisition and rehab.

The sponsors in our case studies were all undercapitalized, yet they were able to access complex public and private funding sources. They were capable of assembling and layering financing from multiple sources and tailoring the funding to fit their needs. The way these groups arranged the financing necessary to acquire and rehab their buildings can best be described as "creative scrounging," which refers to piecing deals together through complex financing arrangements with legal entanglements and long time-frames.

To achieve affordability in under-funded housing developments, capital is, in the words of Bratt et al.,[27] "spliced together with other subsidies and sources of financing in a melange of grants and loans, the complexity of which would make private, for-profit developers cringe." Such "creative scrounging" is integral to the entrepreneurial spirit.

For example, the actual purchase price of the Atlantis organization's New Heritage property was \$100,000. Rehab cost \$375,127, with another \$32,511 in soft costs, including the developer's fee, bringing the total to nearly \$15,000 per unit. CHFA provided permanent financing and capitalized the rehab costs into the first mortgage. Gap financing came from the Federal Home Loan Bank Affordable Housing Program, the state Division of Housing, and the city's rental rehab program and Skyline trust fund.

To buy their building, 80 percent of Marksdale tenants had to agree to the plan and have two month's market rent in place. Since not all the tenants could come up with this kind of cash, the Episcopal City Mission Urban Buyers Fund supplied seed money with a forgivable loan of \$40,000.

Marksdale relied on HUD and National Cooperative Bank loans, guaranteed by a 15-year project-based Section 8 contract. Marksdale leaders at first tried, unsuccessfully, to obtain loans from several local banks. Because HUD never owned Marksdale, the FHA insurance fund could not finance the rehab. Marksdale had to use its Section 8 contract as a guaranty and shop for subsidy. Marksdale has a blanket appropriation of project-based Section 8 certificates, for which about half of the residents are eligible. HUD, which sets the subsidized rents annually, agreed to pay all past due real estate taxes as well as absorb the amount in arrears from the original mortgage of \$2.4 million.

ACORN Housing Corporation could not have acquired properties and paid for pre-development costs without access to a source of readily available cash that was not dedicated to a specific property with an identified buyer. However, the group managed to negotiate a \$200,000 line of credit from Bell Federal Savings Bank.

#### Other Key Organizational and Leadership Qualities

Certain elements about the groups we studied seemed important, but, due to the limits of our study, we were unable to explore all of these in detail. Nonetheless, we think they are important to note.

### Customer-Driven Attitude

The CDCs and co-ops are "customer driven," meaning their leaders feel accountable to their customers, the residents. They interact with residents with the knowledge that these residents could take their business elsewhere, and they regularly seek comments from their residents. A good example of this is how Mercy Housing Inc. reached out to its original tenants who were concerned about the building and about to move out.

### Project-Driven Strategies

Most of the organizations in our study look for development opportunities wherever they might occur. Urban Edge, for example, aggressively seeks funding for needed programs and brings in boards with members who are experienced in development, finance, property management, and community youth programs. Hacobian explained, "Anytime there's a new program area that looks like it's going to be around awhile, we try to recruit a board member for that. .... We are about to reconstitute one of our committees to...focus on community services activities and youth programs."

### Innovation

The groups we studied often employed innovative practices. Urban Edge, for example, organized into two separate corporations: the Urban Edge Housing Corporation, the main organization, a tax-exempt nonprofit; and Urban Edge Property Management, also a nonprofit but not tax exempt. ACORN Housing Corporation developed an innovative financing mechanism previously nonexistent in the marketplace by convincing Fannie Mae to tailor its underwriting criteria to meet homesteaders' needs. Local banks could then write the mortgages and be able to sell them to Fannie Mae.

### Ability to Reduce and Resolve Disputes

The ability to reduce and resolve disputes is another way the groups we studied minimized risks. This is especially important for co-ops. Lawson found that the frequency of serious internal conflict was greater among weaker co-ops, causing leadership burnout, nonpayment of rents and bills, lingering indecision, reduced involvement, and collapse of the organization.

Leaders of the co-ops we studied in New York and Boston are adept at minimizing and resolving disputes amicably. AHC exhibits a unique ability to develop relationships with institutions, including some with which ACORN was previously in conflict.

### Management Practices that Preserve Affordable Housing

Rental property management is a distinct profession and a difficult task under normal circumstances. Low-income occupancy just increases the challenges. Ignoring or failing to understand the importance of good management is fatal, according to Ron Lawson. He found that tenants and community organizations typically focus on acquisition and rehabilitation, while the crucial, ongoing importance of management is not understood. The groups NHI studied, on the other hand, all had technical assistance or a strong, professional manager to back up on-site or tenant control.

### Professional Skilled Management: Self Management vs. Contracting Out

Although each group we studied was committed to the concept of self management, all were distinguished by their commitment to establishing professional, skilled property management. How they successfully resolved these two important objectives is instructive and key to each project's success.

Some nonprofits opt for self-management, while others contract with outside management. Self managers focus on providing the care, concern, and empathy of the community-based manager, which is what makes nonprofit-sponsored housing much different from for-profit housing. Others assert that community sponsors are likely to become too preoccupied with the needs of individual tenants and lose sight of the bottom line. Critics of self management also argue that management of low-income rentals is just too complex for nonprofits.

Our case studies highlight examples of sponsors determined to keep the management function within their control, but who also recognized the need to employ skilled professionals.

Urban Edge has from the beginning been determined to retain day-to-day control of the management of its properties, while still insisting on sound management. With a portfolio that includes 475 units in 10 developments, ranging in size from six to 183 units, that goal is vitally important.

Urban Edge has established a successful, sound management system by using an outside company that works alongside the Urban Edge staff and teaches them professional management skills. The Community Builders (TCB), a nonprofit organization established 20 years ago, sometimes serves as managing agent and sometimes as consultant. (Urban Edge's unique system may not be replicable without a management company like The Community Builders, a unique operation itself.) Currently, the property management operation is structured almost as a co-manager relationship, with TCB teaching management skills and developing systems that Urban Edge will adopt.

To professionalize its management operation, Urban Edge set up a separate entity-Urban Edge Property Management-and hired experienced leaders to oversee its 50 staff members. Jack Geary of Urban Edge Property Management is former assistant director of the San Francisco Housing Authority and was previously a property manager at the Boston Housing Authority (BHA). Twenty five percent of the property management staff are also residents in Urban Edge's developments.

Urban Edge's approach to training these residents stands out as an exception among nonprofit, community-based housing managers. For most of the New York City co-ops in Ron Lawson's study, there was little training of the residents by sponsors-only 11 of 38 co-ops with external sponsors reported even minimal management training.

At the Marksdale co-op in Boston, which is now self-managed, the group brought in Michael Gondek of the highly respected Community Economic Development Assistance Corporation (CEDAC). The co-op has benefited from this long-standing relationship, which includes weekly meetings between Gondek and the board president. The board has developed a consistent and

competent management system that relies on six professional staff members, supervised by the co-op president, who is paid part time.

Marksdale began self-management in 1988, after four years of management by outside professionals, as required by HUD and the National Cooperative Bank. Marksdale's prime motivation in switching to self management was to reduce operating costs.

MHI achieved sound professional management at Grace Apartments after its initial attempt to take control of the project failed. The combined effects of restructuring its management function and hiring an experienced on-site manager—who has over 11 years of experience managing low-income housing—stabilized the tenant population. The restructuring created Mercy Services Corporation, a separate entity designed to ensure high-quality, long-term property management for all MHI complexes.

Atlantis relies on a hybrid management structure similar to Urban Edge's. Atlantis contracted with Faith Management to provide property management services and training to Atlantis staff for the first two years of operations. Wanting to retain management skills in-house, Atlantis received a foundation grant to help pay for this management training. The hiring of an experienced on-site manager also improved management at New Heritage.

The successful King-Garvey project, studied by Keyes, is managed by a major private manager and owner of subsidized housing. The on-site manager is Carmen Johnson, an extraordinary woman with a rare combination of courage, commitment, street smarts, and professional skills. The management company provides backup and support for Johnson and other staff.

On the question of what management approach is best, we would generally agree with the conclusions of Bratt et al.:

Most knowledgeable observers agree there is no universally right answer as to whether or not housing sponsors should manage their property. What matters is that the owner's decision is based upon careful analysis. The LISC Guide to Comprehensive Property Management provides a thoughtful overview of the pros and cons of self-management. Briefly, these include: consideration of the organization's goals (i.e., does it see itself as in the housing business or in the advocacy and service business); the number of units owned; the operating budgets of the properties; the experience and availability of its own staff; the availability of good outside management; and the neighborhood context of the development.

Some community-based sponsors still hold the view that property management generates "real money" which can be plowed back into the nonprofit organization. The evidence indicates that while there are good reasons for a nonprofit to self-manage, the management fee as a source of revenue is not one of them....

While most knowledgeable observers agree there is no right answer, there are strongly held views in the field as to which option is preferable. Many nonprofit sponsors...argue that they will care more about the development than an outside manager and will therefore do a better job of running it. The property is in their neighborhood; it houses people their organization serves. Self-

management allows the owner to keep in close touch with area residents, and provides both visibility and an opportunity to hire local residents. Unlike the private manager who is pulled in many directions by the multiple owners of its portfolio, the self-manager can simply "take care of its own."

Those who favor outside management are usually spokespersons for organizations involved in the financing of nonprofit sponsored housing. They emphasize the understanding of and specialization in technicalities that an experienced professional firm can offer. These spokespersons emphasize economies of scale and the difficulty of mounting an effective self-management operation with insufficient numbers-the "threshold" argument: that below a certain number-250, 500, 750 units-the "numbers simply don't work."

....To a great extent, the ability of a nonprofit housing sponsor to influence the quality of the management carried out in its buildings is determined by its choice of and influence over its management agent. How the sponsor deals with the inside/outside issue is one indicator of its efforts to gain that control and to strive toward professionalism."

## Elements of Good Management

### Screening and Tenant Selection: Who Gets In And Why?

Demand for subsidized housing has always exceeded the supply. How did our groups determine who among the income-eligible gets in? To some extent, tenant selection is dictated by government agencies-state housing finance agencies, housing authorities, or HUD. Within those regulatory confines, it's fair to say that most groups favor employed tenants over unemployed or those receiving public assistance, see job-holders as leaders and role models, and think it important not to over-concentrate the poorest of the poor.

Because of the tight housing market for low-income households, there is great pressure to take those with the greatest need-such as homeless families from a shelter. Subsidized housing is always under close scrutiny by other housing advocates who push for housing for very low-income families. Successful projects, claiming that accepting tenants wholesale without careful review of each family only leads to trouble, seem to be able to resist the pressure to take too many troubled tenants.

One thing is clear. The screening in these projects is a lot more intense than in public housing, and all the groups in this study took the screening process very seriously, looking at such criteria as past conduct of prospective tenants.

While Urban Edge has a little more latitude to evict people and keep them out if they're causing problems, it faces the same dilemmas all apartment managers face. An example is the ambivalent attitude residents have regarding tough screening and eviction. As one of the managers said, "Everybody wants you to be tough until you're tough with the person they don't want you to be tough with." Urban Edge tries to be consistent and balanced. The staff primarily looks at ability to pay and any criminal record that may exist. The Massachusetts Housing Finance Agency

(MHFA) will support the rejection of a tenant if one can do a "reasonable" job of documenting a problem.

But Urban Edge does take risks that private owners would not. For example, the organization works with the Latino Health Center and accepts some HIV-positive, former drug users as tenants. Urban Edge takes these risks because it is committed to helping this population.

Urban Edge, with a turnover rate of about 7 to 10 percent annually, tries to place working families in many of the units. As one staff member recalled, "I remember growing up in public housing; you might have a couple of people who weren't working but you had firemen, cops, city workers, and you saw your neighbors going to work. That's changed a lot. My sense is that in properties like Urban Edge, it's more like the real world, as opposed to just generations after generations of people not feeling as though they have the skills to go out and get a job."

The tenant selection process at Marksdale is rigorous, and heavily depends on Minnie Clark. She hand-picks tenants, and looks for working families with two parents. Clark also looks for stability in potential residents. "People move around a lot. [We] look at how many places they lived. We look at need and try to look at mix, age-wise, without discriminating." The development also has a mixture of Section 8 and market-rate households.

Marksdale fill its vacancies from a waiting list. The tenant selection process involves a credit check and landlord references. Clark and another board member may also do a home visit, and Clark conducts at least one interview with the family in the co-op office. "We sit down with the whole family, get to know them, their lifestyle, whether they leave their children unattended after school. Since we try to do it on weekends, so that some board members can sit in, the staff is usually gone," Clark explained. According to one resident, if a child is not sitting still in his or her seat during the interview, Clark will reject the application. She looks for a certain type of family that values discipline and education. (Many of the kids who grew up in Marksdale went on to good colleges.)

During the intake interview, the family is thoroughly introduced to the concept of co-op housing and what is expected of members. Tenants get a copy of a handbook explaining the rules, what a co-op is, and the history of the Marksdale co-op, including a copy of the lease. "We try to find out whether they are willing to compromise and be part of the community," Clark continued. "We say, 'Look around. As you can see there is no playground. And we have these expectations of you. If you can't live with what we have, you should look for other housing.'"

Resident Isaiah George, who was turned down the first time he applied, as a single father, approves of the strict policies. "They do very good screening. Working people tend to be more careful about their property, where they live. They uphold family value systems."

Clark said Marksdale leaders generally have had good success so far. They have been able to use intuition, which she said might not work for everybody. "And we have made a few goofs," she admits.

Mercy Housing Inc. in Denver retained only 10 or 12 of the Le Baron (now Grace) development's original 27 tenants. MHI staff reached out to the good tenants who were about to move and said, "Please stay. What are your needs? We want you."

Tenant screening procedures include criminal checks on everybody, although Mercy did run into the problem with dealers who found women with no criminal history to front for them. Mercy's target market is employed people, with or without children, who are earning the minimum wage or slightly higher. The group moved away from concentrating so much on families with children and are allowing smaller families in the larger units.

Tenant screening at Mercy's Grace complex is complicated by eligibility requirements. Tenants must not only be income-qualified but also must be willing to reveal much about themselves. MHI's manager said "there are some good residents at Grace that are in danger because their employers won't verify their earnings. People don't recognize that for residents it is a hardship to live in income-eligible properties, especially if the market rate and subsidized rate are relatively close."

Residents who link with others in the neighborhood are important to MHI. Mercy's Sister Geraldine said, "We have also found that [with] people who are successful, one of the main ingredients of their success is that they make linkages to the community support networks, whether that's a church or school or whatever that might be, to maintain their success. You don't want to pull them away from those community linkages."

For its New Heritage development, Atlantis relies on a good application form and a good set of rules. "The application form is crucial" claimed resident manager John Bailey. Using this form, Atlantis gathers information on credit, job history, past residences. "If you don't follow the form and check the information out, I'll guarantee that if you're running an apartment house, you will go broke," said Bailey. Atlantis's rules look formidable, covering two legal-size sheets. According to Bailey, "People come in and look at the first few paragraphs, and the people you don't want won't come back. I give them the rules first, then I hand them the application."

However, there is a price to pay for such tight screening. Often a unit stays vacant too long. Yet most of the staff would agree that it's better to have vacant units than problem tenants. As one observer commented, "A few people can have a negative effect on the whole project."

Studies of other successful CBOs indicate a similar approach to tenant selection as in our case studies. For example, Keyes reported that the tenant selection at Dorchester Bay is fairly rigorous with a reasonable amount of control in the hands of the sponsor.

However, tight screening is not a panacea. Keyes cites an experienced management company, the Stewart Company, that has mixed views about the efficacy of a tight screening process. "[Stewart] does all the record checks that are possible and conducts home visits on every prospective tenant. [Stewart has] been involved in efforts to create a tenant database system for the Bay Area Counties. This system would be set up in conjunction with public housing authorities as well as other managers of subsidized private housing and the conventional market. Yet given the nature of crack, there are real limits to what screening can do. One of the

frightening things about the drug is the extent to which it can move through a project and take with it 'good' tenants who had unblemished records when they came into the development. Tough screening is important and necessary but it doesn't keep problems from arising. Pushing too hard at the data source lures one into a false sense of security about being able to keep problems out."

### Eviction

How to deal with evictions is an important concern of all the groups we studied. Their mission to provide not only affordable but also well-run housing gives them a strong incentive to evict bad tenants. Building a successful case for eviction can be complex in states such as New York, Massachusetts, New Jersey, and California because of the "Eviction For Cause" statutes in those states. None of the owners in our case studies, however, had a serious problem evicting bad tenants.

Although the staff at Urban Edge agree that it is hard to evict bad tenants, especially because Urban Edge's Bancroft development is overseen by the rent Equity Board, a local agency that regulates rent and evictions, Urban Edge seems capable of working within the tough-to-evict Boston regulatory system. "With one problem tenant, we started the eviction process and went to court. We held a meeting with all the tenants; two went to testify, even though they were afraid, and we were able to move her out, four years ago. Since then, that building hasn't seen any form of vandalism. There is one problem tenant now, but the manager is on her like a hawk."

Altogether, there have been 10 evictions at Bancroft. When Urban Edge first took over, there was a great deal of drug dealing, and people were behind in rent. Four drug evictions in 1986 helped clean things up.

Marksdale has had to go to court only three or four times to remove a resident. Marksdale leaders say it's difficult because courts don't want to evict. "We have to prove that it's no matter of discrimination, just that they are not paying the rent. We go through a mediator sometimes and work out a payment schedule. But if they fall behind again..."

To turn its Grace (then LeBaron) project around, MHI had to evict about 10 residents. Mercy spent the first six months ridding the project of undesirables-gangs and drugs users.

Drug dealing and using were also problems at Atlantis's New Heritage. While Atlantis did not evict any dealers for criminal behavior, staff did harass them until they left. Over the past two years, Atlantis has removed tenants for drunk and disorderly conduct, or for problems related to domestic violence. One person was evicted for failing to pay rent. One tenant who claims to have been wrongfully removed is suing Atlantis.

In Keyes' study of the King-Garvey project, he characterized management as tough-minded and supported by the court system. According to Keyes, the managers' view is that if you put the case together properly, there is no problem in getting people out for cause. Even though there is an "eviction for cause" regulatory system, management is able to work within the system and obtain evictions. Management has a deal with the local police whereby individuals who were raided and

busted would be processed for something called "automatic eviction" and a stipulated judgment rendered. The concept of "stipulated judgment," which has been used effectively in the development, is when management gets a judge to support an agreement between a tenant and management as to how the tenant will behave. If there is a violation, the tenant can be evicted without returning to court for a hearing or a finding.

While drug dealing at King-Garvey is cause for eviction, management has an interesting twist on how to most effectively write a lease to ensure flexibility and speed in evicting an individual who is dealing drugs. Rather than stating explicitly in the lease that one will be evicted for dealing, the operative word is "nuisance." If a tenant is busted twice, management can begin court proceedings to evict the tenant for "nuisance." The issue then becomes the nuisance generated by the raids, not a conviction for the drug charge. (Keyes 1992)

Of evicting tenants in Massachusetts, Keyes writes, "Unlike New York, eviction for cause for drug dealing is a clear and present possibility in the Boston Housing Court system, which has undergone a long period of education about the need to recognize the rights of the collective in the face of problematic behavior of individuals....Managers believe it is much simpler to get an eviction for non-payment or to find a way of dropping a tenant during the rehabilitation process."

The MHFA has spent much energy and effort on the eviction issue and has prepared a guide that is as upbeat as its title implies: Successful Evictions from MHFA Housing for Misconduct and Criminal Activity. Written for housing managers and owners, it is presented as "... more than the map of the eviction procedure. The goal is also to provide you and your attorney with practical advice so that evictions will be successful." The clear message in the MHFA document is that if the steps it outlines are followed, drug traffickers can be driven from the development. (Keyes 1992)

### Security

Security-like screening and eviction-is taken very seriously by successful housing groups. The best way to manage security is through a comprehensive crime prevention plan that includes evictions, resident participation, and effective networking, especially between staff and the police.

Urban Edge provides an excellent model for dealing with security. According to the executive director, "There's two ways you can deal with security. One way is the punitive way. Something happens and you punish it. The other way is to eliminate the opportunity for it to happen. You prevent it, by enhancing the things that are safe and instill a sense of community pride. One of the things that has happened over the last 15 years-and in large part this had to do with us getting involved in multifamily housing-is the recognition by Urban Edge that we have to be more than developers."

Urban Edge will do, as one manager said, "whatever it takes to achieve the goal of reducing drug activity in the neighborhood," including subpoenaing reluctant tenants to testify in court and allowing police to use vacant apartments in stakeouts." Residents are encouraged to keep an eye out. Tenants are usually good about keeping the front door locked. If they notice suspicious

traffic, they notify the manager. And the custodians are in and out every day, except weekends. The parking lot and the alleys now have security lights.

The way Urban Edge dealt with a neighboring building is a good example of how it networks in the community to reduce crime. Urban Edge met with the owner of a nearby run-down building where drug dealers lived. The owner said he was doing capital improvements, but Urban Edge didn't believe it. Urban Edge staff read the police blotter in the community newspaper, to see if residents at that address were involved in a crime. If they were, staff would call and get a copy of the police report, to see if there were grounds for eviction. Urban Edge also participates in monthly neighborhood meetings with police, churches, and other community activists and leaders to talk about recurring problems.

Other security measures implemented by Urban Edge include an MHFA initiative that helps fund a contract with a security company to patrol CDC-owned properties that have MHFA mortgages, as well as surrounding CDC-owned properties. And Urban Edge has begun a new arrangement with police, who have a list of all the residents of a given development and keys to common areas. "If there is something that the police suspect is illegal going on, they have the means to pursue somebody into the building," explained Hacobian. "If the person goes into a building, at least we know which apartment it was, and Urban Edge can gain entry to that unit. This was an idea that came out of the tenants' council. And we just put in a proposal under HUD's drug elimination program to get a grant for a particular location where we've had a real hard time controlling drug activity."

MHI's Grace complex has security guards every night, even though it's only four stories and, as a Mercy staffer said, "after all, this is Denver, Colorado."

"We would have the police... here two or three times a night," said property manager Richard Birkey, who was hired in August 1993. "We were on the police department's top ten public nuisance list. Now we're off the list. The police are also cooperating, they are more responsive and get here quicker when we call." Interest has waned among the other landlords in the area, but Grace's management hopes to rouse participation among owners in surrounding buildings to beef up security and work more closely with the police.

Keyes shows how St. Nicks' commitment to organizing its tenants not only brings unity between residents and management, which helps maintain their buildings in good condition, but also serves to strengthen building security. Tenants who respect a management that responds to their demands to fix plumbing are also willing to provide information about who is dealing drugs, and where they are being dealt.

Security is a continuum, ranging from tenant patrols to in-house guards to the police. In an ideal system, each of these players is in place and each knows the opportunities and limits of their role. If the local police department has "gotten religion" on community policing, so much the better. If off-duty police who are based in the neighborhood during working hours can be hired as additional security, better still. In maintaining security, consistent police presence and resident participation are the goals.

## Security and the Courage of Staff Members

Staff of the projects we studied showed exceptional courage in working to keep their buildings safe and secure.

A staff person from Urban Edge said, "When we evicted a problem tenant, her boyfriend threatened to shoot me. Urban Edge wanted to reassign me, but I was determined to be there and make a difference. My tires were slashed in the same incident. But I don't want to give them the upper hand. Some people might say I'm foolish, but this attitude comes when you're committed to something and want to see changes."

Another Urban Edge staffer agrees. "My car window was broken, and Urban Edge wanted to provide me with 24-hour security. But you cannot show that you're afraid. People are fighting back here, they are not moving. Some people have been here 10 to 20 years. The residents genuinely feel a special commitment to Urban Edge, the community, and the building. When I was first assigned to Bancroft I said to myself, 'Oh God, what did I do?' But just to see the progress in a short period of time, you've got to have a good feeling. We feel very attached to Bancroft. ...There are some strong personal relationships. We just want to make them happy."

Keyes wrote of King-Garvey's Carmen Johnson, "When asked if she was afraid when she started to take the dealers on, her answer was an emphatic 'yes.' When asked how she managed to proceed in an environment in which those around her were fearful and the security forces useless, she responded that the power of prayer, her faith, and her church gave her the courage.... One cannot understand or explain her willingness or capacity to confront the dealers without acknowledging the degree to which her religious beliefs as well as her enviable relationship with the district police officials have informed her actions."

Those managing King-Garvey do not think security guards are a solution to management's need for security personnel. They see such guards as young, underpaid, often afraid, more inclined to take a walk than to get into the middle of a drug scene, and susceptible to being bought off. Management at King-Garvey would rather hire off-duty policemen. An outstanding manager, like Carmen Johnson, is far more valuable (and less expensive) than security forces or continual police presence. On the other hand, it is hard to find people like Johnson, with her combination of organizational talents, personal and professional connections, and fearlessness.[28]

At Marksdale, the staff employs no formal security measures, but encourages informal surveillance-making sure there are "many eyes on the street." Said Minnie Clark, "The board used to in the evening walk the grounds to see what security [was] needed. We were just another set of eyes to report problems."

## Maintenance and Staff Retention

Two more elements relating to management appear to be important in working to save affordable housing: maintenance techniques, and how projects retain staff.

With regard to specific repair and maintenance techniques, for example, ACORN Housing Corp. adopted basic project management techniques, such as the use of detailed schedules to monitor each project's progress.

Concerning how projects retain staff and create better work conditions, Keyes quotes an experienced housing manager: "Any financing mechanism must include allowances for higher pay for site administrators....Just as management agents must be sophisticated in all areas of management, maintenance, finance, employee relations, and the changing laws related to housing, our site administrators must be trained in the same global context....Good administrators with potential, skills, and training, who are willing to put in the tremendous amount of work required at our troubled properties, must be adequately rewarded for the task...."

### Rent Levels and Collection

Nonprofit housing owners face serious problems in establishing appropriate rent levels and collecting rent. There are good reasons rents are often set below what is needed, yet nonprofits need to receive enough rental income to stay alive.

Nonprofits keep rents low, for one, to retain low-income tenants who receive no subsidies. The working poor who have to pay the entire rent out of their paychecks cannot afford high rents. And rent allowances for residents receiving welfare have remained static while housing prices keep increasing. Management is often unable to overcome the widespread resistance to rent increases and to impose an increase when needed, often because residents are not included in decision-making to the point where they realize the connection between the rent level and meeting the needs of the co-op or development.

Atlantis helps tenants who are having difficulty paying rent. In one case at New Heritage, a tenant was behind in the rent, but management couldn't afford to keep the apartment vacant and didn't want to see the tenant institutionalized or put in a nursing home. "It's a real problem, working with a population in need. It's harder to kick people out if they fall behind in rent," confessed the manager. "Part of this organization's philosophy is in conflict with keeping the project up and running."

According to Lawson, unsuccessful New York City co-ops allowed rent levels to lag and constantly ignored the analyses of their finances and annual recommendations for steep rent increases by the New York City Department of Housing Preservation and Development. Lagging rents occurred in spite of mounting problems with tax and debt service payments and the insecurity, for all but six co-ops, of living without a reserve fund.

Lawson's reported:

The response of the co-ops to chronic arrears was a sensitive issue, for it revealed the role conflict of residents in a co-op—they were tenants who were also their own landlords and were obliged to make decisions accordingly. These decisions were the more difficult because of the climate of landlord-tenant conflict in our society, and because oftentimes co-op leaders had

earlier led rent strikes or other anti-landlord actions. The number of eviction cases brought and, in particular, the number of residents actually evicted, was quite low.

One of the nice ways in which a co-op differs from a rental building is that since the residents know one another and have a collective commitment they can allow special arrangements for members having financial emergencies. Although skewing rents to favor poorer residents proved difficult to implement, allowing a resident in trouble extra time to pay the owed rent rather than immediately commencing dispossession proceedings was common..... [O]ne leader commented that every resident of his building must have taken advantage of it at some time. Unfortunately, however, such a practice could also be abused and foster laxity in rent payments, which [are] the lifeblood of the co-ops.

Lawson found a strong relationship between co-ops in serious rent arrears and how residents assessed their success: all 10 co-ops evaluated as unsuccessful had serious arrears. As a result, these co-ops were left with insufficient money for maintenance, services, tax and debt service payments, and other bills. This then reinforced a downward spiral, making residents even less enthusiastic, and thus less willing to pay rents.

### Demographics and Characteristics of Residents

Of the demographic characteristics in the projects we studied, among race, age, and income, income appeared to be most important in influencing the success of affordable housing projects. Retaining residents with a mix of incomes, from very low-income to working-class, helps stabilize developments and offers working class role models to non-working residents.

Many residents in the affordable housing projects we studied held regular jobs. At Marksdale many residents were working and had children who worked. In the New York City co-op, the tenants are lower-income working-class African-Americans with upwardly mobile ambitions for their kids. Many have sent their kids to college.

Projects outside of this study that have successfully saved low-income housing often have mixed-income populations. King-Garvey in San Francisco houses a heterogeneous population, in terms of income. While 60 percent of the households receive welfare, family incomes range from roughly \$4,000 to \$65,000. Seventy-five percent of the residents receive Section 8 subsidies, and the remainder rent at market rate.

According to Lawson's study, properties with the worst payments and conditions also had by far the greatest number of welfare tenants. This correlation is not surprising, since public assistance maximum rent allowances are barely sufficient to cover operating and maintenance costs alone-leaving no rent for financing costs.

### Social Services

Social services play an important role in two of our case studies-Urban Edge's Bancroft Apartments and Atlantis's New Heritage.

In 1986, Urban Edge started a new department called Ownership Services (OS), which began with a survey of what residents thought of their services and neighborhood, and what additional services would they like. OS gave residents a list of 15 or 20 choices and asked them to prioritize these services. Safety, after school programs, and day care are almost always at the top of these bi-annual surveys.

Atlantis serves severely disabled people, many with multiple disabilities and who were previously institutionalized. As a result, Atlantis has developed a unique range of services, including housing, daily living and home management, life education, attendant services, medical services, employment, recreation, and transportation. Atlantis also runs the Mark D. Ball Learning Center, which operates under a contract from the Colorado Division of Rehabilitation and works with other local programs to offer basic education, life education, crafts and recreation, employment preparation, and job skills training.

Atlantis' philosophy is that the needs of the disabled population are vast and varied, and the disabled should not be forced to fit into a standard routine for the convenience of service providers. New Heritage has an on-site disabled peer manager who also serves as an advocate/benefits counselor for all the tenants. The job of this person, an Atlantis staff member, is to serve as a combination attendant/maintenance person ('maintendant') who takes care of building upkeep and provides personal attendant care to help disabled tenants with dressing, cooking, bathing, or other living activities. Seven Atlantis clients live at New Heritage. Some need lots of help, as many as three visits a day. The availability of home-based services has made independent living a real possibility for these people, who would otherwise be forced to live in institutions. Chris Cordova, an Atlantis employee, serves as the resident super. He appears to be a jack-of-all-trades, extremely dedicated and, as the manager said, "a good-hearted soul."

Atlantis's style and approach is different from many other home health agencies. If someone is not home, the attendant comes back later. If someone doesn't want to get up, it's okay. The staff doesn't compromise people's health, and instead gives them a range of options. As Atlantis's manager said, "The very severely disabled want to have a life rather than be told what kind of life they can have." Staffer Karen Tamley adds, "Atlantis is unique because it serves the lowest-functioning of the disabled (as opposed to 'creaming'). That's the problem, there are not enough agencies out there to serve the truly disabled, as opposed to just doing some light housekeeping."

As Keyes points out, in providing services, it helps to have a manager like Carmen Johnson from King-Garvey, who worked for years in a variety of social service organizations in San Francisco. Keyes writes of Johnson:

...She has a strong connection with the schools, youth and children's services, and various drug treatment centers, and is continually networking with them to find places on a "retail" basis for residents of the development, either for job training or treatment for addiction. She has an extraordinarily resilient attitude toward addiction: that youth can be turned away from it as a way of life and that there are real job and educational alternatives for young people in the community. Services at King-Garvey are pretty much what Carmen Johnson can pull together. She refers people to the Catholic Charities and Salvation Army and tries to connect people looking for work with jobs. She wants to establish a day care center at the development.

Dorchester Bay CDC obtains social service help from the Resident Resource Initiative (RRI). Established in 1987 and funded by local foundations, the RRI provides half the salary of a full-time staff person for several housing sponsors in Boston. The staff members work with tenants on issues of organizing and human services, and serve as resource persons for the Dorchester Bay EDC. The resident resource specialist position requires the person to be a jack-of-all-social-work-trades, who can organize and provide assistance and services to residents. The RRI staff person's networking task is formidable, and the built-in schizophrenia of the role takes a high toll on people.

Pat Riddell, the RRI specialist for Dorchester Bay at the time Keyes conducted his interviews, was considered the "best in the business." "Her execution of the role of RRI specialist seemed to be a model of what the role is supposed to be...." Riddell did some one-on-one counseling and connecting individuals to services in the community, but defined her job more in terms of community organizing and fighting to make the buildings work. She is respected by tenants, the management company, the Dorchester Bay executive director and board. She had a very clear sense of the need for a "shared lens of vision," and through her energy, intelligence, and street smarts was able to keep the confidence of all with whom she had to work. Keyes added, "She also has much of the 'still small voice' quality about her-unassuming and cheerful."

#### Size and Configuration of Buildings

Although Lawson hypothesized (following Mancur Olson 1965) that organization is easier in small buildings because residents know each other better and can apply group pressure more easily, his study found size to be statistically insignificant in determining a project's success.

Similarly, while our study found the size and configuration of the housing to be insignificant in determining success, these features can either serve as assets or create logistical difficulties for property management staff.

According to Bratt et al.:

[Most nonprofits believe that] the ideal building from a management standpoint is one that has 100 to 200 units, is configured as a single-site development, and has an on-site property manager and a live-in superintendent. The virtue of a development of this size is that it is large enough to generate management fees that cover the costs of necessary on-site personnel and services.

When site managers must assume responsibility for multiple buildings, either because the portfolio consists of small developments or because single developments encompass scattered sites, the burden on them increases. Separate buildings, even if situated on a single block or within close proximity to one another, are more difficult and costly to manage and maintain... since managers and superintendents must oversee several entrances, boilers, roofs, and other systems. Equally important, the more buildings a manager is responsible for, the less time he/she can spend at each, thereby increasing time (and related costs) spent on travel and reducing the level of effective management control of the site.

Because Urban Edge buildings are spread out, in areas with high crime and drug dealing, most housing experts regard its portfolio of multifamily properties as difficult to manage. Urban Edge's Bancroft Street complex comprises 45 units in four small apartment buildings; three are in close proximity and the fourth is a short distance away. The site manager and maintenance person are based in the central office and visit the property once per week, at most. The site manager of another Urban Edge property reported about the same frequency of contact, visiting each property for about 30 to 45 minutes. The most problematic development in Urban Edge's portfolio, Jamaica Plain Apartments (which was not included in the study), consists of 15 buildings spread throughout many neighborhoods. The site manager reports that it can take an entire day to cover all 15 buildings.

Marksdale Gardens in Boston consists of 178 townhouses arranged in six clusters. The townhouses are two-story, with private entries and small front and back yards. The houses face inward toward common areas, and the street edge of the complex is lined with a tall wooden privacy fence. While the complex is open to the public, and the pedestrian paths that lead through the courtyards also serve as neighborhood short-cuts, there is a sense of enclosure and privacy; it is clear when you have entered or left the Marksdale grounds. This helps keep crime and drugs out, because it is easy for the residents to watch for strange people and other problems.

This configuration of the Marksdale townhouses helps encourage tenant cooperation and a sense of community, making it helpful, but not critical to the co-op's success.

#### Location and Neighborhood Effect

Did location help or hinder the management of successful projects? Did owners save their low-income housing developments by surrounding them with a moat that would protect them from the negative impact of the neighborhood? Or did the sponsors expand the beachhead and help turn around, or at least improve, the neighborhood in order to ensure that their project would succeed?

There is little research that examines the importance of the neighborhood in maintaining affordable housing. There's no mention of the neighborhood's impact on management's capacity to do a good job in The Urban Institute's 1970s work on housing management. (Isler et al. 1974) Keyes and Lawson are the only two studies we found that looked at neighborhood impact.

Keyes found that if a development is the soft spot in an otherwise strong neighborhood, its chances of long-term success are enhanced by this.

In troubled neighborhoods, however, the "oasis technique" emerged in the mid-1980s as a comprehensive strategy for neighborhood improvement, Keyes also found. This type of neighborhood improvement occurs by first making strategically selected areas in distressed neighborhoods decent and safe. These improved areas, in turn, produce positive ripple effects that form a patchwork of stability.

According to Keyes, "The relationship between the oasis and the surrounding neighborhood becomes critical, as does the connection between the oasis and the public and private institutions to which it must look for help: City Hall, the police, and private employers. When the oasis strategy moved from dealing with parts of neighborhoods to regenerating public housing developments, the approach remained the same: to think in terms of the connection between the oasis and the surrounding area and what was involved in getting a 'positive ripple effect.'"

Keyes' study of O'Dwyer Gardens, a decent New York City public housing project surrounded by a wasteland, reflects the New York City Housing Authority's (NYCHA) tradition "of focusing on its housing developments rather than on the affairs of the surrounding area-particularly if they are socially and politically disruptive...." NYCHA provides an on-site Alternative High School Program, which brings resources into the project rather than connecting students to facilities in the neighborhood. NYCHA circles the wagons while it waits for the society to conquer the larger problems of poverty and jobs.

Keyes studied two CBOs, St. Nick's in New York City and Dorchester Bay in Boston, that saved almost-abandoned, privately-owned low-income housing. These CBOs define their relationship to the neighborhood as one of expansion outward from their buildings.

Lawson found that a co-op's location greatly affects its viability. For example, the successful co-ops he studied are either in gentrifying sections or stable sections that are peripheral to low-income ghettos. That is, they are located in neighborhoods with less widespread housing destruction, and less ravaged by the drug dealing and violence associated with the crack epidemic of the last decade. Lawson found more viable co-ops tended to be located in stronger, even gentrifying, neighborhoods. Because of high demand, these co-ops were able to screen new residents more stringently. In contrast, weaker co-ops were situated in neighborhoods increasingly ravaged by drugs and decay, where screening had all but disappeared because management was forced to accept almost any applicant willing to move in. Nevertheless, six continuing co-ops, with the largest mortgage arrears, survived in spite of their environment.

All but one of the housing developments we studied operate in neighborhoods that suffer from most of the following problems: high concentration of poverty; high unemployment, especially among youth; deteriorated housing; vandalism, drug dealing, and other crime; fear of crime among residents; and inadequate municipal services.

Atlantis's New Heritage project was one of the best-located properties in the Denver bulk purchase of RTC properties. The Capital Hill neighborhood of Denver, where many of the properties in the bulk purchase were concentrated, is an area of older apartment buildings and fairly high-density single-family homes, just southeast of the central business district. Capital Hill borders a large park, which is considered safe and very attractive, and sits adjacent to upscale residential neighborhoods and a historic district of patrician, Victorian-era homes. There are several substantial, architecturally distinctive, pre-war apartment buildings throughout this area, designed and landscaped to fit with their single family neighbors. With its quiet, tree-lined streets and stable, mixed-income population, this section of the Capital Hill area is not a typical low-income neighborhood.

Urban Edge's Bancroft properties are located in a neighborhood, Jamaica Plain in Boston, that has been rebuilding, rehabilitating, and gentrifying for the past several years. Many parts of Jamaica Plain were run down and abandoned during the 1970s, but the 1980s gentrification transformed several neighborhoods.

Like other successful CDCs, Urban Edge takes a holistic interest in the community. It attacks neighborhood problems dealing with youth, security, jobs, housing and social services. Urban Edge is successful because it has the capacity to identify needs and do something about a variety of community problems.

The New York City and ACORN Housing Corporation projects are in run-down neighborhoods that could threaten their long-term viability. It may be necessary to "expand the beachhead" in these cases, and convince area landlords and institutions to try to improve the neighborhood.

The isolated, semi-abandoned setting of Mercy Housing Inc.'s Grace complex shows all the signs of neighborhood disinvestment. The neighborhood consists of large blocks of low-rise apartment buildings set back from the street and surrounded by expanses of lawn and parking lot. If there is a ghetto in Denver, this is it. In the last five years, this neighborhood has become notorious as a center of gang activity, drug trade, and related turf wars.

MHI is trying to both "circle the wagons" and "expand the beachhead." But Mercy aims its property management efforts more at improving conditions within the Grace development than in the neighborhood at large. For example, in dealing with crime and security, Mercy now employs 24-hour security for Grace. "There's no reason for a development this size to put security in the building all night, every night. It's only four stories, and after all, this is Denver, Colorado," said Mercy's Sister Geraldine Hoyler. But according to property manager Richard Birkey, the building next to Grace recently came under new management and seemed to be full of drug dealers. "In this neighborhood," he explained, "the buildings are either good, safe, like an oasis, or drug-infested. But [the drug dealers] have to get through a manager, so the key is who is managing, who is in that office. The problem here is, some owners seem to be in cahoots with the gangs or really don't care. They buy a building, fix it up to a minimum, and fill it with dealers."

Yet while drugs continue to be a problem and the neighborhood still lacks amenities like play facilities for kids, MHI did turn the building around. There is finally a stable management and maintenance team. As one tenant said "they make you want to care. They're both nice and helpful." Mercy is successfully building a sense of community within the building. Much work still has to be done, however, to expand the beachhead.

Overall, neighborhood conditions appear to present significant but not insurmountable challenges. The groups we studied understand the realities they face-deteriorated and often dangerous neighborhoods-and are taking specific steps to mitigate the negative impacts of the neighborhood on their developments.

#### Availability and Access to Technical Assistance

Resident-controlled housing groups, whether co-op or nonprofit-owned, need technical support services to help deal with the many complex issues they face. The groups we studied received

technical aid of all kinds—organizing training; legal aid; help in evaluating, purchasing, and managing buildings; and help in setting up nonprofit organizations to purchase buildings. The help often comes from city agencies and other nonprofits; technical assistance providers also often stay in touch and remain available.

In our New York City case, the tenants were able to obtain fairly easily an evaluation to determine whether their project would be financially viable as a low-income tenant cooperative. The technical assistance came from experts committed to community-based nonprofit ownership. The assistance provided by six consulting organizations helped the co-op achieve success. These experts simplified what could have been a long and complex process that, in turn, could have deterred the tenants from buying the building.

This is consistent with Lawson's study. The co-ops in New York City that performed best frequently began with experienced sponsors who could provide technical assistance to the co-ops in carrying out rehabilitation, securing tax abatements, and management training. There was a high correlation between having a skilled sponsor and obtaining a tax abatement. Low-income co-ops inevitably lacked the skills, sophistication, specialized staff, or resources to hire consultants that the complex tax abatement application demanded. Technical assistance bridged the gap.

The availability of consultants providing technical assistance and legal support was also crucial in our two Boston case studies. Marksdale used Greater Boston Community Development, which helped turn the nearby Warren Gardens into a co-op. In 1978, Warren Gardens became one of four projects in Boston selected for a HUD Regional Office Demonstration project. As part of the demonstration, the leaders of Warren Gardens received training workshops on ownership concepts, inspection of conditions, maintenance, budgeting and parliamentary procedures. This, in turn, benefited Marksdale leaders, who received critical technical assistance from the leaders of Warren Gardens.

For Boston co-ops, a group called Residents to Residents brought support from more experienced resident leaders to the current generation of groups undertaking the arduous process of trying to buy their complexes from HUD. As a participant in the continuing process of housing preservation in Boston, Marksdale benefits from the contacts and access to resources that typically result from such networking and sharing.

Outside technical assistance also helps housing groups confront hard decisions and resolve conflicts. Marksdale uses technical assistance to help work through internal management concerns and, as one consultant said, "to make sure the board doesn't get too far out of whack." Marksdale also uses technical assistance to conduct annual membership meetings, chaired for the past several years by Michael Gondek of CEDAC.

The Catherine McAuley Housing Foundation provided technical assistance to Atlantis and MHI in the purchase of properties in the bulk package. The assistance included educating the purchasers about the RTC program and the process, identifying buildings appropriate for each group's needs, and conducting preliminary analyses.

Atlantis benefited from a significant amount of technical assistance during the acquisition, rehab, and start-up period. Colorado Housing Finance Agency provided the rehab work write-up and estimate, and both CMHF and CHFA helped Atlantis find the right building and funding sources for its program. A Robert Wood Johnson Foundation grant helped pay for management training. In addition, Robert Wood Johnson funds the Institute on Research and Rehab to help Atlantis develop its assisted housing program.

#### Regional and National Assistance

Soon after MHI became owner of its Grace Apartments, the group had to lend money to its subsidiary, Mercy Services Corporation, to replace the boiler. Later, faced with massive destruction of units by tenants, it had to borrow substantially more to undertake major reconstruction. Without a parent company with such deep pockets, Grace would have been in deep trouble. As one observer noted, "Banks that did not want to lend to the project initially would certainly not lend to it after it had failed once."

ACORN Housing Corporation is closely connected to ACORN, the national advocacy organization, and consequently has greatly enhanced clout when it sits down with reluctant bankers or city officials. ACORN's organizing success with Fannie Mae on a national level was important to its local Chicago success.

Most neighborhood problems cannot be solved in the neighborhood alone. Banks, federal and state governments, employers, and others outside the neighborhood shape conditions within neighborhoods. So national advocacy and organizing efforts, such as ACORN's, provide important lessons for affordable housing providers and advocates.

#### The Role of Government

##### The Federal Government

The United States, among all western democracies, relies most heavily on market forces to house its population. Yet federal involvement shapes the economic environment in which all housing investment decisions-public and private-are made. Moreover, without the federal government, we would not be worried about saving low-income housing, because there would be very little to save.

Developments like Marksdale in Boston were originally created in the mid- to late 1960s through HUD's Section 221(d)(3) program, as replacement housing for low-income families displaced by urban renewal. Marksdale was praised for its architectural design, an alternative to high density, high-rise developments. A HUD-sponsored study found that residents of new Section 221(d)(3) developments were quite satisfied with their housing, and significantly more so than those who had moved into public housing.

Federal assistance was important in keeping Marksdale and the other projects we studied as affordable housing. The ability to gain this assistance, however, was sometimes difficult, as many groups had to endure frustrating delays and bureaucratic indifference to eventually succeed.

When residents of Marksdale attempted to salvage the property from HUD foreclosure, their efforts were frustrated by HUD's repeated loss of their applications and by the high rate of staff turnover in Washington. In addition, the transition and subsequent rehabilitation were

handicapped by the project's ineligibility for FHA financing, as HUD never completed the foreclosure process and took possession of the property. This simple procedure would have paved the way for greater federal assistance and eliminated the need for subsequent financial resources. And now, despite Marksdale's success, the eventual loss of the Section 8 subsidy could endanger the project's long-term survivability. The resident board will have to refinance the project and conduct a continual search for operating subsidies to sustain this community. However, given the composition and determination of board members, their success is likely.

Urban Edge also had to overcome substantial bureaucratic obstacles with its Bancroft property. Prior to Urban Edge's purchase of the building, HUD had managed the process with indifference. In spite of a HUD-initiated rehabilitation, 15 years of deferred maintenance and a poorly executed capital improvement program left the property strapped for cash and depleted of operating reserves. Urban Edge would literally pay for this neglect. A few years into running the buildings, Urban Edge found its capital expenses exceeded its set-aside funds. Although subsequent negotiations with HUD allowed for increases to the operating reserve, it became clear that a complete refinancing would better serve the project. Urban Edge sought to raise additional capital from a variety of sources. Linkage funds from the City of Boston, a grant from the Affordable Housing Program of the Federal Home Loan Bank, and an infusion of equity from the sale of Low Income Housing Tax Credits would provide the necessary capital to adequately refinance the project. By the time these additional sources of revenue were committed, however, the initial 15-year Section 8 contract was down to its final 5 years. Confronted with uncertain future cash flow, Urban Edge had trouble finding a lender to finance the project. Only when Urban Edge obligated and escrowed its developer's fee of \$100,000 did it secure the necessary money. While HUD is under no obligation to extend the Section 8 contract, as with Marksdale, a 15-year renewal would help ensure the project's long-term success.

The federal government, however, does much more than supply the money and devise the program. Money and program are important, but bureaucracies matter as well. If the bureaucracy is lackluster, ineffective, and maddening, it can hinder the implementation of a program. Or it can be activist, entrepreneurial, and helpful. Bureaucracies that value the nonprofit as important customers are extremely helpful. The Denver office of the RTC is an excellent example of such an agency.

The Denver RTC office, unlike HUD and many other RTC regional offices, was a customer-driven agency that viewed the nonprofit housing sector as legitimate and viable customers and demonstrated its concern for the ultimate customer—the low-income families who would live in the housing nonprofits were working to save. The RTC hired housing specialists from throughout the Colorado nonprofit housing industry and moved quickly to relax certain rules against providing financing to nonprofits. By assembling 10 multi-family properties into a single pool for sale to eligible nonprofits at a discount, the Denver RTC leveled the playing field and established the trust and support necessary to ensure success. This, however, was not an easy task. The regional RTC staff had to overcome the inherent contradiction between a national mission of representing taxpayers by achieving the highest value possible, while trying to preserve the properties as affordable housing. In the end, both constituencies won. The Denver RTC staff had a clear vision, which it effectively reconciled within the national mandate, to

creatively package affordable housing opportunities. The delicate balance of serving many of the nation's vital interests was admirably served through the Denver RTC's thoughtful approach.

The presence of affordable-housing advocates in the Denver office also helped to facilitate this process, forging alliances with the Fifty For Housing coalition and disseminating vital information about low-income housing opportunities. It is clear that there would be no Grace or New Heritage projects in Denver if the RTC sold these properties at deep discounts on the open market.

The experiences of the groups studied provide a realistic examination of how the federal government can increase or lessen the difficulties nonprofit sponsors confront in saving and improving affordable housing. While the HUD Disposition Demonstration Program proved valuable as a source of housing in both Chicago and Boston, the intervention of additional federal and state agencies proved critical to the projects' eventual success. In Chicago, CDBG funds were instrumental in providing initial technical assistance to properly train the emerging CDC community for the single-family conversion project. Fannie Mae and the VA, along with CDBG, were identified as additional sources of distressed property assets and financing.

If more housing is to be saved, the federal government needs to assume a more consistent and cooperative role. The government must be a partner with state and local government and the private sector in devising programs and providing financing for affordable housing. The portfolio of HUD distressed properties must be packaged in a way that encourages and facilitates their acquisition and redevelopment to qualified affordable housing sponsors. This, combined with a more user-friendly environment at HUD, is key to the eventual success of a program to save the endangered housing stock.

#### The Role of State and Local Government

The role of state and local government is equally critical to the overall success of efforts to preserve and create affordable housing opportunities nationwide. Our case studies demonstrate the need for strong and effective leadership on the state and local level—leadership that understands the risk/reward relationship inherent in real estate, and will guard against the former while encouraging the latter.

One mark of such leadership is the ability to move decisively and avoid bureaucratic delays, which often can spell doom for efforts to rescue endangered low-income housing. For example, in New York City, Lawson found that co-ops that failed faced frequent delays, caused in large part by the City bureaucracy. These delays, in turn, caused significant project overruns, sapped fragile tenant morale, and eventually interfered with resident employment. These circumstances then resulted in rent arrears and other problems affecting the lives of these communities, leaving deep scars in their wake. An official appointed through the city code enforcement program was helpful in explaining the code enforcement program to tenant leaders. This proved instrumental in facilitating tenants' takeover and the eventual reclamation of their buildings.

On the other hand, the housing finance agencies of Massachusetts and Colorado demonstrated how a proactive state agency can serve as a catalyst for change and help lead the process of housing creation. Colorado's Housing Finance Agency's innovative, aggressive methods were extremely helpful in expediting projects.

The State of Massachusetts and the City of Boston have long supported affordable housing efforts. During the administration of Governor Dukakis, the state aggressively pursued a policy to promote affordable housing. With strong political and financial support, the state's housing community-public and private institutions, for-profit and nonprofit organizations, builders, developers, property managers, advocates, consultants-collectively acquired a level of skill and sophistication that continues to evolve in the current environment of reduced funding.

Boston has one of the nation's most extensive community housing systems. In 1984, eight Boston CDCs participated in a major initiative sponsored by the new Boston Housing Partnership (BHP). Comprised of representatives from the public, private, and nonprofit sectors, the BHP took on as its first challenge the rehabilitation of deteriorated multifamily structures for low- and moderate-income people in primarily minority neighborhoods. Massachusetts' Community Economic Development Assistance Corporation (CEDAC) intervened to help transfer 1,800 units, contained within one failed property portfolio, to the BHP for eventual disposition to nonprofit ownership.

Boston's rich network of housing organizations and programs received strong support from former Mayor Raymond Flynn. For example, in 1988, the City of Boston committed to provide \$750,000 from its housing linkage program for capital improvements in four developments, including Bancroft. City support for affordable housing remains intact and vital during the current administration of Mayor Menino.

Given this continued and increasing support from the State of Massachusetts, reinforced by the enthusiastic backing by City Hall, CDCs have emerged as Boston's primary means of rehabilitating obsolete and deteriorated units for low- and moderate-income people.

In Colorado, state government convened a unique ad-hoc partnership that resulted in the purchase, rehabilitation, and nonprofit ownership of 10 RTC multifamily projects, including two in this study. Colorado's governor took a small but significant step, appointing a task force to negotiate directly with the RTC. The task force wanted the RTC to market all RTC-foreclosed property in the state as affordable housing.

The state wanted to acquire as much RTC stock as possible, but RTC regulations only offered a narrow window of opportunity for public agencies and nonprofits to purchase units for affordable housing. The task force felt that a nonprofit group or a public agency would have the longest term stake in preserving the affordability of the units, rather than a for-profit owner. The task force intended to both preserve affordability and maintain the newly acquired units in decent condition. The governor's task force helped forge a common goal among CHFA, RTC, and nonprofit members to pass along the foreclosed property to nonprofits with long-term success/sustainability.

As nonprofits indicated interest in properties, CHFA staff worked to make each building economically viable. CHFA's technical services staff provided work write-ups and estimates and developed pro forma projections. In addition, they helped establish purchase prices and identified additional funding sources to meet equity and rehabilitation requirements. CHFA raised the

financial resources necessary by issuing 501(c)(3) bonds and allocating proceeds to each project. In some cases, such as with MHI, the groups went to local government or private institutions for gap financing. Gap financing came from a variety of sources, including the Federal Home Loan Bank, the City, and the state Division of Housing.

CHFA, experienced with multi-family housing and property disposition, was capable of taking on this bulk purchase. CHFA's process of due diligence, especially its inclusion of the nonprofit community within its investigations, provided the framework necessary to achieve overall success. This experience is absolutely replicable, and should serve as a model for public agencies, particularly state housing and finance agencies. The inevitable economic cycles of real estate will always produce opportunity, and it will be the more adventurous public institutions that recognize and seize the opportunities of the future.

Locally, Denver's code inspector was helpful because he was more interested in results than rules. The general contractor on Atlantis's New Heritage project successfully worked with city inspectors, arguing for and achieving a more liberal interpretation of the handicapped code, for example, by allowing for a k-turn area rather than a circular radius within the bathroom for wheelchair access. This was an entirely different approach, satisfying code requirements based on functional needs and specifications, as opposed to the strict interpretation of the building code. These small concessions add up; as the Atlantis's contractor noted, "We're not asking local officials to reduce standards for health and safety, just to allow us to use a different means of [meeting the code]. Our position is: Don't say that we can't do something if it works just as well as the code standard."

State and local governments, public and quasi-public authorities play decisive roles in setting the stage for capturing at-risk and foreclosed housing. By necessity, the acquisition, rehabilitation, long-term ownership, and management of affordable housing, and low-income properties specifically, will require the active participation of many public and nonprofit entities. When public officials on the federal, state, and local levels drive and support this process, the chances for future success will greatly improve.

Bureaucratic indifference and delay by state and local governments can be devastating to community-based groups. When coupled with declining federal assistance, it greatly diminishes the prospects for future affordable housing success.

While it is important to maintain a strong federal commitment to affordable housing, local and state government must also discourage bureaucracy and promote activist, entrepreneurial, and helpful government. Those working to save affordable housing must seek municipal, state, and federal officials and programs equally committed to success.

## Policy Recommendations

### Key Values

The policies we propose to address the endangered housing problem rest on two foundations: citizen participation and reciprocal responsibility. These policies promote democratic self-government by empowering citizens and strengthening communities. All Americans, including

the poor, want to be treated as dignified and intelligent individuals, not as childlike clients of government bureaucracies.

Especially at the state and local levels, government must shed the notion of providing programs for the people. The operative philosophy must not only be government for the people, but of and by the people as well.

Just as streets can be made safer and schools can be improved when residents and parents become involved, the record indicates that endangered housing can be most effectively rescued when residents are involved in that effort, along with government and nonprofit community-based groups.

Formerly, most government-sponsored low-income housing programs provided rental opportunities that asked little of residents except to fill out the requisite paperwork. It is clear from our research that in the future programs must offer more, and require more, of beneficiaries. Only by doing so will residents develop a sense of ownership, responsibility, pride and participation that will foster close-knit relationships and community-organization building, which are vital components of the civil society.

Care must be exercised, however, to ensure that residents and CDCs have adequate resources, capacity, and skills so as not to be overwhelmed by their new managerial responsibilities. New programs should take a graduated approach, assessing the skill and potential of each resident group or CDC and providing the technical skills and resources to build and sustain strong resident involvement and leadership as it emerges and matures.

America's strength resides in our families and communities, where the character and values of our citizens are formed. A new direction in public policy that transcends the old debate between government and market solutions is needed to place new emphasis on America's "third sector" – the voluntary associations and institutions of community.

#### Key Policy Goals

1. The federal government should not abandon its prior commitment to the existing stock of privately-owned, federally subsidized low- and moderate-income housing. Therefore, federal housing policy should commit the financial resources commensurate with accepting primary responsibility for the permanent maintenance of all habitable, privately-owned, federally subsidized low- and moderate-income housing.
2. The key goal of these new federal housing policies should be to preserve the endangered stock of publicly subsidized housing while empowering community-based groups to strengthen America's social and economic fabric. This will mean expanding resident participation and ownership and linking residents to community support services.
3. This new policy should also expand the capacity of community-based nonprofits to develop, rehabilitate, and manage much of this housing stock in an efficient, professional, and community-minded fashion.

A housing policy that aims to improve neighborhoods should increase the capacity of entrepreneurial nonprofit developers that have formed in an effort to save entire communities. Americans want to live in safe neighborhoods where they can raise their children. Nonprofits should focus not only on physical requirements such as open space and density, but on organizing against drugs and crime, and fighting for increased services, such as transportation and retail development – things that make urban communities attractive to people who have some housing choices.

Focusing resources on this nonprofit sector is not the same as handing over public services to the private marketplace, as with tax vouchers for private schools, or government subsidies to private, profit-seeking developers and landlords. Subsidizing profit-seeking developers to preserve housing for the poor – feeding the horses to feed the sparrows – as we did in the 1960s and 1970s provided windfalls for the wealthy while helping only a small proportion of the poor. Spending money on community-based institutions, as this report shows, can lead to efficiency and success. Policies that build on these successes will help convince the public that such programs are the type of government we need.

4. Finally, the "elements of success" – entrepreneurial leaders committed to resident participation, self-help, and building a sense of community; management excellence; and technical assistance – comport with both liberal and conservative ideology. If there is consensus that the nation is to have a national housing policy and the current one needs fixing, what better way to fix it than through new programs that promote these elements?

#### Recommendations

##### A. Promote Resident Empowerment

Government should use its resources to build the capacity of residents' groups to own or run their own projects. Of course, not all government-owned projects lend themselves to overnight resident control and ownership; some residents lack the capacity to plan and implement a comprehensive strategy to revive a troubled project. But this should be the over-arching goal of government-sponsored strategies to save affordable housing.

HUD and all other government agencies must share power with residents. Our own study, as well as others we cite, show that when residents have that power, problems get solved. If HUD's Reinvention II program or any other legislation or program simply shifts power from one government agency to another, problems will persist.

##### B. Cooperatize (Don't Privatize) Housing Projects

Turning the nation's endangered housing projects into livable communities is critical. But "privatizing" – selling to private developers, then eliminating all operating subsidies – is the wrong way to achieve this goal.

Most subsidized housing projects are in distressed urban neighborhoods. They suffer from years of deferred maintenance. Many were poorly constructed and quite a few were badly designed – ugly warehouses for the poor. If HUD withdraws its insurance and project-based subsidies, some private owners will simply walk away from their projects. (Indeed, many already have, once the tax breaks have run out).

Turning these projects into cooperatively-owned housing will only work if they are redesigned and improved so that people with choices will choose to live there. Otherwise, they will be eyesores, deteriorating slums, contributing to further urban decay.

We know HUD projects restricted to low-income residents concentrate and segregate the poor in ghettos. The goal should be to turn these projects into mixed-income developments. HUD's Reinvention plan is on the right track, with mixed-income projects a central part of the new plans. But rather than handing projects over to private developers at public auctions, HUD should turn them over to resident-owned cooperatives or nonprofit community development groups (see below). This will require some continuation of HUD oversight. But with proper support, a 10-year goal of "cooperatizing" – not just "privatizing" – these taxpayer-funded developments would succeed.

Unlike former HUD Secretary Jack Kemp's Hope program, this doesn't mean simply turning over the keys of existing projects to tenants or nonprofit developers. It requires HUD to continue providing funds for improvements and maintenance. It takes time to organize and educate tenants to begin the goal of improving their developments. Those who want to leave should be encouraged to do so, with appropriate long-term vouchers. Those who stay should have technical and financial assistance.

#### C. Work With Community Developers to Save the Housing Supply and Rebuild Troubled Neighborhoods

In addition to co-ops, government should do business with nonprofit community development corporations (CDCs) that can demonstrate the capacity to build and rehabilitate housing for families that private developers and landlords don't serve. The government should target sufficient repair funds for community-based nonprofit groups.

When HUD's production subsidies dried up in the 1980s, private developers walked away from inner cities. Into the vacuum stepped a new generation of housing reformers with roots in these neighborhoods (like the ones detailed in this report). Today, there are over 2,000 such groups. Although not all are as sophisticated as the ones studied in this report, they are rooted in their communities, sponsored by neighborhood associations, churches, social agencies, tenant groups, and unions. They have found increasing support from foundations, local governments, and business partnerships.

The first generation of CDCs in the 1960s and 1970s included many well-intentioned but naive (even incompetent) reformers. The new generation, as this report shows, is more savvy and entrepreneurial. These groups have already overcome enormous challenges and obstacles. They operate in the most troubled neighborhoods and against overwhelming odds. Despite this, they have accomplished much. Yet these successes are typically unheralded, in part because these groups do not have expensive public relations firms or lobbyists trumpeting their accomplishments, so the mainstream media pay them little heed.

In most other industrialized nations, the "social sector" plays a key role in providing human services and housing. CDCs are the kind of "intermediary" institutions that conservatives and liberals both extol. (Dreier and Hulchanski 1990) In the past few years, an increasing proportion of the major federal programs – especially HOME, CDBG, and the low-income housing tax

credit – have been allocated to nonprofit housing groups. For example, while the HOME program requires cities to target at least 15 percent of the funds to nonprofits, most large cities exceed that threshold.

HUD should make the nonprofit sector the major delivery system for saving affordable housing. However, in consolidating its many programs, whether HUD directs funds to states or cities, it needs to attach some important strings. The nonprofit sponsors should either create limited-equity, resident-owned cooperative housing developments, or provide residents with a strong voice in managing rental properties.

#### D. Ensure Access to Technical Assistance

Technical resources are critical to building community, strengthening democracy, and saving affordable housing. Neighborhood and community organizations must gain the technical assistance and resources to catalyze grassroots self-help efforts, such as those detailed in this report. Access to technical resources is a condition for effective participation. In a society more and more dominated by experts and computer printouts, the technology of decision-making excludes, by its very nature, a stratum of people who lack education and the resources to buy expertise. Community groups need legal, financial, managerial, and other kinds of assistance to evaluate, purchase, rehabilitate, and manage buildings, and to effectively run nonprofit organizations. They also need training in how to organize tenants. Our study found that groups should have technical assistance in 1) training and organizing, and 2) access to information and technology.

#### Training and Organizing for CDCs and Co-ops

HUD should provide multi-year funding for training in the day-to-day operation of community organizations, on tasks such as fundraising, budgeting, negotiating, conflict resolution, property appraisal, and membership recruitment; along with training for entrepreneurial leadership development, capacity-building, and networking.

Organizations should also be encouraged to combine local organizing with development. Without a strong organizing effort, the groups are less likely to succeed. Groups can learn how to negotiate with the various private and public agencies, but without empowering their own organizations, they will be negotiating from a position of weakness.

Training programs for community organizations should also address the following:

#### Training to Deal with Local Media

How the media portray nonprofit CBOs and tenant ownership efforts can help determine whether the public at-large embraces or thwarts community-based problem-solving. The media sometimes inadvertently sabotage government, community-based, and the private-sector efforts to forge solutions to the housing crisis. Major news organizations – with a few important exceptions – generally ignore or trivialize the community-building efforts of churches and neighborhood groups.

Community groups should actively seek to improve media coverage of the urban condition and community-based efforts to save affordable housing. Government should facilitate this by, for example, providing partial funding for nonprofit-sponsored conferences and workshops for journalists on urban issues and community-based problem-solving. Groups could also sponsor walking tours of their neighborhoods for reporters and editors and encourage the media to give community organizations a regular voice through op-ed columns and special pages (as The Los Angeles Times does now).

### Management Training

Private management companies that manage market-rate apartments or condos cannot be expected to understand how to manage troubled areas in decaying neighborhoods, with lots of poor people and kids, drugs and crime. A new federal housing policy should increase the capacity of firms and organizations to manage the growing inventory of nonprofit and resident-owned subsidized housing.

Groups need training in management and monitoring skills. This means helping to dramatically expand the nonprofit housing industry's management sector. Community residents should be recruited to develop careers in housing management, etc., and community colleges and educational institutions should offer training courses and degree programs in housing management. Governments should look to well-run public housing agencies to share some of their expertise (along with lessons from public housing management mistakes) with the nonprofit and resident-owned housing sector.

### Organizing to Build Alliances Across Income and Race

Recent discussions of urban conditions have focused attention on the social, economic, and political isolation of the nation's inner-city poor. Low-income housing groups need to develop strong organizations and leadership to help overcome this isolation. But they also need to build alliances with moderate-income people as well as businesses and industries that share common concerns about the condition of their neighborhoods, families, and schools, and the nation's economy. It is often difficult to find issues and develop strategies that cut across the boundaries of income and race, but some of the most successful community organizations like Urban Edge and ACORN have done so. Federal support should recognize the importance of both empowering the poor and building alliances with the business community and those only a step or two above poverty.

### Community Access to Information and Technology

For community organizations to be effective at problem-solving, they must have access to expertise and technology. The federal government should provide easy access to information (such as Home Mortgage Disclosure Act data, modernization estimates for HUD-assisted housing developments, crime statistics, funding and management resources) and help community organizations acquire the technology and expertise to interpret and work with this data. Such assistance could, for example, provide easy access to on-line data. These factors should not be considered afterthoughts, but key components of a community organization's operating budget.

Community organizations need access to computers for desktop publishing for newsletters and other forms of communication, for research (such as Census, HMDA and crime incidence reports), and to compile membership lists. Policy should enable them to tap into on-line programs, such as HandsNet and the World Wide Web. They should have access to videos and local cable TV to enhance their community education and training efforts.

CBOs need funds to hire experts who can help evaluate housing rehabilitation and financing estimates, architectural design and zoning guidelines, and other data, and generally provide technical assistance. To promote community access to expertise, the federal government might encourage community groups and local colleges and universities to form partnerships, based on existing successful models. These include the Center for Community and Environmental Development at Pratt Institute in New York and the Policy Research and Action Group in Chicago, where academic researchers work closely with community groups not only to provide technical knowledge and scientific expertise, but to train community organizations to utilize these tools.

### Support Community Outreach

In gaining access to information and technology, community housing groups also need effective means of educating community residents about available services. Many government- and privately-funded services never reach the low-income families to whom they are targeted because of inadequate outreach or bureaucratic incompetence. Churches and community housing groups need to be cost-effective vehicles for serving residents by sponsoring outreach and counseling programs around such concerns as the Earned Income Tax Credit, mortgage and credit counseling, HUD's lead paint testing and outreach initiative, fair lending, job counseling, immunization, voter registration, etc.

#### E. Create an Endangered Housing Empowerment Partnership Program

To adopt these recommendations, we propose that the federal government create an "Endangered Housing Empowerment Partnership Program" (EHEP) that would build on the Clinton administration's improved policies to encourage resident empowerment in HUD-assisted developments. The program would streamline and improve existing policy to help insure that resident groups are democratic and effective.

Through this program, the administration should provide funding to resident organizations in HUD-assisted developments for leadership and organization-building training. National, regional, and local intermediaries (training centers, organizing networks, state housing finance agencies) with track records in training and community organizing could serve to channel funding to local CBOs with a track record of success. Examples in our study include the Colorado Housing and Finance Agency, ACORN, and MHI. Through a notice of funding availability (NOFA) process, HUD can select training centers and networks to undertake this assistance effort. These intermediaries not only offer experience and a track record, but also economies of scale that would allow them to develop new training materials specifically geared to public and subsidized housing – videos, training manuals, workshops, and so on.

Initial funding should be for at least three years – sufficient time to expand capacity, train leaders, and show results. These intermediary groups, in turn, would identify CBOs and tenant and resident groups with which they could work. The program requirements and goals should be clear in terms of achievable results – a significant growth in the number of grassroots organizations with the capacity to address the social, economic and physical conditions of their developments. Tenant management and/or ownership would be one of many possible outcomes, but it need not be the sine qua non of resident empowerment.

The program should also aim to not only strengthen residents' organizations in specific developments, but also encourage networking among developments in the same city and among organizations in different cities and parts of the country. The program should support training workshops and conferences that bring tenant leaders together.

Tenants in HUD-assisted housing should also have some direct way to voice their concerns to HUD. This could include subsidies granted directly to the tenant group to monitor the management firms and develop their organizational capacity. HUD could develop a system to formally recognize tenant organizations. These groups could elect or appoint representatives to regional advisory boards that would meet regularly with the regional administrator or top official in the HUD local office. This is one way for HUD staff to stay informed about such matters as management, public safety, maintenance, leadership development, and other related concerns.

The EHEP program should also provide direct operating support to housing groups, such as Urban Edge and ACORN Housing Corporation, that wish to improve their surrounding community through basic community improvement efforts and allied programs. Two existing programs provide something of a model. In 1985, Congress began funding the Neighborhood Development Demonstration Program (NDDP). Since then, the NDDP has provided direct support (a maximum of \$50,000 a year) to CBOs. These funds have also helped raise private funds for neighborhood development. Through the NDDP, 206 organizations have received 286 NDDP grants for housing, economic development, and neighborhood improvement projects. In 1992, about 280 organizations applied for about 40 awards. The success of the "demonstration" program led Congress last year to enact the John Heinz Neighborhood Development Program, a permanent version of the NDDP. Funding for the NDDP, however, had been quite small – \$2 million a year. The Clinton Administration supported increased funding for the Heinz program.

Elements of the Heinz Neighborhood Development Program should be incorporated into the Endangered Housing Empowerment Partnership Program (EHEP). The program should also have several key components:

- 1) The program should encourage skills-building and coordination among community groups in different neighborhoods of the same city and in different cities and parts of the country. It would also promote the creation and dissemination of training materials, conferences, and other key components of successful training, leadership development, and organizing-building. Through a NOFA process, HUD could identify those training centers and networks with the capacity to undertake this process.

2) Second, HUD would provide direct funding to CBOs engaged in a variety of community improvement efforts, but only those who contract with one of the national training centers/networks that HUD has identified as competent to provide technical assistance. This initiative should be administered by the federal government. Local governments should not direct organizing and training initiatives.

3) State and local governments should, however, participate actively in EHEP by developing and implementing a plan to save endangered properties in their jurisdictions. State and local governments can bring flexibility to preservation programs. This flexibility is indispensable because housing at risk due to defaults, prepayments, and other causes is related to conditions in local housing markets as well as specific properties' physical and financial conditions. Further, the effect of defaults or prepayments on communities, states, and tenants across the nation is changeable. State and municipal governments may be able to respond more quickly and effectively to local changes.

Each state and local government should designate an agency to act as its liaison with HUD to negotiate and implement preservation plans. The state agency, working with local agencies in its jurisdiction, should identify properties at risk of loss and develop proposals to maintain the projects as low- and moderate-income housing. State agencies can enlist full state government support (e.g., real estate tax abatement) and private funds or services, which are so necessary to the successful implementation of a preservation strategy.

A state plan should reflect how the given state agency, working with CBOs and residents, proposes to maintain existing units for low-income households. The plan should include specific proposals, and should identify all anticipated financial contributions.

Additionally, under the EHEP program, the government should make every effort to prevent rent increases beyond 30 percent of a tenant's income. And while bringing in moderate-income tenants is an important way to increase a development's stability, low-income and very low-income tenants should occupy most of the units.

Government support should also encourage community organizations, although they may work in economically diverse neighborhoods, to make sure low-income people are well-represented on their boards. Organizations' leaders and governing boards should be democratically elected by members, and organizations should be required to hold regular meetings and develop ways to remain accountable to members and the community.

In choosing which groups to support through the EHEP program, the federal government should be careful to extend eligibility to bona fide community organizations. Although a church or group may engage in physical development and/or service delivery, it would have to show a strong interest and a plan for the mobilization and empowerment of neighborhood residents.

If the federal government is going to serve as the check writers for housing preservation, which we believe it should, it must be sure to include strict accountability standards. As it devolves its authority to states and mayors, the federal government must be sure not to preclude effective citizen involvement, oversight, and authority.

This is especially important with Congress's recent passage of HR. 2406, which further devolves programs into block grants. HUD's own Reinvention II plan seems to increase the authority of mayors while allowing them the option to disregard citizen groups. These proposals are deceptive. The rhetoric is community empowerment, but the subtext is devolution to local government, relinquishing of the federal government's responsibility, and allowing virtually no citizen involvement or oversight on the use of funds. It is contrary to the lessons of our study.

#### Appendix A: The Housing Crisis

During the 1980s, home foreclosures soared and homeownership rates declined. Record numbers of households that went too far into debt to buy the "American Dream" lost their homes in a decade when we produced more millionaires than at any time in history. The price of both homeownership and renting increased faster than personal incomes and inflation. This caused many renter households, that had to commit a larger share of their incomes to rent, to forego buying a home. And homelessness increased dramatically, as renters struggled to keep a roof over their heads. Today, millions of Americans live in overcrowded apartments, and millions more pay more than they can reasonably afford for substandard housing.

For low-income renters and young families, it has become harder than at any time since the Great Depression to buy a home or pay the rent. For the poor in inner cities, trying to find decent affordable housing has become a disaster. The following factors have been major contributors to this problem.

##### Increasing Poverty, Declining Wages

While poverty among the elderly declined during the past three decades (thanks to federal social policies), poverty among the overall population has increased.

In 1981, the poverty rate was 11.6 percent. By 1993, that rate had risen to 15.1 percent. While the rate declined slightly to 14.5 percent in 1994, this still means that more than 38.1 million people in America were living below the official poverty line. For people under 18, the poverty rate was 21.8 percent in 1994, after peaking in 1993 at 22.7 percent-the most poor people since 1964. In 1994, children made up close to 40 percent of those living in poverty. (U.S. Census Bureau 1994)

Moreover, many observers argue that poverty is actually much worse than official figures show. According to Patricia Ruggles of the Urban Institute, the government's official poverty line (\$15,141 for a family of four, as of 1994) is based on out-of-date standards (originally calculated in the early 1960s) and "does not reflect a realistic minimum level of living." Using Ruggles' updated standards, the poverty rate would climb to over 23 percent, and more than 50 million Americans-and one of every three children-would be considered poor.

Poverty has also become more concentrated in inner cities. From 1970 to 1990, the number of census tracts with 20 percent or more poverty in the 100 largest cities increased from 3,430 to 5,596.[29] (U.S. Census Bureau 1990)

An important reason for the increased poverty figure is the erosion of real incomes (i.e., wages measured against inflation) since the 1970s. Due to the depletion of solid blue-collar jobs and the declining job base in the inner cities, many people have taken on lower-paying, part-time, or temporary jobs in services. The transformation to a post-industrial economy and the erosion of public benefits has driven down wages and incomes and increased the number of working poor. In 1994, 40.8 percent of poor persons age 16 years and older worked, and 10.5 percent of them worked throughout the year. (U.S. Census Bureau 1994)

In addition, the minimum wage, prior to increasing from \$4.25 to \$4.75 an hour in October 1996, had lost more than 25 percent of its purchasing power due to inflation since 1978. Though raises in the minimum wage did increase its purchasing power between 1989 and 1992, inflation subsequently eroded those gains. (U.S. Dept. of Labor 1996)

#### The Rent Squeeze

As poverty has increased, rents have also risen.

The average rent including utilities rose from 23 percent of income in 1970 to 27.2 percent in 1980 to a high of 30.1 percent in 1991.[30] This problem is nationwide. In 1990, nearly one-fifth (17.8 percent) of all American renter households devoted more than half their income to housing costs.[31] At least one-third of all renters in every state paid more than 30 percent of their incomes for housing.

The median monthly gross rents paid by poor households living in unsubsidized housing jumped from \$258 in 1974 to \$359 in 1991 (measured in 1989 dollars). For a family of three with a poverty-level income of \$9,885, this latter figure would consume 43.5 percent of their income. (Harvard Joint Center for Housing Studies 1993) A majority of poor renters are forced to devote at least half of their income to housing, forcing them to choose between shelter and food. (Lazere 1995)

According to the 1993 American Housing Survey, more than half of all renters below the poverty level spent over 50 percent of their incomes on housing costs. Nearly three-quarters spent more than 30 percent of their income on rent and utilities. The recent HUD report, *Rental Assistance at a Crossroads*, found that 5.3 million households (nearly 13 million people) received no federal rental assistance and either paid more than 50 percent of their income for housing, lived in severely substandard housing, or both. (Low Income Housing Information Service 1996)

From 1970 to 1994, the average income of renters dropped from 64.9 percent of that of homeowners to 48.5 percent. During those years, the average rent burden (percent of income) increased from 23 percent to a high of 31.2 percent in 1992 and 1993. It dropped slightly to 30.5 percent in 1994, due to a 2 percent increase in median renter income, but was still the third highest burden in over two decades. The biggest jump occurred during the 1980s, as real incomes fell and rents rose. (Harvard Joint Center for Housing Studies 1995)

#### Appendix B: Affordable Housing: An Endangered Species

The United States spends less on direct housing aid for the poor than any other western industrial democracy. Now, the few existing affordable housing units that have been built with federal assistance are at risk.

From 1970 to 1993, the total number of low-cost rental units shrank from 7.4 million to 6.5 million, while the number of low-income renters rose from 6.5 million to 11.2 million in 1993. This shortage of 4.7 million fewer low-cost rental units than low-income renters is the largest shortfall on record. (Lazere 1995)

Renters, especially low-income renters, spend such large percentages of income on housing costs in part because of the substantial shortage of affordable housing. The following is a description of the problem.

#### Privately-Owned, Publicly-Subsidized and Regulated Rental Stock

Much of the privately-owned, publicly-subsidized and regulated rental stock is threatened by the failure of federal programs to ensure that this low-income housing remains permanently affordable. What follows is a more detailed discussion of these programs and their impact on the future affordability of the housing stock.

#### Expiring Use Restrictions

Under large federal programs created in the late 1960s, low-income housing was produced with subsidized mortgages that could be prepaid after 20 years. With prepayment, restrictions requiring low- and moderate-income occupancy would be terminated. Private owners of subsidized projects can usually convert to market use after 10-20 years. Approximately 3,800 properties with nearly 400,000 units, subsidized under these programs-called Section 236 or 221(d)3-are facing the expiration of their affordability use restriction by 1997. (National Housing Trust 1995) By the end of fiscal year 1994, the HUD preservation programs had extended these restrictions for only 278 properties with only 36,452 units. (FHA 1994)

Preservation of most of this stock is made possible under a new federal housing program entitled the Low Income Housing Preservation and Resident Home Ownership Act.[32] For owners who elect not to continue with government assistance, preservation of the projects as affordable will depend on the organized efforts of tenant groups, nonprofit sponsors, and local government.

In response to this legislation, tenant organizations are trying to secure greater participation in owning or managing these endangered projects. For example, the Mission Plaza Tenant Association's efforts to secure greater tenant participation in management of a Section 236 complex in Los Angeles have resulted in the tenants purchasing their homes. The tenant organization's leader observed, "For 16 years we organized rent strikes, demonstrations, petitions, hearings, lawsuits-everything you can imagine. And now it's added up to the ultimate victory: we are going to own and control our homes..."[33]

Numerous risks remain, including the need for sufficient federal money to operate the program. The government assistance needed to save and recapitalize these projects may very likely be the largest federal housing program of the 1990s. (Koebel and Bailey 1992) One expert estimated the price tag at \$27.4 billion. (Achtenberg 1992)

#### Federal Section 8 Project-Based Subsidies

Most owners of property assisted by HUD's Section 8 project-based subsidies are for-profit owners, although some are nonprofit. Many owners hire management companies to manage the day-to-day operations of their projects.

Section 8 project-based housing includes 1.5 million units in over 20,000 projects. Over 10,000 Section 8 assisted properties are also HUD-insured. (England-Joseph 1996) Of the \$45 billion of HUD multifamily housing insurance in force, \$11.9 billion, or 26 percent, is estimated to be at risk because of physical or financial problems.

The National Housing Law Project (NHLP) estimates that rents in about half, or 700,000, of the project-based Section 8 units are above market. (These are limited to the "newer-assisted"-Section 8 New Construction/Substantial Rehab-rentals.) This means that some owners of Section 8 projects may be receiving rent subsidies that are higher than necessary to reasonably operate their apartments.

The House Employment, Housing and Aviation Subcommittee held hearings on July 26, 1994, to focus on three issues: why some Section 8 projects become troubled, how HUD intends to improve its management of troubled projects, and how to address HUD's provision of excessive rental subsidies to some owners. Several subcommittee members were concerned, in a broader sense, with the future of the Section 8 project-based program and whether it should continue to exist in its current form.

The subcommittee found:

- \* Many Section 8 apartments do not meet HUD's housing quality standards for decent, safe, and sanitary housing, and are therefore classified as "troubled" units.

- \* HUD is not adequately inspecting projects for compliance with its housing quality standards, and is not following up on inspections to ensure that necessary repairs are being made.

- \* HUD cannot identify which projects in its inventory are troubled. This is due to inadequate HUD data systems.

- \* HUD is not taking aggressive enforcement action when necessary against owners of troubled projects.

- \* The inability of HUD to address the problems of troubled projects is due to a variety of factors, including ineffective management, inadequate data systems, staffing shortages, and a lack of program accountability. HUD is attempting to address weaknesses in its financial systems by automating financial statements for HUD-insured projects.

- \* HUD is providing additional funds to some projects without first making cost-effective decisions about the projects' future long-term viability.

- \* HUD has not done a complete assessment of its inventory of troubled projects. This would include a financial and cost-benefit analysis of each troubled property to determine remedial action. It would also include a social impact analysis, which would examine the impact that the remedial action would have on tenants, owners, and communities.

- \* Many Section 8 apartments have rents that are excessive compared to comparable unassisted apartments in the same area. Some of the unassisted apartments are in better condition than the Section 8 apartments.

Moreover, anecdotal information indicates that some Section 8 subsidies are lost because the participating owner never makes them available to poor families or utilizes them improperly.

The bigger problem, however, lies with the way the program is structured. Unlike public housing, Section 8 projects have subsidy contracts that are for very short periods of time, some as short as five years. This federal program originally subsidized projects with rent subsidy contracts that ran 15 years with two five-year renewals at the election of the owners. Because these contracts have only been renewed in five-year increments, over 600,000 units will come up for renewal between 1996 and 1999, the NHLP reported. As a result of language included in the 1996 HUD Appropriations legislation, beginning with contracts that expire in 1996, estimated to affect over 143,000 units, these project-based Section 8 contracts are only being renewed for one to two years depending on the program, with the vast majority receiving only a two-year renewal, and expecting only a one-year renewal the next time around.

Between 1996 and 2004, according to the NHLP figures, approximately 914,452 units receiving project-based assistance will have their contracts expire. Congress is now deciding whether to preserve the affordability of these units, and how to make and implement decisions affecting this stock. The additional budget authority needed to handle all of the contracts due to expire by the turn of the century is significant.

Section 8 contract renewals were funded at over \$4 billion in 1996, and this figure is expected to grow as the number of contracts expiring increases each year, especially given the current policy requiring that contracts be renewed every year. HUD estimates that Budget Authority demands of these renewals will balloon from \$2 billion in 1995 to \$20 billion in 2002. (England-Joseph 1996)

While HUD's latest "portfolio re-engineering" demonstration is taking steps towards housing preservation using project-based Section 8, the legislation does not supply details on how tenants and communities will have a voice in determining how this housing survives over the next 20 years. (Bodaken 1996)

#### HUD Foreclosures

HUD has a growing portfolio of foreclosed projects. HUD insures mortgages on more than 14,000 privately-built multifamily housing developments nationwide, most of which carry rental subsidies for low-income tenants. (England-Joseph 1996)

Because of years of mismanagement, poor market conditions, and poor oversight, many landlords began defaulting on their mortgage payments in the late 1980s and early 1990s. Banks, in turn, "assigned" the mortgages to and collected insurance from HUD.

HUD ownership certainly provides new opportunities for competent residents to become owners and managers, and to keep rents affordable to very low-income tenants by providing adequate subsidies to pay for sufficient repairs and operating expenses. The statutes governing HUD's foreclosure activities emphasize preserving the buildings for low-income tenants.[34] However, while preservation of subsidized units is guaranteed, formerly unsubsidized units serving lower income families are no longer guaranteed.

Tenants in subsidized and unsubsidized buildings are often victims of property neglect by HUD or its managing agent. Moreover, HUD's disposition plans governing the resale of projects and their long-term future are often completely inadequate. Due to the high cost of rehabilitation, this housing needs sufficient subsidies to survive.

Some HUD statistics peg the total multifamily foreclosure problem at 27,000 units, with another 40,500 in the foreclosure pipeline. (Hans 1993) These numbers are much lower than those in a confidential HUD transition report, which cited 48,000 units owned and managed by HUD, and expressed concern at the rising costs of maintenance due to poor management.

HUD has recently emphasized this problem and has been disposing of properties with vigor. Problems with financially "at risk" loans remain serious. In 1994 HUD-held mortgages (those "assigned" to HUD when insured properties held by other mortgage companies became delinquent) numbered 2,244. At the end of 1993, HUD had 178 properties in its inventory. In 1994 there were 121, and in 1995, only 74. This change is due primarily to the increased appropriations committed to property disposition in the form of Section 8 necessary to sell the projects. In addition, the Property Disposition law passed in 1994 has allowed HUD to sell "HUD-held" mortgages at auction. By September 1995, HUD had sold 616 mortgages using this new law, greatly reducing the number of properties for which HUD held the bulk of liability. (HUD 1995) This process will continue. HUD is finalizing the sales of HUD-held mortgages to three State Housing Finance Agencies (HFAs) in Maryland, Missouri and Pennsylvania, as part of a demonstration program that would turn the loans over without insurance to be serviced by the state HFAs. This will affect tens of thousands of units.

#### Threatened GSE and HUD Foreclosure Inventories

In recent years, governmental agencies acting on behalf of the public have foreclosed on multifamily buildings and single-family homes in record numbers. According to the Star Ledger of Newark, New Jersey, in 1993 foreclosure rates hit their highest since the Great Depression. To make matters worse, the foreclosed stock is often mismanaged and deteriorates during foreclosure, prior to eventual disposition. This public investment in foreclosed inventories of residential units represents an opportunity to expand the affordable housing stock.

#### Fannie Mae and Freddie Mac Foreclosures

The Federal National Mortgage Association (Fannie Mae) reported a 30 percent increase in single-family foreclosures between 1990 and 1992 and a 20 percent increase in the number of seriously delinquent single-family loans in 1992. In addition, the Federal Home Loan Mortgage Corporation (Freddie Mac) experienced a 60 percent increase in multi-unit foreclosures, raising their holdings to over one quarter million residential units.

In late 1995 Freddie Mac owned a total of 6,600 single-family properties, compared to 6,200 in 1994 and 5,300 in 1993. Freddie Mac also experienced a 20 percent increase in delinquencies from 1994 to 1995. This was in stark contrast to Fannie Mae, which has seen a significant decrease in both its seriously delinquent multifamily mortgages and its multifamily foreclosed inventory.

#### FDIC Inventories

The failure of large commercial banks in the 1980s and early 1990s resulted in a growing inventory of foreclosed properties held by the Federal Deposit Insurance Corporation (FDIC), particularly in the Northeast. While the FDIC is mandated by federal affordability regulations,

only a small number of single-family properties had been sold as affordable housing at the time of this research, mostly because the federal government had failed to appropriate the funds necessary for implementation. Much of the inventory lay dormant in the depressed real estate market.

#### Federal HOME Program

Congress has created a similar risk of losing affordable housing in its design of the HOME program created by the 1990 National Affordable Housing Act. Federal funds can be used, under this program, for terms as short as between five and 20 years. If these restrictions are not extended by Congress, a conversion problem like that experienced by FHA-subsidized multifamily projects will repeat itself for HOME-funded projects.

#### State Finance Agency Mortgage Bond Restrictions

Thousands of units have been financed with below market mortgages through state housing finance agencies. Some projects carried affordability restrictions expiring during the 1990s. The National Council of State Housing Agencies has recognized the magnitude of this growing problem but has not yet quantified it.

#### State and Local Expiring Affordability Restrictions

A wide variety of state and local programs have been used to finance affordable housing. Many of these subsidies carried affordability restrictions, with terms of 10 to 20 years being most common. We are now approaching the end of those terms. These local subsidy programs include density bonuses, inclusionary zoning, Community Development Block Grants, Rental Rehab Programs, Housing Trust Funds, and others.

#### Privately-Owned, Unsubsidized Rentals, Unregulated by the Federal Government

These properties remain at risk of becoming unaffordable due to market forces (Harvard Joint Center for Housing Studies 1992). Clearly this study is presented on the crest of a serious and potentially disastrous trend.

### Appendix C: Advisory Board

- \* Victor Bach, Community Service Society
- \* Stuart Bressler, New Jersey Housing and Mortgage Finance Agency
- \* Rachel Bratt, Tufts University
- \* John E. Davis, Burlington, Vermont
- \* Peter Dreier, International & Public Affairs Center, Occidental College
- \* Helen Dunlap, Deputy Assistant Secretary for FHA-Multifamily Programs
- \* Norman J. Glickman, Rutgers, the State University of NJ, Center For Urban Policy Research
- \* Diane B. Gordon, Neighborhood Reinvestment Corporation
- \* Chester Hartman, Poverty & Race Research Action Council
- \* Langley Keyes, Massachusetts Institute of Technology
- \* Ronald Lawson, Queens College
- \* Patrick Morrissy, HANDS, Inc.
- \* Vincent O'Donnell, Community Economic Development Assistance Corporation
- \* Dan Pearlman, Oakland, California
- \* Susan Saegert, Center for Human Environments, City University of New York

all affiliations are as of time of research

## Appendix D: Conference Agenda

### "Saving Affordable Housing: A Critical Examination of Successful Models"

November 16, 1994

9 - 9:30 am: A National Crisis In The Making

The Honorable Helen Dunlap, Deputy Assistant Secretary, HUD

9:30 - 9:50 am: Elements of Success

Patrick Morrissy, Executive Director, National Housing Institute

John Atlas, President, National Housing Institute

9:50 - 11:15 am: The Community Context

Neighborhood elements either enhance or hinder successful preservation of affordable housing. How do we harness these elements?

Presenter: Mossik Hacobian

Moderator: Patrick Morrissy

Panel: Alex Schwartz, Marty Shaloo, Rikki Spears

11:30 - 12:30: Financial Viability

How do we provide adequate financing for rehabilitation, set-aside reserves for the future and guarantee long-term affordability?

Presenters: Willie Jones, William Brach, Preston Pinkett III, Ronald Lawson

12:30 - 1: 30 pm: Luncheon

The Honorable Frank Lautenberg, Senator, New Jersey

1:45 - 3 pm: Organization and Management

Which management strategies and practices determine long-term success and how do leadership and organizational structure affect this goal?

Presenter: Judith Weber

Moderator: John Atlas

Panel: Andrew Reicher, Jack Geary, Donna Rose

3:15 - 4:30 pm: Technical Assistance and Local Government Programs

What types of technical assistance are critical to making projects work? What is the role of state and local government?

Presenter: John Davis

Moderator: Carole Norris

Panel: Peggy Huchet, Susan Rice, Mike Gondek

#### Notes

1. For example, the Boston Demonstration Program of 1980 established the national precedent for the negotiated sale of troubled projects to tenant cooperatives, and the work of the Boston Housing Partnership between 1983 and 1986 is a model for HUD's national Property Disposition Demonstration, which was taking place in six cities at the time of this research.
2. The following two sections are based in part on "Cooperative Housing and the American Dream: Examining Resident Participation," a 1993 master's thesis by Frank Neidhardt for the Massachusetts Institute of Technology.
3. CEDAC is a quasi-public corporation, chartered by act of the Massachusetts legislature in 1978, whose mission is to assist in the revitalization of economically distressed areas of Massachusetts.
4. This training was provided by Boston-based housing consultant Emily Achtenberg.
5. See Marksdale study, "Neighborhood Context" section.
6. See Marksdale case study, in which CEDAC also played a key role.
7. Columbus Avenue, where the Bancroft Apartments are located, is on the border between Jamaica Plain and Roxbury, so while the mailing address may be Roxbury, some residents would prefer to say they live in Jamaica Plain.
8. The tenants' council is made up of representatives of the various developments, and is organized with the assistance of the Urban Edge Community Services division.
9. See Marksdale case study.
10. CHFA first mortgage (\$177,100), Federal Home Loan Bank Affordable Housing Program (\$45,000), the state Division of Housing (\$40,000), the City's rental rehab program-second mortgage (\$194,238), and the City's Skyline housing trust fund (\$51,350).
11. The sponsoring communities are the Sisters of Mercy Housing of Auburn, the Sisters of Mercy Housing of Burlingame, the Sisters of Mercy Housing of Cedar Rapids, the Sisters of Mercy Housing of Omaha, and the Sisters of Saint Joseph of Peace, Western Province. Each of the Sponsoring Religious Communities appoints two sisters to "insure the constancy of the mission of Mercy Housing."
12. In 1992, Mercy Housing concluded a planning effort to increase its housing stock, its expertise sharing with other like-minded organizations, and its advocacy. The plan consolidated three separate corporations into Mercy Housing, Inc., (headed by Sister Lillian Murphy) and a

subsidiary, Mercy Services Corporation (headed by Sister Geraldine Hoyler). The Catherine McAuley Housing Foundation also merged with Mercy Housing, forming the McAuley Fund and a technical assistance division.

13. Decatur Place, located in a predominantly Hispanic neighborhood and with a predominantly Hispanic clientele, offers subsidized housing and on-site child care for a two-year period to single mothers with fewer than two children. During that time, the women are involved in full time school or work and monthly case management.

14. The City of Chicago has 78 designated community areas.

15. The loss of existing affordable housing is compounded by the fact that developers of new or rehabbed "affordable" units often charge more than many low income residents of Chicago can afford. This is because the City uses 80 percent of the median family income of the Primary Metropolitan Statistical Area (PMSA), which includes suburban communities in three counties, to set income and rent levels. The income of a family of four at 80 percent of the median for the PMSA was \$33,396, according to the 1990 Census, while it would be only \$24,566 based on the City of Chicago alone. But more than 23 percent of all Chicago families have incomes less than \$15,000. As a result, City housing programs benefit mainly moderate income households.

16. In 1990, banks lent \$4 million in Englewood, barely over one-tenth of one percent of the total value of bank lending citywide.

17. At the time of this study it was unclear whether this stipulation in AHC's lease-purchase contract, which required renters to pay for repairs, was legal according Illinois law.

18. This is apparently because rents do not fully cover costs including acquisition, rehab, property management, insurance, the cost of administering the bank loans and operation of the land trust.

19. The following two "historical" sections are based heavily, in some places verbatim, on the following news media articles: "The Right Price," *The Harlem Tenant*, Nov.-Dec. 1988; "Taking Title: Striking a Deal in Harlem" and "How To Get The Landlord To Sell Out," *City Limits*, May 1984; Lee Daniels, "Co-op Project Aids Poor When A Landlord Quits," *New York Times*, April 9, 1984; and Martin Fox, "Legal Aid Volunteers Help Tenants Become Own Landlord," *New York Law Journal*, March 19, 1984.

20. Several other attempts to identify "successful" co-ops in New York that would be willing to be studied were fruitless, within the amount of time the research team could invest in the task.

21. "The 7-A legislation enables a court-appointed administrator to use rent monies to make repairs for conditions that are 'dangerous to life, health or safety.' As long as one third of tenants agree to the 7-A appointment, the initial 7-A legislation is an impetus for tenant organizing and enables tenants to replace landlords as managers and stabilize low-income housing that may be lost due to landlord abandonment and/or neglect (i.e. cutback in services). The landlord is still the legal owner of the building during the administrator's term and can return to active

management of the building when the court permits. However, while the administrator is managing the building, the owner is not authorized to collect any rents." (NYC Commission on Human Rights, 1982, as cited in Oppenheim et al., 1993)

22. This refers to the Mollen commission report on corruption in the NYPD, which had named the 30th Precinct in West Harlem as a target of investigation. By May 1994, 25 officers of the 30th Precinct were arrested on charges including narcotics conspiracy, shaking down drug dealers, robbery, assault and civil-rights violations. Then-Police Commissioner William Bratton estimated that 25 percent of the Precinct might ultimately be implicated in the scandal. Officers in the "Dirty 30" Precinct had been collaborating with drug dealers for so long, they had reportedly refined this activity into "an art form." (Various articles, New York Times, April-May, 1994).

23. However, no existing tenants had actually been receiving welfare. If any had been, such a policy would have been harder to implement.

24. The increase in water and sewer costs disproportionately affects older apartment buildings, many of which are in low-income neighborhoods. These buildings have less efficient plumbing, and the units are frequently occupied by several people; both factors lead to higher usage relative to more modern buildings, which tend to be in higher income neighborhoods and have fewer persons per unit. Unless the city agrees to some tax relief for the limited equity cooperatives, which are private property, many co-ops would be either be faced with financial difficulty or have to raise rents to a level that might no longer be affordable to current residents, especially those on fixed incomes without rental subsidies. Several residents of the 140th Street co-op are currently on fixed incomes, and soon more residents will be at retirement age.

25. The research team interviewed 5 households. Four households filled out and mailed back a survey form.

26. Clearly, entrepreneurial leadership cannot exist without explicit or implicit support of its board of trustees. However, in this report we did not closely study the relationship between staff and board or sponsor. This is an area that needs more research.

27. See "Previous Research" in Research Components.

28. Keyes reports on a program called "The Security Initiative" in Boston as a good example of an institutional mechanism set up to network organizations and people around specific drug-and security-related issues. The Security Initiative was created to bring together the actors most directly impacted by the drug problems. Made up of representatives of management, the MHFA, Boston Housing Partnerships, and the MHFA-hired security force, the group has focused on the range of issues that impinge on security. Originally launched out of concern for the drug problem that sponsors were facing in their buildings, the forum has broadened to deal with all aspects of security. As such, its agenda gives vivid insight into both the issues that arise in the day-to-day effort to deal with drugs and the institutional responses that emerge to deal with those issues. On its agenda have been the following:

- \* The development of the security patrol, which was eventually accepted and funded by MHFA;
- \* The issues of tenant screening and the use of the Criminal Offender Record Information Act (CORI);
- \* A vacancy on the Boston Housing Court and the need to insure that the new judge is sympathetic to the goals of the BHP;
- \* Information that would help the police in directing busts at the development, such as floor plans of the building;
- \* How to handle the emerging fear and anxiety among development managers in the face of the violence surrounding drugs and use of firearms;
- \* The physical security of buildings and who is responsible for what kinds of actions such as keeping doors locked and windows bolted;
- \* The utility of temporary restraining orders in keeping drug traffickers away from BHP developments;
- \* Various pieces of state legislation bearing on the issues of drugs: who was sponsoring them, how they could be better formulated, and how to mobilize support for their passage in the legislature;
- \* Notification of an anti-drug rally in front of the Massachusetts State House to support inclusion of drug dealers in pending RICO bill.

29. See, for further example, Margery Austin Turner, Raymond J. Struyk and John Yinger, *Housing Discrimination Study: Synthesis*, Washington: U.S. Department of Housing and Urban Development, August 1991; and Alicia Munnell, Lynn Browne, James McEneaney, and Geoffrey Tootell, *Mortgage Lending in Boston: Interpreting HMDA Data*, Boston: Federal Reserve Bank of Boston, October 1992.

30. Downpayment requirements of 20 percent dictate that would-be buyers have at least \$24,000 up front in addition to several thousand additional dollars for closing fees. This is simply beyond the means of most American families under 40.

31. In terms of race, 43.3 percent of whites, 76.6 percent of blacks, and 74.2 percent of Hispanics are shut out of the home-buying market. In terms of age, 71.2 percent of families headed by a 25- to 34-year-old and 47.2 percent of families in the 35 to 44 age category cannot afford to buy a home. Over a third of existing homeowners-and 91 percent of all current renter families (including 98 percent of black and Hispanic families)-could not afford to buy a house for more current prices. (Fronczek and Savage 1991)

32. In the 1960s, the Section 221(d)(3) below-market interest rate and Section 236 interest subsidy programs used private ownership to increase the supply of multifamily housing for lower income families. The subsidy was a federally guaranteed loan with a reduced (subsidized) interest rate. In exchange for this limited subsidy and guaranteed loan, the owner executed a Regulatory Agreement containing restrictions on rent increases and tenant income eligibility. These restrictions, called "use" restrictions, were to remain in place as long as the Mortgage and Regulatory Agreement existed; the restrictions, however, could be terminated by a prepayment of the mortgage after 20 years. This provision was intended to attract private developers.

33. Theodora Rollette, Executive Director of MPTA, as quoted in LIHIS ROUNDUP. Note that in the article Ms. Rollette cautions that the change to tenant control may be problematic, e.g., MPTA has had difficulty with management violations of its right to control the admissions process which is part of the purchase agreement.

34. The "Emergency Low-Income Housing Preservation Act of 1987," 12 U.S.C.A §§ 1715z-15, replaced by the "Low Income Housing Preservation and Resident Homeownership Act of 1990," 12 U.S.C.A. §§4101-4125, established a qualified mandatory preservation program.

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#### Author Bios

John Atlas, Co-author and Project Director

John Atlas is Executive Director of the Passaic County Legal Aid Society. He is also a founder of the National Housing Institute and president of NHI's board of directors. Mr. Atlas helped launch Shelterforce, NHI's national magazine for housing and community development practitioners, and produced *Not the American Dream*, an award-winning documentary on the housing crisis. He is also a founder and former co-chair of New Jersey Citizen Action. Mr. Atlas has assisted numerous community-based organizations in their efforts to enforce the Community Reinvestment Act and in their fight for tenants rights.

Mr. Atlas's writing on politics and housing policy have appeared in numerous books and publications, including *The Nation*, *Tikkun*, *The New Jersey Reporter*, *The New York Times*, *Social Policy*, and *The American Prospect*. He has also co-authored with Peter Dreier chapters in *Critical Perspectives on Housing* (Temple University Press, 1990), *Changing America*, *Blueprints for the New Administration*, edited by Mark Green (Newmark Press, 1993), and *America's Cities* (Greenhaven Press, 1993).

Mr. Atlas holds a law degree from Boston University and a master of laws from George Washington Law Center. He was appointed by the Clinton Administration to the Advisory Board of the Resolution Trust Corporation, the Savings & Loan bailout agency. He also coaches his son and daughter's soccer teams.

Ellen Shoshkes, Co-author and Research Director

Ellen Shoshkes is an architect and planner based in Hoboken, New Jersey. Formerly Director of Housing Research in the Architecture and Building Sciences Group at New Jersey Institute of Technology, she is currently a graduate fellow and doctoral candidate at the Bloustein School of Planning and Policy Development, Rutgers University. Ms. Shoshkes has been principle investigator and author of several research studies focusing on housing and community development, including an evaluation of New Jersey's Balanced Housing Affordable Housing program for the New Jersey Department of Community Affairs; an analysis of the Farmers Home Administration's Housing Demonstration programs; and design guidelines for affordable housing, funded by the National Endowment for the Arts. In addition, Ms. Shoshkes is the author of *The Design Process: Case Studies in Project Development*, published by the Whitney Library of Design in 1989.

Her current research focuses on the relationship between social movements, social learning, and land use. Her dissertation, "Social Movements, Civil Society, and Community Development in the U.S. and Japan," is based on case studies of local redevelopment initiatives in Zushi City, in metropolitan Tokyo, and the Jamaica Plain section of Boston. This dissertation grew out of Ms. Shoshkes' participation in three conferences for scholars and professionals in the field of Urban Planning and development sponsored by the U.S.-Japan Metropolitan Planning Exchange, a

program organized by the Center for Urban Policy Research at Rutgers University, the Regional Plan Association, and Tsukuba University.

Ms. Shoshkes has served on the boards of several nonprofit organizations involved with housing and community development and is a member of the editorial board of *Housing New Jersey*. She received her Masters in Architecture from the Massachusetts Institute of Technology and completed her undergraduate education at MIT and Oberlin College.