SPONSORSHIP OF SUBSIDIZED HOUSING

by

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B.A., Northwestern University
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Submitted in Partial Fulfillment
of the Requirements for
the Degree of
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Low and moderate-income people have not been housed in reasonable dignity by this society. This is due primarily to two factors. First of all, low and moderate-income people do not have the money to compete for the type of housing they want often having to accept housing which the rest of society no longer finds habitable. In addition to the economic factor is a cultural factor which works to the disadvantage of lower-income groups. This cultural difference is between the housing sponsor and the tenant. It manifests itself as ignorance on the part of the sponsor as to the purpose the housing is to serve in the life of the tenant and the potential impact of the housing on the broader community.

Some method must be devised which, in addressing itself to the two factors mentioned above, will obtain the following two goals:

1. Increase the supply of units available at a cost low and moderate-income families can afford, and;

2. Provide units which are responsive to those particular needs and desires of the income group to be housed, as well as to those people in the greater community.

The two major vehicles for obtaining these goals are the limited-dividend sponsor and the nonprofit sponsor primarily through the development of housing built under Section 236 of the National Housing Act of 1968. An examination of the intentions and performance of a selected group of these sponsors in the Boston area shows that both types are making major contributions to the accomplishment of the goals. Limited-dividends are making their major contribution through increasing the supply of these units at a rapid rate. Nonprofit sponsors are more successful in accomplishing the social goals to be met by such housing.
Obviously, it is important to devise a way in which both goals may be met by both sponsor types. Suggestions include the use of rewards in the form of tax abatements or deductions for the limited-dividend sponsor who makes his housing more responsive to social goals, or the implementation of stricter FHA regulations to insure such goals' being met. Other suggestions include methods of increasing the technical expertise and financial backing of the nonprofits so that they may produce more socially responsive units at a faster rate. This may be done through the formation of nonprofit housing development corporations, partnerships with businesses and joint-ventures with the more experienced limited-dividend entities. No suggestions are given as to the best method to use, but were any used, the combined goals of increased supply and social responsiveness could be met.

Thesis Supervisor: Herbert J. Gans
Title: Professor of Urban Studies and Planning
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Additional thanks go to Mrs. Marjorie Lawson, Esquire who is responsible for developing my interest in housing development for low and moderate-income people and in helping me get my thoughts together on the subject, and to Mr. Milton Gardner who first opened my eyes to many of the issues presented in this study.

This thesis is dedicated to my parents without whose financial backing, gentle nudging, and constant faith in me, none of this would have been possible.
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CHAPTER I--AN OVERVIEW

I. INTRODUCTION

A. The Problem

Low and moderate income people have not been housed in reasonable dignity by our society. This is due to two factors. One factor is that lower-income groups simply do not have the money to compete effectively for the type of housing they want. In many instances, they must accept housing which the rest of society no longer finds habitable. One might, therefore, infer that the poor are unable to satisfy their housing preference, relative to the rest of society, because their economic status limits the range of housing alternatives available to them.

In addition to the economic factor, there also exists a cultural factor which often works to the disadvantage of low-income groups. This cultural difference between the housing sponsor and the tenant frequently manifests itself as ignorance on the part of the sponsor as to the purpose the housing is to serve in the life of the tenant. As will be discussed later, experiences with public housing and relocation procedures bear out this fact.

It is the purpose of this study to assess the best way to develop housing for low and moderate-income people which will address itself to these two factors by obtaining the following two
goals: (1) increasing the supply of units available at a cost which this group can afford as well as; (2) providing units which are responsive to those particular needs and desires of the income group to be housed, as well as to those people in the greater community. In America, with the emphasis on private enterprise, as much as possible is done to let businesses and individuals help solve the problems of the nation. For this reason, there are two instruments primarily responsible for the development of this housing -- the limited-dividend sponsor and the nonprofit sponsor. As will be set forth in the course of this study, both sponsors exhibit certain weaknesses and strengths in obtaining the above-mentioned goals. It is the author's contention that through the proper arrangement of the efforts of both type sponsors, housing for low and moderate-income families may be developed which meets the volume requirements and at the same time meets the social needs which are essential for satisfied family and community life.

B. Section 236

This study will center around sponsorship of housing developed under Section 236 of the 1968 Housing and Urban Development Act. Section 236 housing was chosen for several reasons important to this study. First of all, Section 236 housing, providing assistance to sponsors of newly constructed and rehabilitated rental and cooperative housing, will have a tremendous impact on increasing the supply of housing units. Secondly, Section 236 was designed
specifically for low and moderate-income people. Thirdly, Section 236 is a new program, and such a study of it may point out the directions in which it is headed.

Under this new section, nonprofit, cooperative or limited-dividend sponsors may receive FHA insured mortgage financing for as low as a one percent interest rate for a term of up to 40 years, compared with financing at a 3 percent interest rate under the 221 (d) (3) program. The assistance is in the form of periodic payments to the mortgagee financing the housing to reduce the mortgagor's interest costs on a market-rate FHA-insured project mortgage.

The sponsor's commercial mortgage lender obtains an FHA commitment to insure its market-interest-rate project mortgage. At the same time, the commercial mortgage lender receives a commitment from the FHA to receive interest reduction payments for the term of the project mortgage. These payments are the difference between the market interest rate on the project mortgage and the amount of interest which the tenants of the project pay through rentals.

The interest reduction payments will reduce payments on the project mortgage from that required for principal, interest and mortgage insurance premium on a market rate mortgage to that required for principal and interest on a mortgage bearing an interest rate of one percent. The interest reduction payments
will reduce rentals to a basic charge, and a resident or cooperative member will either pay the basic charge or such greater amount as represents 25 percent of his income, but not in excess of the charges which would be necessary without any interest reduction payments. Incomes of occupants will be re-examined at least every two years for the purpose of adjusting rentals.

C. Scope of the Study

It is Section 236 which will do the most towards increasing the supply of low and moderate-income housing in the Boston Metropolitan Area. The primary focus of this study, however, will be to examine the performance of both types of sponsors in regard to fulfilling the social aspects of housing. After first examining the background reasons for such a concern for social issues, Chapter II will discuss the social needs to be met in low and moderate-income housing. Chapter III will consist of an analysis of interviews with the sponsors. After a clarification of these interviews in Chapter IV, Chapter V will present suggestions for federal policy regarding sponsorship of an increased supply of socially responsive housing for low and moderate-income people.

1 The Boston Metropolitan Area is comprised of the cities and towns in the five counties of Suffolk, Essex, Middlesex, Norfolk, and Plymouth.
II. THE IMPORTANCE OF SOCIAL CONCERN

In 1949 Congress established a national goal of a "decent house and a suitable living environment for every American family." This goal was reaffirmed when Congress declared in the Housing and Urban Development Act of 1968 that:

...the highest priority and emphasis should be given to meeting the housing needs of those families for which the national goal has not become a reality...3

The 1968 Act set a ten year period for meeting these goals with an annual increment of 600,000 units. It is now 1971, and the national housing goal is yet to be met. Failure to meet this goal not only affects poor people, but has now become a crisis for moderate income people.

Until 1968 the words "a decent home and a suitable living environment" were very ill-defined, especially in respect to the social environment of housing, there being emphasis on the physical characteristics only. But with the 1968 Act Congress exhibits, though in some cases implicitly, a realization that there is more

2 National Housing Act 1949, Chapter 338, Section 2, 63 Stat. 413.

3 Housing and Urban Development Act 1968, Pub. 1, No. 40-448 Section 2 82 Stat. 476.
to "a decent home and suitable living environment" than the mere construction of dwelling units. An awareness is shown of the ability to solve broader social goals through housing programs. Past Secretary of HUD, Robert Weaver, voiced this awareness at the 1968 Senate Hearings, on the Housing and Urban Development Legislation:

But it is not enough to provide the needed volume of housing... Our concern must be not with units of housing alone, but with the quality of the human environment.4

Secretary of HUD Romney made a similar statement at the 1969 Senate Hearings:

In recent years, the two Committees on Banking and Currency have exercised leadership in expanding and refining national housing and urban development goals so that they encompass a concern not only with bricks and mortar..., but also with the social environment. And only last year, Congress enacted its most comprehensive and massive housing and urban development law. Thus, the Congress has recognized the extent of our housing and urban needs and the nature and urgency of urban problems.5

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Experiences with public housing and relocation procedures have shown that insensitivity toward the social issues of housing can cause suffering on the part of the poor. These same experiences have been responsible in part for Congress' increased awareness and changed policies in HUD and FHA. Public Housing strategies of impacting, in many cases, thousands of poor and black people into cheap and poorly designed, inadequately maintained, and badly located high-rise, monolithic structures is hardly an adequate expression of the values of privacy and individuality associated with American life. Inadequate, if any, community facilities, the poor social environment, and insensitive management all combine to inhibit in the tenants any feelings of pride, hope or dignity. The importance of neighborhood and community have been sacrificed for economy and political feasibility. Such factors are due, in the main, to attempts to build to standards which produce housing which in no way offers any competition to private enterprise. Albert Mayer speaks of the methods used by public housing officials to promote economy:

...practicing stark economies, squeezing down space, minimizing community facilities, eliminating anything that could be thought of as glamorizing, squeezing down architect's fees.... It was a source of pride to the authority that discovered closet doors could be eliminated.6

Experience with relocation is another example which points out that there is more to housing than just the physical dwelling unit. This example is best illustrated by those people who were transported after World War II (by way of the automobile and federally-insured mortgages) to the suburbs and by those who were threatened with removal from the older sections of cities for slum-clearance projects or highways. A wide variety of institutions such as the church, school, and shopping center followed the suburban dwellers to provide meaning and shape to their lives. Those to be relocated from older communities loudly protested attempts to take them away from the schools, churches, clubs, and shops that had so well expressed and been an expression of their lives. Thus, although the people were concerned with the housing and the people who lived near them, there was also a deep concern for those other factors forming the community in which they lived.

Such experiences have been responsible for the realization that for housing to be viable, it must function in such a way as to promote and emphasize the inseparability of the unit and the people living in it from the community and neighborhood in which they are found. Those who have worked for the improvement of living conditions, i.e. Congress, HUD, and FHA, are finally learning that anything less than a concern for the social aspects of housing and community development will not adequately solve those living conditions.
III. THE ROLE OF SPONSORSHIP

Congress has set a goal of six million rehabilitated and newly constructed subsidized units to be completed by 1978 for low and moderate-income people. In this way, the 1968 Act is significant as a step towards increasing the supply of housing units for low and moderate-income people. The programs holding the greatest promise for realizing this goal of the national housing program are those dealing with the involvement of private enterprise. America will not reach the required level of production without a full involvement of American private enterprise.

Past Secretary of HUD Robert Weaver spoke of meeting the goal of six million units:

[Meeting the goal] contemplates reliance on new programs designed to encourage greater private participation. It looks to the full involvement of the present homebuilding industry, as well as the involvement of large segments of private industry which have not before been directly involved in housing. It depends also on the active participation of organized labor and concerned non-profit organizations.7

Thus Congress depends on sponsorship as the instrument for accomplishing its goals. The question, however, is whether this instrument is adequate for the job of not only increasing the

7 1968 Senate Hearings p. 6.
supply, but also of obtaining the broader social goals of the 1968 Act. At some point in the development of housing someone must make those social decisions about individual and family needs and preferences, community functions, and the pattern of community life. The typical developers and financiers to whom Congress now looks to build and manage these units are often ill-equipped to make such decisions. The problem is often most acute in the development of low and moderate-income housing. Those making the decisions are, more often than not, of a different social class than those the housing is intended to benefit.

The two primary sponsors Congress and the FHA depend on are the nonprofit sponsor and the limited-dividend sponsor. Although offering loans to corporations of both types for the construction of inexpensive housing beginning as early as 1933, there was so little interest in the program, that the Government undertook such construction itself. Since the 1954 Housing Act, sponsorship by nonprofit corporations has become important to all HUD programs for low and moderate income families. It was the 1954 Act which added Section 221 (d) (3) to the 1934 Act as well as mortgage assistance and full construction and land acquisition loans to nonprofit sponsors, but with no subsidy.

Opportunities for sponsorship were broadened with the Housing Act of 1961. To the list of sponsors for Section 202 Housing for the Elderly
and for 221 (d) (3) Housing for Low and Moderate Income families were added consumer cooperatives, public body sponsors, and the limited dividend sponsor who was allowed to develop subsidized housing for a profit. Thus by 1961 all of the sponsoring groups relied upon to build and manage housing for low and moderate-income families had been given the opportunity to participate.

The Government is forthright in its reasons for choosing and continuing to use the traditional profit-motivated sponsor. Expertise, availability of funds, with the added incentive of profit opportunities through accelerated depreciation, tax shelters, and capital gain, would surely add to the supply of such housing.

There is less documentation, however, on the Government's reasons for giving such opportunities to nonprofit sponsors. Originally, and today also, there was the belief that nonprofits would be concerned only with serving people with no desire to cheat or profiteer. But in 1961 Robert Weaver gave reason to question the continued use of nonprofit sponsors:

One of the great difficulties here, of course, is the fact that so many of the agencies that come in which are nonprofit don't have the business sophistication that a private developer might have. So it is going to be more time consuming and we are going to have to give a great deal more assistance to these people.

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Thus, sponsorship will play a crucial role in creating the six million units as well as, hopefully, in contributing to those forces in the physical environment which will add constructively to the important qualities of human life. Let us now examine the social goals to be met by low and moderate income housing.
CHAPTER II -- THE SOCIAL GOALS

I. TWO TYPES

New FHA and HUD policies, Senate and House Hearings surrounding the 1968 Housing and Urban Development Act, as well as the Housing and Urban Development Act of 1968 itself, all indicate an increased awareness of the ability and importance of carrying out social commitments through housing programs. Close scrutiny of the FHA and HUD policies, the Senate and House Hearings, and the 1968 Act reveals that the social goals to be met in low and moderate income housing fall into two general categories. One of these categories contains the goals which have a direct effect on the tenants. The other category contains those goals which have the most impact on the general welfare of the whole community.

All of the goals mentioned in these documents will be discussed as well as other goals not explicitly mentioned in the above-mentioned documents. These additional goals were chosen by the author as ones she sees as valuable for the creation of the physical and social environmental conditions which will help foster satisfied family and community life, as well as provide a "decent home a suitable living environment."

Those goals having a direct effect on the tenant are:

1. The location of the development
2. The design of the development
3. Management procedures
4. The income of the tenants
5. Tenant selection policies
6. Availability of community and social service facilities.
Those goals having their major effect on the broader community are:

1. The creation of contracts for minority business
2. Job opportunities for residents
3. Economic and racial integration
4. Community participation in the development process

The problem is that these goals have never been precisely defined. It will be the purpose of this chapter to give more specific meaning to these goals as they regard low and moderate-income people, specifically those to be housed in units developed under the 236 program.

II. DIRECT EFFECT ON TENANTS

A. Location

Location is perhaps one of the most important factors in planning low-income housing. People in the lower income groups tend to be less mobile than those in upper-income groups if for no other reason than that they have less money and consequently fewer or no cars. In addition, the proportion of elderly people in this group is high. They tend to be immobile due to financial as well as health reasons. Therefore, housing which will be occupied primarily by families with children and people still in the labor force should have primary access to public schools, transportation lines, and centers of employment. Secondarily, but still important, occupants should be given ready access to shopping centers, community facilities and recreation areas.
Propinquity to transportation lines may bring tenants to these areas, but the more concerned sponsor will provide these facilities or see to their provision. Similarly, projects for the elderly should be convenient to community facilities including health facilities, shopping centers, and transportation lines.

FHA officials, before approving a project for construction, must approve the site selection. The sites are selected by the sponsors themselves, but FHA officials assure "the availability of transportation, utilities, and essential civic services including school". ¹

It is true, especially in the city limits of Boston, that a sponsor could choose nearly any site and be just about sure that these services are available. But the odds for such certainty are not as great in suburban development. Therefore, it is important that a sponsor who considers himself conscious and concerned about those for whom he is developing take the above-mentioned factors into consideration when choosing a site.

¹1969 Senate Hearings, pp. 39-40.
Whether a sponsor prefers to develop in the suburbs or within the city-limits is also indicative of his social responsibility. Whether he builds in the suburbs or not is not the issue, *per se*. There is no doubt that poor people have, for the most part, been denied much choice in where they could live. By building in the suburbs as well as the inner-city, sponsors open up more opportunities for economically and socially deprived families. In fact it seems that even HUD, FHA, and Congress have not yet made up their minds as to policy regarding location. At times HUD has expressed desires to break up the concentration of low-income families in large ghettos. Romney made the following statement at the 1969 Senate Hearings:

...I believe one of the things that the Congress expects us to do, and one of the things we believe is highly desirable is to locate as many of the housing units as we can generally throughout the metropolitan areas, rather than to locate the low-cost housing just in particular areas.²

Yet, there is an implicit assumption in the FHA Handbook that subsidized housing will be placed in existing low-income neighborhoods:

A group with deep roots in the community or neighborhood will probably be stronger than a national or regional organization without established roots in the community. Moreover, such a locally oriented sponsor is more likely to produce tenants for the projects.  

The issue involved in suburban location vs. city location is what, if anything, a sponsor may be trying to avoid or trying to find by preferring one location over the other. By preferring to build in the suburbs, a sponsor may be attempting to avoid black people. Census figures show that blacks in the Boston SMSA are only 2 1/2 per cent of the suburban population. And those who live in the inner-city are often reluctant to leave the people and places with which they are so familiar to go to a distant location with strange people.

By building in the suburbs a sponsor may be avoiding those in the lowest eligible income brackets. This is a very subtle, yet sure and direct form of discrimination which can be levied in many areas. Unless the town has a Workable Program, there must be town approval before any rent supplements can be issued. As will be shown later, many towns have not approved rent supplement programs.

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Needless to say, in avoiding black families and the poorest families, sponsors are, for the most part, avoiding large families—a menace deemed by many to be as great as the poor and the black.

By building in the suburbs a sponsor may also be avoiding requirements that he use minority group construction workers as well as avoiding the picketers and protesters who demand that he use them. The demand for hiring minority contractors and sub-contractors as well as for providing skill training and jobs for the unskilled and the unemployed is much greater in inner-city areas where such deficiencies are more prevalent, where the developer is more apt to be working in an inhabited area, and where there is more community concern for the builder's milking the community.

Likewise those preferring the inner-city may be avoiding issues which, if dealt with, may help improve the plight of low-income tenants. For example, such sponsors may be avoiding costly and time consuming zoning change battles, or planning and taxation decisions in communities determined to prevent such a development.

Location involves the cost of the land and, in final analysis, the rents to be paid. The raw land for moderate-income housing should not exceed $2,000 per unit even in central city locations, and $500 on urban renewal land. While this is an important factor in housing

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4 John Corbett, FHA Boston Insuring Office
low-income people, the author ranks it as least important in assessing
the social sensitivity of a sponsor. If for no other reason, the
sponsor will have the lowest land price possible because FHA mortgage
allowances would make a project infeasible if more were paid for the
land.

B. Design

The most important design feature showing a concern for social
goals is the proportion of one-bedroom units to three-or-more-bedroom-
units. The housing gap for the large poor family has been well
documented.\(^5\) For purposes of this study, a large family is one
requiring more than two bedrooms. Although such a family may contain
as few as four members (mother, father, two children of opposite sexes)
and require only three bedrooms, that same three bedroom apartment may
be desired by a family of six—two parents and two children of each sex.
It is this family which sponsors stay away from. The sponsor who does
make an attempt to house members of this group is providing a needed
social service as is the sponsor who builds one and two-bedroom units
and fills them. However, the temptation to disregard large families

\(^5\) Smart, Rybeck, and Shuman, The Large Poor Family: A Housing Gap,
is great. The ratio of rent to construction costs is lower in large units along with a higher management cost. A sponsor building many large units must be willing to take on greater risks. Thus, by building smaller units, a sponsor is able to collect more rent in relation to construction cost, save on management problems, and disregard what is often a very menacing group—the large poor family.

C. Management

It is through management procedures that sponsors can best show their attitudes towards traditional landlord-tenant situations—one way or the other. The most sensitive sponsor realizes that even if he has succeeded in building desirable housing for the most needy people, he has failed if he is not the right landlord.

Management must be able to meet with residents on both a business basis where rents, maintenance and administrative matters are concerned, and on a personal basis where they refer developing problems to program people or agencies. In housing for low-income people are found people of "special need" who may have to be informed about health services, employment and educational counseling, and other services. In other words, management deals not only with the physical aspects of building maintenance, but also with the people and in helping them to improve their situation.
FHA has set forth a Project Management expectation which implies that they are aware of special management for low-income people:

The management of a housing project for lower income families requires certain skills and services beyond those required for a middle or upper income development. It is important that there be a realistic plan for providing the socially oriented management and related human services needed in low and moderate income housing projects. The insuring office must determine that a Section 236 project will be provided with this type of management...6

D. House Those of Low and Moderate Incomes

It may not seem necessary to speak of housing low and moderate income people as a goal to be accomplished in the program specially designed to house such people, but this is a problem. At the 1968 Senate Hearings on the Legislation, Senator Tower questioned Secretary Weaver as to the possibility of low-income being merged into moderate income to the detriment of low-income people. In stressing his point that interest should be with low-income families, Senator Tower said:

6U.S. Department of HUD, op.cit., p. 7.
All of us have been concerned about the way this thing tends to surface and gravitate toward the higher income family, and I want to make sure that we get it down toward the low income family.\(^7\)

The legislation reads that a tenant or cooperative member will either pay the basic charge calculated at one per cent interest or a greater amount up to 25 per cent of his income, but not more than what the unit would rent for without the interest reduction payments. Tenants who pay less than fair market value cannot have incomes, at the time of initial rent-up, in excess of 135 per cent of the maximum income limits in the area for initial occupancy in public housing dwellings. In the Boston SMSA this amount is $5000 for one person households, $6,210 for two persons, $7,340 for three and four, $8,000 for five and six, and $8,505 for seven persons or more.\(^8\) However, up to 20 per cent of the contract funds authorized in appropriations acts may be made available for projects in which some or all of the units will be occupied, at the time of initial rent-up, by tenants whose incomes exceed the above limits but do not exceed 90 per cent of the income limits for occupancy of section 221 (d) (3) BMIR rental housing. In the Boston SMSA these rates are as follows: $5,500 for one person household, $6,650 for two persons, $7,850 for three and four persons, $9,000 for five and

\(^7\)1968 Senate Hearings, p. 28.

\(^8\)Department of Housing and Urban Development
six, and $10,150 for a seven or more persons household. With such rather low limits, it does not readily become clear why Senator Tower considered the possibility of the program's gravitating toward moderate income people to the detriment of low-income people. Tower's concern was that those housed would be at the upper limits of the maximum income limits with little or no representation of those with lower incomes.

In order to reach lower income people, provisions are made for rent supplements and leased units. Up to 20 per cent of the units in a project must be reserved for tenants receiving rent supplement. Additional units may be reserved upon written request to the FHA office stating the community need for these units. The supplement for each tenant is the difference between 25 per cent of his adjusted monthly income and the basic rental charge for the dwelling unit. In the leased housing program, the Public Housing Authority guarantees rents of those families whose incomes make them eligible for public housing. This program is mandatory for sponsors developing on urban renewal land. In Boston, before the Redevelopment Agency will convey land to a sponsor, he must sign a contract reserving at least 10 per cent

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of the units to the leased housing program. This is optional for sponsors developing on any other land. Thus, a sponsor particularly concerned with reaching the lowest income people will make full use of the rent supplement and leased housing opportunities.

E. Tenant Selection Policies

A deep concern for the people to be housed is shown by the sponsor who is willing to rent to "less desirable" tenants. The necessity to keep expenses down and rental collections up so that mortgage payments and other expenses may be met is generally responsible for sponsor concern in admitting dependable families who will pay their rent on time and cause little or no problem with vandalism.

"Undesirable" takes in a lot of characteristics including being on welfare, being a large family, having one parent missing, having a criminal record, being a drunk or dope addict, as well as being delinquent with rents. Of course, all of these characteristics are not equal in undesirability, but they each, being a symptom of or a result of another problem may have an adverse effect on landlord-tenant relationships as well as on tenant-tenant relationships. Even the most socially aware sponsor is not to make a policy of accepting all undesirables. Such a policy is potentially more dangerous
to the persons involved than not accepting them at all. Having high concentrations of people with problems only tends to perpetuate those problems. The socially responsive sponsor will realize the frequency of such characteristics in the American population and especially among the poor (usually due to circumstances beyond their control). With such a realization, this sponsor will not systematically exclude these people, but rather will judge each as an individual, striving to give him every chance possible while at the same time remaining responsible to the good tenants.

F. Provision of Community and Social Service Facilities

As discussed in the introduction it was the absence of community and social service facilities which played a substantial role in the failure of public housing. Similarly, oversight of the roles of these facilities in community life accounted for problems encountered by relocated families.

Community facilities are necessary to serve both the occupants as well as the surrounding neighborhood. The socially conscious sponsor is sure that there are appropriate as well as adequate

commercial facilities in the area. If they are not present, the sponsor should provide them. Children should be taken into consideration through the provision of play areas (indoor and outdoor).

The socially conscious sponsor is aware of the feelings of alienation, despair, and insecurity often felt by low-income people in this often hostile, insensitive world we live in. In understanding the special help many people of this group may need in coping with life, the aware sponsor is responsible enough to provide or see to the provision of such services as employment counseling, school counseling, consumer education, day-care centers, and the like.

III. THOSE AFFECTING BROADER COMMUNITY

A. Creation of Contracts for Minority Business

...the Secretary [of HUD] shall require, ... that to the greatest extent feasible contracts for work to be performed in connection with any project be awarded to business concerns which are located in or owned in substantial part by persons residing in the area of such project.12


This provision was added specifically to insure employment opportunities for small business concerns and especially minority group entrepreneurs in the central city areas. Secretary of HUD Weaver saw this opportunity as very promising especially with nonprofit groups and others investing in central city areas.

He said:

Aid to nonprofit sponsors will increase their ability to produce vitally needed housing. At the same time it should expand opportunities for minority-group entrepreneurs, especially in central city areas, because the nonprofit sponsors and others motivated to invest in these areas will tend to employ indigenously owned companies in the construction process.13

The development of a large scale housing program represents a significant source of economic activity. The input of millions of dollars in materials and labor, and construction, legal, architectural and other services presents the opportunity for directing a substantial flow of badly needed income and employment into an area. To assure the maximum local impact of this activity, the socially aware sponsor will carry out the following program:

1. Give priority purchasing of supplies and equipment from local firms, where possible, on a bid basis.

2. Give preferential negotiation of construction subcontracts with competent local firms. When potential subcontractors

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13 1968 House Hearings, p. 69.
either lack the capacity or are not competitive in price, the contractor should offer engineering, estimating, purchasing, financial and management assistance with the objective of preparing local firms for expanded business opportunities. Hopefully, subcontracting could be done by local firms either alone or in joint venture with a more experienced firm.

3. Recruit experienced and qualified building trades mechanics from within the area.

For such a program to be carried out it is especially important that the sponsor hire a contractor who also has these goals in mind, or who can be persuaded to carry out these goals.

B. Job Opportunities for Residents

Closely related to contracts for small business and indeed an integral part of it is the creation of employment opportunities for lower-income residents of the community. Section 3 of the 1968 Act states:

...the Secretary [of HUD] shall require...that to the greatest extent feasible opportunities for training and employment arising in connection with the planning and carrying out of any project assisted under any such program be given to lower income persons residing in the area of such project....

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Such job opportunities may run the gamut from construction jobs to secretarial work, to training community people for subprofessional positions within the sponsoring body.

The sponsor should see to it that the developer employs on the site an equal opportunity manager. He would be a knowledgeable watchdog of equal employment programs and would hopefully guide and direct these operations, while at the same time interpret the needs and constraints of the entire construction operation to all involved parties.

The responsive sponsor will not only hire such people, but realizing their inexperience in such endeavors, develop programs for employment and training. Thus, an objective should be the provision within housing programs, of maximum employment opportunities for the disadvantaged workers in the community.

Not only is it possible and desirable to utilize the construction period as a minority employment opportunity, but this is an ideal time and way to attack the discriminatory practices of many labor unions as well as to increase the wealth of the minority community. The author grants that this is a complicated task to undertake with many abuses and disappointments. Locating a contractor who utilizes minority subcontractors, breaking discriminatory union hiring practices,
and pressuring contractors into using minority contractors can be next to impossible. But the sponsor who is concerned with the greater development of the community in which he is working as well as society in general will do his share to contribute to that development.

C. Economic and Racial Integration

This goal is an important one in that it broadens one's outlook and experiences in life, affecting performance, aspirations, and attitudes. Some believe that the presence of middle-class people provides incentive and leadership for lower-income tenants. FHA, in leaving site selection to the discretion of the sponsor does not really require an attempt to achieve racial or economic integration. If site selection does not guarantee such a goal, the sponsor may attain it through the use of rent supplement, leased housing and recruitment tenant selection policies.

The socially responsive sponsor will want a representation of both racial groups above the token level. To achieve such a goal of racial inclusiveness, the sponsor will have to solicit actively the race least represented. Stable patterns of racial and economic integration in housing developments do not just happen.
Rather, they are the result of commitment, clearly established policy, and imaginative and thorough planning. It is only very infrequently that the combination of circumstances are present which result in this integration without special planning.

There is a limit, however, to the goal of achieving racial and economic integration. It can actually be a negative factor in a development. Such may be the case when there is a forced attempt to achieve economic integration in a community where all those who would be recipients of the housing are of the same income -- particularly the lowest eligible income. Many communities have encountered problems in needing all of the units to be rent supplemented, but FHA allows for only 20 percent with additional provisions by special permission only.

Another way in which trying to achieve racial integration may be negative is in attempts to bring whites into an area where all blacks are and desperately need the units as opposed to taking blacks to the suburbs where whites have many more opportunities if for no other reasons than skin color.

In the final analysis, it must be realized that integration is not the final answer to problems. It has not been proven that the presence of middle-class people or whites provides the motivation
for lower-income people to improve themselves. It is more important
to have hope, opportunity, freedom of choice, good city services,
quality education, feelings of security of being concerned about,
and others.

D. Community Participation

Sponsors must realize that those who live, especially in areas
of rehabilitation and renewal, have a right to a voice in the
development process. It is important that housing development
programs fit what the people want, and without input from the
people there is very little indication as to what they want and
need. Where there has been a serious community involvement the
most creative solutions to housing problems have been developed.15

At the 1968 Senate Hearings the following conversation
took place between Senator Percy and Commissioner Kerner:

Percy: Do you think there should be more neighborhood
involvement in what is going to happen in their
community, more involvement of the poor themselves
in some of these programs so they can feel they
have participated in the programs?

15 This might best be illustrated by the struggle of the Woodlawn
Organization in Chicago to gain community control of land and
citizen participation in urban renewal plans. Continued
persistence and an eventual alliance with the Kate Maremont
Foundation won two the right to plan and execute its own housing
programs. The result is a shopping center and more than 500 units
of housing now being constructed and owned by the Woodlawn Organization.
Kerner: Yes. I think involving the people in their poverty area in the planning to get their reaction will certainly give them some satisfaction. We don't have to be Ph'Ds to be logical and practical, and a lot of these people are very practical and very sound. Certainly, it would if nothing else psychologically make the plan of the program more acceptable.  

Needless to say, there are limitations to this whole concept of community participation. Often solicitation of community opinion would result in the development's not being constructed at all. The problem is particularly acute in suburban areas desiring to keep their single-family, low-density characteristics. Suburban as well as predominantly white city areas, fear the social impact of the influx of the poor and the black as well as the financial impact on city services and higher taxes.

However, although forces in opposition to this housing may arise, in the long run the harm done by excluding the future tenants in an attempt to avoid this opposition, would far exceed any done by these opposition forces. For example, potential beneficiaries of the housing units should be consulted as to unit lay-out and composition, needed recreational and service facilities, and other physical necessities. In addition to their input into the decision-making process, the community could advise the sponsor as to whether the units are really needed at that location, if the real needs of the potential tenants will be met, and whether the plan will reach those most in need of help.

16 1968 Senate Hearings, p. 362.
IV. CONCLUSIONS AND SUMMARY

Perhaps there is something to be said for singleness of purpose when attempting any endeavor. Very often, well-intentioned people try to solve too many problems at once, diffuse their efforts, and end up with a poorly done product, if they don't give up completely. Nevertheless, it is both possible and desirable to utilize the housing development process as a tool to solve a whole array of problems yet all dealing with the future tenants of the units as well as those in the wider community.

In summary, housing is a tool for strengthening individual and family life as well as community life. Through the provision of good quality units, available to all people at their price range, and located strategically, with management and social facility procedures geared toward helping the tenants function independently and responsively, the sponsor plays an important part in strengthening individual and family life. Likewise through the provision of minority contracts, minority employment opportunities, racial and economic integration, and community participation, this same sponsor can substantially affect the development of the community as a whole.

Let us now examine what various sponsors in the Boston Area are doing to meet these goals.
CHAPTER III -- SPONSOR INTERVIEWS

I. DESCRIPTION OF SPONSORS

Due to the uncooperative nature of one sponsor, the time element involved in completing this study, transportation problems, as well as problems inherent in obtaining any pure sample, the author regrets that the sample of sponsors represented here contains some biases. In an effort to interview only those sponsors who have perhaps put the most thought into their project and who have produced some tangible results, the only sponsors interviewed were those who are either presently building or operating a subsisidized development. With the exception of three sponsors who are operating 221 (d) (3) projects, all are involved with 236 developments. By choosing sponsors in this manner, the author inadvertently omitted any limited-dividend partnerships which may have been operating on a smaller scale than the real estate companies, development corporations, and construction companies represented here. An example is a group of doctors or an individual. Obviously, these smaller scale groups may have exhibited considerably different attitudes and intents in the development of their future projects.

The sample of nonprofit sponsors is perhaps more representative. Again, only those who have units in the construction or operational stage were interviewed. However, the sample includes four church
groups, a community organization, a community settlement house, and a housing development corporation. These same seven sponsors also represent five groups which are in the housing development field for the first time, and two groups who have developed housing at a previous time.

For the most part all those sponsors the author approached were willing to be interviewed. An interesting exception is New England Realty Company, a limited-dividend entity. An examination of the Disario thesis reveals that this company (developers of Forest Hills) was about the most insensitive in her sample to the social goals in housing.

Thus, the sample of limited-dividend sponsors tends to be quite biased while the sample of nonprofits is a little less so. This chapter will compare and contrast the intents and accomplishments of the well-established, big-operating limited-dividend to an adequate cross-sampling of the nonprofit sponsors. Below is a brief sketch of each of the sponsors.

A. Limited-Dividend Sponsors

First Realty Company has sponsored a total of 557 completed 236 units known as Battles Farm in Brockton and Cummins Towers (for the elderly) in Roslindale. Under construction is the 460 unit Shore
Plaza East in East Boston and the 199 unit Southfield Gardens in Brockton. Russell Traunstein, Development Coordinator, was interviewed.

The Regional Development Corporation is sponsoring Weymouth Gardens in Weymouth. These will be 150 new units insured by MHFA with 236 subsidy funds. Joseph E. Corcoran, president of the Corporation, was interviewed.

Continental Wingate is the sponsor of 307 rehabilitated units in various stages of construction in Lowell, Lynn, Brighton, and Roxbury. Ralph Cole, Project Coordinator, spoke for the firm.

Beacon Construction Company is the sponsor of numerous 221 (d) (3) units in Boston as well as 236 units in Springfield. Larry Seokovitz, Vice President, spoke for the firm.

Edwin D. Abrams, Inc. has sponsored 65 rehabilitated units of 221 (d) (3) in Roxbury and North Dorchester as well as MHFA insured rehabilitated 236 units in Cambridge and Boston. Mr. Edwin Abrams was interviewed.

B. Nonprofit Sponsors

Wellington-Harrington Development Corporation is a community group in Cambridge which is sponsoring 54 new units of 236 housing. Robert Bright spoke for the group. This is a first venture for the group.
Grant AME Church is sponsoring Grant Manor Apartments. These 170 units of 236 housing are currently under construction in the South End Urban Renewal area. Reverend Cody, pastor of the church, was interviewed. This is the church's first housing venture.

Freedom House Development Corporation is a settlement house in housing development for the first time sponsoring 128 new 236 units. Brunswick Gardens is under construction in Roxbury. Mr. Snowden, director of the House, was interviewed.

St. James African Orthodox Church, Inc. is sponsoring 81 rehabilitated units under construction in various locations in Dorchester. Bishop Gladstone Nurse spoke for the church.

Interfaith Housing Corporation has recently completed construction of its first housing venture the 104 unit cooperative in Stoughton known as Presidential Courts. Cochituate Coop Homes is under construction in Framingham, Jehue Smith, head of the management firm, spoke for Interfaith.

Joseph Tuckerman Memorial has sponsored several 221 (d) (3) developments as well as a total of 180 units being constructed under the 236 program in the South End Renewal Area. Reverend Virgil Murdock spoke for the Memorial.

St. Joseph's Roman Catholic Church has sponsored a 221 (d) (3) development. Father Michael Groden was interviewed.
II. LOCATION

Nonprofit sponsors and limited dividend sponsors showed a marked difference in the priority of factors influencing them to choose a particular site. Limited dividend sponsors invariably mentioned land price as their first concern. Nonprofit sponsors were primarily concerned with the need for housing in an area and their ability to provide it without displacing families.

First Realty, a limited dividend entity, looks for land whose purchase price will make it possible to do a project which will fit into the framework of Section 236 regulations. Certain basic costs are calculated from experience with other projects. Unit land cost is the most important factor in determining the economic feasibility of the project. Experience dictates that land cost be kept down to no more than $1000 per unit to be constructed. Thus if the development is to consist of 50 units, no more than $50,000 should be paid for the land to make the project economically feasible.

Limited dividend sponsors involved with rehabilitation have a similar concern even though it's not land price which is most important, but the cost and condition of the structure to be rehabilitated. Continental Wingate makes deals with the owners of the property to be rehabilitated. After forming a loose
partnership with the owner, Continental Wingate grants that owner an informal option on the land at closing for execution with a minimum amount of money out. Thus Continental Wingate doesn't have to go out into the market, eliminating a lot of haggling over purchase price. In this way a better acquisition price can be reached because the landlord is part of the long-range deal.

In addition, rehabilitators look for units which can be rehabilitated at predictable, reasonable prices. Continental Wingate prefers units located in Roxbury over those located in the South End. Roxbury units are better laid out, need less gut demolition, with the money consequently going into the actual construction of floors, walls, and ceilings without having to rearrange them and create new rooms. Thus Continental Wingate is able to produce products within the confines of FHA and the strict regulations of Model City requirements.

Five of the seven nonprofit sponsors interviewed emphasized most importantly the dire need for housing in the particular area and how it could be provided with no displacement of families. Reverend Cody of Grant AME Church told of how many people had been displaced from the area and wanted to move back in. Reverend Murdock of the Joseph Tuckerman Foundation told of all the bare land in Lower Roxbury which needed developing. Mr. Snowden of Freedom House
told of the need for housing as well as the ability of Freedom House to meet that need on Model Area Land with no relocation problem.

None of the limited dividend sponsors mentioned the importance of the availability of transportation facilities, schools, shopping centers, community facilities and the like. The nonprofits did, however. The Wellington-Harrington Community Group noted the proximity of a new $5 million school to their site. Interfaith Housing Corporation is particularly aware of the availability of services, shopping centers, churches, and public transportation lines. Jehue Smith pointed out how poor people have few cars and the elderly may not be able to walk long distances.

Perhaps it is important to note that with the exception of Interfaith Housing Corporation, all of the nonprofit sponsors are working in either urban renewal areas or Model City areas. In most cases the Boston Redevelopment Authority approached the group and specifically asked that they build in the area. Such areas, being located in the inner city, are almost guaranteed of having services available. It seems ironic, therefore, that only the nonprofits -- those who are building in such areas, should be the only ones to mention the importance of locating a site with the above mentioned facilities.
Neither type sponsor showed any particular preference for inner city or suburbs. However, the statistics tabulated shed additional light on the subject.\footnote{Figures include all units in the Boston SMSA in stages ranging from pre-application to completed construction as on file in the Boston FHA Insuring Office, March, 1971.} Out of a total of 7,733 units sponsored by limited-dividend partnerships 5,224 or 67.5 per cent of them are or will be located in suburban areas; 808 or 10.4 per cent within city limits but not the inner-city (50 per cent or more non-white); and 1,701 or 22.1 per cent of the units will be in inner-city areas. Of the 3,341 units sponsored by nonprofits 1,518 or 46.7 per cent will be located in the suburbs and 1,823 or 53.3 per cent in the inner-city. These figures point out a decided tendency for limited-dividends to develop in suburban and non-inner-city areas (77.9 per cent of all units built by them will be in these areas) and for nonprofits to be more inclined in both areas with a decided preference for inner-city areas.

The key for the predominance of nonprofits in the inner-city has been previously stated. FHA looks for a group with deep roots in the neighborhood. But the key to limited-dividend activity in the suburbs is not quite as clear. Smith, of Interfaith, in telling of the failure of Intefaith to accomplish two of its goals in the suburbs, gives a key to how limited dividend sponsors may be accomplishing two of their goals in the suburbs. Interfaith's Stoughton project, cooperatively owned Presidential Courts is not as well integrated as Interfaith would have liked. There are only
twelve black families living there. Smith pointed out how there are few blacks in the area to begin with and even fewer (except for the very upwardly mobile) who are willing to leave the inner-city. Perhaps limited dividends are avoiding black people.

Smith also pointed out how it is almost impossible to house families of low income. Although eligible for the projects, many applicants can not get in because the Stoughton community will not okay provisions for rent supplement -- a sure form of discrimination permitted in towns without a Workable Program. Limited dividends may be avoiding the lowest income people.

Ralph Cole of Continental Wingate revealed another possible reason for the predominance of limited dividends in the suburbs. Cole stated that Wingate continually wonders why it returns to the inner-city to rehabilitate units knowing that there will be confusion and protests. They don't face the low requirement of 40-50 per cent black on construction crews, but the higher requirement of 70-80 per cent. In addition, there are militant labor forces and programs requiring the payment of prevailing wages to apprentices.²

² This requirement was recently repealed by the Davis-Bacon Act.
Perhaps Joseph Corcoran and Ralph Cole made the most revealing statements for limited-dividend development in the suburbs:

Inner-city people do not want white builders in the area. Blacks make it very clear that we are not wanted.

Cole said:

If we can go to Lynn, Brighton, or Allston and not have our jobs picketed, and find readily available labor, it's a natural migration. Why should we go back to Roxbury?

Ironically enough Smith -- of a nonprofit entity -- suggested a reason stemming from Interfaith's problems in management of inner-city properties. Interfaith, as well as many limited dividends, is alien to the community and considered a "white, downtown group." Smith stated that often there is a power struggle with the community organization in the area with them feeling that some of their power will be coopted. Even though Interfaith is bringing a service, it is looked upon with distrust and contempt.

III. DESIGN

On a whole, nonprofit sponsors are designing their units to meet the demands of large, low-income families. In this respect they are behaving differently than limited-dividend sponsors.
NEW CONSTRUCTION -- APARTMENT SIZE

<table>
<thead>
<tr>
<th># of sponsors in sample</th>
<th>Total Units</th>
<th>Eff.</th>
<th>1Br.</th>
<th>2Br.</th>
<th>3Br.</th>
<th>4Br.</th>
<th>5Br.</th>
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</thead>
<tbody>
<tr>
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<td>2045</td>
<td>3</td>
<td>572</td>
<td>1030</td>
<td>432</td>
<td>8</td>
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<tr>
<td></td>
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<td>.1%</td>
<td>28%</td>
<td>50.3%</td>
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<td>4%</td>
<td></td>
</tr>
<tr>
<td>8 NP</td>
<td>1133</td>
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<td>341</td>
<td>245</td>
<td>145</td>
<td>6</td>
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<tr>
<td></td>
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<td>30%</td>
<td>22%</td>
<td>13%</td>
<td>.5%</td>
</tr>
</tbody>
</table>

Though the above figures do not show it, only one limited-dividend sponsor has units with 4 bedrooms whereas several of the nonprofit sponsors have built five bedroom units as well as four-bedroom units. Limited-dividend groups concentrate their units in the two bedroom category while both sponsors allot about the same proportion of their units for three bedrooms.

The trend is about the same for units in rehabilitated structures. However, sponsors have less control over this in that the bedrooms already exist. A sponsor, however, may choose not to rehab a building with an undesirable number of large units.

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3 All figures are for 236 units newly constructed in the Boston Area which are in the firmly committed to completed construction stages. Agency regulations would not permit the release of other figures, and request that no names be mentioned.
REHABILITATION -- APARTMENT SIZE

<table>
<thead>
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<th># of sponsors in sample</th>
<th>Total Units</th>
<th>1Br.</th>
<th>2Br.</th>
<th>3Br.</th>
<th>4Br.</th>
<th>5Br.</th>
</tr>
</thead>
<tbody>
<tr>
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<td>2 NP</td>
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<td>39</td>
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</tr>
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<td></td>
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<td>9%</td>
<td>33%</td>
<td>22%</td>
<td>18%</td>
<td>17%</td>
</tr>
</tbody>
</table>

Although there is a discrepancy between the two type sponsors and the number of large units they build, it is interesting to note that this gap is not nearly as wide as that found by Disario in her study of 221 (d) (3) units. Disario found that 41.5 per cent of nonprofit newly constructed units had 3 bedrooms, whereas only 23.7 per cent of limited dividends had the same. She found the gap to be reversed in rehabilitated three and four bedroom units. Newly constructed four or more bedroom units found nonprofits producing 16.2 per cent and limited dividends only 3.84 per cent of their respective totals. 5

Limited-dividend as well as nonprofit sponsors insist that the size of the units they build are reflections of the market demand. In addition, nonprofit sponsors reveal that in some cases

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4 All figures are for 236 rehabilitated units in the Boston Area which are in the firmly committed to completed construction stages.

5 Disario, op. cit., pp. 60-61
the BRA specifically asked them to provide a certain number of large units. Such was the case with Joseph Tuckerman Memorial.

Limited-dividend sponsors seem to be more concerned with the economic feasibility of large units. They say that they are not against large units *per se*, but rather the responsibilities and lack of funds to deal with these responsibilities. Seokovitz of Beacon Construction stated:

> Within the operating limits of FHA there is no way to deal with the general wear and tear that large concentrations of children have on the units. A larger operating budget is needed to deal with the maintenance problems associated with a lot of children.

Traunstein says that FHA maximum allowable mortgage limits have not allowed First Realty to build four and five bedroom units. Corcoran feels that it is not fair to the children who would live in these larger units to build them and then not be able to provide the recreational facilities for them and the extra management services for the whole development. Cole of Wingate explained how in rehab they try to stay away from structures with heavy concentrations of larger units. The square foot exposure on three and four bedroom units is tremendous requiring a lot of painting, dry wall, and flooring, and thus a lot of money.
All-in-all nonprofit sponsors are more willing and see it as their responsibility to provide large units more so than their limited-dividend counterparts. However, cost limitations and rising construction costs are making this desire less of a reality.

IV. MANAGEMENT

For the most part, the sponsors interviewed have not yet gotten to the actual management stage of their developments. Only two are presently managing 236 projects. They are First Realty and Interfaith. However, the other sponsors are either currently managing other subsidized housing or have given considerable thought to the future management of their proposed projects. Thus, although there is no way of determining the feasibility or effectiveness of management at this time, some idea can be gained.

By and large, the nonprofit sponsors seem more aware of the fact that they will be dealing with a group of people of special needs. These sponsors have several plans for meeting these special needs.

Father Groden of St. Joseph's Catholic Church told of the unofficial committee operating in his developments. These committees help problem families, but they do it in a very quiet and unobtrusive manner. This is done so as not to disturb the family or others and to keep down ideas and fears of management as a paternalistic body.
Smith, Director of the Interfaith Management Firm, has extensive plans many of which have been carried out in the rehab property managed by Interfaith. Smith sees an important role of management as teaching tenants the habits necessary to have to be a good tenant. He proposes within management a full-time counseling service for lessons in such concerns as consumer behavior and protection. These lessons along with others, should make tenants more able to cope with the world in which they live. Smith also noted the desire to operate a total social service program out of management with a person to make referrals and contacts. However, the management allowance of 5 per cent of gross rental does not provide enough funds for such services.

The limited-dividend sponsors seem to be aware of the special need situation, but have fewer and less detailed plans to deal with them. Traunstein of First Realty pointed out the necessity in having a sensitive project manager and how First Realty has had to fire and straighten out a few who were not sensitive enough. First Realty even has training programs for problems of physical and human concern in which their managers must participate. But then this is no more than what should be expected in any management situation.

Corcoran admits that there are considerations to be accounted for in managing low-income projects. He knows that he will have to hire a socially oriented resident manager who knows what kind of services are
available in the town for people of low-income and particularly for elderly people. He admits that heretofore his managers have not kept abreast of such matters. Wingate seems to be involved in only the physical aspects of management.

Both type sponsors are aware of the need to change the traditional landlord-tenant relationship but it is the nonprofit sponsors who have actually made steps in this direction.

Rev. Murdock says that there will be an operating committee of a board of directors composed of community people to negotiate deals to be made with the management firm.

Smith talks of the importance of tenant management organizations. Such an organization would constantly be with and a part of the tenants working with them and yet related to what management is doing, interacting and responding to management procedures. A tenant organization has a direct link with the community with a line of communication to management and the right to assist the manager where such assistance is needed.

Presidential Courts is cooperatively owned, but Smith looks forward to tenant corporations in other developments managed by Interfaith. Presently there is not much tenant involvement. Smith says this is because the tenants won't stand still long enough to see what the main problems are and where their help is needed.
Smith feels that tenant organizations will fill in the gap in the lines of communication currently existing. They will act as a catalyst between management and the tenant.

The other nonprofit sponsors expressed concern for creating a new type of tenant-landlord relationship. Such plans include the involvement of tenants in the decision making of management as well doing away with the absentee landlord image. Bishop Nurse of African Orthodox Homes hopes for the tenants to set their own rules by which they will be bound. Rev. Cody chose Harold Michelson as manager because of the great job he is doing with Charlame I and II and his interest in tenant participation.

The limited-dividend sponsors are less definite in their plans for tenant participation. First Realty presently does not allow much tenant involvement in management procedures. However, Traunstein realizes First Realty will not be able to maintain such a position for long. There will soon be tenant insistence on involvement. Traunstein feels, however, that First Realty is open and flexible enough to handle this situation when it does arrive as long as the tenants are reasonable. Traunstein, who personally looks forward to such involvement, is concerned that the tenants not see First Realty as some big impersonal bureaucracy which does not care about them.
Continental Wingate lets its tenants set up rules for patterns of behavior relating to cleanliness and other such non-controversial matters. But tenants have no decision or policy-making rights. Cole stresses that the "tenants are basically satisfied with procedures as they are, mind their own business, go to work, and live their lives not actively participating."

The limited-dividend sponsors admit that they are lacking in management techniques of low-income housing. Corcoran and Cole pointed out that they feel nonprofits should manage housing and that they should build it. Ironically enough, the nonprofits interviewed said that they see themselves as not the proper managers and are desirous of turning the developments over to cooperative ownership. Smith pointed out that even community based groups attempting to manage will have problems. There is so much a tendency to get involved in the physical aspects of managements that the tenant part goes astray. The group will be stigmatized just as the outside group managing.

Cooperative housing is said to be the answer to all landlord-tenant problems. In such situations tenants control their own lives, make their own rules, and are only minimally responsible to the management firm. Snowden of Freedom House plans to turn that development into a coop after the first five years. Groden feels that churches make "horrible landlords." Wellington-Harrington is
being developed as a cooperative, and Presidential Courts is an existing 236 cooperative Development.

These sponsors see cooperatives as not only an answer to landlord relationships, but also as an answer to the desires for home ownership so desired by blacks and low-income people but yet not available to them. Presidential Courts through cooperative management and tenant organizations, has instilled in its occupants feelings of control over their lives.

Those sponsors currently managing report few problems with vandalism - the major problems being with broken door locks and mail box locks. Evictions are almost non-existent except for Continental Wingate which evicts about 10-12 families per month on nonpayment of rent charges. Turnover due to other reasons are practically non-existent due mostly to the tight housing market in Boston.

V. HOUSE THOSE OF LOW AND MODERATE INCOME

It appears that nonprofit sponsors are more effective in reaching the lowest income people. This is exhibited by the rental levels of their units, the percentage of rent supplemented units and leased housing units.
Rents in nonprofit developments average $50.00 less than rents for the same size unit in a limited dividend development. The sample noted previously in unit composition size also serves here for rental comparison.  

Initial Monthly Rentals

<table>
<thead>
<tr>
<th>Type of Sponsor</th>
<th>TOTAL</th>
<th>1Bd</th>
<th>2Bd</th>
<th>3Bd</th>
<th>4Bd</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nonprofit</td>
<td>10</td>
<td>$124.50</td>
<td>$141.00</td>
<td>$159.00</td>
<td>$170.00</td>
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<tr>
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<td>14</td>
<td>$125.00</td>
<td>$147.00</td>
<td>$165.00</td>
<td>$177.00*</td>
</tr>
</tbody>
</table>

* Figures from 4 bedroom LD confirmed outside Boston SMSA

It is interesting to compare these differences with those found by Disario in her study of rents in 221 (d) (3) units. Her findings showed a much wider gap between rent levels achieved by the two type sponsors. This gap averaged $8.00 with a difference of $11.00 between nonprofit 3 bedroom units and limited dividend units of the same size.

Both limited dividend and nonprofit sponsors admitted that they found it impossible to build much under the maximum cost allowed per

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6 This sampling of rents may show a variation in the final analysis because not all of the rents are for completed projects. Twelve of the limited-dividend and nine of the nonprofits are projected rents. However, previous experience has shown that final rents do not fluctuate much from the projected, and nonprofit and limited-dividends stay in basically the same proportion.

7 Disario, loc. cit.
dwelling unit. Costs of labor, land, and materials have necessitated the full use of maximum mortgage amounts. However, there are factors affecting rent levels over which sponsors do have control. It seems that nonprofit sponsors are taking advantage of these factors. These factors are taxes, maintenance and management costs, and land acquisition costs.

Thus, through ways of keeping rents low further research should reveal that non-profits have had more success in reaching low income families.

Under 236 regulations twenty per cent of the units in all developments may be rent supplemented. However, in cases of special need where the sponsor can prove that additional rent-supplement units are needed, the FHA will grant them. There is a maximum of 40 per cent to be combined with leased housing provisions. However, the 40 per cent allowance has been rarely granted because of the inflationary effect on the national budget.

Statistics gathered from the FHA Rent Supplement Division showed that limited dividend sponsors and nonprofit are making equal use of the rent-supplement program. Out of 3118 possible units, limited dividends have reservations for supplements on 692 of them or 22 percent. Of the 1,009 units non-profits have up for
possible supplement, reservations have been made for 219 or 22 per cent. Thus, both sponsors have asked for more than the limit, and in both cases sponsors have requested more rent-supplement within the city limits than in the suburbs. Limited dividends are supplementing 24 per cent of their inner city units as compared to 20 per cent of their suburban units. Likewise, nonprofits are supplementing 23 per cent of their inner city units and 21 per cent of suburban units.

The catch to all this is that although the sponsor must reserve at least 20 per cent of the units, he does not have to be using them all at any one time. Traunstein admitted that First Realty is not presently using up all their rent supplement reservations although their projects are 100 per cent occupied. So although there are reservations, these reservations are not necessarily being used.

Though limited dividend and nonprofit sponsors do not show much variation in their rent-supplement reservations, they do however in their leased unit reservations -- those units which will reach people of public housing incomes. According to statistics at the Leased Housing Division of the Boston Housing Authority, only one limited dividend sponsor has made leased unit reservations and he had to because he built on urban renewal land. He is leasing only 7 of 40 units in his Roxbury project -- only 17 1/2 per cent. The other units are reserved by nonprofit sponsors all of whom, except for Interfaith, are on urban renewal land. These sponsors have requested that from
20 per cent to a request by Emergency Tenants Council that 100 per cent of their units be leased. Tuckerman has requested 30 per cent, S. E. Tenants 20 per cent, Freedom Foundation 25 per cent and Interfaith 10 per cent in their project under construction in Framingham.

The author was surprised to see that no other limited-dividends had made leased housing reservations - especially since they mentioned that such was being provided. Even though the BHA presently has no money for leased subsidies, reservations still must be made.

Nonprofit sponsors seem to be even further committed to getting to the lowest income families. Smith stated that although the Stoughton community would not okay rent supplements and there is no public housing authority to lease units to, Interfaith is busy negotiating with the Stoughton Department of Community Affairs for use of the leased housing program. Some tenants are presently paying up to 50 per cent of their incomes on rent. FHA, state funds, as well as the Stoughton Community have locked in Interfaith making them unable to serve those people who most need it.

Joseph Tuckerman Foundation also exhibits this further commitment. The Benevolent Fraternity of Unitarian Churches, as a result of a $50,000.00 grant from Charlesbank Homes, will subsidize another 5-10 per cent of the units in addition to the 30 per cent from BHA and 25 per cent from HUD.
Thus the tight housing market for low income people as well as the 100 per cent occupancy rates in existing 236 structures, plus the FHA regulations, insure that sponsors do not make use of rent supplement and leased housing for financial reasons such as gaining occupancy. It is those sponsors who are most concerned with reaching the lowest income groups who make the most use of rent supplement and leased housing provisions.

VI. TENANT SELECTION POLICIES

Generally speaking both type sponsors are apprehensive about taking on risks. Albeit they recognize the need for housing for certain people, the sponsors still recognize the importance of keeping up rent collections and management and other expenses down. If one tenant is delinquent with rent or is responsible for increased management costs, this liability is passed on to the other tenants often through increased rents or in their having to put up with neglected maintenance since the sponsor usually does not have additional funds to make up deficits in funds. For the most part, sponsors do not like to pass the burden of the negligence of one tenant onto his other tenants.

In order to minimize risks limited dividend sponsors are following a very strict policy. First Realty has perhaps the strictest policy taking absolutely no risks. This selection process is very thorough: a tenant must be able to pay the rent
within, at most, 30% of his income, he must be steadily employed, and must have a favorable recommendation from his previous landlord on such matters as behavior and promptness with rent payments. Policy dictates that larger, riskier, and more economically depressed families find housing in public housing structures. Continental Wingate's procedures and policies are not much different. Corcoran insists that all potential tenants be interviewed to help rule out risks.

The nonprofit sponsors, although following somewhat strict guidelines and being under some economic constraints and thus the need for high net income, are nevertheless more willing to consider taking in risk families to satisfy community needs. Rev. Cody says he'll take risks because he feels that his housing will have a responsibility to all people. Father Groden stated that his policy has never been "how do we rule out problem families, but rather, how many problem families should we take and which problem families deserve or would best be able to take advantage of a new housing situation." Bishop Nurse is willing to take on risky children but not parents. Snowden of Freedom House keeps an open mind in considering every potential tenant as a desirable one until proven otherwise.

Thus, although sponsors must meet certain FHA and BRA regulations for tenant selection, beyond that the tenants of both type developments
tend to be different in regard to credit history, behavior, and the like. Nonprofit sponsors are more tolerant about taking on selected risk families.

VII. PROVISION OF COMMUNITY AND SOCIAL SERVICE FACILITIES

Limited-dividend sponsors and nonprofit sponsors exhibit broad differences in their attitudes toward the provision of community and social service facilities. These attitudes range from a total lack of concern for the provision of such facilities to plans for comprehensive and broad reaching services.

Limited-dividend sponsors, in the words of Traunstein of First Realty, "....often do not think of the provision of such facilities until the project is built, and then it is often too late." Interviews point out that even when limited dividend sponsors do think of such matters the provisions are generally for only recreational use, are very limited in number, in scope, and in whom they will serve.

First Realty is concerned with providing recreational facilities for youngsters and teenagers. The importance of this didn't arise until teenage boys started vandalizing the premises. Basketball courts deterred them. Other services and facilities are created by the tenants themselves. In one project the adults have taken the laundry room and storage room for a tenants organization. The same group has also established a cooperative store.
Continental Wingate has similar procedures. Following FHA standard requirements, they merely build play areas for the children to play in. With such strict limitations on construction costs, Wingate prefers to put as much as possible into the actual structure.

Joseph Corcoran, although providing extensive recreational facilities such as sandboxes, swings, a clubhouse, and a pool, nevertheless will see to it that his manager is aware of social service facilities in the area to which to refer tenants. Beacon works closely with the Jewish children and Family Service which is located near its Georgetown Development. Selection, counseling and referral services have been handed over to them. Although Beacon does not supply them any money, facilities and personnel are made available.

Nonprofit sponsors, on the other hand, are much more extensive in the number of services provided, the type, and in whom they will serve.

In considering social and community facilities, nonprofits plan not just for the development, but for the area in general. Joseph Tuckerman Memorial has plans for a community day-care center and neighborhood settlement house. There is so much subsidized housing being built in the general area that as many services as possible should be provided. Freedom House, known for its 25 year history in the area, will provide any and all services necessary to make the development and the surrounding community a viable entity. Day-care centers, tenant groups, employment counseling, and casework will be provided among other services.
Grant AME Church is planning perhaps the fullest range of services to serve the people of Grant Manor Apartments as well as those other people in the area. Grant will rent 12,000 feet of commercial space to a laundry, barber shop, beauty parlor, and cleaners. Additional space will be rented to doctors, an optician, and a pharmacist. All these services will be located in an arcade under the six story building containing the one and two bedroom units. A Head Start Program will be run as well as a day-care center for one-hundred children. Play areas will be provided for the children. Perhaps the most valuable service to be provided is the consumer education classes. Rev. Cody feels that this is a must especially for black people who are systematically exploited—particularly in consumer buying. Counseling will be given on how to read contracts, how to budget, and the advantages of wholesale buying. Hopefully a credit union will be formed. All these services will be provided with the cooperation of Boston University. Rev. Cody feels that:

Developments, and particularly church sponsored developments should be about developing extensive community and social facilities.

Perhaps nonprofit groups have a slight advantage over limited-dividends in being able to provide a number of services in that nonprofits are able to raise funds. Freedom House is expecting funds from a private source to run its services. Joseph Tuckerman will finance its services with a trust fund with sources from the Methodist Church. Additional funds are expected from HEW. Grant
AME will run its day-care center and consumer education program. Money is being sought from the state government and Feds for the other services.

VIII. CREATION OF CONTRACTS FOR MINORITY BUSINESSES

Nonprofit sponsors and limited dividend sponsors exhibit differences in their attitudes as well as their practices toward contracting minority business concerns. Limited dividends complain of the lack of expertise exhibited by these concerns, their general unavailability, and lack of control they have over the hiring of such firms. Traunstein stated that First Realty has not been involved in renewal areas and has thus felt no pressures to utilize minority businesses. He further stated that First Realty's general contractor had control of all subcontracting and has thus far made no use of minorities. Corcoran told of his failure to obtain what he feels to be the only black contractor experienced enough to handle such a job. This contractor was busy handling inner-city jobs which he prefers. Unlike First Realty and Corcoran, Beacon finds that its general contractor is much more willing to seek out and utilize minority subcontractors and with very little insistence from Beacon. Beacon has solicited two black subcontractors and is training them to carry out large scale operations done on an assembly line rather than piecemeal basis.
Nonprofit sponsors have the same complaints about inexperience and availability, but they are more willing to enter contracts where minorities will be given more opportunities. Nonprofit sponsors are more insistent upon this than are limited dividend sponsors. Rev. Cody related how a black firm, which was the original contractor, took 4 1/2 years to design the development and then overdesigned it too much over FHA cost allocations. However, in choosing a new contractor, Cody insisted that he be willing to utilize black sub-contractors. He feels that coventuring is the best way for the lesser experienced firms to learn and to prepare for single ventures. Freedom House is of similar belief. Snowden revealed that the development will utilize the highest percentage of black subcontractors ever before used in Boston. His developer, First Minnesota, is looking for any black contractor who is willing to take a subcontract and is prepared to provide financial help if the subcontractor is unable to swing his part of the deal.

Reverend Murdock spoke of problems encountered by Joseph Tuckerman Memorial in obtaining black contracts. There is very little in the way of pressure which can be exerted on the contractor to subcontract to minorities. Murdock also pointed out that minority contractors tend to bid higher than others. Sponsors, if they wish, may take the higher bidder, but they must pay the difference between the lowest bid and the one taken to the lowest bidder. Needless to say, nonprofits are seldom in the financial situation to take advantage of this option.
IX. CREATION OF JOB OPPORTUNITIES

Perhaps the low utilization rate of minority business firms really is due to the general unavailability of them, for both type sponsors seem to be making much greater use of minority group individuals and neighborhood people on the construction crews as well as elsewhere. Both sponsors speak of the political feasibility and necessity of such practices as well as their general concern for creating jobs. Abrams told of how the community wanted such hiring done and how he and his contractor did also. The importance of his hiring was mutually agreed upon.

Both sponsors told of the expense and overhead involved in hiring minority group members, especially the unskilled. Continental Wingate has a minority construction training program. This was carried out as a formal program in construction on African Orthodox Homes rehab job. Cole told of the time-consuming, frustrating job this was with the addition of a tremendous overhead. He questioned why a hard-hitting, profit-motivated limited dividend sponsor should be breaking his head creating such opportunities. Henceforth there will be no formal program but rather an informal one with trainees exhibiting some potential personally selected by Wingate.

Both sponsors told of how union membership qualifications inhibited the use of more minority members. Seokovitz told of how Beacon Construction Company, in using union builders, is caught in the middle being
pushed on one side by core city groups who want a high representation of blacks on construction crews and on the other side by the unions who say that they must abide by their hiring hall practices. Although Beacon kept a 50' - 60 per cent minority group on certain phases of its Hyde Park development, the average was only about 20 per cent because there were few qualified (i.e. union members) blacks to handle the mechanical trades jobs. Blacks were most represented in the forward-looking building trades unions to which black painters, masonry, bricklayers,' and even carpenters belong. Unlike the mechanical trades, non-union members may be used for the building trades. Beacon even actively recruited for these positions.

Corcoran is circumventing certain union requirements by using a non-union general contractor as well as a union contractor. Corcoran is taking both of his contractors to the Dorchester APAC Center where 700 black, Puerto Rican, and white young men are being trained in the tile program. A group will be taken to the job site and APAC will pay their first 2 weeks salary. After that, if the contractor is satisfied with their work, he'll keep them and pay their salaries.

However, there are some differences between the two type sponsors regarding their creation of job opportunities. Nonprofit sponsors showed a greater awareness of the long range implications
of their ability to maximize minority employment, and strike a blow at the discriminatory practices of labor unions. Father Groden told of how St. Joseph's put "a foot in the door towards cracking the labor unions," by attempting to work out an arrangement which began to introduce blacks to the tougher unions. The local unions had equal opportunity trailers on the development site and ads were placed in the local papers soliciting people to come and apply for work. Everyday there was at least a 50:50 ratio of blacks to whites on the site and none could be fired without being reviewed by a panel of union, community, and developer judges. Nonprofits emphasized that the importance and success of job-training programs hinges on the ability to move the program on to other jobs. Snowden, Smith and Groden emphasized that there is not enough of any one type job to adequately train a man on just one development.

Finally, nonprofits have created jobs for minority members in areas other than construction. Bishop Nurse has community people helping him with the tons of FHA paperwork. Interfaith has taken on the task of training ghetto poor to operate within their offices. Many of the regular staff and the intern trainees are drawn from this background. Such a goal trains and provides the motivation of jobs for the present and the future. Needless to say, this is an expensive venture, runs at a deficit, and is funded from a separate special grant. Nevertheless, it does exist.
X. RACIAL AND ECONOMIC INTEGRATION

In order to achieve optimal racial and economic integration, sponsors have found it necessary to make maximum use of rent supplement and leased housing provisions as well as actively recruit members of the race least represented in the development area. The section dealing with the incomes of tenants revealed that nonprofits and limited dividends are making equal use of the rent supplement program. However, as exhibited previously, nonprofits are doing the most to reach those with welfare incomes by making extensive use of the leased housing program. Traunstein intimated at how necessary these programs are since he sees the rents of 236 development geared towards the moderate income people.

Interfaith, in an attempt to achieve even fuller economic integration, has purposefully taken in over-income tenants. Smith feels that the presence of middle-income tenants will provide leadership, stability, and upward mobility aspirations among the lower-income tenants. Thus far, this has been the case in the Presidential Courts development

Observations of and informal interviews with tenants as well as conversations with Smith revealed how the more upwardly mobile women in the development set examples of child and home care, and organization leadership. These women are well-respected and carry out these roles very discreetly and unobtrusively. Often, Smith will talk to them and ask them to concentrate more efforts with a particular family.
Generally speaking, nonprofit sponsors are more active in attempts to achieve racial integration in their projects. Interfaith actively recruits blacks for its suburban developments. Reverend Cody is anxious to get a racial mix in his inner-city development and thus eliminate the ghetto concept of inner-city housing. Bright of the Wellington-Harrington Community Group states that there will be active recruitment of blacks for that suburban development.

Limited dividend sponsors are less active in their recruitment and consequently less successful in the racial integration of their projects. First Realty admits that the degree of integration of its projects is directly related to the amount of integration in the area where the project is located. Active recruitment has taken place on one project, and that was five years ago. Corcoran says that racial integration is indeed one of the goals of his suburban development, but he'd rather not announce it to the community because it would just upset them. He has no plans for active recruitment and does not plan to work around letting blacks in as many sponsors do. In general Corcoran plans to "just let integration take its natural course." With this attitude, the author does not expect many, if any, blacks to be living in this Weymouth development.

Beacon seems to be an exception among the limited dividends. Seokovitz told of how disturbed Beacon construction is that there is not a better representation of blacks in their 221 (d) (3) projects
located in Hyde Park and Georgetown. In an attempt to integrate these predominantly Italian, Irish, and Jewish areas, Beacon has begun recruitment projects in talks with black community groups in the hope of convincing blacks to come into these generally anti-black areas. Long waiting lists exist for entrance, but Beacon will jump the list to admit blacks who express an interest in living there. The same practices will be used in the 236 development planned for Springfield.

XI. COMMUNITY PARTICIPATION

The level of community participation is more directly affected by the location of the development than by the type of sponsor. However, since limited dividend sponsors tend to locate in the suburbs and nonprofits in the city, nonprofits are doing more to promote such participation.

Sponsors building in the suburbs as well as within city limit areas of white concentrations have been less willing to encourage citizen participation. Perhaps this is a decided advantage to the future tenants. Limited dividend as well as nonprofit sponsors have taken this attitude. Interfaith, Beacon and Corcoran pointed out the hostility of communities they build in towards low-income housing. To these communities low income housing is
synonymous with welfare and black people. Corcoran emphasized the underlying racial issue in the development of such housing. Smith of Interfaith told of how communities have (and rightfully) stereotyped Interfaith as building projects which will house poor and black people. Beacon as well as Interfaith have encountered zoning change problems from residents wanting to keep the single-family residential areas as well as low taxes and under-crowded schools.

Conversely, those sponsors involved in inner-city areas have made fuller use of community residents. Political as well as social conditions dictate that community participation be allowed. Traunstein of First Realty stated how thus far the firm has not encouraged such participation but he sees that it is becoming a necessity and looks forward to it. Other sponsors are very concerned about tenant wants and try to be as receptive as possible to their ideas. Sponsors tell of how the people are consulted and asked their opinion from time to time as the project proceeds. Although cost allocations and the number of "givens" in any development limit the amount of voice anyone can have, sponsors still seek the opinion of the community.

Other factors also influence the amount of community participation. It tends to be at its greatest in communities were there are people in the area who will be eligible for the housing and who will thus come forward to fight and help put the development together as they will soon have a stake in it.
I. INTRODUCTION

Both nonprofit and limited-dividend sponsors are contributing to the attainment of the goals to be met in low and moderate-income housing as set forth at the beginning of this study. Chapter III has pointed out specifically the attitudes and accomplishments of these two sponsor groups in such housing development. It will be the purpose of this Chapter to shed new light on what these sponsors have accomplished as well as why they have failed to accomplish other goals. This chapter will also summarize the findings of Chapter III as well as draw conclusions about the role of both type sponsors in meeting the national housing goals.

II. LIMITED DIVIDEND SPONSORS

The biggest contribution that limited-dividend entities are making toward the housing goals is that they are increasing the supply. Of those 236 units in any stage from initial application to finished construction in the Boston Metropolitan Area, 7,733 (61 per cent of the total of 11,074) are being sponsored by the profit-motivated sponsor. Of these 7,733 units, 1,253 (16 per cent) are rehab and 6,480 (84 per cent) are new construction.

However, not only are limited-dividends increasing the supply, but they are increasing the supply at a rapid rate. For the most part,
these sponsors are real estate firms, or construction or development firms having the general knowledge and skills necessary for the development of housing. In some instances, such as First Realty, all the skills, equipment, and personnel for the successful development and maintenance of housing are located under one roof. First Realty houses its own computers for feasibility and other studies, it has its own construction company, management firm, and law firm. In addition, it has a staff of people whose specific duty it is to hound FHA and continually keep FHA under pressure to get their applications through for approval. Having development, packaging, and building skills or ready access to them plays a considerable role in the speed with which limited-dividends are able to build the housing.

For the most part, limited-dividend sponsors are exhibiting very little in intent and accomplishment toward the social goals in housing. This holds true in those goals over which they have control as well as those over which FHA money allocations have the most control. Concerning those policies over which they have most control: limited-dividends show little active concern in their choice of location with matters other than financial feasibility; only minimal attempts are begin made to change the traditional landlord-tenant relationship from one of the absent, over-bearing, father-image to one in which there is active tenant participation; tenant selection policies remain stringent with minimum willingness to take risk families and experiment.
with new admission policies; failure to use up all rent-supplement provisions, to make more units available to the leased housing program, and to recruit more actively for racial integration, does a lot to control the economic, social and racial composition of the development's population. On the other hand, this sponsor group does show more of a concern for creating contracts for minority businesses, forming on-the-job-training programs and in soliciting community participation.

Regarding those factors over which FHA money allotments have a major control: limited-dividends are doing very little to increase the supply of larger units and are frank about admitting that they still would not even if mortgage money would allow because of the increased management responsibilities. In a similar vein, limited-dividends are doing very little in terms of providing community and social service facilities. As discussed in Chapter III, there is generally not enough money allotted in the mortgage for such services. However, even when the author gave these sponsors the hypothetical situation of as much money as they wanted, the sponsor invariably replied that they would put it all into actual construction.

Thus, above and beyond actually increasing the supply and at a rapid rate, limited-dividends are doing little in the way of achieving the other goals to be met in housing. The fact of the
matter is that limited-dividends admit that their primary goal is to get the units up. To paraphrase an earlier statement made by Russell Traunstein of First Realty, sponsors often do not think of the role the housing is to play in the lives of its tenants until the units are completed, and then it is often too late. From beginning to end, the profit-motivated sponsor is primarily concerned with the technicalities of development -- engineering, bids, cost analysis, feasibility studies, and the like -- thinking that social concerns come into the picture only after construction is completed. There is very little mention, if any, of creating sensitive architecture or of the quality of the environment and the life which the housing will help form. Limited-dividends consider themselves as being very realistic about housing development saying that it is the tedious, unromantic, unglamorous type of work that must be done so that what they consider the primary goal -- increasing the supply -- may be met.

III. NONPROFIT SPONSORS

Unlike their limited-dividend counterparts, nonprofit sponsors are making their biggest contribution in their realization of housing's social goals. In both intent and accomplishment, these sponsors have surpassed the profit-motivated sponsors. These nonprofit sponsors have made these accomplishments in areas over which they have direct control as well as those over which FHA controls.
Regarding those issues they control: nonprofit sponsors are concerned about the locational aspects of their development; are creating innovative management techniques allowing more tenant involvement and less outside control; are seeking maximum racial and economic integration through recruitment programs and full use of rent supplement and leased housing programs; are more willing to house risk families and are more willing to experiment with new standards of selection; are eager to obtain community involvement in development decisions; solicit and train community residents on construction jobs as well as in subprofessional positions; and are adamant about creating job contracts for minority businesses.

Concerning those issues over which FHA guidelines and allocation have a more active say: nonprofits are providing the increase to the supply of three or more bedroom units; and they are, mainly through private funds, actively and fully adding community and social facilities to the development.

Through such accomplishments, nonprofits have been able to obtain their primary objective of building a new community and, through that, of helping to develop and strengthen family life. Such sponsors as Groden, Cody, and Murdock see their housing and the counseling, educational, and training functions associated with it, as a stepping stone, motivating and training the tenants for a fuller and more successful life for their generation and for the generations to come.
Nonprofits have been able to make these social goals a reality. Where they fail, however, is to make a substantial increase in the number of units and at a rapid rate. Only 39 per cent of the 236 units being planned or constructed in the Boston SMSA are by nonprofit groups. This is due, however, in large part to the patent discrimination of FHA officials toward nonprofit sponsors.

An interview with Moses Burt, consultant to nonprofit sponsors at The Nonprofit Housing Center of Urban America, Inc. confirms this action:

If a nonprofit and a limited-dividend sponsor wanted to build the same project, FHA would choose the limited-dividend. Because of their expertise, and financial motivation, limited-dividends get the project built, thus making FHA look good.

Thus, it is not entirely the fault of the nonprofit sponsors that they are contributing so negligibly to the supply.

It is also not entirely their fault that they are so slow about producing these units. Those nonprofits interviewed have taken from four to six years to complete one development. It took Interfaith four years to produce Presidential Courts. It took the Wellington-Harrington Community Group 6 1/2 years to get their project to its present stage of ground-breaking. These groups are very frank about admitting their general lack of knowledge and expertise in the housing development field. They complained about not being able to
find consultants with the hard-core, nitty-gritty experience and skills in housing; they complained about not being able to find a consultant who was able to translate many of their social goals into the viable physical realities they had envisioned; and they complained about the general unavailability of help of any kind. None had sought the services of such groups as the Nonprofit Housing Center and the staff at the FHA Insuring Office. When asked why nonprofit sponsors do not make more use of the technical assistance offered under Section 106 of the 1968 Housing Act, Daniel Richardson, director of the Boston HUD Area Office, responded:

Nonprofits didn't come and get the assistance. It is not within FHA authority to seek out and get involved in local politics which is what this would entail. It has been a long time since we helped a nonprofit group.

Nonprofit groups are often slowed up due to lack of seed money. Without funds to pay architects, buy the land, make preliminary plans, and to pay for engineering and legal costs, various stages of the early development process can be postponed for long periods of time. In for-profit ventures, this investment is incurred in the expectation of a return on the investments. Nonprofit ventures, in many cases, must rely on loans or grants for this purpose. In addition, nonprofits are detained in consulting with the church congregation, neighborhood sponsoring group, and the larger community.
IV. CONCLUSIONS

This chapter has pointed out the fact that both type sponsors are contributing in some very important ways to the development of housing for low and moderate-income families. An extensive part of this chapter, as well as Chapter III, has dealt with the intentions and attitudes of these sponsors towards certain goals involved with their housing ventures. Much dealt with these intentions and attitudes because the sponsor has not yet reached that stage in the development where he has been able to produce tangible proof of his intentions and attitudes. After more sponsors have completed their developments and occupied them, there will be concrete proof as to the meaning of their intentions. At this point, it will be interesting to find out how many of units are really being rent-supplemented as compared to the number for which reservations have been made; it will be interesting to find out just what income levels these sponsors are reaching and whether most of the tenants are at the upper limits of these maximums as Senator Tower feared; it will be interesting to see if nonprofits are able to obtain the level of racial integration they seek and if they are as receptive to problem tenants as they profess to be. These are only a few of the issues to be examined.
However, as mentioned previously, there is much actual proof of the intentions of these sponsors. It is the limited-dividend sponsor who is carrying out his main goal of increasing the supply of units. And it is the nonprofit sponsor who has successfully accomplished many of the social goals set forth in Chapter II. As proved through actual performance, nonprofit sponsors are exceeding the limited-dividend sponsors in the number of units for large families, in creating and carrying out new programs for improved land-tenant relations, in developing projects with lower rents which hopefully will reach lower-income families, by leasing considerably more units to the public housing authority, and by providing an extensive array of community and social service facilities. The limited-dividend group makes contributions in social goals along with the nonprofits in creating jobs for community residents, encouraging contracts for minority businesses, and in soliciting community participation.

One of the questions which arise in assessing these accomplishments of nonprofit sponsors is just how much longer they will be able to accomplish these goals. With construction, land, labor, and materials costs increasing as rapidly as they are, and with very stringent FHA maximum insurable mortgage limits, the future for nonprofits' production of large units, and lower rents is not very certain. To maintain these goals, nonprofits may start to draw upon the funds received from outside sources for service facilities and subsidization of rents. Needless to say,
to do this would stifle the accomplishment of other social goals. The other question which arises is whether these sponsors may be headed for foreclosure. Acceptance of risk families, and increased management costs caused by many large families may cause more drain of the 5 per cent management allowance than anticipated.

It is particularly important that the above issues be reconciled as well as the others concerning lack of expertise, seed money, and slowness with nonprofit sponsorship. This is primarily because all of the nonprofits interviewed stated a desire to develop other units in the future. If this sample is indeed a good representation of other nonprofit sponsors, there is a lot which these sponsors will contribute to the housing goals. Some system must be developed which will encourage as well as allow these sponsors to continue making these important contributions.

Thus, both sponsors are contributing in some very important ways to the development of housing for low and moderate-income families. Limited-dividends are rapidly increasing the supply, and nonprofits, in the few units they have produced, are achieving those goals which will make the housing socially relevant to the lives of the tenants and the broader community. Obviously, both type sponsors are essential in the process: to cut out the nonprofit sponsor would result in an important loss of the social values in housing; to cut out the limited-dividend sponsor would drastically deplete the production of these units.
Needless to say, some method must be devised whereby the maximum may be obtained from both sponsors or whereby the two groups may work in joint venture. It will be the purpose of the final chapter to suggest ways in which housing may be developed which meets the goals in terms of production and social relevancy.
I. LIMITED-DIVIDEND SPONSORS

The social awareness of the limited-dividend sponsors must be broadened before a socially responsive product can be created. These sponsors must be made to see that, contrary to the opinion of many of them, social goals and concerns come into the picture long before the units are completed. In many cases, such as policy toward large families, social goals are determined in the initial plans through the provision of large units. Other goals, such as employment of community residents, are achieved only during the construction process. As mentioned previously, not even increased funds would encourage these sponsors to develop larger units, change tenant selection policies, or other policies. What is at stake here is so important that policy and standards must be clearly articulated insuring that the poor are really the recipients of this federal program. This could be done in several ways.

Congress could require FHA to articulate in no uncertain terms its expectations from these sponsors, demanding from them proof of their commitment to the goals of subsidized housing. A sponsor who was not as skilled in social competence as in technical competence
would have to delegate some of his decision-making authority to the potential people to be served by this housing. Additional steps FHA may take would include FHA's taking a more positive and affirmative position by specifically dictating certain policies and thus, leaving less discretion to the individual sponsor. Although matters dealing with site selection, design features, and management procedures may be decided by the sponsor within FHA regulations, these decisions still may be made with little or no regard for the needs and desires of future tenants. By legislating certain social values into the regulations, FHA may help avoid the sponsor's motives being placed before those of the people to be served.

However, in placing such strict regulations, FHA may discourage many limited-dividends from undertaking these ventures. They would then look elsewhere for opportunities for tax-write-offs leaving a serious impact on the production of housing units for low and moderate-income families.

Another way of guaranteeing social responsiveness from the limited-dividend sponsor is to reward him for meeting certain requests. For providing leased units or renting to large or risk families, or for hiring many community residents, tax rebates or reductions, or increased management allowances could be granted. This method may be
more encouraging to the sponsor with the result of more socially
relevant developments. However, this would be at additional
expense to the government.

A final solution might be to let the sponsor handle the
issues dealing with development and building and then let a
neighborhood group be in charge of the social services. This
could help provide somewhat more relevant housing, but if this
is done on a continuous and broad basis, neighborhood groups
may resent being always considered the service functionaries
without the right to reap some of the profits involved in the
development.

It is difficult to predict just which method would be the
best to use, but surely any would result in more socially responsive
housing units.

II. NONPROFIT SPONSORS

The technical abilities and financial situation of non-profit
sponsors must be increased. There are several ways this may be done.
Provision in the 1968 Housing and Urban Development Act for financial
and technical assistance for nonprofits must be made more available
to them. FHA should play a more active role in administering this
assistance by seeking sponsors. The same role should be stepped up by
other programs established to give financial and technical assistance to nonprofits such as The Nonprofit Housing Center, The National Housing Partnership, as well as other smaller groups in the area who are able to provide such assistance. Such aids could well be a step towards assisting nonprofits to increase the supply of housing while at the same time preserving important social elements.

Another solution to the nonprofit sponsorship problems is the formation of the Nonprofit Housing Development Corporation. Such a group is being formed by Interfaith Housing Corporation of Boston. Under this guise, many nonprofit and community groups merge their efforts into a well-funded, well-staffed organization. With the funds to hire technical assistance such corporations are developing with the expertise of the traditional profit-motivated developer and earning respect for the nonprofit concept. Being multifaceted, these organizations serve as a short-term sponsor-developer/mortgagor of new or rehabilitated units for low and moderate income people, provide technical (consultant and processing) services to other nonprofit groups to facilitate the development of such housing, implement demonstration programs of community renewal, and administer a separately-incorporated Revolving Load Fund which provides special short-term loans to finance housing development for low and moderate income families.
The Revolving Fund provides the seed money for processing a project through FHA, to pay for site options, preliminary planning, legal and organizational costs, architectural and engineering studies, and FHA fees. The loan money which is raised through grants and interest and non-interest bearing loads and bonds, is returned to the fund for loaning again to other housing developments.

The Housing Development Corporation, being a composite of many local level interests with their roots in various communities, is very concerned about social goals and with the technical as well as financial capabilities it has, is able to achieve those goals.

It is the purpose of a housing development corporation to be continually creating new housing and it is easy since it is always simple to sell a project to the tenants as a cooperative and have the proceeds put into the revolving fund for re-investment in another project. This begins the whole process over again.

Another solution would be for businesses to become involved in helping nonprofit sponsors. A housing foundation would be formed of several community housing sponsors and a minority of representatives from businesses who wish to develop housing programs. Operating funds would come from cash donations from the private sector and used as a revolving load fund to help community groups initiate their own
housing programs. Returns on stocks and bonds contributed by the private sector could be used for administrative expenses.

Such a foundation could carry out many functions. One would be to provide credibility, stability and technical expertise to the sponsor in the eyes of FHA by co-sponsoring projects with the nonprofit sponsor. In addition, this foundation can provide funds for administrative costs, social services, and other necessary expenses important to the project but not necessarily recoverable from mortgage proceeds, increase the capabilities and use of black and other minority contract workers, and perhaps a host of other things.

A final way for nonprofits to compete more successfully in the housing development arena is for them to take the limited-dividend approach to housing development. The tremendous profits produced through limited-dividend sponsorship of subsidized housing can be re-invested for the benefit of low and moderate-income people. These profits could cover the operating losses often incurred by sponsors who accept large, problem families and who have a commitment to maintain the property to high standards but yet with inadequate maintenance allowances. Such profits could also allow nonprofit sponsors to try new programs to involve tenants in the projects management, to provide tenants with improved services, to establish and run social programs,
to purchase amenities such as air-conditioners, and to subsidize rents. A final way in which these profits may be used is to pay the minimum equity participation which FHA may eventually require of them.

The nonprofit housing sponsor creates a subsidiary, non-tax-exempt Development Corporation, which is able to receive a profit. This Development Corporation develops the project to the firm commitment stage and then incorporates into a limited-dividend corporation and secures all the participating investors. By organizing prior to construction, the investors can gain the following tax-deductible expenses:

1. interest on the construction loan
2. insurance during construction
3. financing fee
4. the mortgage insurance premium and
5. the legal fee

Thus, the limited-dividend corporation will be a partnership with two basic partners:

1. a limited partner which will be all the investors none of who will have a voice in management or the future of the project, but all of whom will share the 95 per cent annual depreciation and 100 per cent of other tax-deductible items;
2. another limited partner and the general partner which is the Development Corporation receiving 5 per cent of the depreciation, the 6 per cent profit and complete control over the project as well as management responsibility and responsibility for debts of operation and debt service.

It is the limited-dividend corporation which serves as the instrument for channeling the 6 per cent profit to the nonprofit sponsor as the sponsor may not directly receive these funds.

A way for the Development Corporation to receive seed money as well as an expertise source is to make an agreement with the builder to provide the necessary seed money in exchange for an equity position in the limited-dividend corporation. In this way the builder is able to gain two profits -- his fee for construction and his proportion of the annual depreciation and other tax deductions.

Thus by taking the limited dividend route provision is made to bring together the well-motivated but inexperienced nonprofit sponsor and the limited-dividend sponsor who is more experienced in housing development and who is interested mostly in his tax-write off. Under this arrangement the limited dividend, as limited-partners, may furnish the required seed money and equity capital. Having assumed development risks, he owns a part of the project and shares in the profits. The community non-profit group, as general partner, would share in the cash flow and would have the responsibility for local participation, planning, building, tenant selection, management, and other decisions.
Teaming these two sponsors will offer each what he wants and at the same time attain our national housing goal in terms of supply and social responsiveness.
INTERVIEWS

Abrams, Edwin D. -- President of Edwin D. Abrams, Inc.

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