The Role of Private Nonprofit
Organizations in the Historic Preservation and
Housing Rehabilitation Process: A Case Study
of Savannah, Georgia

by

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THE ROLE OF PRIVATE NONPROFIT ORGANIZATIONS

IN THE HISTORIC PRESERVATION AND HOUSING

REHABILITATION PROCESS:

A CASE STUDY OF SAVANNAH, GEORGIA

by

FREDERICK LUTHER MERRILL, JR.

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ABSTRACT

Private nonprofit organizations are a significant component
of the nation's pluralistic (three-sector) economy. Nonprofit organ-
izations present themselves as an alternative organizational form for
the accomplishment of historic preservation and housing rehabilitation
in urban areas. This investigation analyzes the role of two private
nonprofit organizations as the facilitators of historic preservation and
housing rehabilitation in Savannah, Georgia.

This research was conducted in order to achieve a greater
understanding of the processes, methods, and techniques used by nonprofit
organizations engaged in historic preservation and housing rehabilitation.
Furthermore, this thesis analyzes the organizational advantages and limi-
tations of private nonprofit organizations in the preservation and reha-
bilitation processes in an urban district of architectural and historic
significance.

The thesis concludes with a set of recommendations that identi-
fy the characteristics of a successful nonprofit preservation and/or hous-
ing rehabilitation organization. The recommendations are based on the
research conducted on the Historic Savannah Foundation and Savannah Land-
mark Rehabilitation Project, Inc. It was found that nonprofit organi-
zations offer numerous practical advantages over public and private sector
organizations (private firms or public agencies) in performing locally-
based historic preservation and housing rehabilitation.

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PREFACE

The 1980's is likely to be a decade in which urban revitalization will increasingly happen through the private and nonprofit sectors of the economy, with government playing a supportive and stimulative role. As the large "baby-boom" generation has begun to dominate the urban housing market, problems of neighborhood change such as the displacement of low-income groups ("gentrification") due to housing rehabilitation and the preservation of old neighborhood have begun to occur. These are extraordinarily important issues because of their effect on the lives of many urban residents. Planners and policymakers have recently begun to confront these revitalization problems by trying to upgrade and stabilize urban neighborhoods by encouraging the development of neighborhoods that provide housing, employment, educational, and recreational opportunities for wide-range of income groups.

A historical perspective assists in understanding the current problems of urban and neighborhood revitalization,

> "Critics of the left and the right have remarked
> on the precipitous decline of neighborhood life
> in many cities. In the early part of this cen-
> tury, a variety of informal social networks
> often gave residents a sense-of-belonging and
> and assurance of human contacts. Today this
> spirit is absent from a great many urban neigh-
> borhoods because of the interplay of a variety
> of factors. With the expansion of government
> social service programs, residents of neigh-
> borhoods tend to look less towards each other,
> voluntary organizations, or religious insti-
> tutions for support. Zoning and land-use plan-
> ning decisions have transformed complex, self-
> renewing neighborhoods into monotonous, solidly
> residential or commercial areas. To compound

the problem, the rise of reform movements has
weakened the political clubs whose captains once
personally tended to the concerns of constituents."

(Source: "Privatizing the City", by Mark Frazier.
Policy Review, Spring, 1980. P. 102)

The role of what are often called "third-sector" organizations (non-
profit organizations) in the development of urban neighborhoods will be-
come increasingly important as   alternative forms of urban service
delivery, including housing rehabilitation and preservation, are ex-
plored. As our urban history tells us, many 19th century municipal services
were provided by private firms or neighborhood associations. For a variety
of reasons, including economies of size, the need for public regulation,
and the unnecessary duplication of infastructure, local governments be-
gan to assume the responsibility of providing needed public services (Mass-
transit, public education, water and sewer systems). Recently, however,
as the population of many cities and metropolitan areas have gone into
the millions, there have been pleas for the return of smaller-scale, neigh-
borhood-based urban service systems that are more responsive to neighbor-
hood needs than a large centralized public bureaucracy or agency. In many
cities there has been a rapid increase in the number of neighborhood asso-
ciations, and resident groups that are attempting to increase the level
of amenities provided in their neighborhood by joining together to pro-
vide services themselves (refuse collection, patrolling streets, operating
daycare centers, offering tutorials, and maintaining recreational facilities.

Otherwise, neighborhood associations can act as politically powerful
leverage to obtain better service delivery from local government.

As the decade of the 1980's unfolds, planners, urban designers and policymakers should consider alternative forms of providing or improving urban services, including the housing and preservation needs of the city. At a time when many municipalities are having difficulties maintaining themselves and providing for the needs of their constituents, localized nonprofit organizations can be a powerful revitalization impetus. In an article by Mark Frazier it is stated,

> "Traditional approaches to urban policy are leading to a dead end. While some politicians may urge that more tax revenues be spent on municipal services, further infusions of revenues will not resolve the pathologies of a failing system. Growing taxpayer and neighborhood movements augur increasing pressure upon bureaucratic forms of service delivery."
>
> (Source: Mark Frazier, "Privatizing the City", Policy Review, Spring 1980. P. 108.)

Therefore, the growth of nonprofit organizations in an urban environment should provide a welcome alternative to a less responsive and expensive government.

PURPOSE OF STUDY

Savannah is an interesting city to study in terms of nonprofit

organizations because of their success in a variety of projects. The

downtown area, once virtually abandoned, has become the nation's largest

urban historic district. It is a 2.5 square mile area comprising the

central business district, the riverfront, and a number of residential

neighborhoods each with a wealth of splendid architecture. More than

800 buildings have been restored in this area, and once-rapid demoli-

tion has been brought to a virtual stop.[1] The city recently completed a

seven million dollar riverfront revitalization project that is a sign of

renewed economic vigor in the downtown. Most recently, a nonprofit

organization was formed in an attempt to rehabilitate housing for low

and moderate income people while preventing the displacement of low and

moderate income people from the Victorian neighborhood. The city is

experiencing a "renaissance" according to civic leader Leopold Adler II,

who is one of the major reasons for Savannah's success. Savannah has

been able to accomplish historic preservation, housing rehabilitation

and downtown redevelopment more successfully and on a larger scale than

perhaps any other city its size (pop. 150,000) in the country.

The preservation movement has become a potent political force in

Savannah, if for no other reason than the money it has generated:

property values in the historic district have soared, and tourism has

grown from practically nothing to a $80-100 million-a-year industry.[2]

The purpose of this case study, therefore, is to understand the

forces responsible for this growing urban revitalization, and preserva-

tion success story in Savannah. This case study will focus on two non-

profit organizations. One is the leading advocate for historic preser-

vation and the other is doing housing rehabilitation for low income people. These two organizations and the tools, techniques and strategies they use will provide the reader with useful information and insights that may be used in other cities across the country to enable urban environmental design to occur.

Notes

1. "Savannah," American Preservation, Carol Matlack, February-March
   1979, p. 11.

2. Ibid.

CHAPTER ONE

THE CONTEXT FOR HISTORIC PRESERVATION AND HOUSING REHABILITATION

IN SAVANNAH

THE CONTEXT

INTRODUCTION

"Savannah: the name begins with a whisper and ends with a sigh,
inciting dreams of a never-never South, of belles and balls, soft
accents and gentle courtesy, magnolias and Spanish moss, and all the
rest. If it all ever existed, it doesn't any more; not anywhere, not
in Savannah."[1]

Savannah is a city with a long history and deep roots into its
past; roots that are in many ways developing new branches with renewed
vigor. Savannah is a city that has been truer to its history and ori-
ginal urban plans than most other American cities, yet a city that
experiences many of the contemporary problems besetting this country's
oldest and most developed cities.

To understand Savannah one must consider the marked contrasts
evident in the city. On one hand, Savannah possesses the nation's
largest urban historic district, a 2.5 square mile area of impeccably
restored Regency Greek Revival, Victorian and Georgian homes, public
buildings, institutions, and commercial buildings. On the other hand,
Savannah has a large number of substandard housing units (33% are sub-
standard), occupied primarily by the city's large and predominantly
poor black population. Savannah has mediocre public schools that are
free from serious racial violence. When the public school system was
desegregated many white students left in favor of private academies
that grew rapidly throughout the city.

Blacks and whites seem to cooperate and tolerate each other better
than in most cities. This may be due in part to the heterogeneous
population in the city. Because Savannah has always been a seaport,

the city has had an international perspective. Unlike many Southern cities that remain populated almost entirely by white Anglo-Saxon protestants and blacks, Savannah has a vast mixture of nationalities and traditions. The city is populated by Jews, Italians, Irish Catholics, and Greeks as well as blacks and vestiges of the old white plantation gentry.

Savannah, a city with a rich and complex history, is characterized by striking physical and economic contrasts that continue to confront the city. This case study will attempt to explain the reasons for these contrasts and to shed further light on the innovative and successful activities taking place in Savannah to ameliorate these inequities.

History and Architecture

Savannah was founded on February 12, 1733 by James Edward Oglethorpe and a group of 114 settlers who sailed from England in search of economic, social and religious opportunities. Oglethorpe and nineteen associates had received a charter from King George II establishing them as "Trustees for establishing the colony of Georgia in America." The intent of the charter and land grant was to provide economic advancement for worthy English poor, to increase trade between the mother country and the Colonies, and to provide a buffer between the English-held Carolinas to the north and Spanish-occupied Florida to the south.

The most distinguishing feature of Savannah has always been the street grid and land subdivision pattern that has earned Savannah the nickname, "America's first planned city." The city is laid out on a bluff overlooking the Savannah River about 15 miles inland from the Atlantic Ocean. Savannah was conceived as a pattern of wards and

squares. Each ward was planned around a central square, which is flanked on the eastern and western sides by four "Trust" lots reserved for public and institutional buildings. Today, in many of the oldest wards nearest the river are located trust lots that are the site of churches, schools, museums and various other public buildings. Subsequent development on the trust lots was primarily residential, especially as distance from the river increased.

On the northern and southern ends of the squares are located "tythings" which combined lots granted to the original settlers for their homes. These lots were equally divided into 60' x 90' plots. There were four tythings in each ward with ten lots in each tything.

Oglethorpe laid out the first six squares himself. By 1855 the city had expanded according to the plan until a total of 24 squares was reached. By this time, no more common land was available for the continuation of this early example of public city planning in the United States.[2]

John Reps notes that "the basic module -- ward, open square,...and local streets -- provided not only an unusually attractive, convenient, and intimate environment but also served as a practical device for governing urban expansion without formless sprawl."[3] Edmund Bacon celebrates the Savannah concept as "a plan so exalted that it remains as one of the finest diagrams for city organization and growth in existence."[4]

The original purpose of the squares was for military defense. However, the original open squares were landscaped and ornamented throughout the nineteenth century, becoming the center of the city's social and recreational life. Some squares served special purposes such as being the site of the city market, a fire station, or water

tower, and every square had a water pump ensuring that residents

would congregate there. Furthermore, the squares and wards became the

political and administrative units of local government. Public officials

and aldermen were elected as representatives of each ward by ward

residents.[5]

Due to several great fires that destroyed large parts of the city,

especially the fire of 1820, Savannah grew as a nineteenth century city

upon an eighteenth century plan. The plan restricted the size and com-

plexity of most buildings because of the spatial configuration of the

lots and corresponding streets and squares. In a book by Savannah

historian Mills Lane, it is noted: "The plan imposed on buildings, even

in the romantic nineteenth century Vitruvius', classical ideals of pro-

portion, harmony and balance -- precisely the qualities that describe

the modest and conservative architecture of Savannah."[6] The downtown

and most central residential neighborhoods, now known as the "Historic

District," contain a few remaining eighteenth century homes with an

"unparalleled variety" of nineteenth century buildings and homes includ-

ing examples of the Federal, Regency, Greek Revival, Victorian, Georgian

and of later romantic styles from Italianate and Gothic Revival to the

Romanesque.[7]

Economic Development and Environmental Degradation

From its beginning Savannah was an important seaport, sending

agricultural products and goods gained from Indian trade to England.

In the late eighteenth and early nineteenth centuries, Savannah exported

a substantial rice crop every year from the large swampy and diked wet-

lands surrounding the city. However, in the 1820's and 1830's, the rice

crops were lost due to yellow fever epidemics sweeping the city. By this
time Eli Whitney had invented the cotton gin (1794) on a farm outside
Savannah, and cotton was rapidly becoming the city's major export.
Between 1794 and 1819 the value of the cotton trade increased from
$500,000 to $14 million.

Savannah was to dominate the world cotton trade throughout the
nineteenth century with its "Cotton Exchange" setting world prices. The
cotton trade was responsible for a great deal of Savannah's growth,
wealth and consequently its architectural elegance. Except for a brief
period of captivity and port blockade by Union forces during the Civil
War, Savannah continued to prosper economically during the nineteenth
century, being dependent on the Cotton Exchange and export market for
economic livelihood.

Savannah's good fortune quickly changed in 1895 when cotton prices
plummeted. Furthermore, the cotton lands around Savannah were being
depleted and the boll weevil began damaging cotton crops. As prices
fell, so did Savannah. With no other industry to support the local
economy, the "Golden Age" of Savannah was over. The following fifty
years were unfortunate ones for the city culturally, economically and
socially. Many families left and large numbers of once beautiful homes
and many downtown businesses fell into disrepair. Many homes were
abandoned and countless more turned into small apartments and rooming
houses. The people who remained were primarily low and moderate income
blacks who could not afford to move to the suburbs.

Savannah is surrounded by low wetlands, but on a larger scale it
is encompassed by huge forests of Georgia pine trees used in making a
variety of paper products. These forests were responsible for Savan-

nah's economic salvation and revitalization which started with the loca-
tion of Union Bag and Paper Corporation (now known as Union Camp Corpor-
ation) in the city in 1934. "Union Bag" was attracted to Savannah for
a number of reasons: free abundant water from a large river, water
travel on the river and by sea, a major port facility, and access to
major railroads and highways. Furthermore, since Savannah was economic-
ally depressed, labor was plentiful and inexpensive. Labor unions are
still, as they were then, almost totally nonexistent.

The city also provided enormous economic subsidies to Union Bag in
the form of low-cost land, site improvements and minimal interference
with company policy.

In a well-documented book, The Water Lords, findings are presented
and conclusions are reached about how the local government and community
addressed environmental development issues. Written by a member of a
Ralph Nader study group, it investigated one of the nation's worst air
and water pollution problems in Savannah in the early 1970's. This
book investigated the consistent negligence on the part of city
officials, and county, state and federal environmental regulation
enforcement officials. As a result of the findings and publicity from
this book, Savannah's environmental problems began to be ameliorated.

Until very recently Savannah had not been a city that took strong
action to protect its environment. The city gave away far more in
economic and pollution concessions than necessary in order to attract
industry. The Nader report states: "The paper company [Union Bag]
undoubtedly injected fresh economic blood into the city's veins; but
whatever it did for Savannah, Savannah did far more for Union Bag."[8]
Union Bag became the most significant air and water polluter in the

city and went without municipal interference for almost four decades.

In a more recent controversy of the 1960's, the Nader report also investigated the long delays and local government opposition to federal and state requirements that the city install sewage treatment plants to stop the flow of raw sewage into the Savannah River. During the 1960's the general public did not support installation of the treatment plants either, with the "general attitude being, well, we have lived with a dirty river this long."[9] Sewage treatment plants were finally installed in the 1970's.

The reasons for this local disrespect for the environment resulted from a deferential attitude toward Union Camp and the other large companies that helped pull Savannah out of its economic depression. Moreover, the overriding concern among the people and local officials was to keep taxes low, encourage more economic growth and development, and there was a strong southern municipal tradition to resist state and federal interference with local affairs. Clearly, local government and the general citizenry of Savannah could not be counted on to advocate strongly for sensitive environmental development in the city. This attitude in large part is responsible for the early difficulties that the historic preservation and housing rehabilitation organization had in attempting to work with local government in achieving its goals. This attitude has been changing slowly in Savannah as people have begun to understand the benefits of having a safe and attractive physical environment.

Formal Structure of Government

The city of Savannah is administered by a Manager-Council form of

government. Administration policies are determined by the Mayor and eight Alderpersons and implemented by a professional city manager who oversees the numerous line departments and agencies.

Savannah is the county seat of Chatham County. The country is governed by a county commission consisting of eight commissioners and a commission chairperson. There is currently a strong movement in Georgia to consolidate municipal and county jurisdictions. Savannah officials have recently been talking with county officials about annexation.

The Metropolitan Planning Commission (MPC) is the comprehensive planning agency for Savannah and Chatham County. The MPC deals with community problems such as housing and economic development, but also is directly involved in zoning regulations, subdivision regulations, transit and transportation planning, and capital improvement programs and budgets. The city also has a community planning and development department that deals more specifically with local development and planning issues. The community planning and development department is completely separated from the MPC. However, these two agencies work cooperatively on projects and problems that affect both the city and county.

Population

After rapid population growth in the eighteenth and nineteenth centuries, the city's population has remained fairly constant. According to the latest census figures, Savannah has a population of 148,000; Chatham County a population of 208,000. There are nearly 415,000 persons in the trade area of Savannah.

Approximately half the population of the city is black, the remaining half being a mix of whites from diverse nationalities.

The city has roughly 40,000 year-round housing units of which 33% are estimated to be substandard according to local codes and regulations. These units tend to be concentrated in several downtown neighborhoods occupied primarily by black residents.

It is fair to say that income distribution is highly disparate in Savannah. There is a large low-income population and a large relatively high income managerial and landed gentry population. In 1977, 25 percent of Savannah's households were classified as "low-income," with the city-wide estimated median family income at $12,300.[10]

Notes

1. Anthony Wolff, "The Heart of Savannah," American Heritage, 1970, p. 55.

2. Mills Lane, Savannah Revisited, Savannah: The Beehive Press, 1977, p. 43.

3. John Reps, The Making of Urban America, Princeton, NJ: Princeton University Press, 1965.

4. Anthony Wolff, op.cit., p. 56.

5. Mills Lane, op.cit., p. 47.

6. Mills Lane, op.cit., p. 53.

7. Audrey Rhangos, "Historic Savannah Foundation," The Georgia Historical Quarterly, Vol. 63, No. 1, Spring 1979, p. 174.

8. James Fallons, The Water Lords, New York: Grossman Publishers, 1971, p. 154.

9. Ibid., p. 34.

10. Metropolitan Planning Commission of Savannah and Chatham County, Housing Element, Chatham County, Georgia, 1977, pp. 10-20.

INTRODUCTION TO CASE STUDIES

The following two case studies document and analyze the work of two nonprofit organizations in Savannah. One is actively involved in historic preservation/restoration in the city's Historic District; the other is leading a large scale housing rehabilitation effort for low-income families in the adjacent Victorian district. These particular organizations have been chosen for examination because they have both been very successful in achieving their respective preservation and rehabilitation goals.

The first case study is about the Historic Savannah Foundation (HSF), which has been largely responsible for the nationally acclaimed restoration of the city's downtown Historic District. HSF has responded to Savannah's need for a restored and revitalized residential and commercial core by acting as the leading advocate for this type of historic preservation in the city. HSF has a growing city-wide membership that supports a board of directors and a small professional staff for the administration of the Foundation's numerous educational and preservation programs.

The Historic Savannah Foundation has gone well beyond the traditional role played by most preservation societies. HSF is actively involved in the real estate, planning, urban development, and political activities of the city. HSF buys and sells historically significant properties that are threatened by demolition, or in need of historically accurate restoration. The Foundation uses a revolving fund to buy desirable properties and resells them to buyers willing to restore the buildings according to the standards demanded by their respective styles.

In order to enforce the restoration of the historic district according to acceptable architectural standards, HSF became actively involved in the city's adoption of an <u>historic district zoning ordinance and review board</u> to protect the architectural integrity of the District.

Furthermore, HSF has been working to instill in the city an appreciation for the economic benefits from an increased tourist industry. HSF recognized the restored Historic District's tremendous potential for attracting tourists and has developed a number of programs and tours that have brought large numbers of tourists to Savannah.

The <u>Savannah Landmark Rehabilitation Project, Inc.</u> (SLRP) is the other nonprofit organization examined in these case studies. SLRP is an organization based in the city's Victorian district working to acquire, rehabilitate, and manage low-cost rental housing units for the district's residents. SLRP does this by acquiring deteriorated and vacant units at a low price. SLRP is a neighborhood-based nonprofit group attempting to meet the housing needs of low and moderate-income residents in the Victorian district.

SLRP has developed unique <u>financing techniques</u> to acquire, rehabilitate, rent a low cost, and manage the increasing number of units it is bringing under its control. These techniques involve a variety of Housing and Urban Development (HUD) subsidy programs, foundation grants, city-sponsored loans and bonding authority, in addition to a substantial commitment from the local financial community.

In the process of its rehabilitation work in the Victorian district, SLRP is trying to solve a problem that has become a major concern and obstacle to the preservation movement. This problem is the displacement

of low-income residents from their homes as high priced rehabilitation work occurs around them, thereby driving up the value of their property to a level that eventually precludes them from remaining there. SLRP is trying to restore deteriorated Victorian houses while simultaneously retaining them for the lower income families currently occuping them.

CHAPTER TWO

HISTORIC SAVANNAH FOUNDATION

Savannah, Georgia

Savannah National Historic District
Victorian District
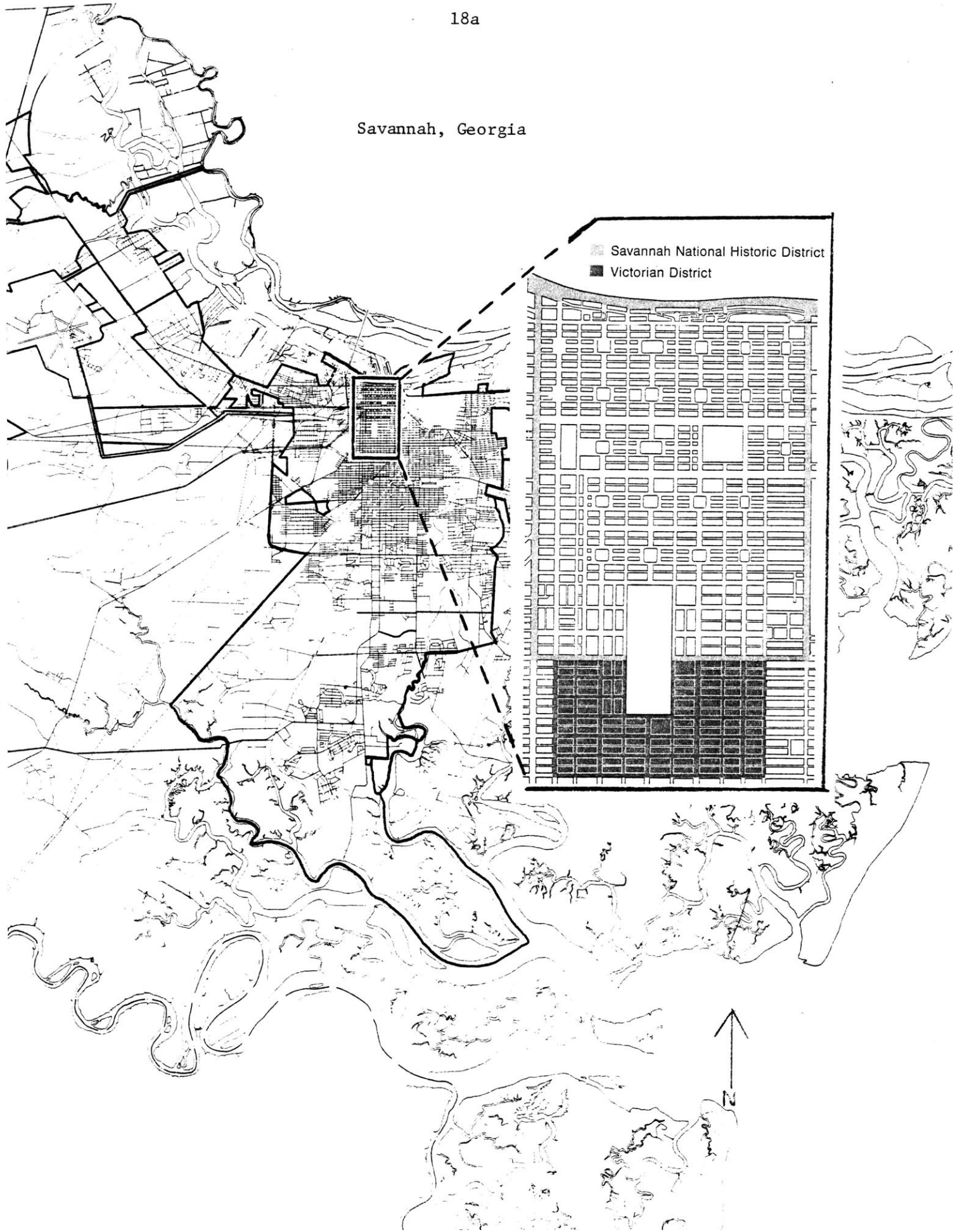
Historic District

SAVANNAH RIVER

RIVER ST.

CITY HALL

BAY

BRYAN

ST. JULIAN

CONGRESS

JOHNSON SQ.

REYNOLDS SQ.

WARREN SQ.

WASHINGTON SQ.

BROUGHTON

STATE

PRESIDENT

YORK

TELFAIR SQ.

WRIGHT SQ.

OGLETHORPE SQ.

COLUMBIA SQ.

GREENE SQ.

OGLETHORPE

HULL

SAV. CIVIC CENTER

ORLEANS SQ.

McDONOUGH

PERRY

CHIPPEWA SQ.

COLONIAL PARK (CEMETARY)

CRAWFORD SQ.

HOUSTON

VISITOR'S CENTER

LIBERTY

HARRIS

MACON

PULASKI SQ.

CHARLTON

MADISON SQ.

LAFAYETTE SQ.

TROUP SQ.

WEST BROAD

MONTGOMERY

JEFFERSON

TATTNALL

BARNARD

JONES

WHITAKER

BULL

DRAYTON

ABERCORN

LINCOLN

HABERSHAM

PRICE

EAST BROAD

TAYLOR

WAYNE

CHATHAM SQ.

GORDON

MONTEREY SQ.

CALHOUN SQ.

WESLEY SQ.

GASTON

FORSYTH PARK

BACKGROUND OF HISTORIC SAVANNAH FOUNDATION

Historic Savannah Foundation (HSF)

Historic Savannah Foundation (HSF) is a private, nonprofit organization whose primary purpose is to stimulate historic preservation and urban revitalization in Savannah.[1] Its basic function has been to assume the financial burden of showing the way to practical, modern use of fine old residential and commercial buildings in Savannah.[2] According to John Hayes III, the Foundation's current Executive Director, the purpose of HSF is first, to instill in Savannah residents an appreciation for the city's architectural heritage (including educating them about the economic benefits of restoration), and secondly, to engage in residential and commercial real estate development to encourage the continuation of downtown residential and commercial preservation/restoration work.[3]

The HSF has been an eminently successful preservation and restoration organization in Savannah, and it has received national and international acclaim. Current HSF programs include traditional preservation foundation activities such as providing literature on historic buildings, guiding tours, and giving seminars, lectures and other public education activities. More interesting and unusual, however, is that HSF has developed highly sophisticated city planning and real estate development capacities. Most preservation organizations have not yet ventured into this arena. These capacities include:

1. Architectural review and monitoring. The Foundation has a full-time architectural historian on its staff to facilitate design approvals by the city's Historic District Architectural Review Board. The architectural historian consults with homeowners and their architects in re-

designing a home in the Historic District. This consultation is provided to help the redesigned building meet the design review criteria of the review board.

2. _Commercial development_. The Foundation is currently studying and actively involved in the location and design proposal for a parking garage and new federal (GSA) office building in the downtown Historic District. The Foundation is also studying the general economic development of what is known as the NW Quadrant in the downtown.

3. _The Victorian district_. The Foundation is involved in a program to help moderate and middle-income families buy homes in the Victorian district of the city which is currently being revitalized. This program is being operated in conjunction with another nonprofit organization, Savannah Landmark Rehabilitation Project, Inc., and is designed to provide rental housing units in rehabilitated houses in the Victorian district.[4]

Organization of HSF

The Foundation is operated, under the direction of a thirty-member Board of Trustees, by a five-member professional staff with the necessary support staff. The current Executive Director, John Hayes III, is a young and energetic former city manager who is familiar with the operation of local government and the real estate development process. There is also a full-time architectural historian on the staff who is primarily responsible for providing architectural advice to people restoring their homes in an architecturally authentic manner. HSF is financed through donations from its 1200 members, its tour service, private contributions, private and public foundation grants, sales of publications, and profits

from its real estate development work. However, these profits tend to be small if they accrue at all.

The Foundation's Board of Trustees is well organized and representative of many of the city's wealthy, influential, and professional families. The Executive Committee, composed of elected officers, meets monthly. In addition, there is a Ways and Means, Membership, and Architectural Review Committee. The HSF's steering committee is the on-going, central working committee that prepares work for approval or disapproval by either the Board or the Executive Committee.[5] The HSF's organizational structure has existed in this format since its inception. This has provided order and continuity to succeeding directors and staff members.

Origins of HSF

The birth of HSF, in part, reveals the inability of the local government to deal effectively with suburban expansion and a deteriorating downtown. The story of Savannah after World War II is a familiar one. After the war the Savannah suburbs grew rapidly due to the availability of FHA financing for single-family homes. As these suburbs developed, and the population remained relatively constant, the downtown residential neighborhoods lost many middle and upper income residents. Savannah found itself with a housing surplus downtown and a corresponding decline in downtown retail and commercial activity.

To counteract the suburban expansion, downtown business groups tried to improve the downtown's accessibility by building parking lots and clearing out "unsightly" old buildings and homes. Three squares of the original twenty-four were destroyed by street widening and parking

garages. Between 1933 and 1955, 25% of the buildings honored by the Historic American Building Survey were demolished. Many additional homes were destroyed to get the valuable Savannah "greys" brick that suburban housing developers prized.

Until the mid-1950's, there were only occasional and small-scale attempts at housing preservation in Savannah. Public resentment of the demolition of many historic buildings was growing, and climaxed in 1955 with the proposed demolition of an architecturally significant Georgian style home known as the Davenport House. The HSF was formed by seven "enlightened" women led by Mrs. Anna C. Hunter in order to save the Davenport House from destruction. Private funds were raised from a variety of sources at the last minute to buy and then restore the house. Through the 1960's as the preservation movement grew stronger in Savannah (and nationally), HSF's resources and membership continued to grow. Today, the membership is over 1200 and is growing steadily.

Accomplishments of HSF

HSF is now recognized throughout the city as a major preservation spokesman and real estate force. Between 1959 and 1968, the HSF was responsible for $50 million in restoration/preservation in the 2.2 square mile Historic District, and $18 million in related real estate activities such as commissions and profits.[6] By 1980, the total value of restoration/preservation work in the Historic District has reached $150 million. This is a figure for which HSF is largely responsible.[7] The real estate market in the Historic District has become extremely active as a result, with land and building values increasing 10-20 times between 1960 and 1973. The tax assessments have risen two and three

times on many of the restored properties, resulting in a tremendous growth in municipal tax revenues.

Due to HSF developments in the downtown Historic District the local government began to reinvest in the downtown. By 1974 more than $35 million in public improvement money had been spent to rehabilitate buildings alone, with many more projects now being completed or in planning stages.

HSF's downtown work set the stage for a $7 million city financed restoration of the riverfront and accompanying Factor's Walk. This is a series of commercial, retail and professional spaces in the old cotton exchange buildings overlooking the river. The public improvements have been responsible for $23 million in ancillary private construction and development projects downtown, with several major private developments, including a controversial new Hyatt Regency Hotel that is now under construction.

The most dramatic economic benefit accruing to Savannah as a result of the preservation/restoration work led by HSF has been the spectacular increase in the city's tourist industry. In the late 1960's, the annual tourist business in Savannah was estimated to be an insignificant $5 million. Today, as a direct result of HSF's commitment to viable restoration in the downtown area, tourism brings in $71 million to local coffers annually.[8] Mike Vaquer, assistant to the city manager, estimates the total value of the tourist industry to be closer to $100 million when all the indirect and regional benefits are calculated.[9] Tourism is a growing, "clean" industry that delights local businesspeople, merchants and city officials. Tourism is now the second largest industry in Savannah.

Another important accomplishment of HSF was the city's enactment
of a protective zoning ordinance for the Historic District. HSF was the
key lobbying group responsible for the ordinance's adoption.

Observations

Because HSF is a private nonprofit organization trying to stimu-
late preservation and downtown revitalization, it must work cooperatively
with local government, the business and financial community, and other
development-related organizations in the city to achieve its goals.
According to many of the local observers interviewed, the real reason
that HSF had to be started was due to the local government's inability
and unwillingness to get involved in downtown preservation and revital-
ization work. Public pressure was not strong enough to generate an
active local government commitment early on. Several other observers
believe that the local government did not see itself in an entrepren-
eurial role in terms of leading a downtown preservation and restoration
effort.

An article about Savannah in American Heritage states perceptively,

> So far, almost everything that has been accomplished to
> save and restore historic Savannah has been done with private
> funds and private initiative, a fact that sits well with the
> city's conservative instincts and sidesteps the commerical
> interests whose early anti-preservation prejudice had
> inspired them to deride Historic Savannah Foundation from
> its start as 'Hysteric Savannah.' [10]

HSF has led the way in restoring the historic downtown area. It
has been a major development impetus, and has been indirectly responsible
for the 700 to 800 private restoration projects that have occurred in
the Historic District since HSF has been involved. This ability to
leverage public and private money into downtown commercial and residential

restoration has been one of HSF's greatest contributions to the city.

Notes

1. "Historic Savannah Newsletter," Vol. 20, No. 3, Summer 1979, p. 2.

2. Arthur P. Ziegler, Jr., et al., Revolving Funds for Historic Pre-
   servation: A Manual of Practice, Pittsburgh: Ober Park Associates,
   1975, p. 69.

3. Interview with John Hayes III, Director, Historic Savannah Founda-
   tion, March 7, 1980.

4. Ibid.

5. Arthur Ziegler, Jr., et al., op.cit., p. 70.

6. Leopold Adler, "Preservation as Profitable Real Estate in
   Savannah," Economic Benefits of Preserving Old Buildings, Washing-
   tion, D.C.: The Preservation Press, 1976, p. 143.

7. Interview with John Hayes III, Director, Historic Savannah Founda-
   tion, May 6, 1980.

8. Audrey Rhangos, "Historic Savannah Foundation," The Georgia Histor-
   ical Quarterly, Vol. 63, No. 1, Spring 1979, p. 179.

9. Interview with Mike Vaquer, Assistant to the City Manager of
   Savannah, March 13, 1980.

10. Anthony Wolff, "The Heart of Savannah," American Heritage, 1970,
    p. 103.

CASE TECHNIQUES

THE HISTORIC SAVANNAH FOUNDATION REVOLVING FUND

Inception

HSF's first major restoration resulted in an important lesson for

the organization. In 1959, the inexperienced HSF tried unsuccessfully

to save a group of four row houses built of prized Savannah "grey-brick."

At the last moment before demolition, Leopold Adler II, an eventual

president of HSF, bargained with the owner of the property, acquired it

personally, and then bought the bricks back from the developer who was

going to use them in housing construction elsewhere. If it were not for

Mr. Adler's financial ability and preservation desire, the homes would

have been destroyed. HSF then assumed the property's mortgage from

Adler.

After this experience, and the near loss of the Davenport House,

HSF knew it needed a tool to buy and restore threatened properties

before they were demolished. The Foundation's increasingly ambitious

restoration efforts required more funds than its periodic solicitations

could support. Moreover, the Foundation needed the financial ability

to buy greater numbers of buildings at one time, often three or four in

one block, to be more effective and have a greater impact in a neighbor-

hood. In 1964, HSF President Leopold Adler II established a $200,000

revolving fund on a three-year basis to enable HSF to buy houses before

the threat of demolition occurred. The money was secured by applying

for a grant of $75,000 from a local foundation and more-than-matching

private contributions of $125,000.[1]

The Foundation's larger scale restoration efforts were being sup-

plemented by the local urban renewal authority's activities in the Historic District at this time. HSF and the renewal authority worked cooperatively on several projects in the Historic District in the mid-1960's. These projects occurred prior to the formation of the District's design review board. The urban renewal authority was experimenting with HUD's Section 312 housing rehabilitation loan program in a pilot project in Troup Ward. This project proved to be a highly successful housing rehabilitation/preservation effort that further spurred interest in downtown redevelopment.

Concept of a Revolving Fund

The concept of a revolving fund is simple. HSF uses the money in the fund to buy threatened structures that it deems worthy of restoration. The Foundation holds the deed to the property until it can find a willing buyer who is able to repurchase the structure from HSF at a reasonable price (hopefully for at least as much as HSF paid for it). The money from the resale goes back into the revolving fund to be used to purchase additional buildings and then the process repeats itself. In this way the fund replaces itself and is able to leverage a great deal of private investment into a selected area.

The revolving fund is slowly depleted by interest charges, taxes, legal fees, insurance premiums, administrative costs, and principal repayments (if a mortgage is used) while the Foundation holds the deed to the property. The Foundation attempts to resell the properties at a slight profit in order to recover these costs and keep the Fund from being drawn down. Periodic fund raising drives have been very successful at keeping the Fund at the $200,000 level. On average, most pro-

perties are held six months or less.

Many successful revolving funds have been organized by private non-profit and tax-exempt corporations like HSF. There are several advantages to this form of organization.

1. Tax-exempt status facilitates fund-raising by making private contributions tax deductible.

2. Tax-exempt organizations are eligible for government grants and loans, often at reduced interest rates.

3. Corporate income is exempt from taxes.

4. Private management can contribute to a more tightly managed organization that is capable of making fast and effective decisions.

5. Private corporations can more easily act as buyers, sellers and developers in the real estate market.[2]

Current Use of Revolving Fund

HSF's revolving fund has allowed it to actively participate in the local real estate market, changing HSF from a "fire-fighting" crisis-oriented preservation organization to a civic organization committed to planned revitalization of Savannah's Historic District.[3]

HSF has developed a policy of resale to willing buyers rather than direct housing restoration by the Foundation. This policy increases the capability for purchase through the revolving fund and encourages private participation in the revitalization effort. Also, the HSF is able to leverage greater amounts of private investment into the historic district by using the fund to achieve faster turnover of the buildings it acquires and resells. By selling an acquired building as fast as it can to a willing buyer, the Foundation does not tie up large amounts of the revolving fund in a single building for a long period of time, thereby increasing the number of homes that can be restored.

Restrictive covenants that legally prevent resale purchasers from altering the building's exterior without Foundation approval are placed on all buildings which pass through the fund. These covenants also require that restoration begin within six months and be completed within eighteen months. If the property is resold the Foundation has first right of refusal at the building's previous sale price. The restrictive covenants are tailored to the specific condition and style of the building and attempt to respect the architectural integrity of the neighborhood. These requirements tend to discourage speculators from buying old properties and holding them until higher prices can be ovtained.

While HSF usually sells a property at a slight profit to cover expenses, in many cases the Foundation has been forced to sell properties at a loss in order to attract willing buyers. In these instances, the Foundation considers the loss to be a self-made donation to the preservation effort. According to Adler, the Foundation will only accept a loss where it feels a structure is of exceptional value.[4] Selling at a loss is detrimental to the fund because it diminishes the total capital available.

The Foundation tries to use the fund to control properties and as a leveraging device in cases where it cannot afford the entire cost of a building. Leveraging outside sources of capital makes maximum use of the fund's total capital. HSF will attempt to obtain an option or purchase contract on a property whenever possible, rather than obtain fee-simple ownership. In many cases an option has allowed the Foundation time to line up a suitable buyer with only a minimum expenditure required. Options purchased on a property have allowed HSF to freeze

the price on a property while a buyer is being found. This enables HSF

to keep the price as low as possible. In some cases people have donated

properties to HSF. The resale price is then used to increase the

revolving fund.

The revolving fund was so successfully used that local financial

institutions took notice and began supporting HSF's work. The HSF now

has a $250,000 line-of-credit with a group of local banks that acts as

a supplement to the $200,000 revolving fund. The line-of-credit is good

for up to 50% of the purchase price of historically or architecturally

important buildings.[5] In many cases the Foundation is able to borrow up

to 100% of the purchase price.

The revolving fund has been, and is continuing to be, used effec-

tively. Between 1964 and 1980 the fund was directly responsible for

the restoration of more than 200 buildings by reselling them to private

investors.[6] Most of this activity occurred between 1964 and 1969.

During this time period, the revolving fund was directly responsible for

the restoration of more than 150 buildings by reselling them to private

investors, who in turn invested over $12 million into them.[7]

Architectural Inventory: An Important Prerequisite
for Using a Revolving Fund

Before the revolving fund was established, and before HSF could

embark on a large-scale preservation/restoration effort in the Historic

District, historical and architecturally significant buildings had to

be identified. Therefore in 1962, HSF, with the help of outside con-

sultant Carl Feiss, an urban planner and historic preservationist, and

a team of students headed by Frederick Nichols and Paul Dulany from the

University of Virginia, completed a comprehensive inventory of the

buildings in the Historic District.[8] The 2500 building units in the

2.5 square mile (now slightly enlarged) District were individually in-

dexed, researched, and judged for architectural and historical impor-

tance by a complex point system. Eventually, 1100 (40%) of the

buildings were rated "exceptional," "excellent," "notable," or

"valuable as part of the scene."[9] A building receiving one of these

ratings was considered to be worthy of preservation by HSF. "It was

thought that an authoritative survey of all the structures in the

historic area was an absolute necessity to buttress and substantiate

the theory that the historic buildings of Savannah were valuable eco-

nomic assets as well as irreplaceable cultural amenities."[10]

This team inventoried the buildings using a standard form requir-

ing an evaluation of the structure according to:

1. historical significance to city, state, or nation;

2. importance to the neighborhood;

3. whether the structure's architectural style is significant;

4. how much desecration of the structure's original design has
   occurred; and

5. an evaluation of the physical condition of the structure.

The inventory was then color-coded on Sanborn maps to indicate final

ratings using these evaluation criteria.

The survey is an invaluable real estate tool because it provides

HSF with an automatic priority rating system for future acquisitions

through the revolving fund. The survey also made it possible for HSF to

estimate restoration costs for individual buildings, and even to

estimate the cost of restoring the entire Historic District.[11]

In 1968, the results of the inventory were published in a book,

<u>Historic Savannah</u>, which is now in its second printing. This publication
provides information on buildings in the Historic District to the HSF
staff and has become the definitive reference for the city's Historic
District Review Board, as well as for realtors, architects, and
developers. Furthermore, it served as a reference in the development
of the Historic District Zoning Ordinance that was finally adopted by
the city council in 1973. The inventory cost $25,000 from start to
publication, but has been partially responsible for over $40 million
in restoration work done in the Historic District by the mid-1970's.[12]

Lessons

The key to the Foundation's success with the revolving fund has
been its ability to keep the fund liquid by only making short term
commitments. Buildings are kept, on average, six months or less by
the Foundation, and they deliberately try to keep the turnover rate high.
This policy keeps the fund "revolving" as fast as possible. The HSF
uses mortgage loans to gain as much leverage as they can, and is occa-
sionally able to "mortgage out" (i.e., provide no equity) if a local
lender feels strongly about the restoration potential of a particular
building.

The revolving fund is an effective tool because it provides HSF
with two important elements: money and time. Money is required to
purchase the building from the party considering its demolition. Time
is needed to hold a worthy house until a buyer willing to meet the
restoration criteria can be found.

The fund offers HSF several more advantages in trying to achieve
its restoration goals. First, the fund provides HSF with a liquid

reserve of capital which can be used to immediately buy a threatened property when it comes on the market. Instead of using less reliable and time-consuming methods such as petitions and public demonstrations, the HSF can simply buy the building. HSF does not have to persuade someone else to buy the building with the subsequent risk that it may be lost to demolition in the meantime.

Secondly, the fund enables HSF to become an active participant and competitor in the local real estate market. John Hayes III, the Foundation's current executive director, observes, "to make preservation successful on a large scale, there has to be an effort to make real estate development practices work on behalf of the preservationist. We need to make the private market work for preservation efforts. The HSF plays the real estate game in order to achieve its goals."[13] The HSF often acts in a brokering capacity to attract new development down-town. This development then raises the value of surrounding and often deteriorated property. In turn, the opportunity cost of not upgrading the use and physical appearance of the deteriorating buildings becomes so high that many owners engage in facade renovations and other physical improvements recommended by HSF. This is a policy that guides much of HSF's work in encouraging new downtown development.

An important by-product of HSF's participation in the real estate market is the respect it receives from the local real estate and business community. As HSF successfully bought and sold property in the Historic District, local business people were forced to recognize HSF as an active participant in the local economy. Over time, the down-town business community has become increasingly more supportive of HSF efforts, especially in light of the now booming tourist industry in

Savannah.

The revolving fund can also be used as a way to increase property values and property tax revenues for a city. After the HSF "pioneered" the restoration effort in the Historic District, demonstrating that preservation had positive economic benefits for the entire community, it was inevitable that additional people and the current residents began to invest more money in the area. A great deal of privately accomplished restoration took place completely outside of HSF and the revolving fund (700-800 private projects). Furthermore, landlords in the Historic District felt pressure to make improvements on their properties in order to avoid embarrassment and criticism for neglecting their property. Once a "critical mass" of private and preservation organization money has been reinvested in a declining neighborhood, local financial institutions should more readily begin issuing mortgage funds there. The net result is increased property values and a larger tax base for the city, coupled with a larger and more readily available source of mortgage money for the area. Hence, a non-profit organization like HSF has been in a large part responsible for the complete economic and architectural restoration of a particular neighborhood (district) that has created important ancillary economic benefits for the rest of the community.[14]

A revolving fund can be most effective in stimulating community development and preservation if the funds are applied to a specific neighborhood as opposed to being scattered randomly throughout a city. The HSF has concentrated its revolving fund acquisitions and resales in the 2.5 square mile Historic District comprising the central business district, riverfront, and several of the oldest residential neighborhoods in the city. By concentrating the fund in the Historic District several

advantages are gained. First, neighborhood residents can more easily see the positive benefits of the fund at work. A sense of faith and pride can be kindled as people begin to witness physical improvements. Psychologically, the impact of several restorations in a small well-defined area is greater than if the projects were diffused throughout the city.

The HSF made its revolving fund projects known to the public through advertising, plaques on homes, and signs in front of restoration work. By linking HSF's identity to the work being done in the Historic District, the Foundation built support for its efforts as it success-fully demonstrated use of the revolving fund. According to the noted preservationist Arther Ziegler, "The preservationist string attached to the application of the fund gives neighborhood pride a specific slant -- it is an historic neighborhood, regaining its old character, and moral pressure is increasingly brought to bear on the residents to help, or at least not impair, this character."[15] This kind of neighborhood-based identity creates a stronger coalition that can be used to resist outside forces threatening to damage its physical, social or economic integrity. It forms the basis in many cases for further political organization within the neighborhood that can be used to influence local government in order to achieve neighborhood goals.

Notes

1. Arthur Ziegler, et al., Revolving Funds for Historic Preservation:
    A Manual of Practice, Pittsburgh: Ober Park Associates, Inc., 1975,
    p. 65.

2. The Revolving Fund Handbook, Architectural Conservation Trust and
    Architectural Heritage Foundation, Boston: The Architectural
    Conservation Trust, 1979, pp. 9-10.

3. Audrey Rhangos, "Historic Savannah Foundation," The Georgia Historical
    Quarterly, Vol. 63, No. 1, Spring 1979, p. 175.

4. Interview with Leopold Adler II, March 6, 1980.

5. Arthur Ziegler, Jr., et al., op.cit., p. 65.

6. Interview with John Hayes III, Director, Historic Savannah Founda-
    tion, May 6, 1980.

7. Anthony Wolff, "The Heart of Savannah," American Heritage, 1970,
    p. 102.

8. Arthur Ziegler, et al., op.cit., p. 65.

9. Leopold Adler II, "Preserved Buildings as Profitable Real Estate,"
    Economic Benefits of Preserving Old Buildings, Washington, D.C.:
    The Preservation Press, 1976, p. 144.

10. Ibid., p. 144.

11. Chatham County-Savannah Metropolitan Planning Commission, Historic
    Preservation Plan, June 1973, p. 9.

12. Anthony Wolff, op.cit., p. 102.

13. Interview with John Hayes III, Director, Historic Savannah Founda-
    tion, March 7, 1980.

14. Arthur Ziegler, Jr., et al., op.cit., p. 4.

15. Ibid., p. 9.

CASE TECHNIQUES

THE HISTORIC DISTRICT ZONING ORDINANCE AND REVIEW BOARD

Background

The Historic District Board of Review (HDBR) was created in December 1972, when Savannah's city council passed the Historic District Zoning Ordinance. This ordinance was passed after years of extensive lobbying led primarily by the Historic Savannah Foundation (HSF). The enactment of the Historic District Zoning Ordinance ("the ordinance") was one of the most important accomplishments of the preservation movement in Savannah. This was the first time in the city's history that legal protection had been afforded for the Historic District's outstanding urban environment. As stated in the preservation plan for the District, "The purpose of this district [ordinance] shall be to preserve and protect the historic or architecturally worthy structures, sites, monuments, streetscapes, squares and neighborhoos and the unique character of the historic area of Savannah which serves as a viable reminder of the historic and cultural heritage of the city."[1]

Public pressure for the enactment of stronger development controls in the Historic District strengthened in Savannah in the late 1960's as the district underwent restoration. The HSF was the key lobbying force behind the enactment of the ordinance. It saw the ordinance as a means to prevent further insensitive and incompatible development in the Historic District. The HSF had been primarily responsible for the successful (and continuing) restoration of the District during the 1960's. The HSF supported the ordinance because it was a legal means protecting the work it had already done. Furthermore, it was a tool affording future

restoration/preservation work that may be located in the Historic District a measure of protection against undesirable land uses and building styles.

In the view of most observers, a "critical need of the restoration efforts in Savannah was the enactment of a strong historic zoning law that would control or disallow the many inappropriate eyesores -- auto body shops, small industries, and the like -- that infiltrated the Historic District during its declining decades. Such a law would also provide guidelines for new construction within the district, to assure that the increasing attractiveness of the area and rising property values would not bring in new building incompatible in style with the Historic District."[2] The District was also affected by other urban problems, including increasing pressures for parking space and speculation on unimproved properties. The ordinance was intended to address these problems as well.

Need for State Enabling Legislation

Savannah did not have the needed statutory authority to enact the Historic District Zoning Amendment to the zoning ordinance. At the request of elected officials, HSF and many interested citizens, the Chatham County Legislature delegates drafted an amendment to the State Constitution authorizing the city to enact Historic District zoning. This amendment was approved by the State of Georgia General Assembly in 1968. This approval authorized the county to put Historic District zoning to the test of a referendum. (Savannah has 150,000 of Chatham County's 210,000 population.) The voters of Chatham County voted 3:1 in favor of Historic District zoning. This strong public support,

generated primarily from the residents of the city, was the first city-

wide public demonstration of support for the preservation movement in

Savannah. The results of this referendum demonstrated to local govern-

ment officials that supporting the preservation movement and Historic

District zoning now had political benefits. Moreover, by this time it

was clear that preservation was also responsible for significant economic

benefits, including increased tourism, property values, property tax

revenues, housing stock, and the stimulation of downtown redevelopment.

As a result of this overwhelming endorsement of Historic District

zoning by local residents, the mayor appointed a committee to work with

the Metropolitan Planning Commission (MPC) to prepare zoning regulations

for the District. The mayor's committee published a draft Historic

District zoning ordinance. Public hearings were held that resulted in a

number of compromises -- density in the District was increased, and the

composition of the review board that would adjudicate the ordinance was

changed from only city officials and agency chiefs to a broader based

public membership with assistance from the building inspectors office.

The city council finally approved the Historic District Zoning Ordinance

and Review Board in December 1972.[3] The review board and ordinance were

put into operation in early 1973 and have been operating continually

since then.

Historic District Evaluation Criteria

The Historic District Zoning Ordinance provided for the creation of

a seven-member board, appointed by the mayor and city council. Members

serve a three-year term with meetings held once a month. The board

members must be residents of the city and be "interested in the preserva-

tion and development of the Historic Area."[4] The board's jurisdiction
is limited to the Historic District.

The review board is primarily concerned with those elements of
development, redevelopment, rehabilitation and/or preservation that
affect visual quality in the historic district. According to the ordin-
ance the board of review "shall not consider detailed design, interior
arrangements or building features not subject to public view nor shall
they make any requirements except for the purpose of preventing develop-
ment or demolition obviously incongruous to the Historic Area surround-
ings."[5]

The Historic District ordinance is "overlay" zoning; all other city
zoning and subdivision regulations affect the District in addition to the
requirements of the Historic District ordinance.

The basic responsibility of the board is to review new construction,
alterations to the exteriors of buildings, any paint (color) changes,
signs, and proposed building demolition. Any person who wants to change,
demolish or move an old building or construct a new one must apply for a
"certificate of appropriateness" from the City Building Inspector who
also serves as the board's zoning administrator. An application for a
certificate is accompanied by sketches, drawings, photographs, and/or
other descriptions of the intended work. The application is then pre-
sented to the board, usually by the petitioner or designated representa-
tive such an attorney or architect. The board has authority over build-
ings, walls, fences, light fixtures, and signs. If someone proposes
to demolish a building and the board fails to approve a certificate of
appropriateness the demolition must be delayed from three to twelve

months depending on the building's rating. The review board's

decision can be appealed to the Zoning Board of Appeals.[6]

Demolition of a building is a complicated process and indicates the

extent to which the lobbying and preservation efforts of HSF are part of

the Historic District Zoning Ordinance. A building in the District may

be demolished if the owner demonstrates that the building rated as

"historic" is unable to earn an economic return as appraised by a quali-

fied real estate appraiser, and the board of review fails to approve the

issuance of a certificate of appropriateness. The purpose of these delay

periods is to provide HSF with some time to find a buyer who is willing

to restore the building. If a buyer cannot be found HSF will purchase

the building itself using its revolving fund, and hold it until it can

be sold. This process is predicated upon the owner's willingness to sell

the building. HSF has no legal means to force a sale. However, before a

demolition permit can be issued, the following notices of the proposed

demolition must be given. For a building rated:

1) exceptional   - 12 months

2) excellent   - 6 months

3) notable   - 4 months

4) of value as part   - 2 months
   of the scene

These rating categories are the ones used in the historic district

survey and inventory done for HSF in 1962. The results of the inventory

have been adopted directly into the Historic District Zoning Ordinance.

A Zone Within the Historic District

One important function of the review board is to provide Historic

District property owners with guidance so that they can be assured that

their renovation or new construction will be compatible with the

physical characteristics of the District. In order to do this and to accommodate as many different and often conflicting land uses as possible, the ordinance divides the Historic District into Zone I and Zone II. Zone I is primarily residential and Zone II primarily retail and commercial.

In Zone I a certificate of appropriateness issued by the zoning administrator after approval by the board of review is required before:

1) a demolition permit for a rated structure can be issued;

2) a rated structure can be moved; or

3) material changes in the exterior appearance of a rated structure by addition, reconstruction, alteration or maintenance involving exterior color changes can be made.

In Zone I a certificate of appropriateness is also required for any new construction of a principal or accessory building subject to view from a public street. This also includes materials change in the exterior of non-rated structures.[7]

Zone II, which is the retail/commercial zone, does not require a certificate of appropriateness for new construction or material changes in the exterior of non-rated buildings. However, all other protections apply to rated structures in this zone.

This is an interesting bargaining concept. In order to get downtown businesspeople behind a large-scale restoration/preservation effort, certain concessions by the preservation advocates had to be made. For example, most preservationists groups would want strict design controls throughout an entire district, rather than having two zones with differing degrees of control. Savannah demonstrates an effective compromise: having two districts with differing standards depending upon the type of

land use occurring. The less restrictive zone may have to be conceded by the preservationists in order to gain the support of the business community.

How Does the Review Board Make Decisions?

In order for the board of review to judge the appropriateness of a proposed design modification for a structure in the historic district, the ordinance contains eleven "visual compatibility factors" that serve as design criteria. Any proposals must be "visually related generally in terms of the following factors":[8]

1. <u>Height.</u> The height of proposed building shall be visually compatible with adjacent buildings.

2. <u>Proportion of Building's Front Facade.</u> The relationship of the width of building to the height of the front elevation shall be visually compatible to buildings, squares, and places to which the building is visually related.

3. <u>Proportion of Openings Within the Facility.</u> The relationship of the width of the windows to height of windows in a building shall be visually compatible with buildings, squares and places to which the building is visually related.

4. <u>Rhythm of Solids to Voids in Front Facades.</u> The relationship of solids to voids in the front facade of a building shall be visually compatible with buildings, squares and places to which it is visually related.

5. <u>Rhythm of Spacing of Buildings on Streets.</u> The relationship of building to open space between it and adjoining buildings shall be visually compatible to the buildings, squares and places to which it is visually related.

6. <u>Rhythm of Entrance and/or Porch Projection.</u> The relationship of entrances and porch projections to sidewalks of a building shall be visually compatible to the buildings, squares and places to which it is visually related.

7. <u>Relationship of Materials, Texture and Color.</u> The relationship of the materials, texture and color of the facade of a building shall be visually compatible with the predominant materials used in the buildings to which it is visually related.

8. Roof Shapes. The roof shape of a building shall be visually com-
    patible with the buildings to which it is visually related.

9. Walls of Continuity. Appurtenances of a building such as walls,
    wrought iron, fences, evergreen landscape masses, building
    facades, shall, if necessary, form cohesive walls of enclosure
    along a street, to insure visual compatibility of the building
    to the buildings, squares and places to which it is visually
    related.

10. Scale of a Building. The size of a building, the building mass
    of a building in relation to open spaces, the windows, door
    openings, porches and balconies shall be visually compatible
    with the buildings, squares and places to which it is visually
    related.

11. Directional Expression of Front Elevation. A building shall be
    visually compatible with the buildings, squares and places to
    which it is visually related in its directional character,
    whether this be vertical character, horizontal character or
    non-directional character.[9]

These criteria were adopted from the Historic District Preservation

Plan commissioned by the Housing Authority of Savannah in 1966 for a

general neighborhood renewal study of a portion of the Historic District.

The plan was done by a planning-architectural firm from Atlanta and

recommended that the city of Savannah establish a historic area review

board to administer these criteria once they were adopted as part of the

city's zoning ordinance.

What Happened?

It took seven years (1966-1973) for the city to finally adopt the

Historic District Zoning Ordinance and Review Board in spite of HSF's

strong advocation of the ordinance. According to Albert Stoddard,

former President of HSF, there are several reasons why it took so long

for the city council and mayor to finally adopt the ordinance.[10] First,

there had not been strong city-wide support of preservation, especially

from local merchants, the local real estate board, and architects. They

felt that the ordinance would restrict their personal business and professional freedom, restrict land use, and hinder downtown redevelopment. The real estate community wanted to develop the downtown as inexpensively and easily (without regulations) as possible. Preservationists and the ordinance were seen as an impediment to progress in the downtown.[11]

Other factors hindered the ordinance's enactment during the 1960's. Savannah was coming out of a period of economic decline and the business community wanted to do everything possible to attract and retain business growth and development of downtown, in order to compete with the city's growing suburbs. Because the downtown (CBD) is in the Historic District many of these people felt the Historic District zoning ordinance would inhibit redevelopment efforts. The city government was essentially caught in the middle between the advocates for the Historic District ordinance and the opposing downtown business community. Finally, after seven years, the preservationists (HSF) were able to persuade and demonstrate to the business community and local government that the rapidly growing tourism industry (second largest industry in Savannah) was in large part due to the restoration/preservation work occuring in the Historic District. In December 1972, the city council finally passed a slightly compromised version of the originally proposed Historic District Zoning Ordinance.

The city benefits economically from the existence of the renewed historic district in several ways. The tourist industry has grown tremendously throughout the 1970's (from $5 million to $90 million) and it is still growing rapidly. People come to see the Historic District, the restored homes and squares, and the redeveloped waterfront. Tourism has generated significant additional business for downtown merchants, hotels

and restaurants.

Furthermore, because 30% of the municipal budget is derived from a sales tax, an increase in local retail/commercial receipts results in an increased source of revenue for the city. The city benefits from increased property values and corresponding property tax revenues from redeveloped (and reassessed) properties, and also from an increased housing stock to lessen the existing housing shortage. To date, over 800 units have been restored in the historic district. (However, not all of these units were completed abandoned before restoration began.)

The Historic District Ordinance and Review Board Today: Criticisms and Recommendations

Critics of the board and the ordinance include many key public, private and non-profit organization officials who continually interact with Historic District issues. Numerous criticisms and recommendations have been made.

The board members meet once a month to hear, and decide upon, proposals from the applicants. Every month the board members receive between 30-40 applications that will be considered at the next monthly meeting. The applications vary greatly in degree of proposed modification, and many applications require a site visit by each board member to be properly adjudicated. The board maintains on-site visits prior to hearing an application as a desirable policy but does not closely follow this policy. Because all board members have full-time (mostly professional) jobs, they usually do not visit the site before the monthly meeting. Therefore, most decisions are made immediately after seeing and hearing the applicant make a short (primarily visual and graphic) presentation showing the proposed changes. Decisions are usually ren-

dered quickly and after a brief deliberation between the board members and applicant. As a result, the Historic District design review criteria are not always used as the intended decision-making framework. The board operates in a very informal manner, passing most applications quickly, but often with attached conditions. Applicants have the ability to negotiate and argue with the board but most of the applicants defer to the board's decisions. It appears that many applicants are intimidated by what they perceive as the board members' "special" knowledge about design features.

The ordinance has also been criticized as having too few "teeth" for enforcement, primarily due to inadequate staff. The city's building inspector is responsible for enforcing the ordinance, and is also a board member. The current building inspector claims he does have adequate staff to effectively enforce the ordinance, which relies heavily on volunteer compliance through peer pressure enforcement.

To alleviate some of these problems, John Hayes III, the Executive Director of HSF, recommends that the city provide a full-time staff person to help prepare the board for the monthly meeting. This staff person (an architect or architectural historian) would be responsible for visiting all the sites before each meeting and would become the final decision-maker in the event of a controversial application. Moreover, this staff person could work with people making applications to the board to ensure a higher degree of design quality and compliance with the ordinance.[12]

Currently, the HSF architectural historian serves the review board in an unofficial capacity as a "professional reference" and resource. The architectural historian attends the monthly meetings and is frequently

asked for his opinion about specific proposals. His advice is often
well taken.

The former chairman of the Historic District Board of Review, Ernest
Montford, points out several other related problems. He criticizes local
government for not setting a good example. A county parking deck pro-
posed for downtown was not presented to the review board for approval
because the County Commissioners chose to rely on "technicalities" to
avoid the review board process. According to Montford,

> "We have had problems with the local bureaucracy inter-
> preting the ordinance. This is the responsibility of the
> board, not the city building inspector's office. We continue
> to have projects done without board approval. The perception
> of the board held by developers and builders is generally
> poor, but this is changing. The board's attendance has not
> been satisfactory, but it is improving. Finally, I believe
> that our ordinance, although basically workable, needs
> revision, clarifying and strengthening."[13]

An interesting note is that very few decisions by the board have been
appealed to the Zoning Board of Appeals and of the few that have, all
have been upheld.

The major drawback of the preservation work in the Historic District
has been the displacement (through gentrification) of a large number of
low and moderate income residents, primarily black, who formerly resided
in the district. According to W.W. Law, a local civil rights leader,
black and white residents used to live together in the largely deteriorated
housing stock in the Historic District during the first half of the 20th
century. As the HSF successfully restored the district land values
increased ten to twenty times and many large old homes that previously
had several rental units were converted to single family homes. Blacks
and other lower income residents were gradually forced to leave the now

almost completely restored Historic District.[14] Property taxes rose

sharply (two to three times) in the District during the late 1960's and

1970's, forcing many rental tenants out of buildings that were restored

and damaged home ownership possibilities for many moderate and middle

income residents.

Notes

1. Chatham County-Savannah Metropolitan Planning Commission, Historic Preservation Plan, June 1973, p. 16.

2. Anthony Wolff, "The Heart of Savannah," American Heritage, 1970, p. 103.

3. Interview with Milton Newton, Jr., Deputy Executive Director of the Metropolitan Planning Commission, March 13, 1980.

4. Chatham County-Savannah Metropolitan Planning Commission, Zoning Ordinance for the City of Savannah, Georgia, July 1979, p. 66.

5. Ibid., p. 66.

6. Ernest Montford, "The Review Board...Growing Stronger," Historic Savannah, Vol. 20, No. 3, Summer 1979, p. 4.

7. Ibid., p. 4.

8. Chatham County-Savannah Metropolitan Planning Commission, op.cit., p. 69.

9. Ibid., p. 69.

10. Interview with Albert Stoddard, Vice President, Savannah Bank and Trust Co., March 10, 1980.

11. Interview with John Hayes III, Director, Historic Savannah Foundation, March 7, 1980.

12. Ibid., March 7, 1980.

13. Ernest Montford, op.cit., p. 4.

14. Interview with W.W. Law, Director, Beech Institute Neighborhood Association, March 12, 1980.

CHAPTER THREE

SAVANNAH LANDMARK REHABILITATION PROJECT, INC.
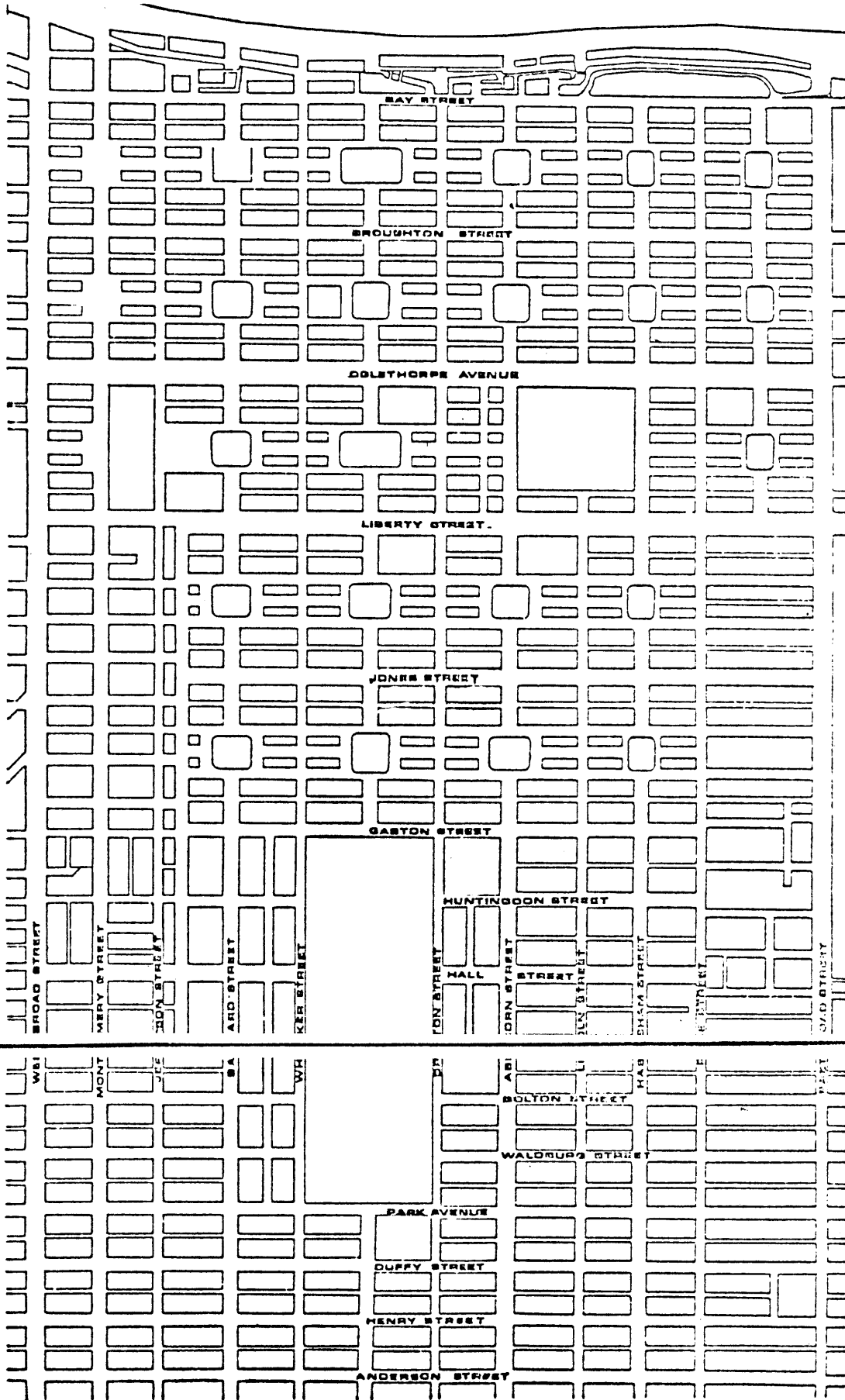
SAVANNAH LANDMARK REHABILITATION PROJECT, INC.

INTRODUCTION

The Savannah Landmark Rehabilitation Project, Inc. (SLRP) is a private nonprofit housing corporation which seeks to rehabilitate substandard rental housing for low-income residents in the city's Victorian district.[1] According to Dr. Loy Veal, the current director, SLRP's primary purpose is providing quality rental units for the district's current low-income residents, thereby countering gentrification and displacement in the Victorian district. For the first three years, after being established in 1974, SLRP acquired and held property to prevent speculation. Since 1977, SLRP ("Savannah Landmarks") has undertaken direct rehabilitation and 67 units have been or soon will be completed. In the fall of 1980, SLRP will embark on an effort to rehabilitate 100 units per year for the next three years.

When SLRP started in 1974, its goal was to drive out bad landlords (slumlords) by purchasing and restoring 600 of the 1200 residential structures in the Victorian district and, with the help of federal programs, to rent the homes back to low-income tenants at rents they could afford.[2] As an organization SLRP is working toward the ideal of the "right of every person to have a decent home."

Origins of SLRP: A Response to Displacement and Poor Housing

According to W.W. Law, a local black leader, SLRP was formed in response to the black community's accusation that black and other low-income people had been forced out (displaced) from the Historic District as preservation/restoration work occurred there in the 1960's and 1970's. Mr. Law says he "shamed" the preservation oriented white com-

BAY STREET

BROUGHTON STREET

OGLETHORPE AVENUE

LIBERTY STREET

JONES STREET

GASTON STREET

HUNTINGDON STREET

BOLTON STREET

WALDBURG STREET

PARK AVENUE

DUFFY STREET

HENRY STREET

ANDERSON STREET

HALL

N

HISTORIC DISTRICT

VICTORIAN DISTRICT

BROAD STREET

munity into starting SLRP.

SLRP was founded in 1974 by Leopold Adler II, a prominent local

stockbroker and preservationist. Adler, a man of unusual energy directed

toward social issues, is nationally known for his role in the Historic

Savannah Foundation and the restoration of the city's Historic District.

He is a trustee of the National Trust for Historic Preservation, a member

of an old and prosperous Savannah family, and has direct and influential

contacts with key people in the state capital and Washington, D.C. (HUD).

Adler has been known to circumvent local government and go directly to

HUD for the assurance of funding. Adler was previously president of

Historic Savannah Foundation, but he left HSF in 1967 for several

reasons. According to Adler, "HSF has failed to move ahead as an organ-

ization" to address a more serious problem than preservation: poor

housing conditions for the city's low income residents and property

speculation that was forcing poor people out of their homes.[3]

Adler is skilled in the preservation/rehabilitation field. After

he left HSF and before he started SLRP he organized a tax shelter with

federal government aid to encourage Victorian district landlords to

renovate their buildings without raising rents. Built in the late 19th

and early 20th centuries as Savannah's first suburb, the District is

characterized by single family and duplex-like wood frame Victorian

style homes (Carpenter "Box" and Queen Anne style). As author Barry

Jacobs notes, "

> "Comprised of [1200] variegated wood frame dwellings,
> built as single-family suburban housing between the 1870's
> and early 1900's, the Victorian district became an urban
> ghetto by World War II as whites moved away from the
> central city and erected new homes. The single-family
> homes were broken up into two and three apartments. Today

80% of the district's living units are rental housing.
Absentee landlords neglect needed repairs, and tenants'
complains are customarily ignored by landlords. Thus are
urban slums born."[4]

Many of the homes have elegant gingerbread woodwork, interior

bannisters and newel posts, decorative moldings, and fireplaces. The

District was deemed to have sufficient architectural significance to

be placed on the National Register in 1974.

The Victorian district is located immediately south of Savannah's

now fashionable and almost completely restored Historic District. In

the 1970's the Historic District attracted large numbers of higher

income residents back into the central city. However, Victorian district

residents feared that the gentrification process of the Historic District

would spread to the Victorian district and displace the low-income

residents. SLRP has sought to prevent displacement by providing decent

rental housing for low-income (mostly black and elderly) residents of

the Victorian district. This rental housing has been seen as achieving

social as well as preservationist goals.

> "Landmark's low-income rental units will act as a sort
> of dam, slowing -- if not blocking -- the process of gentri-
> fication; in other cities, middle- and upper-middle income
> people attracted to the handsome and conveniently located
> inner-city housing have driven out low-income residents."[5]

A statistical profile of the District shows it to be similar to many

inner city urban neighborhoods. For example:

1. 89% of the district's population is low-income black.

2. 67% of household heads are over 45 years old.

3. 52% of household heads are female; 63% have single heads of
    households.

4. 46.5% of residents have less than an eighth-grade education.

5. 85% of families have annual incomes below $7200 (Savannah's median is $12,300).

6. Over 50% of the residents are on fixed incomes.

7. 60% of the homeowners and 73% of the renters in the district pay more than 25% of their annual income for rent.

8. A substantial number of the units are vacant (roughly 20%).

9. 83% of the rental units and 49% of the owner-occupied units are classified as sub-standard, deteriorated, or dilapidated.[6]

According to SLRP's tenant coordinators, neighborhood identity and community is strong in the Victorian district. Over 42% of the residents have lived in the District for ten years or more and most do not want to move out of the District.

A number of reasons are given for the District's decline. Landlords are not willing to reinvest in their properties unless measures are taken to guarantee property maintenance by the tenants. Landlords claim that tenants do not respect their units and abuse the buildings, although tenants claim that necessary repair and maintenance work does not occur. The landlords also claim that the low monthly rents they charge (average $50-100 a month per unit) is not enough to pay for high-quality maintenance. Abandonment and deferred maintenance of housing units are problems in the Victorian district.

Another factor in the Victorian district's decline has been the reluctance of local financial institutions to make rehabilitation loans in the district. Representatives of local financial institutions indicate this reluctance is due to:

1. the scattered nature of the previous rehabilitation work in the district;

2. the inability of their staff and those seeking rehabilitation loans to adequately estimate the cost of rehabilitation;

3. the burden of processing rehabilitation loans utilizing HUD-FHA mortgage insurance.[7]

SLRP is addressing these problems by concentrating rehabilitation work in specific blocks within the District, by working more closely with the city housing department in processing subsidy applications, and attempting to attract more private rehabilitation money into the District.

Internal Structure of SLRP

SLRP has three operating divisions: the Administration Division, Property Management Division, and the Construction Division. The total staff is between 15-20 people, many of whom hold advanced or professional degrees.

The Administration Division consists of the (a) President, (b) Director, (c) Comptroller, and (d) Program Development Coordinator (Equal Opportunity Officer).

The Property Management Division has a (a) Property Management Coordinator, and (b) Maintenance Chief.

The Construction Division consists of (a) Project Architect, (b) Estimator, (c) two Construction Supervisors, (d) two Foremen, (e) Crew Leader, and (f) Purchasing Clerk.

The Board of Directors consists of five officers and 17 general members representing the Victorian district and Savannah's business and professional community. The board has been criticized for not having enough representation from the Victorian district. In March 1980, SLRP had 75 workers on its crews, 50 of which were CETA-funded.

The Early Work of SLRP

The idea behind SLRP is simple: SLRP as a private nonprofit

group would become a landlord, acquire buildings, obtain funding for

acquisition and rehabilitation, supervise construction, bid for sub-

contractors, redesign the units, manage the properties when complete,

and engage in tenant selection and organization. In effect, SLRP would

become a "super-landlord" by performing all functions in the housing

process. The SLRP rehabilitation philosophy is best stated by Adler,

the current chairman of the 20-member SLRP board of directors: "It is

far better and cheaper to rehabilitate the sound housing stock that is

in the inner cities than to build public housing projects that are

antiseptic, impersonal, and give no sense of place or neighborhood."[8]

SLRP started its first housing rehabilitation project in 1977 by

using loans cosigned by individual supporters. The first project was

a three-unit rowhouse rehabilitation. Administrative costs in the early

years were covered by a $73,000 matching fund grant from the National

Endowment for the Arts (NEA) and with some local contributions, including

office equipment, space, and professional consulting services. A working

capital loan for rehabilitation was obtained from the local minority-

owned Carver State Bank. SLRP used HUD Section 8 funds to subsidize

rental payments, and HUD Section 312 loans to pay for construction and

rehabilitation costs. The first three units were rented quickly and

SLRP's reputation began to improve as residents saw the positive results.

SLRP Increases Project Scale

Because nonprofit housing rehabilitation organizations are often

unstable, SLRP's desire was to become financially self-sufficient as

soon as possible. Financial analyses indicated that SLRP would not be

in a position to produce ehough revenue from management fees, rents, and

other income sources to be completely self-sufficient until 200-300

housing units had been renovated and were under its management.[9]

SLRP's second major project, which will be completed in June 1980,

illustrates the unique and creative methods that have brough national

attention to the organization. Under the Carter administration the HUD

Section 8 and Section 312 programs became more available for housing

rehabilitation work. In July 1978, SLRP received a $160,000 grant for

administration from the HUD Secretary's Discretionary Fund. At the same

time, SLRP contracted with the city of Savannah under an Innovative

Project Grant to coordinate several elements of a comprehensive housing

strategy which included acquisition and rehabilitation of rental units,

obtainment of Section 312 loans, Section 8 reservations, and development

of a management structure capable of supporting on-going activities.

Together, these three occurrences set the state for the rehabilitation

of 64 units of housing known as "Project Snap."

A brief but important background is needed here. The $160,000

administration grant SLRP received in July 1978 had been prematurely

announced by a HUD official at a housing rehabilitation conference in

Savannah and sponsored by SLRP in November 1977. The announcement was

made in response to an application made directly to HUD by SLRP. SLRP

had requested a grant from the city but they were not yet convinced

there was a housing quality and supply problem in the Victorian district.

HUD sent SLRP's grant application (Innovative Project Program) back to

SLRP because a nonprofit organization cannot apply directly to HUD for

this grant. Instead, the city government must formally sponsor, and

make the application to HUD on behalf of SLRP. After smoothing some

"ruffled feathers" in the city government, SLRP coaxed the city to

sponsor the application. SLRP actually rewrote most of the application

for submittal by the city under direction of the Community Development

and Planning Department.

SLRP now had funds for its administration and staff (including an

architect) but needed Section 8 and Section 312 commitments to sustain

the units and perform the rehabilitation work. The 64 units to be rehab-

ilitated had been previously acquired through the use of options and were

inexpensive because they were abandoned units.

In a demonstration of his influence at HUD, Adler made a trip to

Washington, D.C. and was able to convince Assistant Secretary Robert

Embry to commit 64 units of Section 8 rental assistance and the necessary

amount of Section 312 subsidized rehabilitation loan money to SLRP. [The

Section 8 commitments are used by SLRP in combination with the rental

income to payback the Section 312 loans and other debts.] Because SLRP

is a nonprofit organization and cannot directly receive HUD Sections 8

and 312 monies, SLRP persuaded local government officials to formally

apply for the Sections 8 and 312 funds. This procedure required going

through the normal channels of the HUD area and regional offices before

actually getting the commitments.

City officials were disgruntled about Adler's circumvention of

their authority and had numerous questions about the activities of SLRP.

However, the city had become interested in SLRP because of its own hous-

ing rehabilitation program (Homeowners Rehabilitation Assistance Program:

HRAP) which had not been very effective. According to Della Jones,

Director of the City Housing Department in Savannah, HRAP had not been

successful because it was a loan limited to $7500 at 3% interest. Most

of the homes in need of rehabilitation in Savannah require substantially

more than $7500 worth of work. The program recently raised its limit

to $20,000 and is beginning to be used more effectively.[10] The city

submitted the necessary applications, and the Sections 8 and 312 money

was obtained for SLRP.

SLRP experienced construction and funding application delays, and

by June 1979 only four of the 64 units had been completed. SLRP was

learning the hard way but it was learning how to rehabilitate large

numbers of housing units as a private nonprofit organization. Adler

used his influence in Washington, D.C. to win the project a waiver of

the federal rule prohibiting the simultaneous use of the Section 8/312

double subsidy. This exemption allowed SLRP to borrow Section 312

rehabilitation funds from HUD at 3% interest for 20 years while simul-

taneously using HUD's Section 8 Housing Assistance Program rent subsi-

dies. Section 8 pays the difference between a code-conforming apart-

ment's fair market value ($175 to $350 per month in Savannah) and 25%

of a low-income tenant's gross income. SLRP takes the tenants' rental

payments (usually $50 to $75 per month) and the Section 8 subsidy to

repay the Section 312 and other loans. SLRP uses this income to pay

off mortgages on newly purchased and restored housing units without

raising rents and displacing the low-income tenants.[11]

SLRP used every method it could to keep its costs, and hence,

rents low. For instance, SLRP used Comprehensive Employment Training

Act (CETA) workers on the rehabilitation work crews. In order to

comply with federal Davis-Bacon Act minimum wage requirements, SLRP had

to break the 64 Section 8 units into 13 separate packages of 5 units on

a scattered-site basis throughout the Victorian district[12] (see footnote

for explanation). Additionally, SLRP had to break the Section 312 funds

into 5 unit packages to correspond with the Section 8 units in order to avoid HUD rent-regulating agreements. After negotiating with HUD area and regional officials about these unique arrangements, SLRP was able to proceed, after a significant delay.

The "Project Snap" program is for substantial housing rehabilitation that provides a unique construction education opportunity. SLRP contracted with local construction firms to supervise and train CETA funded work crews. The CETA workers attend night classes at the Savannah Area Minorities Contractor School where they learn construction skills. The city has invested a large amount of its CETA funding in SLRP. SLRP received the use of CETA funds by responding to a city Request for Proposal for innovative ways to use CETA funds. SLRP was granted $100,000 to conduct a pilot manpower training program in housing rehabilitation.[13] Since receiving this grant SLRP has continued to use CETA workers, most of whom reside in the Victorian district.

SLRP and its "Project Snap" received an important boost in local status when Rosalyn Carter visited the Victorian district in December 1978 specifically to inspect the work of SLRP. This brought state and national attention to SLRP and increased the local government's commitment and support for the project's work.

SLRP's Newest Rehabilitation Project

The 64-unit "Project Snap" will be completed in June 1980. SLRP is now preparing for the rehabilitation of 300 housing units over a three year period (1980-1983), an effort that will substantially improve SLRP's chance to achieve its original goal of owning 600 rehabilitated units in the Victorian district. Furthermore, if successful, this

effort will demonstrate that large-scale housing rehabilitation projects by private nonprofit organizations is feasible. This will support the institutional arrangement between a private nonprofit group (SLRP) and various functional municipal agencies as a model for inner city neighborhood revitalization.

The first step in SLRP's upcoming project was the designation of the Victorian district as a Neighborhood Strategy Area (NSA) by HUD. An NSA designation recognizes the Victorian district as a target area for Section 8 substantial rehabilitation rental assistance as opposed to Section 8 assistance for new construction. (An NSA designation basically guarantees a neighborhood up to 500 Section 8 units from a special pool of funds.) Furthermore, an NSA designation provides HUD funds for relocating tenants while their unit is being rehabilitated, and includes funding to compensate any permanently displaced residents. These funds reduce the relocation costs of the city and SLRP as the project begins the rehabilitation of 100 predominantly tenant-occupied units per year. This relocation problem did not exist in "Project Snap" because most of those units were unoccupied or abandoned.

According to Beth Reither, SLRP's first director, Adler persuaded Robert Embry at HUD to designate the entire Victorian district as an NSA.[14] Embry then wrote Savannah's Mayor requesting that the city submit an application for an NSA designation for the Victorian district. After convincing some local skeptics of the NSA's usefulness, the city applied for, and in December of 1978 received the NSA designation. In addition, Savannah received the maximum 500 units of Section 8 substantial rehabilitation rent subsidies over a five year period. Part of the deal made between SLRP and the city in applying for the NSA (the city as a public

body had to make the official application to HUD) was that SLRP would

get one half of the Section 8 units that came with the NSA designation.

Therefore, SLRP became the recipient of 250 substantial rehabilitation

Section 8 units that they could use anytime over the next five years.

Obtaining these Section 8 units was crucial to SLRP's plan to rehabili-

tate 300 units over a three year period.

In early 1979 Savannah received a $650,000 Urban Development Action

Grant (UDAG) for the first phase of a city sponsored Victorian district

revitalization project, with $2 million more available as the city can

prove additional private investment in the district. Private efforts

now include Historic Savannah Foundation's sponsorship of a home-

ownership and rehabilitation program for middle-income people in the

District, in addition to the increasing number of privately-sponsored

rehabilitation projects. The UDAG money is earmarked for public improve-

ments such as street and sidewalk construction, lighting, landscaping,

and park improvements. At the time the UDAG was received more than

$1.9 million had been pledged by local lenders to the District. The

UDAG money is being used to provide public physical improvements in

the Victorian district that SLRP is not capable of providing. By

applying for a Victorian district UDAG the city made an official gesture

of support for the work being done by SLRP.

Shortly after SLRP obtained the 250 Section 8 commitments, it was

necessary to acquire a corresponding number of housing units to rehabili-

tate. Early in 1979, Dr. Loy Veal, SLRP's director, and Leopold Adler

began negotiations with Mr. George May, one of the city's largest slum-

lords. Mr. May agreed to sell SLRP 260 units and promised to sell SLRP

more of the 650 unit holding as they needed them. (Mr. May is an

elderly man who has expressed concern about what would happen to his properties upon his death because he has no apparent heirs. (He has been very cooperative with SLRP in selling his units to them.) By coupling the 250 Section 8 units obtained with the NSA with 50 Section 8's already held, SLRP has embarked on a project to turn the 260 recently acquired units into 300 rehabilitated Section 8 rental units (260 units will be redesigned into 300 units).

To buy the 260 units (62 buildings) for $1.625 million, SLRP had to devise another innovative strategy. Ted Coe, SLRP's Comptroller (who formerly worked in a financial capacity for the city's Department of Community Development and Planning through which most federal urban assistance grants came) suggested that the city make a loan for 50% of the $1.625 million selling price to SLRP from its CDBG fund. During this time the Ford Foundation had become interested in SLRP's work and agreed to make a $750,000 grant to the city on SLRP's behalf, leaving SLRP with the responsibility for paying only $875,000 back to the city at 8% simple interest. The city will then use the Ford Foundation grant (SLRP's instant $750,000 payback) to make a loan to another nonprofit neighborhood association in Savannah interested in preventing the conversion of 26 rental units into higher-income ownership.

According to Coe, he suggested the city make the loan from its CDBG fund in order to get the city involved with SLRP in a joint development project.[15] Coe wanted to increase the city's stake in the work of SLRP, in the hopes of getting better overall municipal support for the project. Moreover, he wanted to demonstrate to the city that SLRP is capable of handling a project of this scale, and begin to solidify a permanent working relationship between SLRP and the city.

SLRP no longer uses Section 312 loans to do the rehabilitation work because of a new federal regulation preventing the simultaneous use of Sections 8 and 312. SLRP could no longer get this restriction waived as it had in the past. Instead, in a move to localize the financing of the rehabilitation, SLRP will use the city Housing Department's 11-B bond financing power. These are tax-exempt, project-specific, bonds issued by the Housing Department that can be used for construction and permanent financing. Because these bonds are tax-exempt, SLRP can use the proceeds as a relatively inexpensive loans. The bonds will be paid back from rental income and the Section 8 subsidy.

According to Della Jones, the Victorian district may have the only NSA designation that is combined with a housing rehabilitation program using the Section 8 and UDAG combination.[16] According to SLRP President Loy Veal, it is one of the country's only residential rehabilitation programs for which a UDAG is targeted.

SLRP's "Plan" for Large-Scale Housing Rehabilitation

The following steps constitute SLRP's current plan to finance the rehabilitation of 300 units over the three year period 1980-1983. This process may be a useful model for other non-profit organizations interested in housing rehabilitation. Every step is not directly replicable elsewhere due to the uniqueness of the SLRP and Savannah context, but the general process should be useful as a financial planning framework that can be modified to fit the particular situation.

SLRP's plan:

1. SLRP negotiated a $1.625 million loan from the city's Community Development Block Grant (CDBG) fund to purchase 260 units of

deteriorated but predominantly occupied housing from a major
slumlord.

2. SLRP applied for and received a $750,000 Ford Foundation grant
   that will be used to repay roughly half of the $1.625 million
   city loan. The Ford Foundation grant will arrive within 30 days
   of SLRP's receipt of the loan, allowing the city to roll over
   the $750,000 to make another housing-related loan to a neighbor-
   hood association in Savannah. The $750,000 loan payback is
   returned to the city's CDBG fund with fewer federal restrictions
   because it is technically no longer CDBG money. However, there
   are still certain restrictions on the fund requiring that their
   subsequent use be for CDBG related purposes such as housing
   rehabilitation.

3. The 260 units will be converted by SLRP's staff architect to
   300 units. SLRP will put together one application a year for
   the activation of 100 Section 8 units as the work progresses.
   This will be done for three years.

4. SLRP will set up a separate development corporation that will
   establish a partnership with a group of limited-dividend
   investors.

5. This development entity will then purchase 100 units per year
   from SLRP to be rehabilitated. SLRP will remain as a general
   partner in this development entity (corporation).

6. This development/rehabilitation entity will apply for, and
   package the application for use of the Section 8's and perform

all the financial work necessary for the rehabilitation and
syndication.

7. When the housing units are rehabilitated SLRP will manage the
units for the development partnership. The development partner-
ship (entity) will retain ownership of the units.

8. SLRP is debating two possible ways to finance the rehabilita-
tion work: (construction and permanent financing)

a. Use the city Housing Department's 11-B tax-exempt bond
financing authority. The Housing Department issues the
bonds and passes the proceeds over to SLRP.

OR

b. Use Government National Mortgage Association (GNMA) Special
Assistance Mortgage - Purchases "Tandem" financing using
221(d)(4) mortgage insurance. This is HUD mortgage insur-
ance designed to finance rental or cooperative multi-family
housing for low and moderate income households.

9. The partnership will then sell the syndication rights to
limited-dividend investors through a firm that does national
syndication. The syndication proceeds will generate operating
capital for SLRP.

10. After the limited-dividend investors have recouped their invest-
ment through accelerated depreciation (income tax deductions),
the SLRP will seek to have the properties' residual value
returned to SLRP. The residual value is the equity the limited-
dividend investors have in the housing units. SLRP will try to

obtain this equity through a low-cost purchase or as a donation
to a non-profit corporation, which under Chapter 501-3C of the
federal income tax laws provides the donator a substantial
income tax saving.[17]

An excellent summary of this plan is provided in <u>Historic Preserva-</u>
<u>tion Magazine</u>:

> The syndicate will take over the restoration, construction,
> and financing of a major part of the Landmark Project's future
> program. Of the 351 units projected for the next three years,
> it is expected that the syndicate will restore 300 of those.
> That is to say, those 300 units will be built with private
> capital with private contractors making bids for a turn-key
> job on each unit. The Landmark Project will remain in control,
> says Veal, and it will impose its own standards of maintenance
> on all the houses, whoever builds them; and all of the houses,
> whoever builds them, will quality for a HUD rent subsidy
> (Section 8)...Thus the Landmark Project has become as much as
> anything a landlord for low-income housing.[18]

An interesting footnote is that SLRP will wrap all of its architec-
tural, legal, construction, and financing fees into the mortgage (the
loan from the city CDBG fund) which will result in a larger net operating
deficit and increase the depreciable basis. Then, using double-declining
depreciation and syndicating it with the limited-dividend investors,
SLRP will generate 25-30% of the money needed for the rehabilitation
work.

In a final stroke of good fortune, SLRP received an additional
$125,000 extension on its original Innovative Project grant from HUD.
This grant is to be used for administration costs and overhead for one
year.[19]

What Can Be Learned from the Savannah Landmark Rehabilitation Process?

Fundamental to SLRP's success in rehabilitating housing for a low-income rental population is its ability to control and acquire large numbers of housing units. By owning (or holding options) on a substantial number of units in the Victorian district SLRP can prevent massive displacement of low-income residents as the neighborhood begins to gentrify. By owning and rehabilitating 100 units a year for the next three years, SLRP will significantly improve the rental housing market in the Victorian district.

SLRP is gradually being recognized as a major real estate and development force in the district. Furthermore, by successfully rehabilitating and maintaining a large number of housing units (364+ by 1983) SLRP gains increased credibility and confidence from neighborhood residents, local public and private officials, as well as recognition and continued support from the local government and HUD. As SLRP continues to evolve as a neighborhood-based nonprofit organization, increased interaction with the local public and private sector, and HUD, will be crucial to its success.

SLRP is an unusually diversified nonprofit housing organization in terms of its functions. SLRP performs a complete range of housing development services: property acquisition, construction and permanent financing, rental assistance, construction, labor-training, and housing managment. This diversification allows SLRP to control its own rehabilitation program and goals by having "in-house" staff capable of performing all these functions.

Moreover, because SLRP is primarily staffed and controlled by

Victorian district residents it can be said that the organization is representative of neighborhood interests. By being primarily concerned with one problem (rental housing) in one neighborhood (Victorian district), SLRP is able to devote the full range of its services and capacities to the improvement of the district's housing problem in a comprehensive manner. The city's housing department would be hard-pressed to devote such intense energy and resources to a single neighborhood because the local political process would demand a broader and possibly less effective allocation of the housing department's resources.

SLRP has been fortunate in developing skills in obtaining generous funding from a variety of public and private sources. This diverse financial foundation provides SLRP with a relatively stable source of capital that has helped it through periods of unexpected construction and financial delays. The timing of grant applications and grant receipts in addition to local borrowing from private sources is crucial to SLRP's success as a nonprofit organization. It is much better to have grants that arrive sequentially rather than in an overlapping manner, and less effective in maintaining the organization. To provide continuity to its management operations and rehabilitation programs, SLRP requires the use of various funds on a long-term sequential basis. SLRP has been successful in planning, applying for, and receiving grants that arrive just as a previous source of funds was about to expire. SLRP has also had several grants extended beyond their normal duration.

From an organizational perspective, SLRP has been able to success-fully adapt to new and changing circumstances in midstream. It was necessary to adapt to continually changing federal subsidy requirements such as the requirement that now prevents the simultaneous use of

Section 8 and Section 312 programs. The key to SLRP's organizational

success is its small and manageable staff size (around 15-20), the

staff's prior experience in construction management, local government,

housing rehabilitation, grantsmanship, architecture, public relations,

and influence with key public and private officials. Furthermore, SLRP

has a clear purpose and a project scale that is comprehensible to the

entire staff.

The SLRP has demonstrably affected the City of Savannah's housing

and community development policies, as well as the operations of the

city's Housing Department. Because Savannah has a large low-income

population with a severe housing shortage the city has become increas-

ingly supportive of the rehabilitation efforts of neighborhood based

nonprofit organizations like SLRP. The city Housing Department, which

has been unsuccessful in starting its own rehabilitation programs, is

beginning to contract out rehabilitation work to SLRP and other local

nonprofit organizations. Savannah's Housing Department is unwilling and

unable to manage a housing rehabilitation program on a scale that could

begin to address the problem.

More importantly, Savannah's Housing Department (and other city

government departments) are beginning to take on a "brokering" role in

the city's housing rehabilitation effort. The city housing and community

development departments had never been able to run an effective rehabili-

tation program because of the multitude of local, state, and federal

regulations, that resulted in countless delays due to long contract and

material bidding processes, union disputes, jurisdictional arguments,

funding requirements, and design standard disagreements. Local govern-

ments are not set up to run neighborhood oriented housing rehabilitation

programs on a large scale.

Neighborhood-based nonprofit organizations tend to be small, without excessive bureaucratic regulations and function-specific, which allows them to intervene into the local real estate, construction, labor, and financial markets quickly and more effectively than local governments can. The city's various departments are beginning to view their role as one of enabling and facilitating the rehabilitation work of non-profit organizations like SLRP by acting as the official conduit for all federal grant programs such as Section 8, Section 312, CDBG, NSA, UDAG. The city is essentially becoming a brokering agent for non-profit organizations that provide some form of housing service to the community. In addition, the city has begun providing technical and administrative assistance to non-profit organizations preparing grant and subsidy applications, and then channeling the funds to them upon receipt. By assuming this brokering capacity the city does not have to assume the tremendous administrative, financial, and management burden of providing a rehabilitation program that by the very nature of local government structure cannot be as effective as a single-purpose nonprofit organization in achieving housing rehabilitation goals.

Furthermore, the city is able to lend many of its governmental powers to nonprofit organizations such as tax-exempt bond financing, zoning and subdivision approvals, building code compliance assistance, eminent domain, and various other technical capacities to supplement the abilities of the nonprofit organization to achieve mutually beneficial housing rehabilitation goals.

One pressing issue that SLRP will be faced with as a low-income housing landlord is the cost of long-range maintenance of a large number

of old wooden houses, and, furthermore, the issue of whether the ten-

ants are going to have the opportunity for home ownership.[20] Because

the average income of most SLRP tenatns is so low, ownership is not an

immediate possibility. Alternative forms of ownership such as a coopera-

tive are now being discussed by many observers.

Notes

1. Mary Osman, "Savannah's Victorian District: Attempting Restoration Without Wholesale Dislocation," Journal of the American Institute of Architects, February 1978, p. 51.

2. Neal Pierce, "Savannah Returns General Sherman's Favor," The Neal Pierce Column, reprint, November 20, 1977, p. 2.

3. Carol Matlack, "Savannah Landmark: A New Type of Landlord," American Preservation, Vol. 2, No. 3, February/March 1979, p. 16.

4. Barry Jacobs, "Savannah Landmark," Southern Exposure, Vol. VIII, No. 1, Spring 1980, p. 49.

5. Ibid., p. 49.

6. City of Savannah, Office of the City Manager, Neighborhood Strategy Area Application, May 1978, p. 10.

7. Ibid., p. 10.

8. Barry Jacobs, op.cit., p. 49.

9. City of Savannah, Innovative Grant Proposal, "Project Snap," 1977, p. 1.

10. Interview with Della Jones, March 12, 1980.

11. Barry Jacobs, op.cit., p. 49.

12. The Davis-Bacon Act, approved by Congress in 1931 and subsequently amended, regulates wates of workers employed with federal funds in the construction and repair of public buildings or in public works. When the Davis-Bacon Act applies to a project, workers must be paid at or above locally prevailing wages set for the various trades and skills by the Secretary of Labor. In general, Davis-Bacon does not apply to the wages in CETA subsidized housing rehabilitation projects if only CETA funds are being used. However, if CETA funds are used in conjunction with funds from another Federal program, "applicability of Davis-Bacon is determined by the statute under which other Federal funds are obtained." In SLRP's case: "If a rehabilitation project combines CETA with HUD Section 312 Rehabilitation loans, then there is a slightly different ruling. Davis-Bacon applies to projects using Section 312 if any of the properties being rehabilitated contain eight or more dwelling units after the rehabilitation." A CETA project such as SLRP which also involved 312 loans would thus be exempt from Davis-Bacon as long as all of the finished rehabilitated properties had seven or less dwelling units. SLRP broke its properties into packages of five. (Source: CETA and Housing Rehabilitation Handbook, State Employment and Training Council, Department of Manpower Development,

State of Massachusetts, 1978).

13. <u>The American City and County</u>, January 1978, p. 33.

14. Interview with Beth Reiter, Former Director of Savannah Landmark Rehabilitation Project, March 12, 1980.

15. Interview with Ted Coe, Comptroller, Savannah Landmark Rehabilitation Project, March 7, 1980.

16. Interview with Della Jones, Director, Department of Housing, Savannah, Georgia, March 12, 1980.

17. Interview with Ted Coe, <u>op.cit.</u>

18. George McMillen, "Staying Home in Savannah," <u>Historic Preservation</u>, March/April 1980, p. 17.

19. "Landmark Grant Extended," <u>Savannah Morning News</u>, February 9, 1980.

20. George McMillen, <u>op.cit.</u>, p. 17.

CHAPTER FOUR

NONPROFIT ORGANIZATIONS IN THE HISTORIC
PRESERVATION AND HOUSING REHABILITATION
PROCESS: ADVANTAGES, LIMITATIONS AND
RECOMMENDATIONS.

Roles for Nonprofit Institutions in Housing Rehabilitation

In a pluralistic economy such as the United State's, there are three
primary components of the economy: the private sector, government, and
nonprofit institutions. Perhaps surprising' nonprofit institutions
such as universities, colleges, museums, hospitals, foundations, reli-
gious organizations, and fine arts organizations control an estimated
15 percent of the United States private national wealth.[1] Therefore, the
nonprofit sector of the economy is significantly more important than most
people would believe.

There are several reasons for the growth and influence of the non-
profit sector in the United States economy. First, many nonprofit in-
stitutions are based in the Judeo-Christian belief that the more for-
tunate people in a society should help the less fortunate. This belief
is manifested in much early state legislation that chartered charitable
organizations. Secondly, there is a long-standing American disposition
to restrict the role of government. The motto, "the government that
governs least governs best" is called to mind. As a result, many
voluntary (nonprofit) associations have been formed outside of govern-
ment to accomplish necessary charitable and social objectives. Another
force operating in the favor of the establishment and expansion of the
nonprofit sector was knowledge of the possible gains that a group of
people could achieve by banding together in pursuit of common economic
and social objectives. For example, nonprofit organizations were formed
to enable workers to participate in pension funds, enable farmers to
market their products effectively, and to allow employers to form trade
associations to broaden their access to trade information. These or-

ganizations often received a state charter if their purpose was deemed
to be in the public interest.[2]

Therefore, nonprofit organizations were established because they
provided an opportunity for different groups in the community to realize
important goals not obtainable under the auspices of a profit-motivated
or public organization. In order to accomplish their goals many nonpro-
fit organizations function like enterpreneurial units, even though their
market behavior can sometimes be distinguished from profit-motivated
and public entities.[3]

Overview of Nonprofit Organizations in the Housing Process

Nonprofit housing organizations have been in operation since 1959
when they came into existence as a result of the Eisenhower administration
202 elderly housing program. The distinguishing feature of the nonpro-
fit organization (a.k.a. "the nonprofit") is the community orientation
resulting from its approach to housing production and operation that is
significantly concerned with the people in that community. A private
developer or local government agency are less able to provide a genuine
community or neighborhood focus. To the nonprofit sponsor, housing is
a means of serving a community purpose rather than a means of private
profit. From the nonprofit perspective the money generated in the pro-
ducation and management processes is a means to enhance the housing unit
and the resources available to people living in those units.[4] The non-
profit housing organization often views the housing production/rehabili-
tation process in terms of a specific client: elderly, low and moderate
income minorities, and historic preservation concerns among others. In

each case a particular group (client) is a beneficiary of the housing

process. Another important motive of nonprofit sponsorhsip is the desire

to make the housing production/rehabilitation process _itself_ function in

a manner different than the norm for conventional development: design of

housing that directly considers the needs of the eventual residents; the

unemployment of local or minority persons in the construction of the

housing; and the general involvement of the community in the construction

and management processes.[5] (The "Housing process" is defined as the entire

process of housing production or rehabilitation that includes planning,

financing, building, marketing, operation, and management.)

By definition, the conventional profit-motivated developer is ulti-

mately concerned only with community housing needs if they directly re-

late to economic gain and a bottom line profit.[6]

The primary distinctions between the nonprofit and conventional

housing developer have become more obvious as nonprofits have become

involved in limited dividend projects. For the conventional developer,

syndication proceeds from the sale of tax shelter benefits are a profit-

margin which functions as a reward for risk in a highly uncertain

business. As such these profits belong to the individual or company who

undertakes the project generating the tax shelter. For the nonprofit

housing organization, syndication proceeds are a means of enhancing the

projects from which they were generated. Most nonprofits will reinvest

the syndication proceeds directly back into the project in some form.

For the nonprofit organization, syndication proceeds are to be returned

to the development itself or to the community in which it exists; in con-

ventional development the profits are returned to the developer, usually

being used as leverage for housing development in another community. The main point is that each dollar taken out of a particular community or neighborhood as a private developer's profit is not available for rein- vestment in that neighborhood.

Nonprofit housing organizations have produced 40 percent of the sub- sidize units in the United States and have been more willing than local governments or private developers to address the difficult issues. Non- profits have confronted minority participation in housing production and management, building and rehabilitating housing in neighborhoods where profit motivated developers never venture and local housing authorities have been unsuccessful. Furthermore, nonprofits have been dedicated patrons of the leased housing and rent supplement programs, and have provided a voice in decision-making to the people directly affected by the housing.[8] Therefore, in light of these capabilities of nonprofits, more consideration should be given to nonprofits as a means to increase the production of new and rehabilitated housing units in the cities of this nation. The following discussion on the advantages of the nonprofit form of organization is an attempt to show how nonprofits can have a greater role in the housing process.

What Can a Nonprofit Housing Organization do Better Than a Private Developer or Local Government: The Advantages of the Nonprofit Organization in the Housing Process.

In examining the experiences of the Historic Savannah Foundation (HSF) and the Savannah Landmark Rehabilitation Project (SLRP) as nonprofit organizations responding to their respective housing and development pro-

blems in Savannah, a number of advantages of the nonprofit form of or-
ganization emerged. These advantages are normally not possessed by a
local government or private developer attempting to provide housing to a
specific client.

1. <u>Nonprofit organizations are better able to represent the interests and
advocate for a selected group or neighborhood in regards to housing.</u>

A nonprofit is often better able to provide housing (new or rehabil-
itated) on a neighborhood-scale than a local agency. A local agency such
as the housing authority or community development department must deal with
the political realities of being a public entity. A municipal agency will
be pressured to provide services and resources to a large number of or-
ganizations throughout the city, thereby spreading its resources thinly
to a number of competing groups. This resource allocation problem may
diminish the local agency's impact on a particular housing problem. A
municipal agency may face public criticism if it concentrates inordinate
amounts of resources and attention cn a particular neighborhood housing
problem, bringing forth charges of favoritism for one neighborhood at the
expense of the rest of the city.

A nonprofit organization advantageously has a more selective man-
date and purpose: to provide certain types of housing for a particular
group of people in a carefully defined geographic area. For instance, in
Savannah, SLRP is providing rental housing in rehabilitated structures for
low and moderate income families in the Victorian district. This is a
highly selective and specific purpose when compared to most public agency
programs that aspire to broadly based goals such as eliminating "Blighted

Housing" in the entire city. The goals of the public agency may be more

desirable from a public interest point of view, but they are rarely

the most realistic.

Moreover, in Savannah, the city's Housing Department has tried un-

successfully to market its own housing rehabilitation assistance program.

The program has not been successful in rehabilitating a large number of

units because an unrealistically low Department-imposed loan limit

was necessary to allocate a small supply of funds. The city sponsored

loans for housing rehabilitation had a $7500 limit at 3 percent interest,

however, most homes in Savannah require rehabilitation costs substantially

more than $7500. Furthermore, the family income limits required by the

city loan program were too low to provide a reasonable demand for their

loans. In the first two years of the city loan program's existance, only

30 housing units have received rehabilitation loan assistance. This is

an example of a financial restriction imposed by a local government that a

nonprofit group would not encounter. A nonprofit group with a similar

pool of money could make loans without these restrictions, or it could

set-up a revolving fund to buy and resell property under terms more suited

to its objectives.

As nonprofit participation in limited dividend projects becomes

more apparent (i.e. SLRP), it is possible to observe how nonprofits have

utilized the "flexible financing" which has been available to conventional

developers. SLRP's reinventment of syndication proceeds back into the

project indicated its commitment to housing consumers and neighborhood

interests. Most municipal housing authorities are not set-up to rehabil-

itate housing in concentrated areas on a large scale as the SLRP is doing.

Housing Authorities have traditionally been providers of public housing and have developed some scattered-site rehabilitated units across a city, resulting in a diminished positive impact on any particular neighborhood.

Therefore, the nonprofit is better able to advocate for, and represent the interests of its members (i.e. a particular neighborhood) than an agency in local government. Nonprofits are one mechanism by which housing services can be provided in a responsive and efficient manner, as opposed to an often overregulated and bureaucratic local government trying to provide the same services. In addition, it is often the case that a nonprofit organization will provide housing services in a neighborhood that is not well-organized enough to effectively demand the attention of local government, or provide housing in neighborhoods shunned by private developers.

2. A nonprofit organization is a vehicle for increased neighborhood based participation in the housing process.

Participation is desirable because it allows people to affect the design, programming, and built environment in which they live. Participation in the housing process should result in a more sensitive and supportive housing unit for the participants. Participation occurs when neighborhood residents take an active position in the development/rehabilitation of the housing they are to occupy. Residents usually serve on the board of directors of the nonprofit organization, directing policy making and sensitizing the organization's activities to the needs of the neighborhood.

A further benefit is the psychological adventage provided to the par-

ticipating residents in a neighborhood. People, especially from low income

groups, who have traditionally been excluded from municipal decision making,

can be more actively involved in the decision making process of a non-

profit organization based in their neighborhood. Frequently, a neigh-

borhood-based nonprofit organization is formed in response to an in-

ability on the part of the residents to participate in making local

government decisions that affect them. While it is simplistic to expect

this situation to substantially improve in the near future, increased

participation in particular neighborhood-scale projects such as housing

rehabilitation sets the stage for subsequent neighborhood participation

in city-wide decision making and resource allocation.

Participation in the activities of a nonprofit by being a board

member or volunteer has significant educational benefits. As people

are forced to confront issues and solve problems, they will develop

usuful knowledge and experience that can be used in subsequent housing

efforts, or transferred to other organizations attempting similar pro-

jects. As members become involved in the housing process they learn how

to manipulate and manage the process to more effectively achieve their

goals. For instance, the SLRP originated as a small organization working

at a very small scale (3 rehabilitated housing units in the early years)

however, as the organization learned more about the operation of local

government, and HUD subsidy programs, their project scale increased to

100 units per year.

It is very dfficult for the residents of a neighborhood to work with

a local government for the entire length of a housing rehabilitation pro-

ject with the same degree of control and imput they have by working with

their neighborhood-based nonprofit organization. Local agency officials
would not find it in their best interest to open up the process of a
particular program to a group of people desiring to be included. Agency
officials may feel threatened by such open involvement.

3. <u>A nonprofit group can be the catalyst in building neighborhood
    identity and organization that is important to achieving the housing
    and development goals of the neighborhood or nonprofit group</u>.

A frequent recommendation of students of urban service delivery is
that certain services should be provided decentrally at the local level.
Their criticism is that local government has difficulty responding to the
needs of many neighborhoods, especially those with special needs due to
low income, low employment base, and housing problems. Local government
is often charged of being neglectful of certain areas, not allocating re-
sources to an area, or simply being unable to remedy a problem for a
variety of economic or political reasons. Nonprofits provide an alter-
native form of decentralized municipal service delivery.

In response to these accusations, many cities have decentralized
particular urban services such as education through district school
systems, contracting various neighborhood services to private firms. These
actions represent a clear need to make local government and the services
they provide more responsive to the particular needs of the citizens.

In cities with highly centralized local governments, neighborhood
based special-purpose nonprofit organizations are becoming the nucleus
for neighborhood and political organization, especially in terms of ex-
erting influence on local decision making. For example, Historic Savannah

Foundation, as a nonprofit preservation group was the leading force in ne-

gotiating with a developer proposing a large and mis-scaled hotel

on Sanannah's riverfront. HSF served as an advocate for sensitive

architecture and development on the riverfront, and acted as a rallying

and organizing force to counteract the developer's proposal. HSF won

significant concessions from the developer that resulted in a more sen-

sitively designed hotel. In Charleston, a well-organized nonprofit pre-

servation group was responsible for preventing several major developments

from occurring that would have had deleterious physical and economic

effects on the city. These are just two examples of where well or-

ganized nonprofit groups representing a particular interest (an in-

terest that would otherwise be ignored) have influenced the the outcome

of a city's planning and development process, and thereby affected the

quality of the resulting environment.

Nonprofits working in a particular neighborhood are often the most

visible (defacto) organization recognized by City Hall as representing the

resident's collective interests. The nonprofit can bring more resources

into play by developing a strong neighborhood constituency, and by advo-

cating neighborhood interests to higher levels of government. This can

be very useful in getting decisions made and obtaining local services

on behalf of the nonprofit group.[9] In Savannah, SLRP succeeded in ob-

taining the Section 8 units it needed by getting a HUD commitment for

an NSA designation for the Victorian district. Through its direct appeal

to HUD for the NSA, SLRP obtained 250 additional Section 8 units for the

city. This pareto-optimal outcome for SLRP and the city was initiated by

a nonprofit organization (SLRP).

Not all nonprofit housing organizations have SLRP's federal in-
fluence. (due to the national prominence of several SLRP board members.)
However, the successes of SLRP demonstrate the influence a nonprofit can
have within local government once the nonprofit has proven its programs
can benefit the city, as well as itself. SLRP now works very closely with
the local government by requesting the city to make grant applications,
(Innovative Project Grant, Section 8, Section 312, UDAG, NSA) to federal
agencies, in addition to obtaining technical assistance for its programs,
and using local bonding authority. Savannah willingly provides these
services because it realizes SLRP is rehabilitating far more housing units
per year for low income residents than the city's housing assistance pro-
grams have been able to accomplish. If the local administration in
Savannah is concerned with upgrading the housing stock in the city as
quickly and efficiently as possible, it must support the efforts of
successful nonprofit organizations like SLRP.

Local governments are in the business of delivering urban services
that are highly divisible in quantity and quality, personalized, and
location-specific (garbage service, street clearning.)[10] Nonprofits
such as SLRP that provide neighborhood-specific housing services, can
complement the ability of local governments to provide housing assistance
by utilizing the local assistance programs to the fullest extent possible.
Savannah welcomed SLRP's use of its CDBG funds targeted to housing assist-
ance because the city's Housing Department was unable to "draw down" all
the CDBG money allocated to its through its own programs. Because the
city wanted HUD to increase its CDBG commitment each year, it had to de-

monstrate to HUD that all its CDBG funds were being properly used. Non-
profit groups providing supplemental, ancillary, or direct housing services
that the local government cannot provide, should be considered as a re-
cepient for CDBG funds.

4. A nonprofit housing corporation is in a better position than local
   government to "Mobilize" community resources towards neighborhood
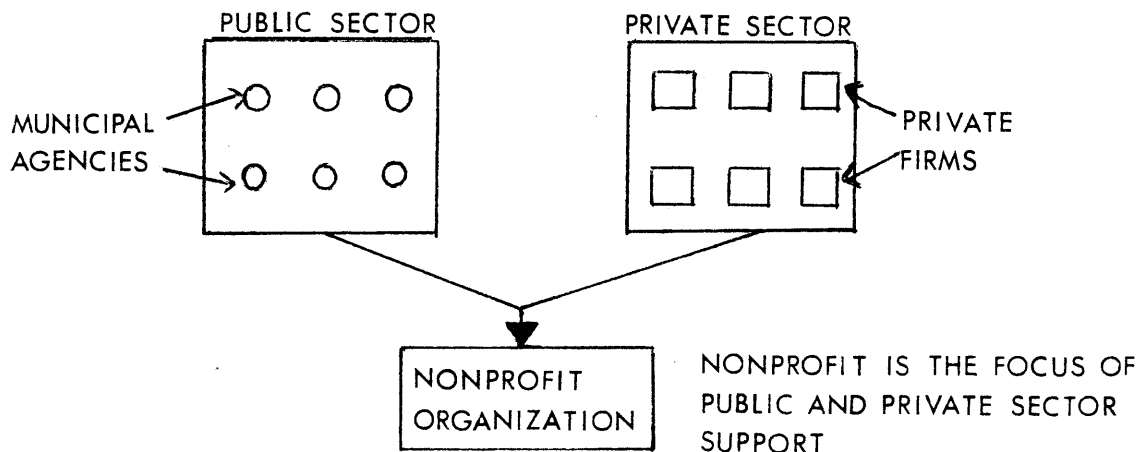   housing goals.

By acting as a catalyst (change agent) in a particular neighborhood
the nonprofit can organize and elicit the support of government offi-
cials from various levels, espcially elected local government officials
and agency directors. Moreover, by having influential civic and private
sector leaders involved in the organization in some way, (board of dir-
ectors or consultants) the nonprofit can obtain support from the private
sector. Local financiers are particularily important to a nonprofit
housing organization because they can assist the nonprofit in borrowing
funds, establishing a line-of-credit, or offer valuable financial advice.

SLRP's successful rehabilitation program drew national attention to
itself and Savannah. Rosalyn Carter made a one day visit in 1977 to in-
spect the work and progress of SLRP, thereby providing further momentum
to SLRP's work. Mrs. Carter's visit focussed local attention on SLRP
for several days as the city prepared to greet the First Landy. Until
the time of Mrs. Carter's visit, the local government had not paid much
attention nor provided much support to SLRP. As a result of the White
House visit, SLRP had considerably more credibility in the eyes of the
Mayor and his administration. This gave SLRP greater bargaining power

with the city because it had provided the Mayor, his administration and the city, with an unusual privilege and publicity. Of equal importance was SLRP's increased credibility in the eyes of local private sector leaders resulting from the White House visit.

The nonprofit's director is in a much better position than a local government official to travel throughout a community promoting and "selling" his organization to receive the necessary community support. The local official is required to devote his time to a wider range of activities than the nonprofit director, due to the nature of a public sector job. Many public officials spend a great deal of time "fire-fighting" constantly occurring problems. This detracts from the continuity needed to build up a specific public program designed to alleviate a particular problem such as housing rehabilitation. Furthermore, the public sector official faces pressures to be nonpartisan, conservative, and risk-averse, because he is spending public money and is accountable to a public budgeting process.

The director of a nonprofit organization does not face these inherent public sector problems in trying to mobilize community resources to achieve

NONPROFIT IS THE FOCUS OF PUBLIC AND PRIVATE SECTOR SUPPORT

his housing goals. The nonprofit director is in a better position than

a local agency director to lobby the city's public and private sectors to

support his organization and programs. The nonprofit form of organization

has the advantage of being the _focus_ of all the institutional, governmental,

and private support it can obtain for a housing program. The support

received by the nonprofit is exclusively for its use. Contrarily, due

to political and economic constraints, a public sector agency is forced

to offer more diffused support to a housing program.

As seen in the SLRP case study, the SLRP board of directors consisted

of low-income residents from the Vistorian District, as well as prominent

business, professional, and public sector officials from all part of the

city. The board's broad base has been partly responsible for SLRP's

credibility in the public and private sector, and enabled SLRP to exert

greater leverage on the respective member so their professional commu-

nities in obtaining their support. In essence, broad representation of

the board of directors in a nonprofit organization achieves representation

from all sections of a particular city that could be influential in helping

the nonprofit achieve its goals. Therefore, a local government agency

is less able than a nonprofit to mobilize (broker) community resources

on a neighborhood's behalf.

5. A nonprofit organization is in a better position than a local gov-
    ernment or private developer to sponsor an experimental, highly,
    risky, or innovative housing program.

    A nonprofit organization can take more risks and be experimental

and innovative in developing responses to a housing problem because it
is not directly responsible for large sums of public money. Moreover,
nonprofit leaders are not subject to the public and re-election pressures
of local government officials. Although nonprofits often require public
money, much of the funding comes from grants targeted for risky or in-
novative projects. For instance, SLRP utilized money from the Innovative
Project Program that provides federal funding for potentially innovative
programs without precedents. Local officials are more inclined to fund
programs with successful track records both inside and outside of govern-
ment. In many cases this means the status quo is perpetuated while new,
or previously unaddressed housing problems remain ignored. A nonprofit
organization can be the vehicle in which the burden of developing and
implementing a risky program is placed. A local government could assist
the program and if it is successful, continue to support it while sharing
the credit. If the program is unsuccessful, the local government will not
be held directly responsible, rather, the blame can be shifted to the non-
profit organization.

In The Pluralistic Economy it is stated, "A basic rationale for non-
profit organization is society's need for enterprises that are willing to
experiment and lead the way in areas (low-cost rehabilitated housing) which
cannot attract profit-seeking businessman and where government cannot
enter. Many nonprofit organizations have fulfilled the task of serving
on society's cutting edge in many crucial fields including health, edu-
cation, and welfare."[11] Needless to say, groups like HSF and SLRP have
served this function in regards to the historic preservation and housing
rehabilitation movement in Savannah.

Savannah's local government has been critized as being unresponsive to the needs of many low-income neighborhood associations, particularily in regards to housing issues. In order to keep the federal money coming (CDBG, UDAG, Section 8, Section 312, etc.), the city must demonstrate that the money is successfully used to achieve the particular goals of the program while meeting the respective program requirements. Because city officials are in the public eye and accountable for public funds, they tend to be relatively conservative and cautious with their expenditure, especially when considering unprecedented programs in local government. The local official's time horizon for observable results is much shorter than the nonprofit organizations is because local officials are judged on a yearly basis due to municipal accounting practice and federal subsidy program requirements. Furthermore, elected officials try to produce observable results as quickly as possible to improve their re-election chances. Therefore, local officials seek to fund programs with a rapid payback period, publicly visible, relatively riskless, and that don't require a substantial commitment of a particular agency's staff time and resources. A case in point: The Mayor of Savannah used millions of dollars for city money to build a downtown civic center and revitalize the riverfront area, rather than put more money into the city's housing rehabilitation programs. These programs had relatively quick and visible results, whereas a housing rehabilitation program can take much longer to achieve noticeable results.

These constraints do not favor the city agency's prospects for planning, programming, implementing, and managing a large-scale housing rehabilitation or historic preservation program. Rather, local govern-

ment has acted in a "brokering" capacity to support nonprofit organizations.

6. <u>Nonprofit groups have several important organizational advantages</u>
   <u>over local government in the provision of housing services.</u>

First, and probably foremost, nonprofit organizations are free from
Civil Service requirements, political patronage appointments and salary
limitations. Municipal governments face all these problems, and often
has a difficult time keeping a highly skilled and motivated staff. As
previously noted, a high-quality staff is essential to the success of a
housing preservation and rehabilitation programs whether they are oper-
ated in the public, private, or nonprofit sector.

Secondly, nonprofit organizations tend to have small and more easily
manageable staffs than local government, in addition to being easier to
operate, manage, and plan for future activities. Because nonprofits
tend to be single-purpose entities, they have smaller and more specialized
staff requirements than a municipal agency, resulting in better staff
coordination and operations. The small staff size (SLRP has 10 and
HSF has 5 professional staff) can result in a less bureaucraticly en-
cumbered organizational hierarchy than is usually encountered in local
governments.

As a rule, nonprofits operate in an open manner with full dis-
closure of its activities to the public if requested.[12] It is unlikely
that a local government or private developer would readily avail such
information to the public if requested. By being an open and accessible
organization the nonprofit can increase public trust and confidence in
its mandate and work.

Neighborhood based nonprofit's like SLRP or HSF have smaller pro-
fessional and support staff, able to work quickly and effectively on a
particular problem for a prolonged period of time. Nonprofits usually
do not have the conflicting time demands made upon their staff that
a public agency is more likely to encounter. Local agencies are typ-
ically working on several municipal-wide projects simultaneously, and
may have difficulties freeing enough staff members to work continually
on one project for prolonged time periods. Because a nonprofit like
SLRP only takes on one (or at most two) projects at a time, and be-
cause the projects they do take on are similiar in nature, the staff
has a chance to develop continuity and a working routine that has long
run organizational efficiency benefits. Because of its smaller size a
nonprofit is better able than a local agency staff in developing an
"organizational memory" to respond to the constantly changing demands
an organization faces in project management. The drawback to having
a small staff is the potential lack of certain necessary skills within
the organization. However, if a nonprofit is staffed correctly, and able
to pay competitive salaries, this should not be a major problem. Con-
sultants can be utilized to supplement missing skills if necessary.

Many nonprofits are exempt from the Fair Labor Standards Act and
unemployment compensation laws. Participation in the social security
program is optional for some tax-exempt nonprofit organizations, which
also receive special treatment with respect to the taxation and annuity
program. Federal statutes provide that, under certain circumstances,
nonprofit organizations may be exempted from admission taxes, taxes on
dues, and initiation, manufacturer's, and retailer's excise taxes, trans-

portation and communication taxes, and documentary stamp taxes. Other

federal benefits accruing to certain nonprofit organizations are the

rights to acquire surplus property and preferential postal rates.[13]

While some of there benefits also apply to local government, they clearly

provide nonprofit organizations an additional advantage in seeking their

particular objectives.

The Limitations of Nonprofit Housing Organizations

In considering the nonprofit organization as an intervening force
in a city's housing rehabilitation, preservation and production process
the following limitations need to be pointed out and discussed.

1. Nonprofit organizations often begin operations from an untested
    organizational base.

Nonprofit organizations like SLRP usually coalesce to confront a
specific problem (i.e. housing shortage in a particular neighborhood)
as a new organization. This means that the organization's board members,
staff, membership, city officials, and neighborhood residents must be
recruited and educated about the issues of the problem. Furthermore,
these people must become familiar with the housing development process,
local political realities, federal program requirements, while considering
alternative strategies to confront the housing problem. This organi-
zational "break-in" and orientation period requires a great deal of time,
and numerous mistakes are likely to be made while the staff, directors,
membership, and neighborhood residents get a program started. Organi-
zational theory tells us that newly formed organizations often go
through a traumatic gestation and period in their early years.

There are several reasons for these early uncertainties. First,
there is no guarantee as to how the memberhship, staff, and director will
respond to their new working environment and the objectives of their
mandate. There may be internal inconsistencies that will take time to
correct. Moreover, a long time period is required to build up a solid

and sizable membership that can offer financial and political support
to the nonprofit organization. It took eight years to build HSF into
an effective nonprofit preservation organization, and SLRP required three
years to begin rehabilitation work in the Victorian District. It takes
time for a nonprofit to find and cultivate a capable staff and executive
director who can provide strong leadership.

2. The average nonprofit housing organization requires a great deal of
   technical assistance that is often very expensive to obtain.

Because the housing development and rehabilitation process is en-
ormously complex, especially when HUD and other federal programs are
utilized, the average nonprofit requires specialized technical assistance
from consultants. Most nonprofits working on housing related problems
at the neighborhood scale do not have the necessary resources to retain
a staff with sophisticated financial, legal, and construction management
abilities. Although consultants can be useful in supplementing the parti-
cular weaknesses of the nonprofit's staff, they usually do not have a long-
term vested interest in the final outcome of the nonprofit's housing work.
Consultants must be used wisely and sparingly. As noted in a paper by
Langley Keyes, "The fact remains, however, that the housing business is
so complex (in particular housing business with HUD programs) that the
average nonprofit is totally at the mercy of the lawyers, developers,
consultants, and architects putting together the project for which it
must ultimately be responsible. That responsibility goes on well after
other participants have exited from the scene".[15]

The nonprofit faces other staff related problems. Most neighbor-

hood-based nonprofits cannot afford to pay salaries that will attract and retain the most capable managers and staff for the organizations. Because nonprofits are primarily funded by membership dues and grants, their resources are usually limited. Nonprofits face competition with the private sector for high quality staff, and usually cannot afford to offer the higher salaries of the private firms. Furthermore, upwardly oriented personnel may be more attracted to larger public agencies and private firms because they perceive greater career opportunities there, as opposed to the often status-lacking neighborhood nonprofit group. It is not yet clear that a large number of high quality managers and staff level people perceive nonprofit organizations as being local power centers and "where the action is". With time, this perception should change as it becomes more apparent that nonprofit organizations at the local level can be very influential in municipal decision-making.

A final problem is the nonprofit's need for permanent and skilled staff. The staff provides continuity, an organizational "memory", and necessary expertise for housing rehabilitation and preservation work. Without a staff to perform the actual work of the organization, and recommend decisions to the board of directors, decisions cannot earily and effectively be made. There is little doubt that the decision-making process is more difficult when the decisions are made by a board that is unfamiliar with the housing process, is unskilled in corporate management, and may not fully understand all of the issues.[16]

3. Nonprofit organizations tend to be heavily dependent on non-secured and unstable sources of funds.

Most neighborhood-based nonprofits are dependent on public and private grants and seed money to start-up and maintain their operations. In Savannah, SLRP and HSF utilized federal grants and local contributions to start-up and to initiate new projects. The problem is that these sources of financing are inherently unstable and unpredictable in terms being renewed. This makes long-run project planning more difficult because the nonprofit is never exactly sure what fund it will have available to maintain a particular program. Furthermore, the nonprofit may lack confidence in itself financially, thereby missing opportunities for expanding certain programs or engaging in joint-development projects with other public or private organizations. By having a secure and predictable source of funding, a nonprofit organization can be more deliberate and experimental in testing new ideas and programs.

Nonprofit organizations are often forced to carry out programs for which they can obtain funding, regardless of the program's relevancy to the nonprofit's goals and objectives. The nonprofit may be forced to participate in programs that are only mildly related to their primary purpose because they are unable to obtain funding that directly supports their primary programs and goals. (In some cases this may prove advantageous to the nonprofit because it will be forced to develop new skills and capacities to do the work for which they obtained funding.) According to the Clancy report on nonprofit housing organizations, "Nonprofit Housing Corporations have traditionally had to find seed money resources. The risks here are very much a product of the production system and can be substantially reduced with better programming of subsidies and classification and flexibility in standards."[17]

4. <u>Nonprofit organizations are often the victims of their own un-</u>
   <u>realistic ambitions and/or neighborhood mistrust.</u>

Nonprofits are sometime started for altruistic reasons and set goals
and objectives that are highly improbable in terms of its resources,
political power, and ability to generate neighborhood and community support.
The SLRP set out to rehabilitate 600 rental housing units for low-income
families when it first started. Within a few years, and after countless
project and financial delays, SLRP reduced its goal to 400-450 units.

The desire to serve large families, house low-income people, pro-
vide minority employment and a high level of social services is often not
possible within the rent levels charged, and the demands of the pro-
duction schedule.[18] Furthermore, nonprofits often try to accomplish goals
and deal with issues that are well beyond their control. A nonprofit must
be able to control or influence as many of a project's determining vari-
ables as possible in order to realistically expect to be successful.

In Barry Jacob's article on SLRP it is noted that one young Victorian
district resident denounced SLRP's goals for rehabilitation as "pie in
the sky". She went on the claim that SLRP is just using poor people to
make money like "they always do".

5. <u>Nonprofit organizations often lack long-term stability.</u>

This perception is due to the nonprofit's voluntary board of di-
rectors, lack of lone-run financial stability due to uncertainty about
the life and renewal of federal funding programs, and the constantly
changing problems and priorities of a particular neighborhood or area in

a city. For instance, SLRP had to stop simultaneously using the Section 8, Secton 312 subsidies on the same units (even through they initially had a waiver for this regulation) because of a new HUD requirement prohibiting the use of these two subsidies on the same unit. Fortunately, SLRP was able to use local revenue bond financing for the rehabilitation work, thereby discontinuing the use of Section 312 funds. In many cases, other nonprofits may not be so fortunate.

6. <u>A nonprofit organization working towards a particular goal is likely to face opposition from numerous sources for a variety of reasons.</u>

First, elected officials tend to be protective of their authority and suspicious of their prospective opponents. Frequently, an incumbent mayor will face a council member in an upcoming election. This and other forms of political rivalry can negatively affect a nonprofit group if the campaign focusses on local criticisms of the nonprofit. Because nonprofits organizations often have large memberships, they will be sought by local candidates for support. If the nonprofit supports the losing candidate it is likely to face strong opposition and receive little support from the victorious mayor. Of course, if the nonprofit supports the winning candidate the opposite is true.

Secondly, the nonprofit concerned with a particular issue (i.e. rehabilitation or preservation) will face organizational rivalry from existing homeowner associations or housing developers that may have a vested interest in opposing a program sponsored by the nonprofit. For example, SLRP is facing competition in obtaining units for rehabilition from a number of small private developers seeking to rehabilitate units for

middle and upper-income groups. SLRP has to continue obtaining units
in order to stay ahead of speculators and private developers.

Political party organizations may also find a nonprofit threatening.[19]
In Savannah there are a number of neighborhood associations throughout the
city competing for a finite pool of local resources. This competition
can lead to public criticism and debates concerning the relative merits
of each group's motives and programs, resulting in delays, dimished
support, and loss of power.

Third, professional administrators and technical specialists may
oppose the special-purpose nonprofit group on the grounds that, "I know
best". Many local professionals provide the same services (housing
assistance, economic development, preservation assistance, etc.) that
a nonprofit is trying to provide.[20] This can result in professional
jealousies that reduce cooperation between nonprofits and local pro-
fessionals. According to neighborhood organization expert Howard Hallman,
"Probably a more significant source of opposition beneath the surface is
the tendency of bureaucracies to keep others (the nonprofits in this case)
from meddling in their affairs. They are content to run their operations
alone, and they would prefer to keep out of interagency coodination ar-
rangements and even more to stay aloof from efforts to bring alot of
citizen (nonprofits) into their sphere."[21]

Finally, many special interest groups outside of government may ex-
press concent about the legitimacy of the nonprofit organization. Devel-
opers and real estate interests may complain that the nonprofit organization
is halting their efforts to build a particular project or imposing

unnecessary restrictions on their activities. Citywide organizations and interests which are accustomed to being influential with the mayor and city council may try to obfuscate the nonprofit's efforts.[22] Testimony to this problem is seen in the Savannah real estate community's lack of support for HSF in the early years of its preservation efforts. HSF was trying to restore the downtown area while the real estate community was actively developing the suburbs. This resulted in competition between these two interests because they were attempting to attract a relatively finite pool of residential and commercial development dollars in opposite directions.

Recommendations: The Characteristics of a Successful Nonprofit Housing
Organization.

The preceeding analysis of the strengths and limitations of nonprofit
organization's ability to work effectively in the historic preservation
and housing rehabilitation field provides many useful insights about
the nonprofit form of organization as a way to confront these issues.   The
following section contains a list of recommendations concerning the key
characteristics a nonprofit housing organization should consider if it
expects to be successful in achieving its goals. This list can be con-
sidered as a list of the "ideal" attributes of a nonprofit organization
engaged in historic preservation and housing rehabilitation.   These re-
commendations are based almost exclusively on the observations made while
studying HSF and SLRP. The recommendations are:

1.   The nonprofit should have strong and effective leadership coupled with
     a large supportive membership.

While this statement may seem self-evident, it is widely acknowledged
in Savannah that HSF and SLRP were started and nurtured by several extra-
ordinarily dedicated, energetic and persistent people. HSF as initially
organized by seven elderly women, but the organization was soon taken
over by Leopold Adler II, who guided and supported HSF in its early years.
Adler is a well known and respected member of the Savannah business and
financial community and devoted countless hours outside of his professional
work to build HSF into a strong and viable organization. Adler carefully
uses his standing in the community to elicit support for HSF. Moreover,
as a board member of the National Trust for Hsitoric Preservation, Adler

has made important personal contacts and obtained much useful information that has been utilized on the behalf of HSF. This need for strong leadership is evident in SLRP as well. Not coincidentally, and for reasons explained in the case study, Adler also founded SLRP. He provided the organization with useful knowledge gained from his HSF experience and used his special relationship with key Housing and Urban Development (HUD) officials to obtain unusually generous and necessary housing subsidy commitments and grants. This financial assistance has been paramount to the large number of housing units SLRP has brought under its control.

Equally important to SLRP was the recognition and credibility Adler brought to the organization. Adler's work with HSF brought him a great deal of local and national attention. His association with SLRP lends a significant degree of influence to the organizations. Adler's name alone has been directly responsible for SLRP's obtainment of several loans from local banks and support from local government officials.

A large and active membership is also required by a nonprofit. The membership can provide publicity and political influence if it is active and well-organized. This allows the nonprofit to become an active member of the city's political process, thereby taking positions on local issues affecting its work while lending and receiving support from local officials.

2. The nonprofit should have competent administrators and technical
    staff with a strong internal organizational structure.

The work of HSF and SLRP requires strong internal management and personnel skilled in housing finance, land development, federal and local sub-

sidy programs, preservation techniques, construction management, architectural design and history, city planning, public administration and local politics among others.

HSF's current director is a former city manager with experience in real estate development, housing finance, planning and management. HSF also has an architectural historian on its staff who is capable of providing technical assistance for historic preservation. He also represents HSF at the Historic District Review Board meetings. HSF offers technical assistance to home owners and buyers in complying with the federal income tax regulations that provide a tax incentive for historic preservation work. These services are important to the preservation community in Savannah and result in increased respect and need for HSF's services.

SLRP's staff is equally capable of performing the full range of technical work necessary for housing rehabilitation. SLRP does its own architectural designs, construction and housing management, and has a comptroller who is skilled in the financial management and grantsmanship aspects of housing rehabilitation. These internal capabilities make the coordination of rehabilitation activities much easier and reduce the need for expensive consultants. By having staff members with these skills, SLRP is able to control or influence most of the important rehabilitation activities and processes necessary for their work. This influence results in a greater span of control and internal stability for SLRP because this lessens its dependence on actions it normally couldn't control.

The public perception of the competence of an organization is very important as well. Barry Jacobs notes in his article on SLRP that, "SLRP's staff has cultivated a reputation for sound fiscal management that has en-

abled it to acquire and steadily expand private and public support."[23]

Furthermore, HSF and SLRP have both demonstrated an ability to quickly adjust to new and changing situations. As federal grant regulations change and public sentiment shifts in either direction, the nonprofit must be able to adapt. This can be done by maintaining an energetic and intelligent staff that is experienced in the work they do.

3. <u>The nonprofit should have a board of directors that represent the interests of the people in the particular jurisdiction it serves.</u>

The board of directors should represent the interests of its members because it has guidance, policy-making, and leadership responsibility for the organization. The board of directors should, to a large extent, consist of neighborhood or district residents because they have the most intimate knowledge of the neighborhood's needs. This special information puts them in a position to more sensitively formulate responsive polices to the neighborhood's particular needs. It is particularily important for an organization working in a low-income neighborhood to have a neighborhood-based board. Because SLRP is trying to provide housing for low-income residents and prevent their displacement, the board should consist of people who have a vested interest in carrying out the policies of the organization. The immediate threat of displacement in more likely to initiate action from a board member threatened by displacement than from a member living in a stable neighborhood across town.

Furthermore, as previously mentioned about HSF, if a nonprofit is to adequately represent the needs of a neighborhood it must be directly

attuned to the concerns of those people. Residents of a neighborhood are the best judge and advocate for their own interests, and are therefore more likely to follow through on proposed actions that directly affect them. Ideally, the board of directors of a nonprofit should have this vested interest and capacity for action.

It is interesting to note that a nonprofit can suffer a credibility loss by not having a representative board. SLRP has come under criticism for not having enough neighborhood residents on its board. If a nonprofit is to avoid damaging charges of neighborhood imperialism it must represent neighborhood interests in a comprehensive manner. Because the board of directors is typically a respected and powerful part of an organization, and becuase all its members are not required to have a special skill, it is an optimal place to represent neighborhood interest, share power, and begin a participatory dialogue with the residents.

In most cases it is not desirable for the board to consist exclusively of neighborhood residents, especially in SLRP's case, because it needs influential members who do not reside in the Vistorian district. A nonprofit will find it desirable to have board members who are prominent members of the business, financial, professional communities and local government. Representatives from these sectors can provide the nonprofit with important resources, skills, information, and support that are not indigenous to the neighborhood.

4. The nonprofit needs a dependable financial base supported from a variety of sources.

Nonprofits often are unsuccessful in achieving certain goals because they cannot maintain particular housing programs over the long run due to financial instability. Successful nonprofits such as HSF have large memberships that support the organization by providing volunteer service, temporary technical skills, and most importantly, financial support. HSF has over 1200 members and is continuing to grow at a steady rate while diversfying its membership. The dues and periodic fund-raising drives suport HSF's annual operating budget and replenish its revolving fund.

The nonprofit must attract grants from various levels of government and private foundations. HSF and SLRP are constantly seeking and applying for grants from these sources in order to promote new programs and improve existing capacities. Both organizations have staff members who are skilled in the art and science of grantsmanship. Funding that is independent of the whim or restrictions of government programs and federal cutbacks are important to the nonprofit's stability and should be aggressively sought out. Private foundations usually provide funds for particularily innovative projects that interest them, regardless of the current housing subsidy fashion in Washington, D.C. The important point here is that nonprofits need a stable source of capital to get them through periods of unexpected financing or construction delays where running short of money might negatively effect the outcome of a particular project.

Of further importance, the nonprofit must be able to attract private housing investment into the area in which it is working. Private investment supports, supplements, and magnifies the nonprofit's housing work.

SLRP has rehabilitated enough housing units in the Victorian district to encourage a growing number of private housing developers, and other non-profits such as HSF, to undertake rehabilitation of hundreds of additional units in the district. Increased private investment is crucial to the revitalization of a depressed urban district housing stock. No publicly sponsored program is able to improve a district without a large private sector commitment. (Many public subsidies such as the UDAG program are predicated upon large scale private commitments to an area.) By having a strong financial base, and carrying out rehabilitation and preservation programs in depressed urban areas, the nonprofit can demonstrate the possibility of housing renewal to the private sector. This demonstration should result in increased private sector investment and commitment to the housing needs of the neighborhood. As one resident of the Victorian district stated, "If Savannah Landmark hadn't started (rehabilitation) on these houses, my landlady wouldn't have started (rehabilitation) on this place. I think they are doing a wonderful job."[24]

5. The nonprofit requires a focus around a particular housing issue (or set of issues) of neighborhood concern as well as private and special interests.

A nonprofit organization should have a strong mandate for its existence and be addressing a problem that is manifestly recognized by the people in the area in which the organization is working. Successful nonprofits tend to be organized and operated to address a particular neighborhood/community problem of widespread concern. Nonprofits are best able to solve a particular housing problem in a well-defined area rather than

attempting to address an entire city-wide housing problem.

In Savannah, HSF and SLRP have been organized in response to very location-specific housing problems. One of HSF's primary goals is to promote residential preservation and restoration in the city's Historic District. While this may seem like an unwieldly task, it is nevertheless clearly defined, capable of eliciting public support, and its success is measurable. A more abstract goal would be difficult for the public to comprehend and support on a level that would guarantee success. More importantly, the restoration goals and work of HSF have a direct impact on a large number of people living in the historic district. This results in increased interest and support from those people having benefited or standing to benefit from HSF's work. (The large majority of people living in the historic district are members of HSF.)

Similarily, SLRP has focussed its work on increasing the number of low-cost rental housing units in the city's Victorian district. Not only is this a well-defined and publicly comprehensible goal, but it directly confronts the dual needs of the district's residents by preventing resident displacement by acquiring housing units for them. District residents, particularily those threatened by displacement, have a vested interest in joining and supporting SLRP's efforts.

6. The nonprofit should have the ability and desire to work cooperatively with the local business community, financial organizations, and government agencies.

In a competitive economy cooperation is often obtained by offering

a particular service or good to another. To be successful, the nonprofit should provide something that benefits each of these local establishments. Furthermore, the nonprofit must respect these institutions as legitimate members of the municipality's life, and remain in their good graces by being of service to them whenever possible. The nonprofit must recognize that the housing preservation and rehabilitation process is a two-way street, and should not expect something for nothing. For a nonprofit to be effective in a city's public/private sector decision-making environment it must understand the "modus operandi" of that environment. The nonprofit must become a willing and active partner in civic affairs to gain the necessary recognition and respect of public and private sector officials.

HSF has obtained the support of the downtown business and financial community after many years of struggle. This has been accomplished by demonstrating to them that large scale preservation and restoration in the Historic District has been responsible for the city's rapid growth in tourism. Furthermore, HSF is now leading a development and restoration effort for an underutilized section of the downtown. This project is resulting in the preservation and reuse of many historically and architectually significant structures, and an increased level of economic activity downtown. In addition, by working with the local government and offering technical assistance in the city's adoption of the Historic District zoning ordinance, HSF ensured its enactment and achieved legal protection for its past and future preservation work in the District.

John Hayes, III, the current director of HSF, attributes some of his organization's success to an unselfish willingness to give public credit

to as many people, groups, and institutions as possible for the success of a particular project, regardless of their actual contribution. Hayes believes that being generous with public credit for success is instrumental in building a strong coalition between HSF and the public and private sectors. It is well recognized among planning theorists that coalition building is a primary determinant of successful implementation.

SLRP has learned the necessity of working cooperatively with local business, financial, and government organizations. For some projects, SLRP has been able to obtain acquisition, construction, and permanent loans from local banks, especially at times when public money was unavailable. By making a commitment to the Vistorian district, an area that banks considered highly risky for loan and mortgage provisions, SLRP has taken an important step. By successfully rehabilitating housing in a depressed, and undesirable area for investment, SLRP has demonstrated to the private sector the feasibility and profit possibilities of providing lower and moderate-income housing. As a result, local financial institutions have begun investing in the District, thereby eliminating much of the public criticism that they have been practicing discriminatory ("redlining") loan policies. Because bankers tend to be very sensitive to public criticism they are more likely to be supportive of SLRP's further work. Additonally, a certain level of investment is required in depressed neighborhoods in order for banks to comply with the Federal Community Reinvestment Act. Through SLRP's initial work in the Victorian district, local financial institution can more securely make these investments.

More importantly, SLRP has developed an eminently useful working re- lationship with the city's housing, and community development and planning

departments. This has occurred for several reasons. First, SLRP has

assisted these agencies in spending their CDBG entitlements which they

had trouble allocating because they were unable to operate enough

housing assistance programs to spend the money. Therefore, some of

these funds have been transferred to SLRP and other housing nonprofits,

including HSF, for their use in meeting city housing goals. Otherwise,

these agencies face the undesirable possibility of losing CDBG funds

if they are not all allocated each year.

Secondly, SLRP is accomplishing some of the housing rehabilitation

goals held by these agencies. This has resulted in an unusual partner-

ship between them. The city housing department is beginning to use

neighborhood-based nonprofit groups with housing rehabilitation capaci-

ties (like SLRP) to perform and manage housing rehabilitation projects

that serve particular neighborhood housing needs throughout the city.

The housing department is starting to act as a housing rehabilitation

"broker" by passing through the necessary federal housing subsidies

(Section 8, Section 312, etc.) to the nonprofits that use them to reduce

rents and pay for construction costs. As a result, the nonprofit

assumes the daily operation, construction, and management problems.

According to the city housing director, the city does not want, nor is

capable of getting involved in a housing acquisition, rehabilitation,

and management program that would be sizable enough to address the city's

entire housing problem It is thought by many local observers, including

the housing director, that the city's housing problem can be most

successfully solved if the city decentralizes its housing assistance

and rehabilitation program (technical assistance and financial support)

to neighborhood-based nonprofits involved in housing rehabilitation.

7. The nonprofit should become an inextricable component of the city's planning, political, and urban development processes.

HSF and SLRP have become principal actors in determining the city's planning and development goals, especially for the central part of Savannah. These organizations have become very influential in placing housing rehabilitation, preservation, and downtown development issues on the public "agenda". As mentioned, HSF is currently the leading actor in the planning and development of an underutilized section of downtown. By assuming the leading role in building this coalition, and structuring the planning process to include all interested groups, HSF is better able to influence the final outcome of the process and advance its preservation goals for the downtown. The local government has come to believe that HSF, as a private nonprofit organization, is in a a better position than itself to coordinate, advocated, and manage the redevelopment project. The city's perception is in large part due to the earlier preservation successes of HSF.

Therefore, the successful housing nonprofit organization should be prepared to find itself becoming involved in ancillary development activities as a result of its initial success. This expanded role should be seen as an opportunity to further advocate and develop its housing restoration goals. For example, as HSF becomes involved in the redevelopment of Savannah's downtown it will be able to direct the activities and

influence the programming of the project in a manner that will encourage continued restoration. This may be done by adopting a zoning ammendment permitting a greater variety of residential classifications and densities, or mixed use development in the downtown.

SLRP became involved in the city planning and development process through its support for a Neighborhood Strategy Area (NSA) application for the Victorian district. When received, the NSA designation provided the city with 500 Section 8 commitments, 250 of which were targeted to SLRP. Furthermore, the district has received tentative commitment for an Urban Development Action Grant (UDAG) pending the demonstration of more private sector investment in the district. Due to SLRP's pioneering rehabilitation work, the district is now attracting substantially more private development dollars than ever before.

A final dimension of this characteristic should be the nonprofit housing organization's ability to control the property and land necessary to its restoration or preservation goals. HSF has been able to acquire or tie-up property through the use of its revolving fund and by purchasing property options. SLRP has obtained enough units at one time (260) to begin work on a rehabilitation project that will bring it halfway to its overall goals. The importance of a nonprofit housing organization's ability to bring under its control the property necessary to achieve its goals should not be underestimated.

Notes

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