

AN ANALYSIS OF THE LOW-INCOME  
HOUSING DEVELOPMENT PROCESS  
SOUL CITY, NORTH CAROLINA

by

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## ABSTRACT

### AN ANALYSIS OF THE LOW-INCOME HOUSING DEVELOPMENT PROCESS, SOUL CITY, N.C.

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Planning has often been variously described as a systematized process of formulating goals and objectives, developing alternative plans and methods congruent with those goals, choosing the best plan or method through cost-benefit analysis (or some other method of evaluation), carrying through an effective implementation, assessing or evaluating the results, and re-cycling the whole procedure, if necessary, to maximize the fit between goals and the final result.

This thesis studies the process of planning housing development (specifically low-income housing development) in a proposed new town called Soul City to be located in eastern North Carolina. The developers of the town bring a unique perspective to new town planning: (1) they are essentially non-planners, inexperienced in new town development; and (2) their motivations for venturing into development go beyond profit to the level of creating an environment in which specific economic and social goals will advance the cause of disadvantaged, and disenfranchised minority groups.

Because of the strong social welfare overtones of the Soul City venture, and the projected large proportion of low-income residents that will live there, this thesis concentrates on the issues surrounding housing development for this segment of the population, largely because of all income groups in the country, housing has been least responsive to the needs of low-income families. While other income groups have effectively utilized the instruments of government and the working of the marketplace to achieve some degree of responsiveness in housing, low-income groups have largely been left with the left-overs and hand-me-downs of the existing housing stock. The study will show that in the planning of the housing for low-income families, successful implementation of social and physical objectives are peculiarly tied to the prime developer's internalization of the needs of that target market, his own peculiar financial situation during the development process, and his ability to control and use sub-developers (builders of housing) effectively.

The study was essentially empirical in format; the author's purpose primarily being to look at the development of housing from the prime developer's perspective, and thus to raise issues, opportunities, or roadblocks that might bear on the projected success or failure of the housing program. The major sources of information came from a series of

interviews with the McKissick Enterprises, Inc. staff (prime developers), their consultants, and a group of potential sub-developers of housing in Soul City. The resources of the University of North Carolina School of City and Regional Planning were used for background data on housing in North Carolina.

The conclusions drawn from the study are essentially these: (1) A town proposed with a strong motivation to social welfare objectives necessarily will be constrained by the hard-headed requirements of the business and financial community, government bureaucracies, and the idiosyncratic motivations of the builders and sub-developers at given periods in the town's growth. (2) In the staging of development, laudable social goals (community participation, homeownership, etc.) may only come in the late stages of development and are dependent on the prime developer's financial position, his use of sub-developers, his rapport with existing residents, and his judicious deployment of profits in socially beneficial ways.

The author's lesson from the study is that the planning process is not a well-defined precise path to problem solution. Goal formulation may occur at the beginning stages of the process, but may also re-occur even at the so-called point of implementation. Plans are valueless, if they tend to restrict key actors, and may be promptly abandoned in any given situation. What is clear is that the planning process involves flexibility, constant re-evaluation, and the willingness on the part of crucial actors to bargain, politick, and exert powers at strategic points in time.

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I owe to my advisor, Professor Bill Porter, my utmost gratitude and appreciation, first for his constant constructive guidance and criticism, and for his patience.

I am indebted to Floyd McKissick and his staff for allowing me to steal valuable time from their hectic work days for interviews. Hopefully, there is something of value in this thesis that might be considered partial repayment.

I dedicate this thesis to my wife, Cindy, who was a beautiful and understanding woman in a year that, by all counts, had to be one of her most difficult.



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CHAPTER I. INTRODUCTION

## I. INTRODUCTION: BACKGROUND ON THE SOUL CITY PROJECT

The development of new towns in America had never been a dominant strategy for urban growth prior to the 1960's. But, with the increasing sprawl of our existing metropolitan centers and the accompanying problems of overcrowding and blighting "urban sprawl" planners, theorists, major developers, and government have to some extent begun to seriously consider ways of diverting population away from the major population centers into new "planned communities."<sup>1</sup>

The recent development of new towns like Reston, Columbia, and Irvine, although built adjacent to major metropolitan centers, has awakened interest in the possibilities of new towns as a way to solve some of the critical social problems in our urban areas. Despite the fact that Restons and Columbias are primarily inhabited by middle-class residents, many futurist planners see new towns as a possible way of dispersing the huge minority populations of the central city to outlying areas, largely to de-fuse the socially pathological environment of the ghettos, but also to increase the accessibility of the poor to manufacturing jobs that have been vacating the central city for the suburbs.<sup>2</sup> Albert Mayer sees new town growth as a way to encourage growth in previously depressed areas of the country, thus developing new "nodal" points around which new industry and population could grow.<sup>3</sup> Other strategists see "black" new towns as a viable urban growth strategy largely developing on formerly held federal property.<sup>4</sup> Whatever the motivation, all of the new proposals envision new towns as completely self-sufficient communities, where residents both live and work.

Government policy now encourages new town development as evidenced by the passage of legislation in 1968 to encourage private development of new communities.<sup>5</sup>

The Soul City new town proposal, although attempting to satisfy many of the above goals, originated from a somewhat different orientation. When first announced in January of 1969 by Floyd McKissick of McKissick Enterprises, Inc., popular conception was that the town would be "open to all races" but primarily "created and developed by black people."<sup>6</sup> There are subtle implications about the Soul City concept that go beyond the usual reason for venturing into new town development. To briefly understand how McKissick arrived at his concept for Soul City, one must be aware of the changing social and political environment of blacks in America.

#### Genesis of the Soul City Concept

Soul City probably had its beginning in the early days of 1966 when a considerable number of black Americans (mostly young) were concerned about the role they were playing in the economic and political environment of the country. The civil rights struggle had produced a few hollow victories in a legal sense (civil rights laws), but true social advancement by the masses of black people was not yet a reality. Many young blacks, veterans of frustrating years of civil rights campaigning and voter registration projects, felt that white America was still somehow implicitly challenging their rightful status as first class citizens. Integration was a very slow process (North and South), and the very reluctance of the larger society to do so, drove many blacks to reject the sincerity of the American ideals of

justice and equality. Indeed, many black Americans were convinced that their unique experience in this country, in addition to their cultural heritage from Africa, made the process of integration demeaning, since they could not comfortably relate to many of the social and cultural mores of the larger society.<sup>7</sup>

Thus in 1966, the now familiar cry of "black power" and community control was heard, starting with the Meredith march in Mississippi and spreading quickly throughout the land.<sup>8</sup> The strategy was to gain or seize control of communities where blacks predominated, with the intention of building a social, political and economic power base that would be relevant and responsive to the needs of black people. The proponents of black power were convinced that only in this way could blacks be truly creative and relevant in a society which otherwise threatened their dignity and manhood.<sup>9</sup>

The methods or strategies proposed to implement the black power concept differed in degree depending on the size and age of the civil rights group involved. They ranged from taking over sections of the continental United States to form black states, to the less ambitious community control of institutions within existing central cities with large black populations. Older civil rights groups tended to adopt the less militant strategies of community control.<sup>10</sup>

McKissick Enterprises, Inc., headed by Floyd McKissick, former chairman of the Congress of Racial Equality (CORE) had its roots in the old civil rights faction, but had philosophically been leaning strongly in the direction of the more militant black groups. In his recent book Three-Fifths of a Man,

McKissick expresses many of the same problems and feelings that younger blacks have, regarding the struggle for civil and human rights. It is his opinion that integration was too slow and had only served to make the black man "visible" in America, allowing only those token blacks with tremendous fortitude and courage to fight their way into the mainstream. In large part the masses were left out. His position was that blacks were integrating from a weak position, leading white Americans to believe that they (blacks) had historically made no contributions to the building of this country. To reverse this "racist" misconception, McKissick expresses the view that only through the development of an economic and political power base could blacks begin to command their due respect. "Real power among a people is achieved only when they make a contribution to the marketplace through the production and control of economic goods, and not as mere consumers in that marketplace. By economic control of goods, the spin-off effect in the social and political environment will be significant."<sup>11</sup>

Out of this basic belief in "black capitalism" (somewhat different from the Nixon concept), McKissick formed McKissick Enterprises, Inc., a black management firm engaged in facilitating industrial and economic development for black people and other minority groups. To date their major project is Soul City, a new town to be created by blacks, fundamentally for the purpose of carrying through on the development of economic, political and social institutions as a prototype solution for gaining power and dignity in this country for previously disenfranchised people.

## Location of Soul City<sup>12</sup>

Soul City will be located in Warren County, North Carolina, approximately fifty miles from the Raleigh-Durham metropolitan area of 300,000 population. The county is largely rural, and its total population is 19,652, according to 1960 census tract data. The county seat (Warrenton) has a population of approximately 1,500 people, with the nearest town of any size being ten miles away and having a population of 13,000 people.

Warren County is an economically depressed area. The median income for families is \$1,958. Less than 4% of the families earn \$10,000 or more per year. Of the 5,038 employed workers, 47.1% are farm workers. Although the unemployment rate is only 2.7%, most farm workers work less than thirty-nine (39) weeks per year. The black population makes up better than two-thirds of the total, the median income being \$1,308, and the median school years completed, 6.2 grades.

The site is located on the main transportation corridor reaching from the industrial Piedmont area of North Carolina, to the major northern industrial areas of Washington and New York. It is approximately one mile from Interstate 85 and fifteen miles from Interstate 95 (two major transportation routes from the Southeast to the North). The Seaboard Coastline Railroad (a major north-south trunkline) runs adjacent to the site.

## Area and Population of Soul City

Ultimately Soul City is projected to cover 5,000 acres (about two times the land area of Mt. Vernon, New York), with a population in twenty years of

50,000 persons in 12,500 households. The proposed population is projected to increase the size of the county by at least 45,000 persons (assuming a percentage of existing population will re-locate to the new town). Average residential density initially was projected to be about eight households per acre (although this is under study) -- gross density will be 2.5 households per acre.

#### Income of Projected Population

Consultant reports reflected in the Soul City economic model indicate that 18,000 jobs (9,000 basic sector or manufacturing, 9,000 service or dependent) would be required to support the population. Of these, 16,000 jobs would support the 12,500 households, while 2,000 other jobs would go to residents of the county commuting to Soul City. The projected breakdown in income will be 44% of households in the \$3,000-\$5,000 range; 27.6% in the \$5,000-\$8,000 range; and 28.4% in the \$8,000-up range. Median projected income is \$5,600 per household (the figures are 1969 dollars).

#### Housing

The developers project a need for 12,500 housing units to cover a broad spectrum of income. Of this total amount, fully one-third of these units will be built for low- and moderate-income families. In terms of housing development, this is unprecedented in American new town communities, which are heavily middle class, with few if any low-income residents. The task of providing decent housing, within the income ranges of low-income families may be difficult on its own. But to provide housing that is not only



economical, but also physically and socially responsive to the users may be even more tremendous. McKissick's solution to this problem may be a meaningful lesson or demonstration for other areas in the country. His failure to resolve the problem, on the other hand, may culminate in the ultimate failure of the total concept of Soul City.

## II. CONTEXT OF THE STUDY

Because I view the "solution" to the housing problem in Soul City as a key variable in the success or failure of the town, and because of my own peculiar interest in housing as a useful social and physical instrument for human development, this thesis will focus on the proposed housing development process as envisioned by the prime developer (McKissick Enterprises) up to this date, and will propose to that actor some of the crucial elements that may be encountered in pursuing "successful" implementation of the housing program. It is not my intention to diagram, or chart a checklist of do's and don'ts for the prime developer; rather the purpose is to heighten the developer's awareness of possible roadblocks or pitfalls that might cause the housing program to miss the goals and objectives intended for it. The alternatives I offer are done so largely to maximize the fit between those stated goals, taking into account the peculiar restraints that will continually face the developers who must simultaneously make a profit while trying to satisfy goals that have no economic return.

In narrowing the focus to purely the housing development process as it affects low-income families, I have purposely assumed that all of the

objectives hoped for in other phases of the town's development are satisfactory (i.e. that industrial, commercial, educational and other programs are feasible). By assuming that these are given conditions, and that all other aspects such as location, size of population, and income ranges are also left unchanged, I am free to concentrate on the housing problems. This does not mean, however, that policies and programs set down by the prime developer in these areas are immutable, or unaffected by housing issues (for indeed they will be), rather it means that as a starting point to analyzing housing, all these other issues are fixed variables.

In a very real sense, little in the way of actual planning, as I know it, (surveys, master plans, specific land use plans, etc.) has been done beyond the preliminary stages for Soul City. From one viewpoint, this may be a very good thing for a planner or theorist wishing to influence key actors with new ideas or strategies. But from the viewpoint of studying and analyzing a process of development, it is difficult because everything is in a state of flux, allowing no concrete ideas to be tied down for specific analysis. Thus, this study proved to be a blessing and a curse for me; for on one hand, I felt that there was some opportunity to influence the McKissick people because so little had actually been tied down, while on the other hand it was difficult to determine whether or not their previous actions and proposals were finalized enough to draw any reasonable conclusions.

Because of this lack of "hard-line" information on the developer's intent, I relied heavily on a series of interviews with the McKissick staff which

extended over a period of six months. By extrapolating from these interviews over that period I was able to get some fairly conclusive ideas about how the developers viewed their roles with regard to housing development. Possibly the most difficult task was getting them to agree on a set of specific objectives for housing, for I had considered this to be most important a platform upon which to build my study. A second source of information which gave me some insights into the developer's intent were the specific documents submitted to federal agencies to obtain loan guarantees. They, in effect, represented the only written statements describing the developer's intent. Finally, the preliminary reports of various consultant groups were used largely because they focused in on issues sometimes beyond the purview of the prime developers.

Ideally I had hoped for a situation where the developer's definition of criteria for housing development could be evaluated against their specific planning proposals. What, in reality, resulted was a forcing of the developer to define objectives, and an examination of preliminary proposals to evaluate their fit with those objectives. Because I found these proposals lacking to some degree, I proposed a set of guidelines which I felt would generally improve them. Finally the thesis evolved into studying a possible path to implementation, relying heavily on sub-developer utilization, the developer's financial position, and his use and control of sub-developers and residents.

Chapter II describes the prime developer's internalization of the housing process for low-income families in addition to outlining objectives and previous proposals. Chapter III outlines my interpretation of how the

housing plan can be systematically derived. The remaining chapters describe a possible path to implementation of low-income housing, indicating my view of specific actions and reactions required of the prime developer, McKissick Enterprises.

CHAPTER II. DEFINING THE PROGRAM FOR HOUSING IN SOUL CITY

## I. ORGANIZATION FOR PLANNING SOUL CITY

McKissick Enterprises, the umbrella corporation for development of Soul City, can be characterized as being long on ideas, social motivation, and dedication, but short on manpower, finances, and technical expertise. As of April 1970, the entire professional staff consisted of Floyd McKissick (the guiding spirit and chief articulator of the Soul City concept), two young planners, an engineer, and a financial analyst. McKissick, to his credit, has been skillful to date in compensating for his lack of manpower and financial resources by utilizing a group of consultants (some paid) in helping to gather the necessary preliminary data required by financial institutions and government agencies. His legal background (he is an attorney) has also served him well in devising an intricate structure of subsidiary corporations to carry through on implementation. (See Chart II-a.) To minimize cost, he has legally divested McKissick Enterprises of direct responsibility for planning, by being instrumental in setting up a non-profit regional planning agency (WRPC) which is eligible for Section 701 federal funds.<sup>1</sup> By installing a member of McKissick Enterprises at the head of that agency he insures that the planning of Soul City will reflect his organization's goals.

Nevertheless, McKissick does face the immediate problem of finding black and minority manpower to fill needed positions, and to carry through on the goal of utilizing blacks as the creators and developers of Soul City. To date, most of his consultants have been white, but the developers hope that by involving black schools in the preliminary stages, a resource for future talent will have been established.

Another problem confronting the corporation (and directly related to the staffing problem) was that of financing or gaining financial backing. Chase Manhattan had committed funds to purchase the first 2,000 acres of land, but other institutions were proving to be reluctant in coming forth with funds to support development. In fact, during the total period of this study, the uppermost concern by the developers was the procurement of financial backing. It was proving to be a vicious circle. Lending institutions were requiring more definitive answers and plans to determine feasibility. Such plans were not forthcoming from ME fast enough because of understaffing. Understaffing was partially the result of meager financial resources. And so on.

## II. OBJECTIVES FOR HOUSING IN SOUL CITY

In my earliest interviews with McKissick Enterprises, in November 1969, it became clear that little in-depth thinking had gone into defining the housing program, beyond the generalized goals that had become formal policy for Soul City.<sup>2</sup> (See Appendix A for a listing of these goals.) The interviews were with Floyd McKissick and Froncell Tolbert, the financial analyst. What was most revealing was the fact that they saw housing as a mere physical vehicle or platform through which residents would act out their roles in Soul City. Tolbert, as expected, seemed to view housing strictly in terms of economic feasibility and how it fitted into the overall economic model. Little attention was focused on the housing process as a social or economic instrument that could help satisfy other pertinent goals. While both participants spoke of new innovations in housing development, they were largely of a physical nature, referring to architectural styling or construction technology, with almost no reference to "social" innovation.

Table II-a. SOUL CITY ORGANIZATION FOR DEVELOPMENT

Actor or Organization	Legal Relationship to Soul City Development	Major Function	Source of Funding or Support	Primary Means of Revenue
McKissick Enterprises, Inc. (ME)	Prime Developer and Umbrella Corporation	Control of overall Soul City development	Lending Institutions. Private investors. Government grants & loans. Corporation equity.	Soul City Development Corp. (Sale of land). Soul City Association (Interest payments). Soul City Utility Co. (Interest).
Soul City Development Corp. (SCDC)	Subsidiary corporation of McKissick Enterprises	Chief Land Developers	McKissick Enterprises, Inc.	Sale of Developed Land
Warren Regional Planning Association (WRPA)	(No legal relationship to McKissick Enterprises) Non-profit semi-public agency.	Chief Planning Agency for Soul City and Regional Environs.	Government grants under Section 701.	Not applicable.
Sub-developers.	Contractors and buyers of land from SCDC.	Developer and builders of specific parcels in S.C.	Lending institutions. Corporate resources. Private investors.	Sale or rental of property to users.
Soul City Tenants & Developer Association	Chief Governing Body of developed areas controlled by residents and SCDC.	To levy and collect taxes and charges on public services. To administer municipal functions.	McKissick Enterprises. Government & foundation grants. Private contributions.	Taxes and charges for municipal services.
Soul City Foundation	Non-profit charitable foundation (w/tax-exempt status - no legal relationship to McKissick Enterprises)	Research and Development related to educational & social innovation.	McKissick Enterprises. Government & foundation grants. Private contributions.	Not applicable.



Table II-a. continued.

Soul City Utility Company	Subsidiary of McKissick Enterprises	To develop and administer water & sewer supply	Government grants & loans. McKissick Enterprises (Loans) Lending Institutions & other private sources	Charges for water and sewer services.
Hammer, Greene & Siler	Economic Consultants to ME	To study feasibility of jobs and industrial location in Soul City area	Not applicable.	Fee for services from McKissick Enterprises, Inc.
Hazen & Sawyer	Engineering Consultant to ME	Study feasibility of utilities (water & sewer), soil tests, etc. to support max. development	Not applicable.	Fee for services from McKissick Enterprises, Inc.
Univ. of North Carolina School of City & Regional Planning, Shaw Univ., N. Car. Central Univ., N. Car. A & T, Howard Univ.	Planning consultants to WRPA & ME	Provision research and data on planning in N.C. environment to study feasibility of physical and social impact of new town in eastern region of N.C.	McKissick Enterprises (grants), WRPA (grants, university research grants.	Not applicable.
Howard Research & Development Corp. (The Rouse Co.)	Developer, consultant to ME	To advise the prime developer of key issues involved in "New Town" building	Not applicable.	Not applicable.
Chase-Manhattan Bank	Financial consultant to McKissick Enterprises	To advise on financial sources for investment.	Not applicable.	Not applicable.

When questioned about the seemingly "traditional" outlook they expressed, the response was that housing in and of itself had severe limitations as a socializing device, and could be only used up to a point. For example, McKissick agreed that training unskilled workers in construction was a quite useful way of furthering economic goals, but felt that prospective users of housing need not be involved in the design of housing units, especially when "responsive" designers could be used more efficiently. Furthermore, there seemed to be an underlying feeling that by significantly improving the quality of housing and the housing environment over that which most low-income residents were accustomed to, the residents would not particularly care to have a more involved role in critical design and planning areas. Homeownership and tenant participation in management during post-development were issues around which they agreed it was socially important to insure for all residents.

Because these earlier interviews were unsuccessful in getting some well defined set of housing objectives, I decided to use a different tactic. In subsequent interviews in early February 1970, I tried to focus the discussion on the possible client for low-income housing in Soul City. These interviews involved two additional participants: Gordon Carey, chief planner for WRPA, and Duncan McNeil, an engineer with ME.<sup>3</sup> Both were directly involved with planning at the Soul City site and seemingly brought a more socially aware perspective to the housing issue. (Both felt that through indigenous community groups, the development of housing should be controlled to a large extent by the people.) The following assumptions about the nature of the client for low-income housing were agreed upon

almost unanimously, by the McKissick staff. (The statistical data was taken from a 1966 poverty program survey.)<sup>4</sup>

- (1.) Racial make-up: Approximately 65% black, most of these (60%) from surrounding areas. Only about 15-to-20 percent will comprise whites, although many more whites will want to take advantage of job opportunities in Soul City. Remaining low-income population (15%) other minority groups.
- (2.) Family size and composition: Small families during early years, possibly a predominance of young couples and single males. Progressively larger families during middle years and onward. Elderly couples expected near end of development. Female-headed households during middle years. It is expected that the town will be quite attractive to young black married couples and single males and females.
- (3.) Education: The level of education among rural blacks and whites is expected to be lower than their counterparts in urban areas. (Although Warren County's median education for blacks is only 6.2 grades, recent reports indicate that 95% of children between the ages of seven and sixteen are in attendance at public schools which would mean that the future adult population will be significantly better educated.) Most incoming adult population, whether rural or urban, will require some form of adult education.
- (4.) Social and Political Characteristics: Both rural and urban poor tend to live in peer group societies, with major social activities centering around the community store, church, bar, dancehall, etc. The circumscribed area of activity is small, rarely going far beyond the "bounds" of the familiar community. Politically, black rural and urban southerners have been traditionally dominated by white society, but visible progress on civil rights are rapidly changing docility and passiveness into active and energetic involvement. (Warren County has an active poverty agency, and the 1968 elections saw the running of an unsuccessful black candidate for Congress.) The northern urban blacks, due to mass communication and his familiarity with the vote is likely to have a more sophisticated appreciation of politics and its limitations than his southern counterpart. On the other hand, he is likely to be more embittered and fatalistic about the possibilities of advancement through political means than his now enthusiastic southern counterpart.
- (5.) Housing conditions: The rural poor live primarily in dilapidated single family units. (In Warren County 50% of the housing is structurally unsound, 50% was built before 1929, and 23% is overcrowded.) Many of the rural

poor own their homes (49% of homes in Warren County are owner-occupied) and few pay anything to rent (96.3% of Warren County families live in a rent-free status). The urban poor tend to live in high density, over-crowded apartment buildings. Most of these are in substandard condition.

Note: (The assumptions on housing prompted some interesting questions to the prime developer relating to problems of acculturation of rural families accustomed to living in single family housing that may have to accept higher density dwelling. Also, the fact that many rural poor now pay nothing from their income for housing might also create problems in terms of their value orientation to rent and mortgage payments.)

(6.) Employment and training: Primary occupation among rural poor is farming (47.1% farmers vs. 16.9% in manufacturing jobs in Warren County). Among the urban poor, characteristic occupations are of a service and menial nature. In both cases significant training programs would be required for preparation in manufacturing job skills.

Although clarification of the client was a helpful beginning step in defining the housing program, it was not until late February that the issue of objectives was resolved in the minds of the prime developer. McKissick and staff attended the presentation of a report on Soul City planning in February which was done by student and faculty at the University of North Carolina School of City and Regional Planning. The presentation involved a three-team report on various alternative methods for pursuing development of the new town consistent with the overall town goals. Contained in the body of these reports were specific housing objectives which varied in actual wording but were consistent in overall intent. McKissick's people were impressed by the work of the UNC teams, and were also suddenly armed with a set of

objectives to satisfy my needs and requirements. By chance I visited UNC a few days after the presentation to McKissick's staff and had a chance to review written reports. In a subsequent interview in New York in March, the developers had modified the original objectives, but seemed relieved to reveal that they had arrived at some specific definition of their total housing program.<sup>5</sup>

In retrospect, the whole effort to force the developers into defining criteria and objectives ended in a kind of "hollow" victory for me. Clearly they were more important to me and possibly others of the "academic planning" ilk than they were to a private developer who had to carry the burden of economic constraints and social responsibility and effect some balance between the two. In fact, I'm not sure if the objectives stated below are worth the paper they are written on, in the sense that they may or may not be operational. Nevertheless, as "artificial" as they might be, I used them here because they provide a convenient platform for evaluating the proposals submitted to government agencies and also were useful in developing alternatives for implementation in the latter section of this thesis.

Objective #1 - To provide decent shelter for all in a housing environment conducive to individual and community self-development, without regard to race or income.

Criteria:

- a pattern of development that exceeds the "average" American community in terms of racial and economic access to decent housing;
- the elimination of sub-standard and dilapidated units from the housing inventory of Soul City;
- significant participation by tenants and residents in the control of their housing environment.

Procedure:

- enforcement of an "open" housing policy by Soul City Association;
- provision by prime developer of full complement of basic services to all housing units.

Objective #2 - To reduce the distinction between socio-economic groups through the dispersion of housing in a heterogeneous economic pattern.

Criteria:

- the elimination of housing sub-divisions predicated on income class as is prevalent in most American cities and suburbs;
- the encouragement of social interaction by proximate location of housing by residents of varying income classes and life styles.

Procedure:

- implementation of a physically and socially relevant land development strategy.

Objective #3 - The inclusion of a minimum of one-third of the total housing stock for the development of low and moderate income housing.

Criteria:

- to insure decent housing for residents of low-income that would exceed the quality of housing currently being received in the average American city;
- to offer, through participation and homeownership, housing as a "stake" for the poor in the community.

Procedure:

- formal policy by prime developer to build stipulated units by using all available resources of the government and business community to support development.

Objective #4 - To maximize accessibility to all vital activities for all residents.

Criteria:

- the reduction of the percentage of activities requiring access by automobiles;
- all-encompassing development of low-cost transit system.

Procedure:

- implementation of a land use plan that encourages higher density development and a closely-grained mix of residential and other uses.

Objective #5 - The provision of a variety of housing types in varying density classifications, available to all income groups and family sizes.

Criteria:

- inclusion of prevalent consumer types and styles of housing;
- elimination of a bleak, monotonous physical housing environment;
- minimization of the difficulty of fitting individual families to "appropriate" housing.

Procedure:

- control by prime developer of sub-developer utilization of parcels;
- evaluation by design review board of sub-developer's plan for development.

Objective #6 - To provide housing that is physically responsive to changing life cycles and styles over the long and short run.

Criteria:

- minimization of the social and economic cost of moving;
- maximization of the degree of flexibility for change in each housing unit (i.e. units should be expandable or convertible to other uses).

Procedure:

- periodic evaluation by social agencies (Soul City Foundation) of user accommodation to housing and housing environment;
- land development strategy to encourage expansion or movement within and without neighborhoods with minimum difficulties;
- research supported by prime developer into building technology to find new methods and designs to increase flexibility of building materials.

The Soul City Housing Proposal

Shortly after the above objectives were decided upon, McKissick Enterprises submitted to the Department of Housing and Urban Development (HUD) a proposal for Soul City development for the purpose of securing a federal guarantee as

provided under the 1968 New Communities Act. The following is an excerpt from the Housing Section of that report:

Housing will be planned for a wide range in family size and composition. Accommodations will be made for the single person, couples, and for families with large numbers of children. Some families will have only one adult.

It is expected that a significantly larger proportion of families will come from low income brackets than is typical in other new towns. No other planned community in the United States has the preponderance of low income families as projected for Soul City. This produces unique problems in terms of the economic model. It will also produce the architectural challenge of building large numbers of low-cost housing units which are attractive and which are not subject to progressive deterioration. Nevertheless, McKissick Enterprises, Inc., is confident that, through the use of the best available architectural and technical support, it can produce sufficient low-cost housing which will be both economical and attractive. Soul City will not have the appearance of a drab "company" town nor the bleak sterility of so many suburban housing developments.

Soul City will probably encompass three separate villages and twelve distinct neighborhoods which will be developed sequentially. Each neighborhood will comprise clusters of houses and will contain an integrated mix of low income and upper income housing.

A variety of housing facilities is contemplated for each neighborhood to accommodate the variances in family size, composition and income levels. Single family dwelling units, ranging from one-fifth acre lots and larger will be provided. The plan will also include two-family dwellings, town houses, garden apartments, mid-rise apartments and a hotel with efficiency apartments.

Variety in style of housing is equally important. The developers are considering developing neighborhoods or small sub-divisions around particular motifs, some of which might well be ethnic...

The accomplishment of an economic variety in style and type will be dependent on the use of innovative housing technology. Considerable exploration of new technology and an immense amount of planning is required to achieve our goals for housing. The planners will seek the most competent architectural support from a wide variety of sources...

Building and design standards will be of the highest order. Building codes can be developed which are free from many of the outmoded constraints and restrictions which hamper low-cost construction in many other areas. Similarly, with proper planning, direction and supervision, relatively unskilled persons can be trained to do much of the construction.



Some of the very low cost housing (10,000-12,000) could be constructed by previously unskilled workers who could be trained in particular aspects of construction and who could build the houses they will live in.

Homeownership and control will be a prime goal, however some innovative requirements may be necessary. For example, we must be able to secure home mortgages for purchasers without good credit records. Furthermore, methods of securing sufficient equity for poor families must be devised...

Generally, residential construction will be done by builders who purchase tracts of land from the Soul City Development Corporation. Adequate control over design, building standards<sup>6</sup> and housing prices can be achieved through covenants and contracts.

The statement seems to reflect the six objectives fairly closely, although my opinion is that the social goals were played down more, with greater emphasis on physical planning. Table II-b. was submitted along with the proposal. It shows twelve different housing types at varying densities. There are interesting conflicts apparent, not the least being the fact that none of the data is backed by any systematic analysis of the potential market.

In direct conflict with Objectives #2 and #5, it appears that low-income families will be restricted to particular types of housing units. As the allocations are presented in Table II-b., it appears that families making below \$4,000/year are ineligible for single family detached housing, or for homeownership. On the other end of the housing spectrum, upper-income families have no options for living in rental housing, since most rentals occur at the lower-income levels. Equally interesting is the fact that the preponderance of housing for middle and upper income groups is of the single family variety. There would appear to be little chance for high-income families to live at higher densities, unless they buy up housing intended for low-income families.

Table II-b. ALLOCATION OF FAMILY INCOME TO TYPE OF HOUSING\*

Category	Type of Unit	Family Income	Housing Price	Number of Units
I	Low-Income Apartments 50/acre	\$ 2,000-\$ 3,000	Rental	500
II	"Piggy Back" Apartments (Attached) 36/acre	\$ 3,000-\$ 4,000	Rental	2,000
III	Subsidized Attached (Garden) 16/acre	\$ 4,000-\$ 5,000	Rental	1,000
IV	Mid-Income Apartments 40/acre	\$ 4,000-\$ 5,000	Rental	1,000
V	Attached (Garden-Rowhouse) 16/acre	\$ 4,000-\$ 5,000	\$10,000-\$13,000	1,000
VI	Attached "Piggy Back" 14/acre	\$ 5,000-\$ 6,000	\$15,000	500
VII	Attached (Garden Apartments - Townhouse) 14/acre	\$ 5,000-\$ 6,000	\$12,000-\$14,000	1,450
VIII	Attached (Townhouses) 12/acre	\$ 6,000-\$ 7,000	\$14,000-\$17,500	750
IX	Detached 1/5 acre	\$ 7,000-\$10,000	\$15,000-\$25,000	2,100
X	Detached 1/4 acre	\$10,000-\$15,000	\$20,000-\$35,000	1,000
XI	Attached (Townhouses - Duplexes) 10/acre	\$10,000-\$15,000	\$25,000-\$30,000	300
XII	Detached 1/2 acre	\$15,000-\$25,000	\$30,000-\$50,000	800
XIII	Detached one acre	\$25,000+	\$40,000+	100
Total Residential Acreage-1,629				Total-12,500

\*Taken from: A Proposal for Funds for Soul City Development, McKissick Enterprises, Inc.,  
March 14, 1970.

Table II-c. HOUSING TYPE VS. UNIT LAND SALES PRICE\* (IN THOUSANDS)

Category	Unit Type and Density	DEVELOPMENT YEAR										
		1	3	5	7	9	11	13	15	17	19	
I	Townhouse 10/acre	3.5	3.9	4.7	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
II	Mid-rise Apartments 40/acre		.5		0.7							
III	Single-Family Detached (1/4 acre)	4.0	4.5	5.3	6.0	6.4	6.6	6.7	6.7	6.7	6.7	6.9
IV	Single-Family Detached (1/2 acre)	5.0	5.6	6.5	7.5	7.9	8.5	9.0	9.6	9.6	10.0	
V	Single-Family Detached (one acre)	7.5	8.5	9.5	10.7	12.5	13.8	15.8	16.3	16.3	16.3	

Table II-d. RESIDENTIAL LAND USE ALLOCATION - SOUL CITY\*

Category	Unit Type	SOUL CITY		COMMUNITY "X"		COMMUNITY "Y"		COMMUNITY "Z"	
		Acres	Units	Acres	Units	Acres	Units	Acres	Units
I	Townhouse 10/acre	625	6,250	209	2,090	208	2,080	208	2,080
II	Mid-rise Apartments 40/acre	20	800	10	400	10	400		
III	Single-Family Detached (1/4 acre)	605	2,420	205	820	200	800	200	800
IV	Single-Family Detached (1/2 acre)	625	1,250	209	418	208	416	208	416
V	Single-Family Detached (one acre)	625	625	209	209	208	208	208	208
	Total	2,500	11,345	842	3,937	834	3,904	824	3,504

\*Taken from Soul City Economic Model, McKissick Enterprises, Inc., April 4, 1970.

Table II-e. COMPARISON OF INITIAL AND CURRENT HOUSING PLAN\*

Unit Type	Density		Number of Units	
	Initial	Current	Initial	Current
Low-Rent Apartments	50/acre 36/acre	40/acre	2,500	800
Mid-Rent Apartments	40/acre		1,000	
Attached Units (Rowhouses, Townhouses, Garden Apartments)	From 18/acre To 10/acre	10/acre	5,000	6,250
Single-Family Units	5/acre 4/acre 2/acre 1/acre	4/acre 2/acre 1/acre	2,100 1,000 800 100	2,420 1,250 625
			Total - 4,000	4,295
			Total Units - 12,500	11,345

Table II-f. COMPARISON OF LAND SALES PROCEEDS\*

Description	Acres Developed	% of Total Acres	Proj. Proceeds (Millions)	% of Total Proceeds
Residential	2,500	66.7%	63.6	69%
Industrial	750	20%	9.2	10%
Commercial	<u>500</u>	<u>13.3%</u>	<u>19.1</u>	<u>21%</u>
Total	3,750**	100%	91.9	100%

\*\*Represents the total land inventory on the market for sale to sub-developers.

\* Data extrapolated from Soul City Economic Model, McKissick Enterprises, Inc., April 4, 1970.

Although the statement indicates that housing would be "planned for a wide range of family size and composition," and that "economic variety in style and type" would be offered to the consumer, the table does not bear these points out clearly. It would seem difficult to relate family income to the type of housing when there is no indication of family size or composition. Equally frustrating (and in refutation of Objective #2) is the fact that, as presented in Table II-b., there would appear to be some stigmatization of income groups,- i.e. apartment dwellers are poor people since there is no allocation of apartments for people of higher income.

To some extent, McKissick Enterprises recognized these and other difficulties with their projected housing plan. To this end they submitted a revised proposal in March to HUD which abandoned the allocation table for a more generalized housing proposal.<sup>7</sup> Table II-c. shows this proposal which simply related housing type with the projected price of land. Table II-d. also shows the extent of housing development by type over the three projected communities. Note that the total number of housing units has been reduced from 12,500 units to 11,345 units. In the initial proposal the total acreage allocated to housing was 1,629. This acreage has been increased to 2,500 acres or half of the total area of Soul City. The shift to a lower density was a conscious policy decision made by McKissick, who was concerned that the original densities were inconsistent with small town patterns in that section of North Carolina. The original density represented 8 units per acre or 32 people per acre (assuming an average of four persons per unit). The new density would allocate 4.5 units per acre (or 18 persons per acre). To cut the density in half, the developers reduced the emphasis on mid-rise

apartments, reduced the density of town houses and garden apartments, and increased the number of single family houses on larger lots (eliminating the 1/5 acre lot). Table II-e. shows the overall changes.

Rather than allocate housing by income, the developers chose to make the assumption that for each category of housing type, a range of family incomes could be accommodated. Thus there is no apparent distinction as to where low-income families can locate. However, I'm of the opinion that the new proposal further penalizes low-income families if for no other reason than the fact that a lower density, with a very coarse grain, will raise the unit price of land so high as to make them unfeasible for low-income development. When you consider that the unit prices for each housing type are constant for all income groups, then the low-income family desiring to purchase a 1/4-acre lot must pay a considerably higher relative price to build his \$10,000 house on that property, than the middle-income buyer who wants to build a \$25,000 house.

It is clear that at lower densities, the cost of infra-structure development is increased for the prime developer. The increased cost in this case is passed on to the residential consumer. In fact, Table II-f. reveals that residential and commercial land proceeds actually subsidize industrial property in Soul City. McKissick's associates agreed that the lower land prices for industrial development were intended to induce location in the Soul City area. While that policy may be encouraging to industrialists, it is doubtful whether or not residents and sub-developers will be willing to accept paying \$35,000 per acre for town house development when industry pays only \$2,000 (see Table II-c. for year #1).

There are numerous other difficulties with both proposals which I feel reflect the rather arbitrary assumptions upon which they were predicated. A more structural and in-depth analysis of housing needs which started with thorough market data and information on prospective users seemingly would offer a better point of departure for evolving a relevant housing plan.

CHAPTER III. ALTERNATIVE GUIDELINES FOR DEVELOPING HOUSING PROPOSAL



Because I feel that the housing plan is crucial to the discussion of how housing development should proceed in Soul City, this chapter reflects my views of the necessary criteria or guidelines needed to arrive at such a plan.

To arrive at a reasonable program for low-income housing, the critical factors that need consideration and analysis by the prime developer are listed:

- (1.) Definition of what determines a low-income family.
- (2.) Identification of the key areas of possible emigration of low-income families.
- (3.) Correlation of family size and composition with housing type.
- (4.) Correlation of potential market with staging of development.
- (5.) Analysis of land and construction cost.

#### I. DEFINITION OF WHAT CONSTITUTES A LOW-INCOME FAMILY

Because the prime developer intends to exploit federal subsidy programs, it seems reasonable to assume that the income limits attached to the various federal programs will decide what families are eligible for low-income subsidy programs. The most likely programs for new construction are Section 235 and Section 236 of the 1968 Housing Act and Public Housing (to include Leasing and Turnkey programs). Table III-a. indicates the maximum income limits by family size for each program if used in Warren County. (See Appendix B for a brief description of housing programs.)

Table III-a. FEDERAL INCOME LIMITS (\$) - PUBLIC HOUSING - SECTIONS 235 and 236\* (WARREN COUNTY)

Housing Program	NUMBER OF PERSONS IN FAMILY									
	1	2	3	4	5	6	7	8	9	10
Public Housing (including Turnkey, Leasing)	\$3,000	\$3,500	\$3,700	\$3,900	\$4,100	\$4,300	\$4,400	\$4,500	\$4,600	\$4,700
Sections 235 and 236	\$4,050	\$4,725	\$4,995	\$5,265	\$5,535	\$5,805	\$5,940	\$6,075	\$6,210	\$6,345

\*Taken from HUD Handbook, FHA 4400.30 - Income Limits for Sections 235 and 236 Housing.

Table III-b. PROBABLE COMBINATIONS OF HOUSING SIZES W/FAMILY SIZE (NOT INCLUSIVE)\*

# in Household	Possible Family Composition	Probable # of BR's Needed	# in Household	Possible Family Composition	Probable # of BR's Needed
1	Single Person	Eff. Apartment	6	Marr., 4 Ch., Same Sex	3 Bedrooms
2	Married 2 Single Adults Adult, 1 Child	1 Bedroom 2 Bedrooms 2 Bedrooms	6	Marr., 4 Ch., Opp.(2-2)	3 Bedrooms
				Marr., 4 Ch., Opp.(3-1)	4 Bedrooms
				Marr., 1 Ad., 3 Ch., Same	4 Bedrooms
				1 Ad., 5 Ch., Same or Opp.	4 Bedrooms
				2 Single Ads., 4 Ch., Same	4 Bedrooms
3	Married, 1 Adult Married, 1 Chld Single Ad., 2 Ch.Same Sex Single Ad., 2 Ch.Opp. Sex 2 Single Ads, 1 Child	2 Bedrooms 2 Bedrooms 2 Bedrooms 3 Bedrooms 3 Bedrooms	6	2 Single Ads., 4 Ch., Opp.	4 Bedrooms
				Sex (3-1)	5 Bedrooms
				Marr., 5 Children, Same	4 Bedrooms
				Marr., 5 Ch., Opp.(3-2,4-1)	4 Bedrooms
				Marr., 1 Ad., 4 Ch., Same	4 Bedrooms
4	Marr., 2 Ch., Same Sex Marr., 2 Ch., Opp. Sex Marr., 1 Adult, 1 Child 1 Ad., 3 Ch., Same or Opp. 2 Single Ads, 2 Ch., Same 2 Single Ads, 3 Ch., Opp.	2 Bedrooms 3 Bedrooms 3 Bedrooms 3 Bedrooms 3 Bedrooms 3 Bedrooms 4 Bedrooms	7	1 Ad., 6 Children, Same	4 Bedrooms
				1 Ad., 6 Ch., Opp. (4-2)	4 Bedrooms
				1 Ad., 6 Ch., Opp.(3-3,5-1)	5 Bedrooms
				2 Single Ads, 5 Ch., Same	5 Bedrooms
				2 Single Ads.,5 Ch., Opp.	5 Bedrooms
				(3-2,4-1)	
5	Marr., 3 Ch., Same or Opp. Marr., 1 Ad., 2 Ch., Same 1 Ad., 4 Ch., Opp. Sex 1 Ad., 4 Ch., Same Sex 2 Single Ads., 3 Ch. Same	3 Bedrooms 3 Bedrooms 4 Bedrooms 3 Bedrooms 4 Bedrooms	*Taken from: <u>Low-Income Housing Study,</u> <u>Chapel Hill, Orange County.</u> Unpublished Report - University of North Carolina - Taylor - Coble.		

Thus a typical family of four with an adjusted gross income not in excess of \$3,900 would be eligible for public housing and a similar family with an adjusted gross income not in excess of \$5,265 would be eligible for rental housing under Section 236 or homeownership under Section 235.

According to the Hammer Report, the potential income range of jobs projected for Soul City will start at \$2,000/year on up.<sup>1</sup> The \$2,000 income represents a salary paid for part-time work, or supplemental income made by a housewife or a commuting farmer working a second job. Thus it seems reasonable to assume that in any extreme case, the bottom income for any working family in Soul City will exceed the \$2,000/year level, which conceivably could allow all such families to be covered under any of the above named housing programs. For the purposes of these guidelines, we shall assume that the limits of Table III-a. define what constitutes a low-income family in Soul City.

## II. IDENTIFICATION OF KEY AREAS OF EMIGRATION

McKissick's assumptions on where the low-income population will come from (page 23) may or may not be accurate; in any event it is at best a guess. To identify potential target areas would seemingly involve an analysis of factors that might tend to make prospective residents emigrate. Assuming that the developer can arbitrarily identify the target areas, such an analysis should evaluate the following:

- (1.) The existing housing conditions in low-income neighborhoods (number of standard, sub-standard, and dilapidated units).

(2.) The availability of existing standard housing in the regional area accessible to low-income families (would indicate vacancy rate and demand for better housing).

(3.) The total volume of new construction underway or projected for low-income families (to determine whether housing conditions are likely to undergo significant changes).

(4.) Correlation of income of low-income families with rental paid for housing (to determine the "cost" of housing relative to total income).

(5.) Comparison of the number homeowners vs. renters living in sub-standard housing (renters of sub-standard housing are more likely to move before owners).

Further information regarding family composition may also be gathered depending on the specific requirements of the prime developer or potential sub-developers. For example:

(6.) Determination of family sizes and composition in sub-standard housing (couples, female-headed families, elderly singles, etc.).

(7.) Correlation of family size with dwelling type to determine accustomed living pattern.

It is doubtful whether or not any market analysis will reveal information on the exact number of people that would consider moving to Soul City. What the above guidelines can do is help in formulating an attractiveness index which might point up the potential for emigration from certain areas. Once such an index indicates a positive attraction or potential for migration, it is the

developer's responsibility to catalyze a reaction through publicity, and other methods. The market analysis has other limitations. It can only show where people are or their present state of existence. It can say little about how people choose to live given an opportunity to change. To get at that problem would require other measures.

### III. CORRELATION OF FAMILY SIZE AND COMPOSITION WITH HOUSING TYPE

Assuming that an attractiveness index can be correlated to family size in the target market area, some idea about housing style and type can possibly be evaluated. In sizing units, the criteria established under the federal subsidy programs seem to be reasonable.<sup>2</sup> One bedroom is allocated for a maximum of two adult persons. Where there are children, one bedroom is allocated for two persons provided they are of the same sex. To illustrate, a family of four (two adults, boy and girl) would require at least three bedrooms. Table III-b. shows the number of possible options available for varying family sizes.

By having some idea of size of unit related to family composition the developers may be given license to make some assumptions or predictions about possible preference of housing type and density. Although it is certainly impossible to accurately predict the preferences of individual families, the prime developer can generally predict prevalent patterns. For example, elderly couples would probably prefer multi-family low-to-medium density housing accessible to public transit and other vital

activities, rather than the one-acre single-family house. Or families with minor children would prefer low density multi-family or single-family houses rather than mid-rise or high-rise apartments.

An example of the kind of breakdown that might be beneficial is Table III-c., which indicates some of the possible types of users and their assumed preferences. Such a table may be used to predict the type of housing units needed based on the composition and size of potential families likely to move into the new town.

#### IV. STAGING OF RESIDENTIAL FLOW WITH OVERALL DEVELOPMENT

After developing a preliminary model on preferences, some consideration must be given to what segment of the target population is likely to move first. Conceivably the attractiveness factor for each family will vary over a period of time and will depend not only on their existing living conditions, but also on factors of location, availability of services and amenities, and employment opportunities in Soul City.

##### 1. Factors of Location

It does not seem unreasonable to predict that, all other things being equal, families living closest to Soul City will migrate first. Given the fact that the cost of moving among low-income families is not trivial, families moving from New York City are likely to be more economically constrained than a family moving from Henderson, N. C. (ten miles away from the Soul City area). Larger families from far-away places are likely to encounter greater

Table III-c. SAMPLE LIST OF PREFERENCES BY FAMILY COMPOSITION

Area of Emigration	Family Composition	First Preference		Second Preference	
		Housing Type	Density*	Housing Type	Density
Urban North	Single Person	Apartment Complex	High-to- Med. Dens.	Townhouse	Med. Dens.
Urban South	Married Couple (Childless)	Garden Apartment	Med. Dens.	Apartment Complex	High-to- Med. Dens.
Rural or Urban South	Married Couple w/ Children (Minor)	Single- family	Low Dens.	Duplex or Townhouse	Low-to- Med. Dens.
Urban North	Married Couple w/ Children (Non-minor)	Single- family	Low-to- Med. Dens.	Townhouse or Garden Apartment	Med. Dens.
Rural or Urban South	Elderly Couple	Single- family	Low Dens.	Duplex	Low-to- Med. Dens.
Urban North	Elderly Couple	Garden Apartment	Low-to- Med. Dens.	Mid-rise Apartment	Med.-to- High Dens.

\*For this chart I assume the following density classification:

High Density - 40 to 50 units/acre or more  
 Med. Density - 14 to 30 units/acre  
 Low Density - 1 to 12 units/acre

inertial problems in moving than couples or single persons who are more mobile, having accumulated little in the way of durable goods.

Another factor affected by location is information and the cost of getting it. Those families located in the area are able to observe (almost first-hand) the developments in Soul City. Consequently, information on new job opportunities, social services, or housing are likely to be positive stimulants for migration. Those residents living far away may be required to exert considerably more effort to ascertain the same quality of information.

## 2. Job Opportunities

The availability of jobs undoubtedly is a key determinant of what the population make-up will be over the long-run. Initially, if construction and other jobs requiring physical labor are predominant, it is reasonable to expect that the locating population may be predominantly young male singles rather than female head-of-household types. Likewise, jobs requiring specific training or specific educational requirements may preempt migration of certain family types. Clearly the nature of industrial commitments to Soul City at any one time will be a positive indication of the composition of the incoming population.

## 3. Availability of Services and Other Amenities

Very possibly Soul City in early years will resemble a "frontier" town. Those residents choosing to move in first may be forced to live in temporary quarters (mobile homes?) and ancillary services like shopping, entertainment, and recreation may be minimal, quartered in temporary facilities, and in content very crude. Transportation may be difficult



and almost non-existent except by car. Health services (although projected to start with the first resident) is likely to be only an outpatient clinic offering remedial services. All of these factors will tend to reduce the attractiveness of Soul City for some families. Large families with children of school age may be reluctant because of underdeveloped educational facilities. Elderly persons requiring medical attention may also refrain from locating. Those families without cars or other means of transportation may not be willing to accept the immobility. Later stages when more services are available would likewise allow the prime developer a chance to predict what groups were likely to locate.

Up to this point I have concentrated on market factors as they primarily relate to the staging of development in Soul City. Presumably at this point the prime developer can begin to devise a housing plan which can generally indicate the nature of incoming population (income, size, family composition, etc.), the areas of emigration, and the probable size of units and preference of housing type desired. By constantly updating this market information periodically, the developer can reasonably assure his sub-developers that the housing built in Soul City is consistent with the characteristics of the locating population.

The final criterion needed in this analysis is an evaluation of cost of housing and its relationship to residents' ability to pay.

### Probable Cost of Low-Income Units

We have said little at this point about producing housing that is affordable by low-income residents. Although the prime developer, in reality, does not finally control the cost of housing, the price of land represents a significant part of the cost of housing (up to 25% according to Kaiser Report). Thus, it is the prime developer's responsibility before setting the final price on land to assess what the probable cost of producing a variety of housing types for low-income families will be.

Again we turn to the federal housing programs as a useful criterion for defining the upper limits on construction cost. In arriving at the appropriate federal programs the developer may need to do some preliminary investigations on feasibility:

- a. identification of the two, three or four potential programs that would satisfy Soul City housing requirements;
- b. determination of whether funding is available (authorized and appropriated by Congress) and if so, the amount of commitments allocated to the regional office (in this case Region III-Atlanta);
- c. evaluation of each program's statutory cost limits to ascertain whether they were within the limits of North Carolina construction cost data.

As an example, let us assume that Section 235 and 236 housing have been evaluated as feasible programs for rental and homeownership housing in Soul City. Table III-d. gives the maximum mortgage limits for both pro-

grams for the North Carolina area. To correlate these limits with prevailing North Carolina cost figures, I extrapolated from a report done by U.N.C. team of researchers who did a study on low-income housing for the Chapel Hill-Orange County area.<sup>3</sup> Table III-e. shows recent construction cost averages (exclusive of land cost) in that area for various housing programs.

The study also made some realistic assessments of prevailing cost of urban land in the Chapel Hill area by economic neighborhoods. Table III-f. and Table III-g. show respectively the cost of land/unit for multi-family housing and the cost of lots for single family housing (no indication of actual lot sizes were given).

In the case of Soul City, let us assume that the marketable price of land for low to moderate income families, considering neighborhood quality falls within the Chapel Hill range of moderate-income. Adding 10% to each of these figures (to account for inflation and the new town factor) would indicate that probable market cost of land in Soul City should be, on the average, \$935/unit for multi-family units and \$3,300/lot for single-family units. (Note: it does not seem unreasonable to assume that Chapel Hill prices are applicable for Soul City, given the similarity in size of both towns and the proximity of Chapel Hill - 50 miles away - to the Soul City area). By combining the market price of land with the unit cost of construction (for Sections 235 and 236) we get some picture of housing cost for multi-family and single-family housing. (Table III-h., Table III-i.)

The figures seem to indicate that the total cost of units falls within statutory limits. However, once the correlation has been made between prevailing cost and statutory limits, the developer must assess

whether or not the projected price of land is reasonable enough to cover costs and return a profit. There is the possibility that in Soul City, where a preponderance of housing is low-income, the land costs may have to be subsidized by the prime developer, or passed on to other users in higher land prices.

Finally the whole analysis of construction cost must bear some relationship to the income of low-income tenants. Under most government-subsidized programs, rental limits and mortgage payments are set by specific laws. For example, under 236, maximum rents cannot exceed 25% of adjusted gross income. Under 235, 20% of adjusted gross income can be allocated to mortgage and interest payment. Similar situations exist under Public Housing. In that regard, the developers may want to make an analysis of the minimum incomes needed to support the cost of housing for each category or type of housing units. (I.e., a family of four requiring a three-bedroom house costing \$11,300 would need a minimum income of "X" dollars/year to be eligible for a mortgage under Section 235.)

If in reality the developer finds that costs are so high as to render the most of the low-income population ineligible, McKissick may be faced with reducing the number of low-income units, or narrowing the income range of residents classified as low-income or by subsidization of land prices to bring the total cost of construction within reasonable limits.

Table III-d. MAXIMUM ALLOWABLE MORTGAGE LIMITS - 235 and 236\*

Section 235            Max. Mortgage - \$15,000 - 3 Bedrooms        \$18,000 - 4 Bedrooms or more

Section 236	Unit	Walk-up Structure	Elevator
	Eff. Apartment	\$9,200	\$10,925
	1 Bedroom	12,937	15,525
	2 Bedrooms	15,525	18,400
	3 Bedrooms	19,550	23,000
	4 Bedrooms (or more)	22,137	26,132

\*Taken from: Region III HUD Regional Office - Atlanta, Georgia - Guidelines for 236 & 235 Housing.

Table III-e. CONSTRUCTION COST AVERAGES (EXCLUSIVE OF LAND) CHAPEL HILL-ORANGE COUNTY\*

No. of Bedrooms	Public Housing & Turnkey I		Turnkey III		Section 236		Section 235	
	Cost/ft <sup>2</sup>	Unit, Cost	Cost/ft <sup>2</sup>	Unit, Cost	Cost/ft <sup>2</sup>	Unit, Cost	Cost/ft <sup>2</sup>	Unit, Cost
0	20	8,000	21.30	8,500	14.69	5,876	---	---
1	15.20	8,938	16.10	9,438	12.46	7,326	---	---
2	13.80	9,700	13.80	10,200	10.73	7,554	---	---
3	12.30	11,920	12.85	12,420	10.18	9,854	---	8,000
4	11.10	12,800	11.40	13,300	9.09	10,617	---	9,200
5	10.10	13,700	10.40	14,200	7.79	10,656	---	10,400

\*Taken from: Unpublished Report: Low-Income Housing Study: Chapel Hill-Orange County,  
Taylor & Coble - UNC School of City and Regional Planning

Table III-f. AVERAGE LAND COST PER UNIT (MULTI-FAMILY HOUSING FOR CHAPEL HILL-ORANGE COUNTY\*

Econ. Neighborhood	Low-Income	Moderate Income	Middle Income	High Income
Cost	\$700	\$850	\$1,100	\$1,600

\* As above.

Table III-g. AVERAGE LOT COST FOR SINGLE-FAMILY DWELLING FOR CHAPEL HILL-ORANGE COUNTY\*

<u>Econ. Neighborhood</u>	<u>Low Income</u>	<u>Moderate Income</u>	<u>Middle Income</u>	<u>High Income</u>
Cost	\$2,375	\$3,000	\$5,000	\$7,500

\*Taken from: Unpublished Report: Low-Income Housing Study: Chapel Hill-Orange County,  
Taylor and Coble - UNC School of City and Regional Planning.

Table III-h. PROJECTED COST OF MULTI-FAMILY UNITS (SECTION 236) SOUL CITY

No. of Beds	Unit Cost \$	Land Cost (Avg.) \$	Total Cost* \$	Max. Statutory Limits** \$
0	5,876	935	6,811	9,200
1	7,326	935	8,261	12,937
2	7,554	935	8,489	15,525
3	9,854	935	10,789	19,550
4	10,617	935	11,552	22,137
5	10,656	935	11,591	

\*Note: Total cost does not include fees for closing, legal fees, title insurance, etc.

\*\*Taken from: Maximum Mortgage Limits, which includes fees for closing, legal fees, title insurance, etc.

Table III-i. PROJECTED COST OF SINGLE-FAMILY UNITS (SECTION 235) SOUL CITY

No. of Beds	Unit Cost	Land Cost	Total Cost*	Max. Statutory Limits**
3	8,000	3,300	11,300	15,000
4	9,200	3,300	12,500	18,000
5	10,400	3,300	13,700	18,000



## Summary of the Housing Plan

The guidelines suggested in the previous sections illustrate the amount of analysis I think is needed in the planning stages in order to effectively get a feasible program for housing. (Although low-income users were used as the example, it seems clear that the same kind of analysis may be called for in considering other housing.) Although such a systematic analysis may entail tremendous economic costs to the developer, the investment may prove to be worthwhile at a later date when the feasibility of developing in Soul City becomes a crucial factor for potential sub-developers. If the prime developer can thoroughly substantiate his belief in the market potential by showing a systematic and thoroughly researched set of facts, he is likely to minimize the perceived risks of sub-developers, who at the outset, do not possess the adequate information.

Of itself the housing plan should reveal critical issues that may need assessment by the prime developer before land is put up for sale.

Although the analysis of potential low-income markets can only be a general indication of the location, composition, and probable size of families, this information coupled with the prime developer's staging of other users in the town can give some positive direction in terms of what housing is likely to be needed first. Finding the correct "fit" of housing to the incoming population is crucial to the developer in terms of evidencing a brisk pace of sales, and establishing an aura of

success and credibility with potential other users. The implications for a town like Soul City are even more critical, where a diverse low-income population with different problems of acculturation to the new environment might create tension and friction if the wrong choices are made on housing mix. Thus, if the analysis of the market can show that in years one to six the population is likely to be heavily black and rural, with family compositions ranging from couples to families with young children, then a heavy emphasis on mid-rise apartment development during those development years may be a social and marketing mistake the developer is not likely to make if his market findings are correct. The housing plan should also offer some clues to the design of a land development strategy. Key elements contributing to how land should be handled are related to density requirements and land sales prices related to the expected return on investment.

#### Implications for Land Development

It obviously is not enough to arbitrarily set an ultimate gross density for residential development without relating this density to land sale proceeds. The previous discussion (Table II-c.) on unit sales prices of land for low-income housing seems to indicate that land costs may be unfeasible. As an alternative, the developer may have to consider higher densities of development to reduce unit sales cost. From another viewpoint, the analysis of the market may indicate a preference for more multi-family units, which may also imply higher density development. Higher density development, if signalled by the findings, may result in

some savings in infrastructure cost to the prime developer. It may also be a liability, in terms of the political negotiations that may be required to convince governmental agencies, (in this case Warren County), if there happens to be serious conflicts with these zoning ordinances.

A second alternative open to the prime developer, if higher densities, cannot be utilized as a means of bringing unit cost of land within limits, is the creation of inflated land values by scattered site development. To maintain a "quota" of land for low-income developers the price of land may have to be adjusted downward to induce development. This reduction in price might well be offset by judicious holding of land "off the market" for future development at a higher land price. Scattered site development necessarily implies greater initial capital outlays by the prime developer in infrastructure cost, and if scatteration is not handled in a sophisticated fashion, it may also give the appearance of "incompleteness." Nevertheless, the increased cost of undeveloped parcels may well pay benefits at a future date that will cover the cost implied by such a strategy.

Scattered site development makes even more sense when you consider Objective #2 calling for dispersal of housing to eliminate large subdivisions of economically homogeneous groups. By using a checkerboard pattern, a finer grain of development will occur (i.e. small pockets of housing development over varying income ranges). The checkerboard or scattered site strategy enhances the chances of small builders buying small parcels which could encourage indigenous developers, while forcing larger builders to build over a wider area on non-continuous parcels.

The final alternative for reducing unfeasible land prices may involve outright subsidies by the prime developer to developers of low-income housing, or an overall reduction in residential land prices, by increasing the price of land to other users (possibly industrial users). In all likelihood, some combination of all of the above land development strategies may be used by the prime developer.

The Housing Plan, as I pose it, can never be more than a general guide for action. It is not a static device, for it will require constant updating and readjustment as marketing data and other factors continually change. But as a guide for development, it can allow the developer to assess necessary actions that may have to be taken to bring about resolution with the overall objectives and goals for Soul City development.

CHAPTER IV. CONTROLLING THE DEVELOPMENT PROCESS

In reality, a sound housing plan, supported by reliable market data, and a viable strategy for land development, may be a meaningless policy, if the prime developer fails to recognize the limitations, opportunities, and devices at his disposal to bring about effective implementation of the physical city. The key actors in the process of implementation of housing are the prime developer, as a seller of land; the sub-developer, as a buyer and builder of housing; and residents, as the users and final consumers of housing. Somewhere during the pre-implementation stage the prime developer must evaluate what his relationship to the other two actors should be, in order to facilitate a development pattern consistent with the aforestated goals and objectives.

When McKissick was asked about the devices and options available to him as the prime developer to control land development, he was quick to point to his master plan or other proposed planning documents. There seems to be an almost religious reliance on written documents (economic model, master plan, zoning ordinance, etc.) as the key devices to control impending development. The danger, in my opinion, is that such documents may be seen as rigorously structured blueprints for building, rather than as general parameters or guidelines of intent, and that to exert control solely by depending on them may be impossible without reliance on other factors.

#### I. DEFINITION OF CONTROL

Before proceeding further, let me develop a definition for "control" as I see it in the context of land development in a planned new town.

Consider a situation where two parties are engaged in some form of discourse, and party "A", as initiator or promoter of an idea, concept, or program, tries to engage the services of party "B", in order to further some desired ends in advancing his concept, idea or program. Party "B", by definition, may be considered an adversary of "A", since his tendency is to resist conforming to "A" until "A" pays a price either in re-defining the task, or restructuring the concept to fit "B"'s needs. I would then define "control" as the ability of Party "A" to get party "B" to perform, in support of his idea, concept or program, at little cost to "A" in the way of dilution of the original concept. Factors affecting the relationship between "A" and "B" primarily depend on (1) what "B" is asked to do, (2) "B"'s faith and respect for "A", and (3) "B"'s assessment of his gains vs. losses if he chooses to perform.

The above definition in the context of a planned housing environment, would suggest that control is essentially the ability of the prime developer (Party "A") to negotiate, cajole, or even bribe other sub-developers (Party "B") to promulgate his program for housing into reality with a minimum amount of dilution or distortion.

In retrospect, McKissick (as Party "A" by definition) must recognize that long before he gets to the stage of dealing with sub-developers, his original concept will in all probability be altered considerably by numerous other actors (Party "B"'s) who will have an interest in Soul City. In all likelihood he will be unable to change laws or alter specific government regulations relating to land development, neither will he

be completely able to re-orient conservative investment and banking principles, or even counter the hard-nose advice of experts and consultants. All of these actors (government agencies, financial backers, and professional experts) will play a role in manipulating and re-molding the original concept for Soul City. In effect, the prime developer's control over the project becomes diffused almost in direct proportion to the number of new actors involved in the process.

The paradigm does not change at the brink of implementation. If the developer has somehow survived the preliminary planning and funding stages, he cannot assume that his by now "revised" concept is "home free." The new set of actors in the process are likely to be more vociferous adversaries than those already encountered, since their involvement in the town may spell the difference between solvency and bankruptcy, and also because long range tenure implies long range vital interests. Thus, the sub-developers, commercial and industrial users, and even residents will represent new challenges, for each will see Soul City as representing a unique set of opportunities and constraints which may be at variance with the set of goals internalized by the prime developer.

## II. SUB-DEVELOPER VS. PRIME DEVELOPER

The implementation process for housing in Soul City ostensibly will commence with the sale of land to sub-developers (firms, individuals, or groups), who in turn build housing, which is then marketed to consumers (residents of Soul City.)



In the usual scenario involving real estate transactions, the seller of property is primarily interested in maximizing his profits in the marketplace.<sup>1</sup> In the case of a planned community, the seller, if he is prime developer, has an additional motivation to insure that the potential buyer (sub-developer) utilizes his newly acquired property in a prescribed manner. Planning documents are used to convey the seller's intent. They range from comprehensive master plans to detailed parcel plans specifying such things as floor area ratio, building type, and even potential users.

The prime developer usually requires that a legally binding agreement (deed covenant) be signed by the sub-developer which stipulates that the property or parcel be developed in accordance with the planning documents. Although such a deed covenant will be in conformance with existing governmental codes and regulations regarding development, a significant portion of the requirements will represent the values and concepts of the prime developer, who as a private entity cannot be said to be a representative of any governmental agency acting in the interest of "the public good." (This is not the case with deed covenants signed by sub-developers of urban renewal property who recognize the validity of the local government agency acting for the public welfare.) Thus, the sub-developers may feel no compunction to submissively comply with all the stipulations of the deed covenant, primarily because he recognizes the prime developer as another private party motivated by many of the same factors that he himself is interested in. Furthermore, he may conclude that given this likeness in motivation, he may have a better chance to bargain with the

prime developer to minimize the perceived risks inherent in (1) venturing into Soul City as an investor and (2) building according to the specified plans. McKissick in this case may have need at this point to strengthen his bargaining position by reliance on factors that are external to the specific planning documents. These factors are elaborated below:

1. Prestige\* - The prime developer's position in bargaining is immediately enhanced if the sub-developer perceives that the prime developer's credentials are of the first order. This presumes that the prime's previous track record in such ventures was successful and highly regarded by peers. Such is not the case with McKissick, but he does have the option of "borrowing prestige" from other sources. Thus, if McKissick can show that his project has been endorsed by a James Rouse, or a Bill Levitt, or the Chase-Manhattan Bank, this may be convincing evidence to persuade a potential sub-developer of the project's feasibility and soundness.
2. Quality of Information - Market data, engineering analyses, and other information used for supportive evidence, can also minimize the risks to the sub-developer. For McKissick to systematically, rather than arbitrarily, show how the plan evolved, may be important to rational-minded businessmen who must weigh the consequences between profit and loss, based on information which they do not previously possess.
3. Political Savvy - If the prime developer's political connections are of the first magnitude, the sub-developer may understand this to mean that the prime may be a useful ally in dealing with financial institutions, or government funding agencies. The implication is that McKissick should have sources at high enough places in government (federal, state, local) and financial circles, to allow him to command enough influence to insure favorable action for the sub-developers of his housing program.
4. Choice of Sub-Developer - Probably the most useful device for insuring compliance is for McKissick to choose those developers most in agreement with the stated goals and objectives. This, however, would imply some knowledge of the potential sub-developers and their unique characteristics. (I submit that the judicious choice of sub-developers is central to the whole implementation process, and as such, will be discussed in depth in succeeding chapters.)

Even in utilizing all of the above four options, there is the possibility that subs will still decline to comply. McKissick may be forced to surrender concessions or make compromises to get compliance. In some cases, he may have to undertake building directly, thus becoming his own sub-developer. In all cases, his ability to make concessions, or become his own sub-developer are dependent on his own peculiar financial position during specific stages of the development period.

The planning documents that McKissick regards so highly may not be enough to control the actions of the sub-developers. They may even become a liability if they are not designed with enough flexibility to allow some "gray areas" for negotiation. For if the prime developer is locked into a "frozen" position by his plans and is forced to retreat significantly the very act of retreating may place him in a weak bargaining position in dealing with other potential actors at a future date.

A mechanism by which each segment of the land use plan is designed to cover a range of possible uses, rather than specific designations encourages flexibility, i.e. by stipulating a density range for a specific area along with general design rules with regard to massing and use of materials, the developer allows himself some room for input by sub-developers. Furthermore, the use of general rules as opposed to specific rules and designations encourages an open-ended approach to master planning, allowing the prime developer the opportunity to develop and design a contingency mechanism for up-dating and changing the plan. Finally, the sub-developers, recognizing the flexibility and chance for

input, are likely to be encouraged by the opportunity to display their ingenuity and experience, thus to some degree eliminating the subordinate relationship that is inherent in relying on an immutable master plan.

So the relationship between the prime developer and sub-developer may indeed hinge on the degree of flexibility of the planning documents, but also on external factors relating to prestige, experience, political know-how, and the prime developer's ability to discern the strengths and weaknesses of various sub-developer types.

### III. RESIDENTS VS. PRIME DEVELOPER

Even assuming that the prime developer is able to effectively utilize sub-developers to further his aims, what are his likely problems as the first town residents start moving in? How can he reconcile his need to control the development process, with the incoming residents' expectations of community control and participation in key issues? What are the likely problems in advanced stages of development when presumably residents will have reached such critical numbers that they desire legal incorporation and an elected town government?

In discussing his role in the development, with respect to that of the incoming residents and permanent residents, McKissick cites three basic obligations that he must fulfill.<sup>2</sup> The first, is an obligation to investors and financial backers who placed their faith in a twenty-year comprehensive development plan and expect some specific rate of return. The second obligation is largely a personal motivation to carry through on his original concept thereby fulfilling his need to know if the city,

as he envisions it, has any validity. Finally, McKissick feels obligated to the new town residents, and believes that he must insure the development of a strong and vital environment where "free expression, opportunity, and racial harmony" are the rules rather than the exception. I am not at all sure how McKissick's perceived obligation to residents of Soul City correlates with his first two obligations, both of which imply a tightly controlled, "from the top," planning and development process.

The fact is that all three obligations, whether real or perceived, are based on rather static and fixed assumptions about Soul City. When is Soul City a City? Is it when the twenty-year development period is over? Is it when the first residents arrive? Is it when the profit expectations have been realized? Or, is it when some critical population has been reached? I can offer no reasonable answer to any of these questions, but seemingly if McKissick Enterprises can view the town as a dynamic, evolving process rather than a fixed environmental end-state, some of the answers to the apparent conflict between prime developer and residents may be resolved.

For example, by selling the financial institutions and investors on a comprehensive plan, the developer boxes himself into a position (similar to the one described in dealing with sub-developers) where he has little flexibility. But, if the investors were sold an idea, or a process of development, albeit with some projected financial return, the developer is allowed some room to maneuver, to create, to gain or surrender ground, etc., without feeling constrained by specific documents.

For the developer to simplistically take the position that as initiator of the idea, the town must be built "in his own image" seemingly invites conflicts from all directions. Despite his professed interest in social welfare goals, the prime developer may find that considerable tension may be built up between him and the residents. A more laudable position by the prime developer is to see his role as ever changing, i.e. in the early stages as a protector of the interests of future residents from the possible excesses of the first dwellers (or pioneers) -- in later years as a founding father, highly influential and respected, but maintaining a low profile in his exercise of power, and in fact, divesting himself of that power gradually as the town grows and development approaches "completion." In both cases, McKissick may be quite effective in getting his desired results, but rather than do it from a position "above the community," he does it as a "part of the community."

The relationship with residents should, from the outset, be open and candid. Clearly residents must be made to understand before settling what limitations and restrictions are contingent upon location in Soul City. They should further be educated, (possibly by making the developer's decision-making process highly visible), to the level of understanding the developer's unique situation, both with respect to financial and development issues. But being candid with residents is only a first step. McKissick should clearly define specific time-tables during the development stages where residents begin to take over significant control. It may not be improbable that community control and participation may necessarily be token during the initial years. But, because of the unique social objectives set down by the prime

developer, a significant amount of attraction to the town will be because it purports to be a town offering residents participation, and a voice in the control of their environment. As such, it is the developer's responsibility to describe how and when that element of the town's program will be implemented, if for no other reason than to minimize frustration and expectations from the new citizenry.

Such a time-table might state, that in initial years of development, locating residents will have control over only their immediate environment (housing area). This control might be defined as some vote in maintenance and management issues, or voice in policy-making with regard to rental increases, etc. The time-table might also stipulate that in developed areas, some form of representative government would decide key issues relating to community problems. But, in areas not yet developed, existing residents may be allowed to participate in developmental decisions, but be allowed no vote. Such a time-table for the early years might conceivably be reasonable, since it allows some control over the "environment" closest to the resident. By opening up the development decision-making process, but allowing no votes to existing residents, the developer circumvents the possibility that a very small core population might control the direction of a town planned for 50,000 people. However, as the town grows, as institutions develop to maturity, the time-table should define new powers and areas of control for residents. Much of this participation and control by residents will result from power devolved from the prime developer, but some will come through ownership or sale directly to community groups and individuals.

To summarize: the relationship between developer and residents is largely dependent on the role the developer perceives he must play in the town's growth to maturity. There is a middle ground that resolves the conflict of absolute control by the prime developer and community participation by the town's residents. That middle ground may be found, if the city can be viewed as a process of evolution and if the developer can maintain a candid, open and flexible relationship with incoming, and permanent residents.

#### IV. SUMMARY

Control, then, as I visualize it, is not in any way an absolute, well-defined process in the context of a private developer getting other actors to do what he wants by fiat. There is no magic formula which can be carted out to solve specific problems. Master plans, parcel development plans, data, etc., can only be used as supporting devices to delineate intent. They are not sanctioned by law, they cannot be imposed, and they only represent the value judgements of one particular party. Prestige, influence, flexibility, and knowledge cannot in themselves be the developer's sole means of gaining effective control. However, if the control issue can be internalized as a bargaining process where concessions and compromises are made, and where the final outcome is measured by the amount of concessions given up by one party to the other, then the above factors may be important to the degree that they establish a strong negotiating position for the prime developer.



Because I see the sub-developer as the key actor in the implementation process, the remaining chapters of this thesis are devoted to analyzing the nature of such developers with the intent that McKissick, in order to maximize his bargaining position, must be thoroughly cognizant of the characteristics and peculiarities of each.

CHAPTER V. POTENTIAL SUB-DEVELOPERS FOR SOUL CITY HOUSING

I have suggested in previous chapters that the sub-developers of housing represent a critical group of actors in the implementation process. The aforestated objectives defining the scope of the housing program, the housing plan and the strategy for land development all go for naught if the sub-developer's role in development is not completely understood by the prime developer. Highly idealized objectives relating to self-help housing or indigenous construction training programs may be made inoperable if there are no willing sub-developers ready to undergo the inherent risks involved. A scattered site land development strategy may equally fall apart if the prime developer fails to internalize the inherent difficulties that would hinder certain sub-developers. Industrialized housing may be ridiculous if there are no builders willing to change over to that approach. And community corporations to build housing may be non-existent if the developer is not aware of their special needs. It is conceivable that substantial concessions may have to be made to one kind of sub-developer related to degree of "control," financing, or in land sales price. On the other hand, another sub-developer may require no technical or financial support, but may be so restricted in his ability to produce the desired product that he may be useless to the prime. Issues related to tenant management, ownership, and community participation may well vary with the peculiarities of the sub-developer. A builder of rental housing with a long-range investment outlook may afford little opportunity for community participation in management, while a builder of housing for ownership by consumers is likely to present no such problems in this regard.

I submit that knowledge of the potential sub-developers with respect to their goals, value orientation, mode of operation, profit motivation, etc., may be a valid approach to assessing the operability of the housing objectives, and its contingent plans. By determining each sub-developer's value to the city's development, and likewise their need for Soul City's opportunities, the prime developer can work backward to make adjustments to his overall plan to conform with the necessary requirements.

It is to McKissick's credit that he has been able to identify at least five potential sub-developer types for housing development. Carey and Tolbert of McKissick's staff agreed that the five types (Type II and Type VII were added by me) described below were most likely to want to purchase land in Soul City.<sup>1</sup>

They are:

- Type I - The merchant builder
- Type II - Small indigenous home builder
- Type III - The housing development company
- Type IV - Nationally or regionally based non-profit housing foundations
- Type V - Indigenous community developers of housing (non-profit and limited profit)
- Type VI - Joint ventures between McKissick and any one of the above
- Type VII - Public housing agency

In setting up a typology, the factors that I systematically wanted to consider for each potential sub-developer are listed below:

1. The technical capability to produce housing;
2. The administrative and management ability to expedite development;
3. Sources of financing;
4. Expected profit or investment outlook;
5. Social welfare orientation.

Because of the limited time and resources, I was unable to study each developer type in the degree or depth I would recommend to McKissick in the event of real implementation. My primary purpose however, is to identify only those salient differences and peculiarities of each developer type, hoping that as examples, they focus on issues and actions that the prime developer must take to bring about effective implementation.<sup>2</sup>

#### Type I. - The Merchant Builder

The merchant builder represents that group of producers of housing, organized to acquire land, build houses (predominantly single-family) and sell directly to individual consumers. Their building operation has largely been on-site construction, although significant progress has been made in the 1960's toward pre-fabricated building of components at a central place with shipments to the site for assembly.<sup>3</sup> The merchant builder has accounted for more than two-thirds of all the single-family housing produced since World War II. Of the average total housing production in the sixties, merchant builders accounted for better than 60%

of all conventionally built single-family houses built in the United States. And yet there are not many large-scale merchant builders (more than 200 houses/year), the industry being characterized by a number of small builders. The fifty largest producers accounted for no more than 15% of the annual housing production. The largest of these was Levitt and Sons, which produced 5,100 units in 1967.<sup>4</sup> The key distinction between the merchant builder and the custom home builder is the fact that merchant builders build speculatively, and usually on a larger scale, than custom builders who build for a specific client.

Technical capability: The merchant builder predominantly specializes in the single-family housing type. His success with this type has largely been due to economies of scale, and his ability to bring under a single firm all of the necessary factors for housing production-assembly of land, site improvements, design, construction and sales. In the single-family house, he chooses a variety of set designs (many times the same floor plans with minimal variation in elevation) and depends on the repetitive use of these designs to bring about an efficient mass production technique at the site. All of these factors have allowed the merchant builder to produce a final product well within the income ranges of many American home buyers.<sup>5</sup>

McKissick, then, in assessing the merchant builder's technical capacity must bear in mind that, on the average, they are restricted to expertise in the development of a single housing type. Furthermore, the average merchant builder (30-150 houses/year) may probably be quite unwilling to

try "new" approaches in design or construction, unless the front-end cost of re-tooling their present technique can be made profitable. The inflexibility I infer here is not total over the whole industry, since very large firms with a full complement of architectural services, or with sufficient capital and track record may be able to afford the price of innovation.

Administrative and management ability: The merchant builder, upon buying land, tends to completely control all aspects of development until the housing is sold to the consumer. In most cases, the in-house staff consists of a group of managers or professional types disciplined in real estate, land management, engineering, and sales. Larger firms staff, in addition, comptrollers, accountants, economic planners and financial analysts, and sometimes a full-scale architectural staff. Most merchant builders utilizing conventional construction techniques, will maintain only a skeleton crew for construction, preferring to sub-contract for heating, plumbing, or electrical services. The size of the firm is a clear indicator of the degree of specialization for each firm. In many small firms the chief executive officer may wear the hat of many disciplines. Such is the case with two small builders that I observed in North and South Carolina.

The H. A. DeCosta Company, a black-owned builder of housing in Charleston, South Carolina operates from a small office of 1,500 square feet. Mr. DeCosta, the principal owner, and president of the company, plays the multiple roles of broker, land developer, engineer and construction superintendent. His chief assistant performs as an architect,

salesman, and accountant. The total staff is made up of a small skeleton crew of carpenters and masons, two draftsmen and two secretaries. For special supporting services such as legal advice and financial planning, DeCosta uses outside firms. He maintains a core group of sub-contractors to support his construction work crew. In a good year (i.e. 1965), DeCosta has built as many as sixty single-family houses in the \$16,000-\$35,000 range. This is his specialty. In poorer years they build custom homes and bid for small apartment and commercial jobs.

The John Thomasson Company, a small white-owned builder located in Charlotte, North Carolina operates in a similar fashion to DeCosta. However, rather than merchandise his houses directly, he joint ventures with a real estate brokerage house to eliminate that particular task from his work load. Thomasson averages eighty houses/year in the \$35,000-\$60,000 price range. His skeleton construction crew include tile setters, carpenters, mason, and millwork, and is in general larger than the DeCosta work force. Thomasson also has financial interests in local building materials firms.

Ervin Construction Company of Charlotte is a giant merchant builder (by southern standards). Their headquarters is a twelve-story office building, which houses a complete staff of professionals to handle all the various disciplines for development. In this case, Charles Ervin, chief executive officer and chairman of the board, is mainly a policy maker and public relations officer for his firm. Because of the firm's size and its use of large sums of capital, firms like Ervin have direct connections with financial institutions in obtaining funds for construction



(Charles Ervin is a board member of one major bank and two savings and loan associations). The Ervin firm is regionally based, building in North and South Carolina, Virginia and Georgia. Their annual housing production averages close to 2,000 units per year, and in the Charlotte area they have been responsible for well over half the new houses built since 1960.<sup>6</sup> Firms like Ervin are quite capable of building other housing types in addition to the single-family house, and in recent years they have been specializing in "planned communities," (which are housing developments of multi-family units and ancillary commercial shopping areas).

To summarize, the merchant builder, whether large or small, given a reasonable track record, seems to be intricately familiar with the area of housing development, due to the monolithic or semi-monolithic control over all of the required aspects. Thus the economic cost to McKissick would seem to be minimum. I sense that once land is sold, and an agreement is reached on utilization, the merchant builder would require little other assistance.

Sources of funding: The merchant builder has need for two kinds of financing: (1) funds to underwrite the cost of land acquisition and site improvements; and (2) interim construction funds to pay for materials, labor and overhead during the actual construction of housing.<sup>7</sup> The availability of funds is directly a function of the size and track record of the individual developer. Financially well-off builders oftentimes utilize their profits from previous ventures to acquire new land or support construction.

Funds to support land acquisitions have only recently been made available by savings and loan associations, and only on a short-run basis.<sup>8</sup> Traditional banking institutions, however, are still reluctant in most cases to make loans to acquire new raw land. One source of funding, however, has been the ad-hoc syndication, where builders invite investors to put up the money for land, with the promise of returning a handsome profit once the houses are sold. The purchase-money mortgage has also been utilized (by DeCosta and Thomasson), the arrangement being installment payments to the seller over a period of time as the houses are sold. In most cases, the merchant builder requires the use of land funds over a period of three to five years, which allows for site development, construction, and sales.

Interim construction financing is usually sought from banks, savings and loans, and other traditional institutional lenders. The loans usually amount to 75% to 80% of the projected sale price.<sup>9</sup> It is repaid after the sale of each house, and is usually very risky but highly profitable to the lender. The builder is constantly looking for the best lenders in terms of service, interest rates, fees and size of loans, since the added cost to the house due to financing may raise the sales price so significantly that it might make marketing difficult.

The merchant builder must often deal with federal agencies for financing commitments. Those builders of multi-family subsidized units (Ervin) have the need of assuring that federal insurance is available. Those single-family home builders (of Section 235 housing for low-income families, or the standard VA and FHA housing) need to assure that their

projects meet certain standards and that federal insurance will be made available for their potential consumers. Because the merchant builder sells directly to the consumer, he is always in competition to lure the consumer dollar through attractive financing packages. This often means VA or FHA loans, which often require complex, time-consuming dealings with federal agencies. Firms like Ervin, hire full-time personnel whose sole job is to cultivate a working rapport with the government agencies to speed the application process and eliminate the red tape. Smaller firms like DeCosta and Thomasson cannot afford such personnel and in most cases, they try to minimize dependence on federal sources, preferring to channel their clients through the speedier, conventional financing route.

To summarize, the smaller merchant builder may experience more difficulty in finding funds for land acquisition and interim financing, possibly because he may lack the financial solvency to acquire large enough amounts at reasonable rates. Thus he may pay more on financing costs. It is not likely that any substantial proportion of his profits can be plowed back into new ventures. The very opposite is true of larger builders, who can acquire funds in large amounts at lower interest rates, and thereby reduce the per unit cost attributed to financing. Their ability to deploy sizeable sums of capital from profits back into new ventures also minimizes their need of outside financial sources. Finally, in presenting a financial package to the consumer, the larger merchant builders can afford to utilize the various subsidy programs, with lower interest rates, as a marketing mechanism because the cost to them in time and overhead is minimized by his "connections" with the various agencies.

Profit and investment outlook: The sale of single-family houses is the chief source of profit for the merchant builder. The quicker the sale, the greater the profit, because of the reduced carrying charges on land and construction. Other very minor forms of profit derive from maintenance of community recreational facilities, laundromats, and other ancillary services.

This emphasis on the quick sale directly to the consumer is a clue to the builder's investment outlook. The merchant builder is concerned chiefly with the short-term possibilities for profit. His assessment of project possibilities is contingent on the factor of immediacy -- i.e., the marketability of his product over a one-to-three-year period. If he has been successful with a particular housing type or mode of operation in previous ventures, he is not likely to want to tamper with success. In the case of Soul City the long-range goals of the town are wont to be of little concern, unless he has tied up capital in land options for later development.

The provision of ancillary services or "frills" depends heavily on the characteristics of the target market, and are provided solely to enhance the sale of housing, and not out of some motivation related to amenity and esthetics. Thus, the merchant builder as the short-run investor will have no long-range commitment to the success or failure of Soul City. This fact may be significant in the way the prime developer may choose to utilize him.

Social welfare orientation: The above discussion on profits seems to indicate that as a business organization, the merchant builder is not primarily motivated toward solving pressing social issues through housing. While they have satisfied the housing needs of the large middle class, little enthusiasm has been evident for producing housing at the lower echelons of the housing market. (Part of the problem is related to the margin of profit inherent in producing a \$25,000 house as opposed to a \$12,000 house.)

One of the major goals in Soul City's development program is the utilization of unskilled indigenous laborers for construction work. There are indications that merchant builders may be somewhat reluctant to use large inexperienced crews. John Thomasson indicated that although he has trained a significant number of previously unskilled workers over a period of years in small increments, he would be unwilling to take them on in large numbers over a short time span. He feels that large percentages of such workers at any one time reduces efficiency, decreases the overall quality of workmanship and thus weakens his competitive position in the marketplace. He further elaborated that, in the case of Soul City, his only obligation, once he has acquired land, should be to build housing as efficiently as possible for a specific housing market, and any stipulations that tampered with his mode of operation would appreciably dampen his interest in developing in the area.

The views of Thomasson are not exceptional for merchant builders of that size. A larger builder like Ervin is able to absorb unskilled laborers in large numbers more readily. The reasons being the need for laborers

given the volume of construction, the fairly high attrition or turnover rate of workers that create continuing vacancies, and the general shift to off-site fabrication with its inherent assembly line techniques that lend more readily to the training of unskilled workers.

To summarize, the merchant builder is not likely to be strongly oriented to social welfare goals. Efforts at fostering job training programs may be possible, depending on the size of the developer, but even then the developer will cooperate only if such programs are profitable or fit the required needs of their firms.

#### Type II. - Potential Small Home Builder

This sub-developer refers to local craftsmen who are skilled in house construction, but are primarily employed in larger construction firms, or either unemployed or under-employed. They are presently an unorganized entity, but given the opportunity, they may be quite willing to organize for the construction of housing on a small scale. Although the small home builder was not formally identified by McKissick as a potential developer, I've taken the liberty to add them to this typology, because I feel they represent a potential resource for housing development in addition to furthering other goals related to economic opportunity for indigenous groups. Many of the observations made here are based on an informal conversation I had with Duncan McNeil of McKissick Enterprises.<sup>10</sup>

Technical Capability: According to McNeil, the seven-county area surrounding Soul City has produced an extraordinary number of brick masons and carpenters who have been largely trained in vocational schools (run by

the state) but have either left the region for job opportunities in the major population centers, or remain in the area working for construction companies, and construction related industries.<sup>11</sup> Aside from the fact that opportunities in the Warren County area for construction have almost been non-existent, the potential small builder has traditionally faced two other factors that have tended to inhibit their organization as builders: (1) the N.C. licensing examination for contractors; (2) the minimum bonding requirement of \$75,000.<sup>12</sup>

However, given the opportunity, the small-home builder is likely to be at ease with the single-family house of minimum complication. With his basic skills in masonry, carpentry, etc., he may only have to sub-contract for the mechanical trades (much like their larger counterpart -- the small merchant builder). McNeil feels that such home builders with a work force of twelve to fifteen men in a 2:1 ratio of laborer-trainees-to-skilled workers, could produce some ten to fifteen houses per year in small scale development. Multi-family housing, with its more sophisticated construction techniques, would presumably not be feasible in initial ventures for such sub-developers.

Administrative ability: The small potential homebuilder is probably weakest in his ability to administer development. He has probably had little or no experience in dealing with real estate brokers, financial institutions or government bureaucracies. Although he may implicitly realize the value of time, money, and efficiency, his lack of business know-how may seriously hinder him in proper scheduling, accounting, and

job supervision. He may require outside professional help, but may avoid this route if capital resources are insufficient to cover the cost of such services. (Administrative difficulties among small builders is cited as one of the prime reasons for the high rate of failure by these firms.<sup>13</sup>)

The prime developer must then recognize that small builders are primarily craftsmen, and not businessmen, and unless they can be supported by outside counselling on business procedures, at best they will be slow inefficient developers, and at worst, short-term failures.

Funding sources: The kind of funds needed by the small builder are not unlike those needed by the merchant builder. The difficulty in securing these funds are infinitely greater though. The small builder has no notable track record, evidences no overwhelming business acumen, or reasonable net worth. Thus, financial institutions are most reluctant to venture capital with him. Federal sources like Small Business Administration (SBA) although chartered to help small businesses, use almost the same criteria for evaluation of the small builder as the traditional lenders. The fact that the financial community is cognizant of the "easy" entry of firms into construction and their corresponding high attrition rate does not help the case for the potential small home builder.

Profit and investment outlook: The source of profit for the small builder (like the merchant builder) is derived from the sale of the single-family house. Although in reality he is a short-run investor, the fact that he is a "local" builder, subject to the daily judgments on the quality of his work by his peers, he is likely to internalize his production of housing as a long-range investment in the community.



Social Welfare Orientation: Although profit-motivated, as local citizens, such builders are likely to be quite receptive to social issues in the community than their counterpart merchant builders. Thus, training of indigenous unskilled workers might conceivably be welcomed especially since these builders have not presumably formed strong cohesive work crews.

The very existence of the small homebuilder represents a socially desirable goal in itself. The symbol of economic mobility may be helpful in motivating others in the area to seek similar opportunity.

### Type III. - The Housing Development Company

Organizations or firms, whose major purpose is the investment in real estate ventures of housing development will be called (in this typology) housing development companies (HDC's). Although there is little evidence related to the origin of HDC's in this country, I would suspect that syndicates of investors in income-producing property go back to colonial days. The real hey-days of the real estate syndicates occurred during the boom years of the twenties when investment capital was plentifully supplied by "artificially" wealthy individuals seeking to diversify their investment portfolios away from securities and into real property. The syndicates suffered severely during the depression years of the thirties, and has only recently been on the upswing again in the late fifties and sixties.<sup>14</sup>

The typical housing development company today start off as real estate managers and brokers. They evolve into development firms engaging in

the acquisition of real property in order to improve, sell, or hold for investment purposes, or to increase the income-producing capability.

With the added incentive of favorable tax and depreciation laws individual investors have been attracted to the real estate market partially because of the potential lucrative cash flows, but primarily because of the tax shelters it offers as a protection of ordinary income. At the same time, the professional brokers and developers, becoming increasingly more ambitious in their undertakings, and requiring equity capital, readily embraced the high-income investor as a potential source of funds. Traditionally this partnership of high-income investors with professional developers has been chiefly involved in commercial and industrial real estate development, with only a minor emphasis on residential development in hotels and luxury apartment complexes.

Only after the Housing Act of 1961 did HDC's move strongly into the area of housing for low and moderate income groups. Indeed there was a conscious attempt by the government to encourage investment in housing by these groups largely because of the overwhelming shortage of housing in the country. Thus, even more favorable tax concessions were granted in the form of lower interest rates, favorable depreciation, etc.; all offered as "carrots" by the government to attract investors into housing. The partnership arrangement was usually divided into general partners who were the professionals who actually expedited development and limited partners that were largely high income investors, whose only role was to contribute funds and reap a proportion of the profits. Most of the groups were set up as either full-profit or limited-profit groups (the

latter being the only way to be eligible for federal subsidy programs).

Technical capability: In general, the housing development company's (HDC's) chief role has been that of an expediter. The general partners were usually professionals trained in the disciplines, of land assembly, financing, law, real estate brokerage, etc. In the case of the First Realty Company of Boston, their main working staff comprised real estate brokers, lawyers, economists, engineers, and investment experts. The staff of Housing Innovations, Inc. (HII) of Boston, is much smaller and is made up of an engineer, city planner-architect, a business administrator and a lawyer. Significant in both cases is the fact that neither firm possesses an in-house capability to implement actual construction of buildings. What, in effect, you have is a management-development combine that procures lands, assesses the economic feasibility of developing or improving the income producing capability of the property, arranges meticulously the financing of the land and schedules the actual development. The actual task of technically designing and constructing the property is negotiated and often joint-ventured with architects and contractors. In the case of HII, its infill housing was sub-contracted to a pre-fab home builder, after all of the preliminary arrangements had been made for financing, land acquisition, etc. First Realty in the development of 221(d)(3) housing in West Roxbury and East Boston actually joint-ventured with construction firms to do the job.

Because he does not carry the overhead of a full construction crew, and given the emphasis on negotiation or joint-venturing with builders, the HDC is likely to be a producer of a wider spectrum of housing types than

the merchant builder, who has tended to specialize in the single-family house. In fact, most development companies have tended toward multi-family housing units, be they high-rise apartments, garden apartments, townhouses, or row houses, largely because of the favorable investment possibilities. In addition, because of their affiliation with architectural firms, there would seem to be a greater acceptance of innovations in design, than the merchant builder, although observation of projects developed by such groups does not always bear this fact out.

Administrative capability: As Denis Blackett of HII puts it, the chief concern of a developer is time, efficient personnel, and money. Blackett's hiring credo is to find the man who is multi-disciplined and understands the value of performing in the minimum amount of time. Unlike the merchant builder who often carries a large overhead by maintenance of a construction crew, the development company's chief overhead is tied up in professional talent at the executive level.

Lines of control during the development process are fairly well defined. The contractors who actually do the building are bound by contract drawing and usually a fixed contract price. Architects, because they are hired on a fee basis, are obligated to produce designs to the developer's satisfaction. Most development companies, because of their tendencies to long-range holding of property, either have an in-house management staff to manage property or sub-contract this function to other realty management firms.

In the partnership form, the limited partners have no votes on crucial issues (and are rightly designated as silent partners). All of the

liability incurred generally falls on the general partners, who are in effect the chief officers of the firm.

Funding Sources: The investment corporation usually has need for three kinds of financing: (1) land acquisition (in the case of new construction); (2) interim funds to support construction; (3) the permanent financing or take-out loan once construction has been completed. Because of the varied modes of operation, the company may or may not need all three forms of financing. For example, in the case of a negotiated settlement between a construction company and the developer, the obligation to secure interim funds for construction are left to the contractor. Such may not be the case for the joint venture type arrangement.

(1.) Funds for land acquisition come either from profits plowed back into development-institutional lenders (insurance companies, mutual savings associations, etc.) or from the limited or general partners.

(2.) Similarly funds for interim construction come from institutional lenders, banks, savings and loans, mortgage banking firms, and oftentimes equity investors who may be interested in tax benefits incurred through losses during construction.

(3.) Permanent financing again comes from banks, (with funds guaranteed by the government in the case of federal subsidy programs), institutional lenders and the limited and general partners of the firm. Traditionally outside lenders have supplied funds and made their profits chiefly through mortgage

interest rates. However, as the size and scope of investments have increased, these lenders have become in some cases equity investors, or in effect partners in the firm, vying for a piece of the profits.

Typically the limited partners are high income investors whose tax status is usually at, or above the 50% level. The attractive depreciation rates and interest on permanent financing have been effective devices for sheltering ordinary income. Oftentimes such an investor may be attracted to a project which has little actual cash flow, but whose after-tax benefits are considerable. Let me also hasten to add that the limited partners in a development company are not "permanent" in the sense that they are involved in all of the firm's undertakings. The general partners are in most cases permanent members. Seemingly only as each particular investment warrants additional funds or support are limited partners solicited. First Realty indicated that they have a special group of investors (limited partners) who are solicited first whenever the situation called for funds. What in effect happens is that a unique "partnership" is formed for each project.

Expected profit and investment outlook: Although there are situations where property is developed with the intention of quick sale, the HDC's main interest is holding income-producing property for the profit in cash flows, and tax benefits. Although sale of property occurs, it is chiefly done when the property becomes economically unfeasible due to reduced cash flows, or unattractive tax situations. Whereas the merchant builders'

investment was largely a short-run issue, the housing development company's investment outlook is long-range often involving more than a decade. Thus his analysis of potential investment situations may of necessity be more future-oriented than the merchant builder since he is faced with management and maintenance over a long stretch. One could almost infer (although I certainly cannot substantiate this) that in terms of quality of products produced, the development company's product is likely to be better or more durable than the merchant builders, who may largely depend on superficialities to attract the consumer. On the other hand, because maintenance and management are crucial elements in maintaining high cash flows and property values, development firms tend to be highly selective in tenants, and give more than a passing interest to the neighborhood externalities that might hinder profits. Even under limited-profits set-ups where the tenant is largely a low to moderate income group this dictum operates. First Realty only builds on the fringes of the city near or in middle-class neighborhoods, but never in the heart of the poor communities. Furthermore, its tenants undergo a stringent selection process to screen out potential troublemakers. Although HII operates in the central city, its selection of tenants is equally stringent in weeding out potential "problem" families. All of this is due to the long-range investment, and the need to minimize maintenance and management costs while increasing profits.

Social Welfare Orientation: Investment companies tend to be attracted to the new federal programs in housing more for the after-tax return on invested capital rather than for some highly motivated concern for

helping alleviate the social issues surrounding the housing crisis in this country. Although people like Max Kargman, head of First Realty Corporation and Denis Blackett of HII have expressed concern individually about the problem of housing for low-income families (especially in urban ghettos), there is clear evidence to suggest that if the profit margins for developing housing for this income group were not sufficient, the organizations that these gentlemen represent would "not be interested."<sup>15</sup> Nevertheless, both firms (and probably most similarly oriented firms) relish the favorable publicity of being identified with key social efforts to solve the housing crisis, and as such are often willing to make special concessions to enhance this image. Thus, HII is quite willing to submit its proposals to severe scrutiny by community representatives of the Model Cities area, or (in the case of the first six Infill Housing units), readily accepted small black contractors as builders, even though it could have utilized more efficient construction teams. First Realty enjoys publicizing the fact that it is one of the premier builders of moderate income housing in the country, and Kargman is not above attending seminars and lectures in academic circles to explain scientifically and sometimes emotionally the extent and level of his commitment to the struggle.<sup>16</sup> The widely publicized role of innovators in low and moderate income housing is, in fact, a double-edged sword. On the one hand favorable publicity and successful efforts in development of such housings, raises the prestige of the firm, in addition to increasing the confidence of the conservative bureaucracy that administers the federal and state programs. Thus, successful firms are able to "grease" the wheels of the slow-grinding bureaucracy, and obtain



even more commitments for new projects. (It has been demonstrated that FHA and HUD tend to administer more efficiently applications from firms with good track records.)<sup>17</sup> However, given the rise of the community participation syndrome in our "previously quiet" urban community, publicity given to developers in these areas has made them visible to the community and vulnerable at times to community pressure groups. Thus, concessions to hire more black workers may not be immediately profitable to the firm, but politically expedient to get development moving. Similarly, concessions granting community participation in the planning process may seriously curtail the efficiency and scheduling of projects, but to avoid unfavorable publicity, the firm may have to go along. Rarely do HDC's go into a venture in which they will surely lose control or their profit. First Realty, has for the most part abandoned the central city for the suburban fringes and "gray areas" surrounding the core where the volatility of existing residents is not as severe, and where social issues are not as salient.

#### Type IV. - Major Non-Profit Housing Foundations

The major non-profit housing developers refer to those organizations chartered to develop housing or provide housing services to low and moderate income groups, not for the purpose of making money, but rather to facilitate or further national social goals related to housing reform. These organizations are usually branches of some major charitable foundation, labor unions, national church denominations or major political organizations. They have proliferated during the sixties due to new

federal laws that encourage the development of housing, for people of modest incomes, by non-profit organizations. (I was unable to get any data on the actual number of such groups.)

Probably the historical antecedent for non-profit charitable housing organizations goes back to the nineteenth century when church groups and other charities engaged in housing reform programs to relieve the plight of poor immigrant groups in northern cities.<sup>18</sup> Most of the efforts at that time were largely political and social in character, and reached a high point in New York with the passage of the Old and New Law Tenement Acts in the late 1800's. The reforms were centered on building codes, health, and safety standards. There were only a few cases of actual construction and these were largely "half-way houses" or homes for the aged, and indigents. Funds to support these groups were largely private contributions, and in few cases were their efforts sanctioned or backed by government.

These housing groups maintained a political interest in housing for the poor throughout the first half of the twentieth century. But, as believers in the ethic of "housing not being the province of the government," they were not in the forefront when public housing was introduced in 1937. However, as the country moved strongly into social welfare, these early groups were replaced by a newer counterpart that supported the more socialistic dictum expressed in the 1949 Housing Act that stated a government policy of "a decent home for every American."

With the passage of Housing Acts from 1961 onward, major non-profit housing companies have been formed to take advantage of the 100% financing available to them for developing housing for low and moderate income groups.

The following analysis of major non-profit housers was based solely on an interview with Pat Alvis of the Foundation for Cooperative Housing (FCH), a nationally based non-profit company chartered to offer services and housing to low and moderate income groups. (FCH is presently negotiating to build an initial development of three hundred cooperative units in Soul City.)

Technical capability: In general, the major non-profits' technical capability is similar to that of the profit oriented housing company. They are mainly expeditors of applications through the federal bureaucracy, and possess no in-house capability for construction. What they do is acquire land, act as owner-mortgagor of the project, prepare plans and feasibility studies, negotiate with a builder, and oversee construction. In the case of FCH, the improved property is then sold as a cooperative to community residents, with FCH offering the option of performing management services. In other cases, the non-profit houses may rent to tenants, but maintain management functions. The non-profit houser usually specializes in multi-family dwellings on a fairly large scale. The scope of most non-profits is regional, and in many cases national. FCH operates in 24 states and has sponsored 30,000 co-op units at a value estimated at \$450,000,000. The average size of each project was approximately 250 units.

Aside from the function of housing development, some non-profits offer services to small non-profit groups as consultants. Their role is to provide technical advice, (feasibility studies, floor plans, engineering services, etc.) to non-profit groups unfamiliar with the development idiom. Because of their orientation to a specific market in housing, and the special financing made available only through federal agencies, the non-profit housers are experts at dealing with federal funding agencies, often having connections at the regional and national levels to speed processing.

The non-profit houser represents an attractive resource for the development of moderate income housing in Soul City. They also represent a resource for providing services to community groups. Probably the only drawback is the fact that their average size project may not exactly coincide with a strategy that calls for minimal concentration of homogeneous income groups. (Alvis of FCH states that it is too costly to build in concentrations less than 150 units.)

Administrative ability: We have indicated in the above section that most of the non-profit's staff effort is geared to expediting. They control the total development process from the time that land is bought. The staff make-up is similar to that of the HDC's. However, under FCH's services division, additional personnel are hired as management experts, maintenance experts, community organizers and social workers. FCH policies are made by a board of directors and trustees of the foundations. It hires an executive director to oversee the operations of the housing

company and similarly for the services division. (The services division presently manages 18,000 units.)

Sources of funding: Non-profit housers like FCH have need of funds for four purposes: (1) to support preliminary studies (seed money); (2) interim construction financing; (3) permanent financing; and (4) funds to support housing services. For seed money, many non-profits receive funds initially from their own foundations or other foundations. If the project undertaken receives a commitment from the government, seed money funds are often included in the mortgage, and thus returned to a revolving fund to be used on new ventures.

Interim construction financing is usually not difficult to arrange with the usual lending institutions, especially when federal commitments have been guaranteed. The problem may hinge on the availability of funds in certain areas of the country and the predisposition of some financiers (in the South particularly) to support the program or mission of the houser.<sup>19</sup>

Permanent financing automatically comes from federal sources, directly or indirectly. Under 221(D)(3) most non-profits sold their mortgages directly to the Federal National Mortgage Association (FNMA). Newer programs like Section 235 and 236 are financed through banks who in turn are paid a subsidy.

Funds to support housing services (maintenance, management), or for consulting are set by FHA limits and are usually included in the mort-

gage commitment, at some escalating scale commensurate with the size of the project.

Profit and investment outlook: Non-profit housers consistent with their name, are not in business for an expected financial return. Any residuals accruing from sales or rentals, or provision of services are generally plowed back into the projects to reduce rentals to families. Funds are used only to cover cost of overhead, expenses, and salaries of the professional staff. Board members and other policy makers serve for no fee in most cases. When property is sold to community groups or individuals, the proceeds are used primarily to pay off that portion of the remaining mortgage. The practice is generally to sell such property at below market prices to groups that agree to maintain the original character and purpose of the housing.

Social welfare orientation: The following excerpt was taken from the charter of the Foundation for Cooperative Housing, and adequately sums up the prevailing purpose of most non-profit housers:

(FCH) is a foundation organized and operated exclusively for charitable, scientific and educational purposes. Its objective shall be to engage in scientific research into new and improved ways to meet the problem of inadequate housing for the poor and disadvantaged citizens of this country, educate those who are in a position to assist in dealing with this crisis and to aid through its charitable efforts those citizens who are unable to afford adequate housing.

Such developers would then seem to be more compliant with the social objectives set out for Soul City and may be more inclined to support new social and technical approaches to housing than the previously discussed sub-developers.

### Type V. - Indigenous Community Developers

This refers to locally based community groups such as churches, masonic groups, anti-poverty and model neighborhood organizations, and small businessmen and laymen groups whose basic intent is to use the development of housing as a mechanism for social and physical development in the community (aside from the desire to alleviate the critical shortage of housing) and also as a means of re-distributing income through creation of a threshold device to gain entrance into the field of real estate development. Most ICD's are inexperienced first-time venturers into the housing field. Community organizations of this type were largely non-existent prior to the sixties but came into being largely as a result of the new housing and social programs like OEO, Model Cities and the Housing Acts of 1961, 1964, 1965, and 1968. In all of these programs the dictum of community participation and involvement in development is taken literally by community groups. In format and approach to development, their model is that of the Housing Developing Company described previously. The chief distinguishing factors are the relative inexperience of the ICD's, and their overall reason for developing housing.

Technical capability: The ICD usually has few, if any, members within its organization who are trained in issues of development. In most cases it must rely on outside consulting on land acquisition, management, architectural and engineering services and legal counselling. The scope and size of many of their projects are small enough that there is little need for some services required of larger projects. Land acquisition almost

never is a problem since most ICD's are motivated to develop after they own or potentially own property. Such was the case with the Ebenezer-Brown-Emanuel Development Corporation (EBEDC) of Charleston, South Carolina and the Little Rock Corporation of Charlotte, North Carolina. Both developer sponsors were black church groups that owned property, and had charismatic, politically-aware ministers who had need to hire only an architect, a builder and a lawyer to expedite the development. However, because of inexperience, the development time starting from planning to construction completion took better than 4½ years.<sup>20</sup> (The average time for an experienced developer is 2 years.)<sup>21</sup> The Southeastern Regional Investment Corporation (SERIC) is an exception to the general picture I've structured. Its organization is comprised of young professionals and businessmen who have had no previous experience in housing development, but whose professions were appropriate for such development. Among the original ten organizers, there was a lawyer, an accountant, a real estate broker, an architect, two engineers and a management consultant. Thus, this group although inexperienced, had the potential for learning the development game faster, by having some in-house capability. In fact, it was not SERIC's intent to become a one-shot developer as the two previously mentioned church groups were, but rather to use the existing federal programs as a stepping stone to other ventures in real estate development.

The ICD's still had the potential for developing various housing types, since in most cases design and construction of units were negotiated



with professionals. In rare cases have self-help housing construction techniques been used since federal programs like 221(d)(3) and 236 do not seem to encourage their usage.<sup>22</sup>

In summary, ICD's are largely lacking the technical expertise to carry off development, but must depend on outside consulting. Their inexperience has caused considerable delays in processing applications through federal agencies. Recent legislation now allows professional developers to work with such indigenous sponsors for a fee which is added to the overall mortgage, in an effort to raise the efficiency of these groups.

Administrative capability: Largely because of their inexperience in development, ICD's ability to efficiently carry out a project is marked by organizational difficulties, duplication, poor interpretation of guidelines and inadequate managerial experience depending on the degree or proportion of services that are handled by laymen with those handled by other professionals. While most ICD's recognize their technical incompetence in design and construction of housing units, the administrative tasks of pushing the application through the various bureaucracies and financial institutions are not readily observed, at the outset, as being obstacles that require professional expertise. From my personal experience with SERIC in Charlotte, the initial reaction to public relations brochures on 221(d)(3) misled most of the members of the group into believing that processing the application for a commitment was very straightforward. The fact is that by the time a project reaches the final closing, the application process will have undergone six different review stages (depending on scope and composition). It is ironical that the ICD's

introduction into the development idiom involves extensive dealings with the federal bureaucracies, whose rigorous regulations and cumbersome procedures tend to make even the more experienced developers minimize their contacts to avoid the red tape. Nevertheless, ICD's rarely bother to hire professional help to expedite applications through the bureaucracies, or to handle the daily tasks of administration. Even during the post-development period, when management becomes crucial to overall financial success, the tendencies of most such groups is to utilize laymen or inexperienced professionals to manage and maintain the property.

Because of this characteristic inexperience, ICD's are likely to take considerably longer periods of time to process applications through HUD. On the other hand, federal bureaucrats tend to be conservative and protective of their position in the bureaucracy and respond favorably to those developers that reflect glory on the bureaucracy. The ICD's represent risks to the bureaucracy in terms of their inexperience, and agencies fear that highly publicized "misappropriation" of funds may be a source of considerable embarrassment.

Funding sources: ICD's are almost totally dependent on federal subsidies. Most are non-profit, while a few are of the limited-profit variety. Non-profits are eligible for 100% financing. Limited-profit groups get 90% financing in most cases, thus requiring at least a 10% equity investment by such developers. In the case of SERIC, the 10% requirement was raised through getting credit for land, by negotiating the builder and sponsor's profit and risk allowance with the contractor, and by individual

cash contributions of the investors. (The actual cash contribution amounted to only 4% of the replacement cost.)

Once a federal commitment has been made, interim financing is not particularly difficult with local lending institutions. A more difficult problem is securing seed money to support preliminary planning. Recently seed money has been made available by the federal government to non-profit developers. Previously such funds were gotten from foundations, poverty programs, and in the case of church groups, from the church general funds. Precisely because seed money is so difficult to come by, most ICD's have been forced to operate in a kind of seat-of-the-pants fashion. Limited profit sponsors, for the most, have used their individual investors as a source, although these funds have been relatively too small to support the needed professional counsel.

Expected profit and investment outlook: The ICD's I've mentioned previously all hold rental property. There are cases where the projects are sold to tenants as a cooperative housing unit, or in the case of single-family units, the property is sold to individual home owners. Church groups like E.B.E. and Little Rock express a viewpoint that is somewhat selfish in motive. They expect to maintain control over the projects for very long periods, precisely to enable them to provide decent dwellings for members of their congregations that cannot afford housing in the private market. By selling as a cooperative, or relinquishing control, they lose the advantage of being able to fulfill the function of providing shelter for its poor constituents, especially since

they view this target population as being one in a state of constant turnover.

Limited profit sponsors, although able to receive only 6% of the 10% on invested capital tend to be holders of rental property. In many respects their investment outlook is not much different from the Housing Development Companies. However, they do not enjoy the full benefit of tax shelters because of the tendency toward lower incomes on the part of investor members. Thus the small cash flow is their chief source of profit. However, if the property is held beyond fifteen years, and if vacancies are appreciably kept below the 5% rate, the possibilities of selling the property may have significant financial benefits. Aside from the financial benefits, there seems to be (at least in the case of SERIC) some psychological benefit for small businessmen, laymen and professionals from being part-owners of real property and as such having a significant "stake" in the community.

Social welfare orientation: Because of their limited or non-profit orientation, ICD's are likely to be more firmly interested in social welfare issues like supplying decent shelter, community participation, and overall community improvement. Also, because they tend to be local and permanent residents in the area, they are likely to have a greater empathy and understanding of the life styles of the population, thus taking an even greater interest in community affairs. They may be very receptive to developing community talent, through on-the-job training, both at the technical or construction level, and at the administrative and management level. Although admittedly at the level of dealing with

bureaucracies, financial institutions, etc., they lack finesse and experience, their local political knowledge and ability to mobilize community people around crucial social issues can be effective in supporting their case before these institutions. In summary, ICD's seem to be the prototypical kind of group that would satisfy the social welfare ideals of community involvement in housing and environmental issues, largely because of their low-profit motivation and the fact that they are already permanent residents of the community, intimately involved with the people and the crucial issues of the moment.

#### Type VI. - The Joint Venture

Joint ventures will be defined here as coalitions between the prime developer, McKissick Enterprises, and any of the previously mentioned five sub-developer types. The ostensible purpose of such a device is to allow the prime developer to facilitate the building of the town beyond the infrastructure stage, by supplying either venture capital (where risk on the part of the developer is serious), administrative expertise (where such expertise is non-existent and therefore detrimental to successful development) and where innovation and experimentation are needed (where new housing systems and dwelling types may be required or desired).

Rather than follow the typical format used in describing the other developers, a summary of the possible situations that might call for a joint venture will be used. The possible situations posed here are not exhaustive, but are merely our indication of the possibilities:

### 1. McKissick Enterprises - Merchant Builder

At some point the prime developer may wish to experiment in marketing a style of house significantly different from those currently being produced by the merchant builder. (I have in mind something at a higher level than the mere change in design of a single-family house from traditional to contemporary). This may be a new process of producing housing, a new industrialized system, or a new way to utilize the single-family house. Whatever the innovations, the merchant builder may be a reluctant developer if the start-up costs or re-tooling processes are significant in relationship to the potential profits. In such a case ME may be forced to risk venture capital with the merchant builder often with the stipulation that if such prototypical experimentation is successful, the prime developer would receive royalty payments for all other subsequently developed units.

### 2. McKissick Enterprises - Housing Development Company

McKissick as a limited partner in an HDC. McKissick's role as a limited partner would be to supply equity funds and in effect become the sole limited partner or one of the limited partners. The HDC's are particularly adaptable to this arrangement since each individual project involves a unique investment partnership. McKissick may choose to put up capital largely to encourage development by a particular HDC that may be interested in development but unable to interest other investors. As limited partners they are in effect only "paper" partners, with all of the other responsibilities for expediting the development of housing left to the general partners. It is conceivable that even in cases where risks may be minimal, the prime developer may want to venture capital as a limited partner largely as a means of controlling HDC's policies, or simply to take advantage of a profitable market. In any event, the involvement can be minimal, requiring only a cash outlay (or land) and requiring no commitment or personnel or time. From the viewpoint of HDC's the involvement of the prime developer represents a few advantages other than the factor of lessening risks. McKissick may be expected to use his prestige and political influence in the local area and with government agencies to push through projects. Furthermore, his familiarity with the region may be valuable in supplying information on local construction practices for those HDC's headquartered at considerable distances from the target area.

### 3. McKissick Enterprises - Indigenous Community Developers

McKissick as a general partner to limited profit groups or as developer consultant to non-profit groups. As a general partner, McKissick may actively form limited dividend corporation made up of small businessmen or laymen for the purpose of developing more housing and furthering goals of community participation. Although it may provide some capital, its chief role would be that of expeditor, handling all of the administrative and management of the project. A by-product would be the training of

lay personnel in the techniques of development, such that future projects might be carried out independently.

In the cases of non-profit indigenous groups, McKissick could operate as the developer consultant and receive a direct fee from the government to process such applications through the federal agencies. Admittedly, this will have a tendency to tie up the prime developer's personnel in small scale parcel development, and the fees received may well cover only cost, but McKissick may be willing or forced to play this role to encourage social welfare goals.

McKissick again gets the advantage of significant control over ICD's at least for initial development, while also engaging in a training function, not to mention the intangible gain of affording community involvement in housing.

#### 4. McKissick Enterprises - Small Home Builder

McKissick may actively recruit such potential developers through the promise of start-up funds and venture capital. While McKissick may not become a legal member of each individual firm, it may act as a management and technical consultant, to the largely inexperienced developer. The delivery of funds and services might be through write-down on the cost of land, direct capital grants, or capital equipment necessary for production. In all cases, these would be loans paid back over a period of time, sufficient to allow the sub-developer a chance to realize a profit. Although each individual builder may require only a relatively small amount of funds or services, collectively the investment by McKissick might be significant. The value to the prime developer is not in the profit made on the loans, (for in many cases the interest rates may be below market rates), but in the furthering of economic development among indigenous residents of the area. It is conceivable that such developers may over the long haul grow and become a chief source of labor supply for later development.

To summarize. The joint venture, by its very nature, is a kind of last-ditch effort by the prime developer to encourage development by his sub-developers. Faced with the need to sell land at a given pace, and the corresponding need to avoid the appearance of stagnated development, the prime may be forced to show faith in his town by taking on further risks in housing development. Ideally what is hoped for is that there be no need for the joint-venture. However, such is not likely to be the case in Soul City, and in planning the housing development process, McKissick may be wise to set aside considerable capital for possible joint-ventures.

Type VII. - The Public Housing Agency

This sub-developer refers to the sole public agency of a local governmental unit charged with the responsibility of providing housing for low-income families.

Although the initial concept of government-built housing was resisted by private housing groups, the intervening years since the inception of the program in 1937 have brought on the gradual acceptance of such housing as a part of the total housing picture in the United States. Though the concept has been accepted in principle, the actual production of public housing units has been slow in comparison to the need. Public Housing Agencies have built 650,000 units since 1939.<sup>23</sup>

In the first years of the program, construction was rather brisk. The idealized recipient of this housing was pictured to be the hard-working deserving poor, victimized severely by the depression, the elderly, and the handicapped. World War II slowed production to a standstill and not until 1949 did a revival in construction start but never at the pace of the early days. The 1949 Housing Act changed the policy of public housing, using it as a device for slum clearance. Local agencies had to certify that for each new unit of housing built a corresponding unit of slum housing had to be demolished. The slum clearance provision had the net effect of only replacing housing while not increasing the supply of low-income units. Subsequent provisions of the law now make it possible to build new units where there is "an acute shortage of decent, safe,



and sanitary housing available to families of low income."<sup>24</sup> The slowness of production can be attributed to many factors, not the least being the fact that the clientele for public housing has undergone a perceived change by the public, from the hard-working poor to the "less socially desirable" racial minority groups, welfare recipients, and the unemployed.

Technical capability: Housing agencies are structured similarly to the Type III and Type IV sub-developers. They possess no in-house construction capability, choosing instead to contract with other builders or developers to construct the required units. The predominant housing type is the multi-family unit. Typically, these units provide only the basic necessities, and are durably constructed to last for periods of up to sixty years.

In recent years, there has been an attempt to get more involvement by the private housers, and also to improve the environmental and esthetic quality of the projects. The new Turnkey programs reflect this new direction in policy. However, under traditional methods of developing the agencies acquire land, perform feasibility studies, provide engineering services, and supervise construction. Units are designed and built according to strict federal guidelines to insure minimum property standards.

Administrative ability: In the traditional housing agency, all of the administrative tasks required for development and post-development management are staffed within the agency or local governing bureaus.

In the Leasing program, all of the development is handled by the private developer. The maintenance function is shared with the local agency.

The agency is also responsible for placing tenants and other management functions.

Under Turnkey, development is also the responsibility of the private developer. The agency buys the project from the developer to resell to tenants or co-op groups. It is the agency's responsibility to assess the plans of the project to determine feasibility and conformance to federal guidelines.

In addition to administrative functions related to maintenance and management, the Housing Act of 1968 authorized local agencies to provide "tenant services" in the form of counseling on household management, child care, housekeeping, etc.<sup>25</sup> Such functions are administered usually by the existing municipal agency charged to deliver such social services.

Funding sources: Local public housing agencies get most of their funds from the United States Housing Authority.<sup>26</sup> For land acquisition and development, the local agencies are eligible for loans up to 90% of replacement cost, or capital grants not to exceed 25% of replacement cost. To be eligible for grants, the local government must contribute at least 20% of replacement cost in either cash, land, or community services or facilities. The 10% required equity in the case of a maximum loan may also be contributed in a similar fashion. Some municipalities raise their equity by issuing bonds.

Funds to maintain the low rent character of the project are allocated by the federal authority in the form of annual contributions. The amount

of such funds is fixed by the federal government, and are dependent on local characteristics of personal income, cost of housing and prevailing construction costs.

Profit and investment outlook: Public housing agencies are non-profit. Their mission is to provide a public service, and as such any residuals accruing to the agency are applied to reducing the annual contribution granted by the government.

Social welfare orientation: Public housing was ostensibly conceived to satisfy social welfare objectives. Past performances seem to indicate that housing agencies too narrowly defined their mission. The emphasis for so long has been on the mere provision of cheap shelter, at the expense of relating that shelter to the social needs of the tenant.<sup>27</sup> Recognition of the failure to administer to the social needs of the poor, resulted in revised legislation in 1968 calling for tenant services, and participation by the tenant in project management. Even more recent emphasis on homeownership, through sale of public housing units to tenants, reflects a new policy of granting to the tenant the maximum degree of control over his housing environment.

CHAPTER VI. CRITERIA FOR RANKING SUB-DEVELOPERS

Given the essential characteristics of the various potential sub-developers, McKissick at some point in the preliminary development stages must make some assessment or evaluation of where and how each developer can be used to further his own specific required objective for low-income housing and the total housing program for Soul City.

In order to systematically get at this problem I propose the development of a set of criteria that quite possibly may be pertinent to the prime developer in judging the potential use of sub-developers. The following list of criteria is not all-inclusive, but merely representative of the kind of requirements the prime developer may want to use in his evaluation process. For each criterion, the sub-developers are ranked according to how well their particular characteristics satisfy or fit the specific requirement. In the interest of brevity, I shall rank only the first four, from best to worst, on the theory that while the other three may satisfy some modicum of the criterion, their value to the prime is marginal when compared to the first four.

The criteria used are:

1. Degree of technical and administrative expertise;
2. Capability of producing a broad range of housing types;
3. Probable capacity to accept innovation and experimental housing;
4. Orientation to social welfare issues;
5. Investment outlook as it relates to tenant control and management;
6. Aid required by the prime developer to support sub-developer.

The potential sub-developers are:

- Type I - Merchant builder
- Type II - The potential small home builder
- Type III - Housing development companies (HDC's)
- Type IV - Major professional non-profit companies
- Type V - Indigenous community corporations (ICD's)
- Type VI - Joint-ventures -- prime and sub-developer
- Type VII - Public housing agencies

Criterion #1 - Degree of technical and administrative expertise

Sub-developer ranking:

1. Type I
2. Type III
3. Type IV
4. Type VI

This criterion refers to the ability of the developer to handle all of the required tasks inherent in housing development. All of the above developers evidence some substantial track record. Type I ranks first largely because they possess the total in-house capability to produce their product, despite the fact that the degree of efficiency is directly related to the size of the organization. Both Type III and IV are probably equally adept, but must depend on outside sources to perform some functions. Type VI is mentioned as a last resort, largely because the joint venture is a definite possibility with Types I, III, or IV. If the land development strategy of scattered site development is valid, then these

four developers by virtue of their size and expertise may be the only ones capable of absorbing the built-in inefficiencies, that are inherent in such a strategy, through tight control and scheduling techniques.

Although none of these sub-developers is likely to be "comfortable" with the scattered site strategy (probably preferring the traditional large scale contiguous approach), they represent to the prime developer the only resource for fast, large scale development over a wide area.

Criterion #2 - Capability of producing a broad range of housing types

Sub-developer ranking:

1. Type III
2. Type IV
3. Type I
4. Type VI

This criterion refers to the sub-developer's versatility in producing a variety of housing types preferably over a broad income range. Again, the same four "professional" sub-developers rank high. Type III ranks highest, largely because of his track record in producing a variety of multi-family units (apartment blocks, townhouses, rowhouses, garden units, etc.), for high and low income families. Type IV seems equally capable of a variety of styles, but is ranked second largely because they are restricted to low-income ranges. Type I is given a qualified ranking, because certain large merchant builders have displayed the ability to

produce more than the single-family housing type. Type VI is mentioned again because of the joint-venture possibilities.

The value of versatility may be considered an important characteristic given the strategy of scattered site development, and the goal of interspersing income groups. Conceivably those developers that can build a wide variety of types will minimize inefficiencies by buying contiguous parcels even when the stipulated housing type is different for each parcel. Likewise, if such a developer can build over a broad income spectrum, he further increases his chances of consolidating parcels. From the prime developer's viewpoint, versatility means dealing with fewer sub-developers, thus reducing administrative problems.

Criterion #3 - Probable capacity to produce innovative and experimental housing

Sub-developer ranking:

1. Type VI
2. Type IV
3. Type III
4. Type V

To satisfy goals of providing new technical and social innovations in housing, the prime developer on his own, or as a joint venture, may have to risk capital. Type IV developers, because of their social welfare orientation, may also be able to attract funds to support innovations. Their chief concern may be more in the direction of financial and socio-



economic experimentation in home ownership, management, etc. Type III as a sub-developer is probably less concerned with social issues, but given substantial connections in political circles (which is a prerequisite for acquiring funds), this sub-developer might well engage in technical innovations largely because of the potential for publicity in the likelihood of "successful" efforts. The Type V developer, although possessing little in the way of professional expertise, is listed because his social welfare motivation would seem to make him likely and willing experimenters in new programs.

Criterion #4 - Orientation to social welfare issues

Sub-developer ranking:

1. Type V
2. Type IV
3. Type II
4. Type VII

This criterion basically asks the question "which sub-developer best exemplifies the spirit of maximum participation by community in the development process. Clearly the indigenous community groups (Type V) seem to be the most likely developer concerned with such goals, primarily because they are locally based, familiar with local problems of the poor, and are identifiable by the poor as being "of the community." Thus, they are more likely to want to involve local people in construction and

training programs, and in tenant control and management once development is completed. Home ownership, also democratic rule, and social economic mobility are likely to be widely held values among ICD's. Type IV developers are equally likely to be concerned about social welfare issues, but their size, and regionally based headquarters, make them "invisible" benefactors of the poor. Furthermore, such organizations may at times be more concerned with product and efficiency, than with process and community participation. Type II developer, although profit-oriented, by his local character, and indigenous roots, can be identified by the community as a member gaining a "piece" of the development action. Type VII is mentioned largely because its stated mission is the provision of housing for those citizens unable to compete in private markets. It has only very recently begun to deal with issues of community participation, tenant management and homeownership.

Criterion #5 - Investment outlook as it relates to maximum tenant control and management

Sub-developer ranking:

1. Types I & II
2. Type V
3. Type IV
4. Type VII

Both developers Types I and II have short-range investment outlooks. The quick sale of units directly to the consumer who becomes the homeowner represents the ideal in terms of tenant management and control. The

Type V and Type IV developers have the option of outright sales to cooperative or individual users, or of retaining some degree of control through rental. In the case of a rental type of tenure, these groups do not seem adverse to the idea of tenant management boards, grievance committees, and other devices that allow for significant tenant voice in surrounding issues of housing and maintenance. Public housing authorities are relatively new and reluctant to the dynamics of community participation, although they possess the legal authority to encourage homeownership and tenant management through its various programs of Turnkey, Leasing, etc.

Criterion #6 - Probable aid required by prime developer to support sub-developer

Sub-developer ranking:

1. Type II
2. Type V
3. Type VI

The Type II developer may require the greatest amount of aid, both in the form of technical and administrative assistance and in the actual lending of capital to support the cost of starting up. Furthermore, the prime developer may be forced to be the buyer of last resort. In the case of the Type IV developer, the prime developer may be required to offer technical, administrative and political advice in expediting applications through the federal bureaucracies. "Seed" money to limited-profit sponsors may also be required. If the joint-venture is required, the

developers' contributions are likely to be a combination of technical administrative, and financial aid.

CHAPTER VII. THE BARGAINING PROCESS: SUB-DEVELOPER VS. PRIME DEVELOPER

Once the prime developer has assessed and evaluated the strengths and weaknesses of each sub-developer, he is now in a position to more accurately define what bargaining positions he may have to take to induce development by each sub-developer type. McKissick Enterprises has taken the position that it will want from each sub-developer three things:<sup>1</sup>

1. An agreement to buy land at the stipulated sales price. Obviously, because their chief source of profit is derived through sales of land, McKissick maintains that dilution of landprices will have an adverse effect on his ability to carry through on long range overall development.
2. Compliance by sub-developer to build according to stated guidelines of the planning documents. This would seem to indicate that sub-developers must conform to land-use and parcel plans which presumably will tie down factors such as the number and type of housing units, density maximums or projected income ranges of potential users.
3. Agreement by sub-developer to submit proposal of development plans to Soul City design-review board. The McKissick staff feels that in order to maintain control and coordination of the visual environment, they must pass judgment on the proposed plans of each builder to evaluate massing, use of materials, and overall design quality.

Given the fact that the social welfare objective is central to the Soul City concept, I would propose that the developers add two additional requirements from each sub-developer. They are:

4. Stipulation that indigenous and unskilled workers be employed in construction training. This would satisfy the objective of providing meaningful economic opportunity to the poor and unskilled.
5. Stipulation that prospective consumers of housing be allowed some modicum of participation in housing management with some timetable to allow for complete control or ownership by tenants. This would insure that eventually residents could participate and eventually control their housing environment.

It is not likely that the prime developer will get uniform compliance by each sub-developer on all the stipulated demands above. It does, however, seem probable that McKissick's bargaining position is strengthened in direct proportion to his ability to satisfy the counter-demands or pre-conditions of each sub-developer. It is conceivable that in each case the prime developer will be forced to surrender concessions.

To determine the nature or degree of concessions that may be required by the prime developer, I have made a study of the probable pre-conditions for venturing in Soul City for each sub-developer type. Some of these pre-conditions or demands were gotten directly through interviews with sub-developers. Other insights were inferred from the specific characteristics of the developer. By assessing each sub-developer's pre-conditions the prime developer can decide what negotiating stance would be required to induce development.

#### Type I. THE MERCHANT BUILDER

Pre-conditions for Soul City development: (the following comments were excerpted from interviews I had with representatives of Ervin Construction Company, Thomasson Construction Company, and The H. A. DeCosta Company.)

1. Positive evidence of the existence of a potential market for housing. Positive evidence was considered to be market data from reliable sources supplied by the prime developer, in addition to personal investigation by each guilders to assess the locational problems inherent with the new town. Positive indications that industrial commitments had been made to Soul City was considered a major factor in determining job availability, and the probable income ranges of residents.

2. Assurance of the availability of funds from local financial institutions. Although the Ervin Company was not overly concerned about this, the smaller builders (DeCosta and Thomasson) indicated that their existing sources of funds were not likely to want to invest outside a certain area. (Small banks and savings and loans rarely operate beyond the confines of their immediate community.)

3. All of the builders said they would require some assurance that there existed in the region a "reasonable" size construction industry, which I assumed meant adequate materials suppliers, and a skilled labor force. The builders, if convinced to venture in Soul City, expected to recruit a significant number of skilled workers from the region, with supervisory personnel coming from the home office. The availability of materials suppliers was more crucial to the smaller builders than to Ervin, who generally maintained large warehouses and bought directly from the manufacturer in bulk.

4. The credibility of the developer was a factor mentioned by all the builders. Although the merchant builder's investment is essentially short range, he must rely heavily on the judgments and competence of the prime developer. Thus, some indication of the financial solvency of the prime, an evaluation of at least the short range goals of the town, with some assessment of past performances and overall reliability were considered major factors.

Of the above four pre-conditions, the two relating to market factors and developer credibility seem, in my opinion, to be most crucial. Interim funds for construction, or availability of labor, while important factors are minimized if market data is favorable, and the prime developer displays an ability to carry through on development. Obviously then, McKissick's position is enhanced if he can show convincing market information, and financial stability. In reality, no amount of data will be convincing to all the builders, and McKissick will be forced to concede some of his demands.



Likely concessions:

1. Relaxation of the design review process. Given the fact that merchant builders depend on a single housing type, and the repetitive use of similar models, these developers are not likely to relish risking the chance of having a design review board tamper with their mode of operation. The prime developer sacrifices some control over design quality, but may consider this cost minimal when compared with other alternatives.
2. Elimination of the training programs for unskilled workers. The merchant builder is their concern, for efficiency and speed are not wont to be saddled with training unskilled workers, although they may well be a source of employment as laborers. The cost to the developer may be significant in social and political terms.
3. Lower land sales price or delayed payment on land. The prospect of lower prices on land may be most attractive to builders who may require that profit margins be greater because of the potential risks involved in new town ventures. This concession, in financial terms, hurts McKissick but may be the primary one to induce development in early stages when risks are greater.

The size of the merchant builder may be an all-important factor in the bargaining process. Small merchant builders buying smaller quantities of land may be more compliant once they are satisfied that a potential market exists for their product. The larger builders who may want to buy in large quantities may use the size of their purchase as leverage to extract more stringent concessions from the prime developer. Furthermore, the large, experienced builder in dealing with an inexperienced, untried prime developer may psychologically gain the upper hand in any bargaining session, because he is presumed to be an expert. It may be wise for McKissick to avoid this situation by choosing the middle-sized firm (75-210 houses per year) which could offer both the needed efficiency, yet still be controllable by the amount of land he is allowed to develop.

Finally, McKissick can ill afford not to deal with the merchant builder in the event that his likely concessions still fail to bring on an agreement to build. Further concessions may be made, because the merchant builder's efficiency and minimal support required of the prime developer in early years of development may be more valuable in moving development along at a brisk pace, than the "temporary" losses given up during the negotiation period.

Type III. THE HOUSING DEVELOPMENT COMPANY

Pre-conditions for Soul City development: (The following are largely comments taken from an interview with Denis Blackett of Housing Innovations. They are not radically different from the concerns expressed by the merchant builder, and as such, I will only relate those points that are peculiar to the HDC's outlook on development.)

1. Credibility of the prime developer is most important to HDC's who are faced with potential long-range investments in income-producing property. HDC's would be concerned that the prime developer is capable of planning and following through on all of the important areas of town development to insure that their investment be protected from property de-valuation and adverse environmental factors. To this end, an evaluation of the developer's financial solvency and the competency of his planning proposals would adequately allow the chance to assess the risk in developing in Soul City.

2. Market data from reliable sources was also considered a primary factor. Salient features to indicate a favorable market outlook were: the existence of a noticeable growth in population in the region, a shortage of adequate housing, the influx of new industries, and the degree of accessibility to other major population centers.

3. As potential early developers, Blackett felt that HDC's would definitely seek to minimize their risks by asking for

lower land prices with higher potential profit margins, or purchase-money mortgages on land acquisitions to minimize their initial out-of-pocket expenses.

4. Assurance that local financial institutions would back construction loans was a secondary concern related to minimizing the time involved in expediting development. In most cases, HDC's permanent financing would come from previously utilized resources. Because many HDC's would be new to the region, they might want to be assured that the prime developer has established a reasonable rapport with local and regional offices of the federal housing bureaucracies to facilitate smooth processing of applications.

5. Finally, the availability of a construction work force in the region, or construction companies, or contractors with good track records in multi-family dwelling construction, that existed in large enough numbers to support the possible "boom" period in construction the Soul City area was considered of some importance.

Again, solid market information, evidence of financial solvency, and competence are key factors that would strengthen the bargaining position of the prime developer. Presumably, HDC's will want to take a longer and harder look at these factors, because of their long-range investment outlook. In looking at the possible concessions that could be made, McKissick may be more prone to give up those requirements that were "temporary" financial losses, but holding on to those that might entail permanent social costs. Thus, he may want to hold out for tenant participation in management, with some prior agreement that ownership be transferred to the tenants at an agreed upon date. Likewise, he may want to hold out for construction training programs, largely because HDC's generally utilize larger construction companies that could more easily absorb unskilled workers.

Pre-conditions related to "greasing" the wheels of the local bureaucracies may be quite possible for McKissick to handle given his prior performances in the political arena, and the federal government's prior commitment (at this point) to back Soul City. But the problem of procuring construction firms to handle development are largely dependent on the state of the economy at the time of impending development. At best, McKissick's staff can only compile a list of potential construction firms in the state.

Likely concessions:

1. Relaxation of design review process. This might be reasonable since the relative quality of construction and design by HDC's are generally better than merchant builders, because of their long-range investment characteristic.
2. Agree to delayed payments on land. Conceivably, by minimizing the front end expense the HDC's minimize their risks, but get the benefits of appreciating land values in the event of successful town growth. HDC's may further insist that the price of land be lowered directly at time of sale and depending on McKissick's bargaining position he may have to concede this also.

The HDC's, because of their flexibility, versatility and efficiency, also represent a potential major builder of housing (of all types) in Soul City, and may also be indispensable to the prime developer in early stage development.

Type IV. THE MAJOR NON-PROFIT COMPANIES

Pre-conditions for Soul City development: (These are excerpts from an informal conversation with Pat Alvis of the Foundation for Cooperative Housing (FCH), a major non-profit houser.)

1. Market factors. Some evidence that a critical need for low and moderate income housing existed in the seven-county Soul City region.

2. Land price. Guarantee that land prices not exceed federal appraised market value, and that such land not be "marginal," instead being accessible to proposed major activity areas, and serviced by all necessary utilities.

3. Long-range evidence that the projected environment for Soul City will enhance the housing development, resulting in appreciation, rather than depreciation of the value of the property. This pre-condition was motivated by a concern that residents as potential buyers of their housing would "take over" housing that had some "increased net worth."

McKissick's bargaining position appears to be strongest with the major non-profit developer, largely because their social welfare orientation tends to coincide with the overall goals of the new town. It is not likely then that the prime developer will have to concede very much beyond assuring that land prices fall within federal appraisal values. However, because of their tendency to build housing in large contiguous areas, McKissick may want to bargain, in exchange for lower land sales prices, that building occur strictly according to his scattered site land development strategy. Conceivably, non-profit housers will not be adverse to design review boards, construction training programs, and tenant management issues, thus McKissick may find that in early stage development, the Type IV developer may be his prime vehicle for immediately satisfying relevant social and environmental goals. In addition, early involvement in Soul City enhances the chances that the Type IV developer can be used as a training model for potential indigenous community developers.

Type II and Type V. INEXPERIENCED INDIGENOUS COMMUNITY DEVELOPERS

Pre-conditions for development in Soul City: (Inferred assumptions and my own personal experience with SERIC are the bases for the following.)

The community developers, although partially interested in the profit motive, tend to bring a different slant to their requirements for involvement in Soul City. Rather than define credibility of the prime developer, in terms of competence and financial ability to produce, they tend to see it in terms of social commitment to uplift the plight of the poor.

1. Confirmation that a "market" exists for low and moderate income housing. This definition of market is related more to the potential attractiveness of the total environment for poor people. Most such groups already know that there is a critical shortage of decent housing. What they are concerned about is more than decent shelter. Market means, adequate social programs to minister to the needs of potential tenants, a politically responsive environment, and meaningful jobs.
2. Assurance that the developer's "commitment" extends to cover needed financial and technical support. This would be in the form of lowered land prices, "seed money" backing, expedition of applications through federal bureaucracy, etc.
3. Small builders may want assurances that their risks are further minimized by holding out for guaranteed buy-back agreements.

Obviously the biggest concessions the prime developer will have to make come in dealing with the community developers. These concessions, however, are largely in economic terms. The cost of "baby-sitting" each developer, the possibility of direct financial assistance, and the

increased risk of having to bail out financially-troubled groups means that the prime developer's financial position must be solid before he chooses to solicit this group. On the other hand, because his role is almost that of a benefactor (at least in first ventures by these groups) he may exert a great deal of control and compliance in exchange for his financial and technical support. However, in reality, indigenous groups may internalize how valuable they are to the Soul City concept (in that they epitomize the goals of community involvement in development) and are likely to resist absolute compliance with the wishes of the prime developer, despite his heavy financial and technical assistance. In any event, the cost to McKissick is lower profits in return for fulfillment of social welfare aims.

There are, nevertheless, long-range financial benefits to be derived along with the potential for personal satisfaction. McKissick may want to publicize widely the involvement of ICD's and small builders, since they are in character with his goals for Soul City. To do this, his initial investments in them can be rationalized as making sure that each such developer is "successful," in the public eye. On the other hand, successful ventures by these groups may pay long-range dividends, particularly if they become more than "one-time" developers. These new-found skills may be parlayed into the advanced years as a primary source for housing development, but more important, many such developers may export their "expertise" to other areas similar to Soul City. To the extent that they have been nurtured and guided by McKissick, the concepts

of Soul City will potentially be proselytized far beyond the regional area of the town. If such were the case, McKissick's initial investment will have paid great dividends, both economically and socially.

Type VI. THE JOINT VENTURE

The possible situations previously discussed regarding use of joint ventures seem adequate to describe the conditions under which McKissick may have to become involved directly in housing developments. (See Chapter 5.)

Type VII. THE PUBLIC HOUSING AGENCY

(Because there does not now exist such an agency in the Warren County area, and also because of the expressed reluctance of the prime developer to consider the need for such an agency, the following discussion departs from the format above, and is mainly a scenario of possible positions that can be taken by the prime developer in dealing with such public housers. Implicit in the discussion is an argument for establishing a public housing agency in the Soul City area.)

McKissick may be forced to deal with a public housing agency only as a last resort, when previous private efforts do not adequately reach the bottom of the income market. Given the prime developer's attitude toward incorporation of Soul City, (he does not choose to do so immediately), any public housing needed in the first years of Soul City



development will necessarily have to be administered by the county, with the resulting responsibility being county-wide rather than singly Soul City. To my knowledge, there does not now exist a public housing agency in Warren County, which means that to establish such an agency, McKissick may have to lobby effectively with county and state officials to get one established.

The county would have to be convinced that there existed a county-wide need for public housing. It would further want to assess what the cost to the taxpayers would be, given the fact that the law requires at least a 10% contribution toward development cost if the United States government loans 90%. The county may further want to assess the losses in taxes it will incur (public housing projects are tax exempt and make payments in lieu of taxes not exceeding 10% of the annual shelter rents) if public housing is used. Finally the lack of personnel and the cost of staffing a public housing agency may be additional factors to weigh also by county officials.

McKissick on the other hand may be able to make some strong arguments to counter. First of all, by increasing the population and income capacity of the county, the financial coffers of Warren County are likely to increase due to new tax resources many times its present size. In relationship to the size of the county, compared to Soul City, the losses in taxes (due to exemption clause) are likely to be felt more in Soul City than on a countywide basis. The 10% contribution might be contributed in services, land, etc. (McKissick may have to donate land in this

case to convince county officials.) Finally, under various new programs in public housing, private developers might take on the responsibility of development and management (Turnkey and Leasing) with the local agency being merely a conduit for annual contributions from the Federal Housing Authority. Such an arrangement could minimize the personnel problem and the overall cost of establishing such an agency.

Let me re-emphasize that McKissick seems to feel that other programs involving private sub-developers will allow him to reach the lowest income families in Soul City without resorting to the need for public housing (primarily rent-supplement under Section 236 and Section 221(d)(3)). Nevertheless, there is the possibility that families may be attracted to Soul City that may have little or no incomes. This may be due to the slowness of industries moving into Soul City, with jobs for such families, or due to faulty market information that failed to anticipate the large influx of such families. Whether these extremely low-income families are victims of a temporary or terminal condition, Soul City seemingly is obligated to make accommodations. (Under public housing, there are no minimum income limits, although in the Orange County-Chapel Hill area reasonable minimums are \$1,800/year for a family with no minors or two small minors, to \$2,160/year for three or more minors). These minimum incomes may soon be the incomes of families with no jobs, but receiving public assistance (if the President's new bill on guaranteed income passes). Thus it is quite conceivable that McKissick may need

to begin county negotiations for establishing some type of local housing agency that will be eligible to receive funds for public housing.

CHAPTER VIII. AN ANALYSIS OF PROBABLE ALTERNATIVES FOR IMPLEMENTATION

Once the prime developer has thoroughly evaluated his probable bargaining position with each potential sub-developer, he is now in a position to schedule a path of implementation that will allow him to judiciously take advantage of the strength and weaknesses of each. To put it all together, the pertinent elements are: the potential market factors that indicate the probable nature of the incoming market and their specific housing requirements; the availability of the appropriate sub-developers; and the financial position of the prime developer, McKissick.

Up to this point, we have looked at the probable market factors and contingent strategies for land development, and the sub-developer's characteristics. We have not, except in a very general way, seriously analyzed the projected financial position of the prime developer. We have alluded to the fact that his solvency may go a long way toward strengthening his bargaining position with sub-developers.

In their most recent economic model submitted to HUD, McKissick sets down his financial projections for Soul City over the twenty-year development period based on land sales, operation of a private utility company and interest rates received from loans made to the Soul City associational government. The sale of land represents the major proportion of proceeds accruing to the developer, and is dependent on a projected rate of sales per year throughout the development period.

In order to get a fairly realistic picture of the probable development path the prime developer should take, I've extrapolated from this

economic model the yearly profits (or losses) and the retained earnings of McKissick Enterprises. These projections by McKissick were probably based on a smooth, unhindered development period. For the housing analysis, the projected pace of land sales was translated into the probable number of housing units built. By coupling the number of housing units to be built in any one year, with the profits (or losses) accruing to the prime developer, I am suggesting that this information may be the final ingredient needed to predict a probable staging of development.

Chart VIII-a. shows the revenues vs. expenses over the twenty-year development period. Chart VIII-b. shows the retained earnings (or build-up in equity) over the twenty-year period. (Note: Because McKissick personally requested that the actual figures remain confidential, I am using only approximate numbers. However, the chart does accurately reflect the general financial state of the prime developer.) Chart VIII-c. shows the projected pace of housing development over the twenty-year period.

McKissick begins to show a small "profit" in year four of the development period. However, his overall retained earnings are not positive until about year seven (total outstanding liabilities at that point are exceeded by total assets). In reality, these figures and projections may be optimistic, especially when you consider that concessions to sub-developers in land prices may have to be surrendered, which will have the effect of flattening the profit curve, and extending the time when

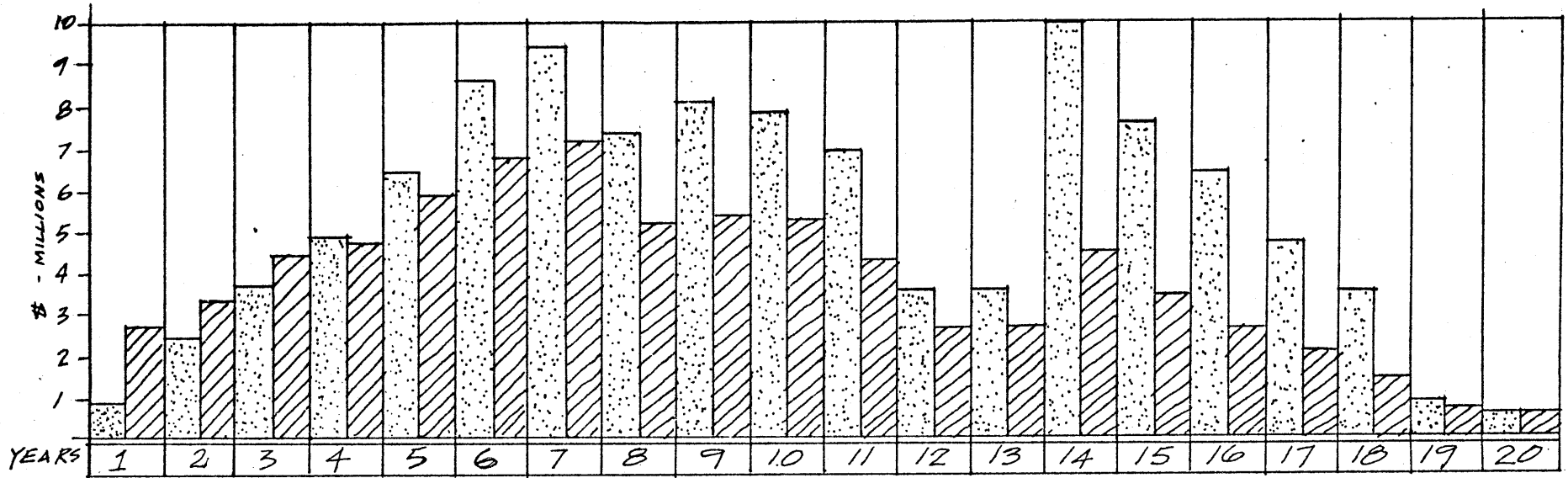


CHART VIII-2 REVENUES VS EXPENSES - MCKISSICK ENT'PRISES

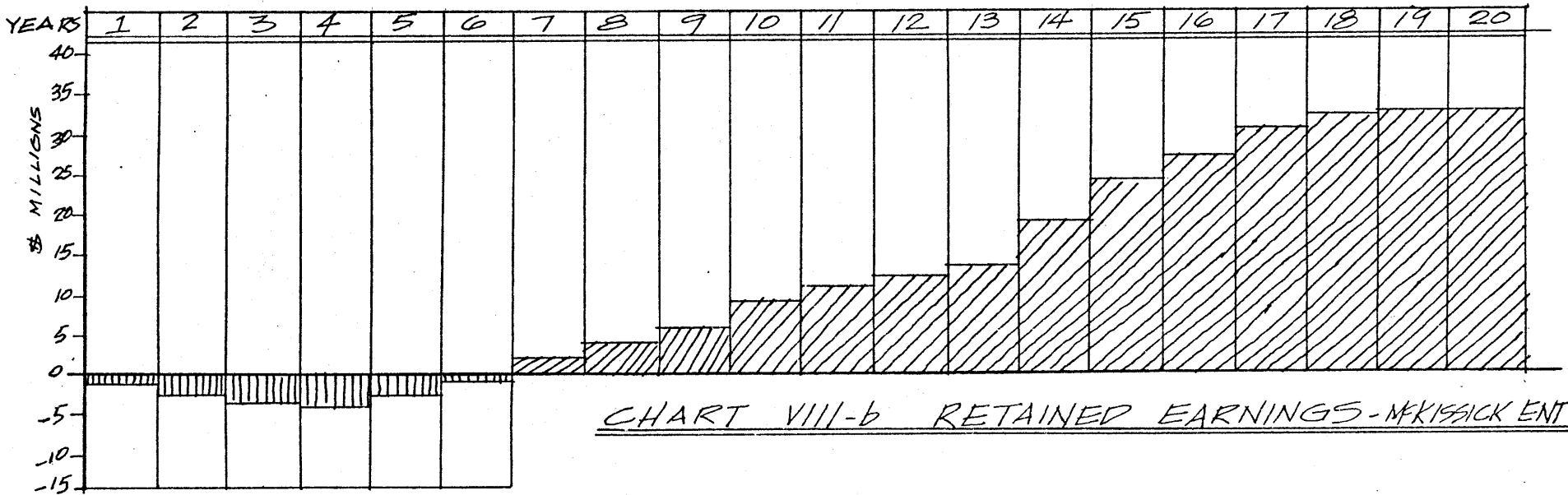


CHART VIII-b RETAINED EARNINGS - MCKISSICK ENT'PRISES

-047-

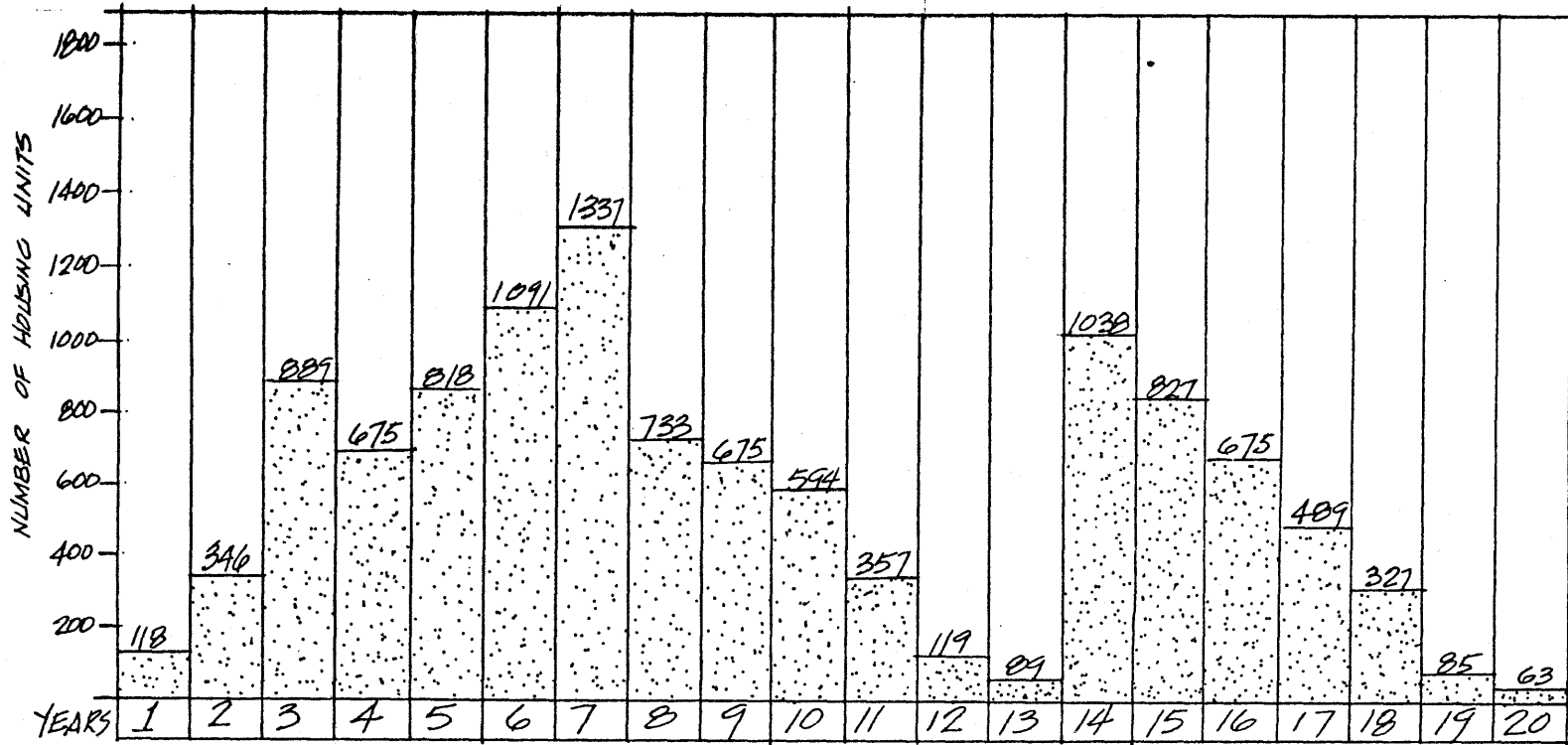


CHART VIII-C PROJECTED PRODUCTION PACE OF HOUSING



the prime developer will operate in the red. Nevertheless, we will assume for the purposes of the up-coming predictive model that these profit projections are realistic.

The chart showing probable staging of housing (Chart VIII-c.) reflects McKissick's assumption that Soul City's development will occur in three distinct phases. (The economic model refers to the development of three villages, which seemingly shows the influence of the Rouse plan of Columbia). Years seven and fourteen seem to be bellwether years signalling the termination of one phase and the beginning of another. In one sense, this "village" concept does not seem entirely consistent with the land development strategy proposed earlier, since it implies total development of specific geographical areas, before proceeding to another.

I prefer to make my own assumptions to rationalize adhering to McKissick's projected development pace, based on the peculiar needs of the prime developer to satisfy both financial and social goals. First, the years one through seven show a progressive upward trend in housing production. These years should be characterized by brisk sale and production, to establish a reasonable degree of activity (which attracts publicity and buyers), but more so to defray the tremendous carrying charges on land and infrastructure costs at a time when they are highest to the prime developer. The middle years starting with year eight and ending at year fourteen show a definite decline in production. This seems reasonable, since the "newness" of the town, and the accompanying publicity that it received at its inception, will have waned by that time. Thus,

the growth rate should slow and probably stagnate as new institutions and residents begin to settle down to the new environment. I cannot account for the sudden jump in production at year fourteen, except to speculate that, having completed the major portion of infrastructure work, the developer deliberately stimulates production by becoming directly involved in housing construction. The production again slows as year twenty approaches, signalling the exhaustion of all available developable land.

We shall then assume that all the projections on financial return and production pacing made by McKissick are valid for the purposes of the following model. The model brings together: (1) the prime developer's financial position and expected production pace; (2) the expected low-income market characteristics (based on earlier assumptions about that market); (3) the prime developer's motivations as they relate to his financial position and the market; (4) the probable choice of sub-developers; (5) the probable concessions required to induce sub-developers; (6) the overall implications for low-income housing development. To conform to McKissick's notion of three distinct phases in the development, the model is divided to reflect this: Initial years (1 through 7); Middle years (8 through 13); and Advanced years (14 through 20).

I. INITIAL PERIOD: Development Years One Through Seven

1. Financial Position and Production Pace:

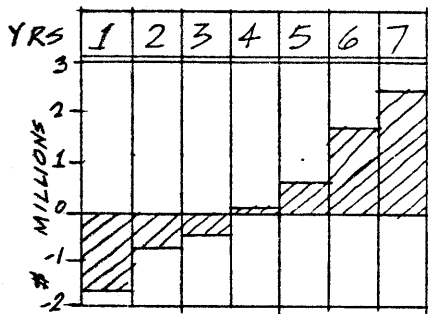


CHART VIII-2(1)  
PROFIT (YEARLY)

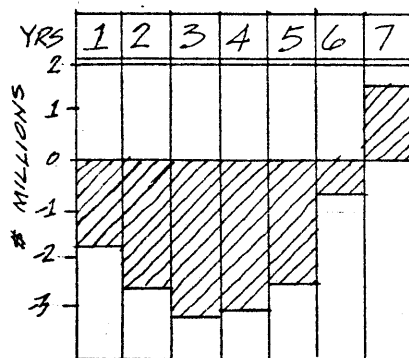


CHART VIII-b(1)  
RETAINED EARNINGS

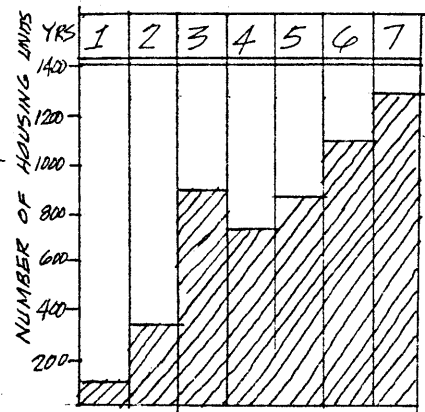


CHART VIII-c(1)  
HOUSING PRODUCTION

2. Expected Market Characteristics:

- a. Primary emigration areas: urban and rural southern communities.
- b. Race: predominantly black with few whites.
- c. Age: predominantly 19-35 years.
- d. Family composition: single males, married couples with less than two minors.
- e. Probable housing type: multi-family units (garden apartments, mid-rise or high-rise, row houses, few single-family units.)

3. Prime Developer's Probable Motivations:

McKissick's financial position indicates that he is operating in the red until near the end of the period. He is likely to want to sell land to those sub-developers requiring little financial or technical support from him, and whose efficiency and speed in production will keep pace with the incoming population. McKissick may have to resort, in earliest years, to mobile home settlements to handle the "transient" construction crews, but

beyond that expense he is likely to not want to extend his meager resources into housing development.

4. Likely Choice of Sub-Developer (in order of preference):

a. Type III - Housing Development Companies (HDC's)

1. their ability to build multi-family units for both low and high income groups;
2. no major cost incurred by prime developer in support role.

b. Type IV - Major Non-profit Companies

1. a professional developer capable of building multi-family units for low income;
2. will satisfy some social welfare objectives;
3. no major costs to the developer in a supporting role.

c. Type I - Merchant Builders (preferably versatile medium-to-large size)

1. ability to produce single-family units and a possible producer of multi-family units;
2. no major costs incurred by prime developer in a supporting role.

5. Probable Concessions:

- a. Lower land prices or long-term installment purchases to minimize risks. (Types III, IV, I)
- b. Relaxation of training requirements for employment of unskilled indigenous workers. (Types III, I)
- c. Relaxation of design review process. (Types III, I)

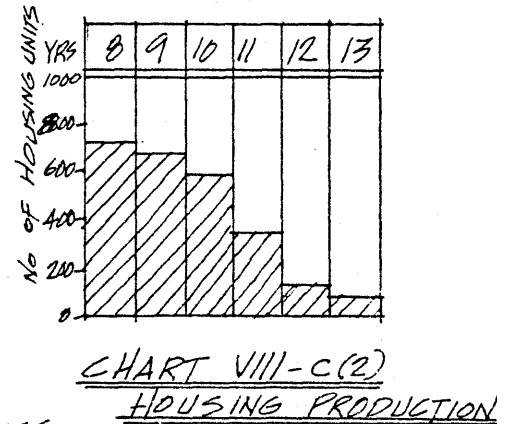
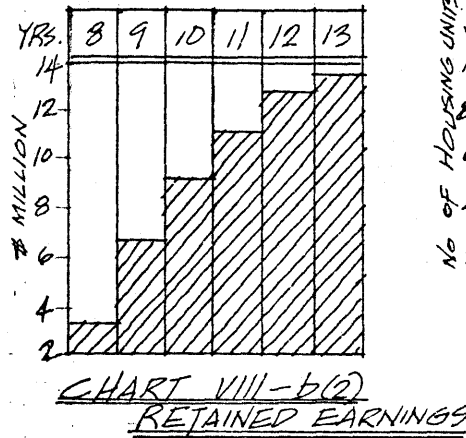
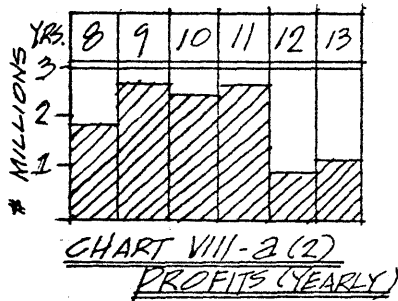
6. Implications for Overall Housing Development:

The utilization of large "outside" professional sub-developers reflects the prime developer's concern with efficiency, speed, and minimal cost to him. The price for this efficiency and expertise, is minimal involvement of community people (those first locating in Soul City or in the surrounding areas) in the planning or construction of housing. With the predominant housing type being multi-family units, and the corresponding investment outlook of major developer, it appears that residents will primarily be renters rather than owners, and tenant participation is likely to be held at token levels. (Significant participation reflected only by housing provided by non-profit developer, Type IV).

Finally, the physical environment may not radically change in appearance from that usually seen in most suburban developments. Relaxation of design review really means the right of sub-developers to design, and build as they had previously been accustomed. Thus, no new innovations in housing design or planning are likely to be revealed in the first seven years.

II. MIDDLE PERIOD: Development Years Eight through Thirteen

1. Financial Position and Production Pace:



2. Expected Market Characteristics (predominant):

- a. primary emigration areas: urban and rural southern communities; some small influx from northern communities.
- b. Race: predominantly black with rising proportion of whites and other minority races.
- c. Age (head of household): 19-50.
- d. Family composition: predominantly married couples with children, from infancy to teen-age; some female-headed families; fewer young singles, but slow increase in elderly population.
- e. Probable housing type: lower density housing - single-family units, duplexes, row houses; less emphasis on higher density, mid- and high-rise apartments.

3. Prime Developer's Probable Motivation:

Charts VIII-a.(2) and VIII-b.(2) indicate that the developer is now operating in the black and is also in a position to exert greater leverage in bargaining. The slower growth rate indicated in Chart VIII-c.(2), and the market indications of an older more stable population reflect the gradual incorporation of ancillary services, such as schools, recreation,

etc. Given his financial position, and his previous success, McKissick might take advantage of the middle years to encourage the development of indigenous and local groups in housing development.

Although land sales at a rapid pace may still be important, his financial standing would seem to be able to support the development of the smaller, less experienced groups. Furthermore, his profits may be used at this point to buy back existing projects from the major developers who built in previous years. This may be quite reasonable between years ten and thirteen when presumably Type III developers may be willing to sell, after having gotten their major profits due to depreciation and interest. Upon such a sale, McKissick could resell this property to community cooperatives, or existing tenants, etc. Finally, surplus funds might be further utilized in research and development of new and innovative techniques for housing production, or to underwrite the cost of establishing an on-site construction industry (materials supply franchise, lumber company, etc.)

4. Likely Choice of Sub-Developers: (Rather than depend solely on the major "outside" developers, McKissick may begin to shift emphasis to community developers while bargaining for greater concessions from those major builders wishing to develop further during this period.)

a. **Type V - Indigenous Community Developers (ICD's)**

1. satisfies goals of community involvement with development at all levels;
2. plausible resource for future development of housing.

b. Type II - Small Home Builders

1. satisfies goals related to providing economic opportunities;
2. predominant market demand for low-density single-family house makes him eligible as a sub-developer;
3. plausible resource for future development of housing.

c. Type VI - Joint Ventures (by McKissick with other developers)

1. utilization of resources to experiment with new techniques;
2. may be required with some community developers.

d. Types I, III, IV - for same basic reasons stated in the initial years.

5. Probable Concessions:

- a. Direct expenditures of time, money, and personnel to encourage development. (Types V, II, VI)
- b. Concession on land sales prices, purchase money mortgages, etc. (Types II, V, III)

6. Overall Implications for Housing Development in Soul City:

The probable increase in perceived community participation is socially desirable. I use "perceive," because in reality McKissick as "benefactor" may control to a large extent the nature and direction of development by ICD's and small home builders. Nevertheless, the "image" of local, identifiable grass roots participation in development may be valuable in raising hopes of community residents, who heretofore witnessed most development by "outsiders." Such developers may cause a significant



number of local people to become involved in construction training programs. (McKissick may have to underwrite a portion of training costs.)

Homeownership and control over housing may begin to grow as ICD's evolve into cooperative ownerships, as single-family units are sold to modest income residents, and as resale of property goes to community groups.

There are likely to be the first signs of design or housing innovations caused by the developer's increased leverage over sub-developers, and the possibilities of using joint ventures to research and experiment with new techniques.

Overall, the middle years can possibly be characterized as years of ferment and maturation. Small indigenous groups will be introduced to housing development which is considered socially desirable. But the tradeoff may be an overall "appearance" of stagnation, waste, and inefficiency. An increasingly diverse population, being introduced to home ownership and participation politics, is also socially desirable, but this new perception of power and influence may cause the polarization and factionalization of residents as they seek to acquire more power. Finally, the middle years mark the period when the prime developer reaches financial solvency, but despite his stronger control over sub-developers, his influence in the town may actually wane, as other institutions develop constituencies, among residents and as the town residents begin to clamor for more power.

It is, however, during these middle years of apparent stagnation, pressure politics, and the prime developer's declining influence, that the real character of Soul City will possibly begin to emerge.

III. ADVANCED PERIOD: Development Years Fourteen through Twenty

1. Financial Position and Production Pace:

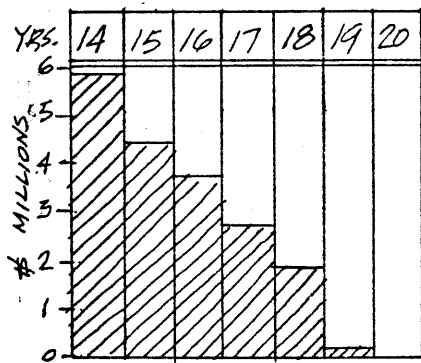


CHART VIII-2(3)  
PROFITS (YEARLY)

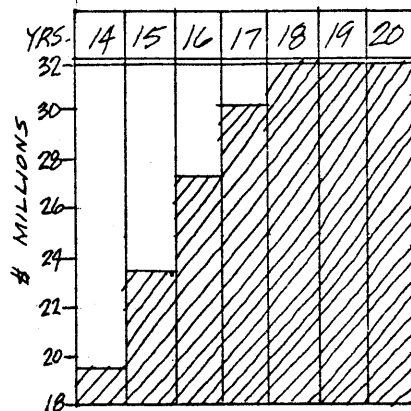


CHART VIII-5(3)  
RETAINED EARNINGS

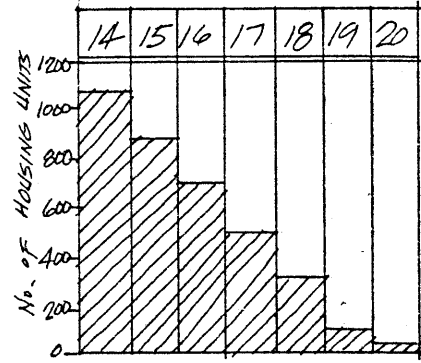


CHART VIII-6(3)  
HOUSING PRODUCTION

2. Expected Market Characteristics:

- a. Primary emigration areas: scattered - urban north and south, rural south, and other areas.
- b. Race: mixture black, white, and other minority groups.
- c. Age (head of household): 19 years and up.
- d. Family composition: all varieties - young and elderly childless, couples with children, young and old male and female singles.
- e. Probable housing type: diverse - multi-family, duplexes, single-family.

3. Prime Developer's Probable Motivation:

McKissick, in the latter years, may feel compelled to push for final completion of the project at a more rapid pace than the middle years. Having possibly evaluated the way existing residents utilized their housing and the degree of fit between tenant and physical shelter, the prime developer may now have a better command of what the market wants.

His small scale research and demonstration projects in the middle years may result in a decision to produce the new techniques or housing on a more massive scale. To further social goals on community participation, McKissick may introduce and support new groups of small builders and ICD's, but on a more limited basis. (Presumably a portion of the profits can support these groups, but McKissick may be forced to distribute larger shares to his investors, in addition to acquiring new land for other projects.) Possibly a greater reliance on older ICD's (Type IV) and Type VI developers may be called for, because of their experience gained in earlier projects. Such ICD's and home builders may require little capital costs to the developer, while offering him the chance for easy bargaining to induce participation. (He may be able to successfully encourage innovative design approaches, etc.) The larger Type I and Type III developers will still want in on the action (more so since the risks are now minimized). McKissick's bargaining position would be considerably stronger than in the earlier years. His financial status, his previous track record, and the availability of other sub-developers are factors contributing to this. Few, if any, concessions may need to be given up. In fact, McKissick may now be in a position to require more community involvement with developemtn by these sub-developers. (The existing community could conceivably exert counter pressure since they may be loathe to having "outsiders" come in for a profit.) Despite their efficiency and capability, McKissick may choose not to deal with them, given the political cost related to expected community protests. The public housing authority may be a limited developer in the advanced

years since the possibility does exist that in a diverse cross-section of population approaching 50,000 people, some families may not be covered under existing programs.

4. Likely Choice of Sub-Developers (in order of preference):

a. Type VI - Joint Venture

1. to support new methods and innovative design;
2. to fulfill unmet goals.

b. Type V and Type II - Indigenous community developers;  
Small Homebuilders

1. to take advantage of their newly-acquired experience;
2. to foster development and growth of new groups.

c. Types I, III, and IV - Professional Builders

1. to insure completion of required housing units.

d. Type VII - Public Housing Agencies

1. as a last resort to guarantee inclusion of all income groups in decent shelter.

5. Probable Concessions:

- a. Direct expenditures of time, money and personnel to support new community developers (Type V, Type II)

6. Implications for Overall Housing Development:

The advanced years of development might well be characterized as years of introspection, research, and evaluation. Although the prime deve-

loper's tendency may be to "get on" with the completion of the town, his emphasis should be less on a frenetic pace of activity and sales, and more on execution and fulfillment of yet unattained goals. Thus, despite the fact that the production of housing is more prolific between year fourteen and eighteen, the increased rate may be more attributable to technology and market conditions rather than a need to "finish rapidly." To further evaluation and in-depth analysis of how housing can be made more responsive to the needs of the consumer, McKissick may well seek funds at this point or make outright grants to support "local housing sessions" to study this and other social issues. Experienced ICD's should be prime candidates for participation in such sessions, for in taking on new development, many of these developers will for the first time be able to look beyond the sticky problems of administration and application processing, to the more significant questions of how to broaden the participation process in design and development to further maximize the utility of the final physical product. Evaluation of their past efforts are likely to produce a desire to correct their efforts and mistakes. What might evolve are systematic techniques to evaluate user needs and user response to the housing environment. The design process might broaden to include surrogate clients paid to engage in "charette" sessions in order to help "professional designers" to find a more accurate "fit" in physical product. Whatever the new approaches, McKissick may find value in financially supporting such new innovations. By maintaining amicable rapport with his protege community developers, it is not inconceivable that the last years of housing development in

Soul City may resemble a kind of "working laboratory" researching new social and technical ways of improving the quality of housing and housing services.

#### IV. SUMMARY OF THE MODEL

Over the long haul, the above projections on the possible path of housing development seem quite logical, given the factors of market, the financial position of the prime developer, and the special characteristics of the sub-developers.

Even when you view this development on a social or environmental continuum it seems to make sense. We have argued that, in the initial years of town growth, the purely business constraints placed on the prime developer may force him to utilize outsiders primarily to "prime" the development process, largely because they require less cost to him and are able to carry on efficiently and over a short period of time. However, by using such developers, we have also implied that the prime developer may be placed in a weaker bargaining position (given his financial status and the comparative expertise of large experienced sub-developers), and as such may be unable to carry through on certain social and environmental goals immediately. Thus, the town's character in those first years may not be radically different from the typical "suburban" development, possibly evidencing no "newness" in design or planning techniques. In fact, I suggest that construction innovations, social innovations, and design innovations will be characterized by a kind of gradual evolution

over the twenty-year development period, and quite possibly will continue long after McKissick has left the Soul City scene.

This gradual evolution, "by accident," may be socially beneficial when you consider the problems of acculturation of the incoming population to a new environment.

It has been stated, and proved by sales figures, that the Reston failure was largely due to a fallacious assumption on the part of the prime developers that middle-income families would desire an urbane, sophisticated architectural environment made up predominantly of contemporary multi-family housing. Robert Simon, the prime developer, ignored the fact that Americans identified "home" as a single-family, traditionally-designed house in almost nine out of ten cases.<sup>1</sup> By insisting on the contemporary atmosphere, the prime was forced into serious financial deficits, and ultimately had to be bailed out by new investment backers. Although Reston today enjoys some degree of success in selling the contemporary units, it appears as if the public had to gradually respond or be educated to the benefits of such an environment.

The lesson for Soul City developers may be that gradual evolution into a "new" kind of environment may be an asset, for handling acculturation problems of both low and upper income residents. Although low-income residents may not presently be living under the best of circumstances, they do tend to visualize their "dream" environment along the lines of the typical middle or upper class symbols prevalent at the time. Thus, the rural farmhand in Warren County may desire the opportunity of a

three-bedroom single-family house rather than a "Habitat," with its radical visual appearance and extremely high density, simply because he can relate to the single-family house in his everyday experience. This may also apply to potential upper-income residents of Soul City. Aside from the appearance, density, or type of housing that people are likely to hold up as ideal models, the concept of "space" may also be a critical factor. A former Harlem resident may not clearly understand the significance of communal open space, nor his rights and responsibilities with regard to that space. Similarly, rural residents may clamor for territoriality, that is, private front and back yards or places where they can plant vegetable gardens. I submit that a sophisticated plan that relies heavily on "ambivalent" (to the unfamiliar user) communal spaces may be a tactical mistake in the early years, largely because residents may not be able to relate to it, or may have internalized some other more appropriate concept of an ideal physical and social environment.

I do not argue for a permanent "status quo" environment, but I do suggest that innovation for innovation's sake may clearly reflect an "elitist," "we know best," attitude on the part of designers and planners. It would seem more plausible to engage in a gradual process of education, stimulation, experimentation and token innovations, rather than pushing for radical change immediately. Although I'm aware that the prime developer, by the time new residents begin to arrive, has made a substantial investment in infrastructure (probably based on some "innovative" master planning concept) and is not wont to change once this investment is made, I would argue that in early phases the "above ground" manifestations of



the infrastructure (roads) should not be radically different from standard planning concepts. This then allows for a gradual, in-depth analysis of the need, if any, for innovative techniques. Thus, if you start with token innovations and allow for rigorous feed-back sessions with the initial settlers, a more responsive evaluation can be made related to people's needs. This avoids a priori assumptions, fads, and values to be imposed by the planners and designers. Of course, professional planners and architects in any real situation will try to educate the public (I do feel that this is part of their responsibility), but at least in the scenario I suggest, they will be forced into a dialogue with user groups which cannot help but be beneficial to both parties.

The same type of argument can be made regarding community participation and homeownership which may be only token in the initial years, due to the sub-developers characteristic investment outlook. Immediate control or homeownership for low-income residents may not always be a socially desirable panacea to solve social problems. But the expectation of control or ownership, and the incumbent period of preparing for that eventuality may be beneficial, since it allows the resident the chance to assess the implications, limitations and responsibilities inherent in such a situation. Let me emphasize, lest I be misunderstood as a supporter of gradualism, that the key element here is the expectation of eventual control or ownership. If the residents in the first years perceive that control may never be forthcoming, they have the right and the responsibility to protest and bring pressure to bear on the developers. However, in a situation where they systematically begin to assume

responsibility for their housing or other areas, the slower process may be an invaluable experience, more so than the situation of immediate and complete control with no prior knowledge of the responsibilities and obligations of such a role.

So, it does not bother me that many of the stronger and more innovative goals for Soul City will come over a period of time, and not as some immediate outpouring of benefits. Although the developer might see his position in the earlier years as disadvantageous, he may conceivably utilize this period and subsequent periods (as I suggested earlier) for in-depth analysis and research to assess where, how and why Soul City should be a new and innovative prototype.

#### V. OTHER PROBABLE FUTURES

The above model for implementation assumes critical factors that may, in reality, never occur, which could then reduce its overall feasibility.

We assumed the following:

1. Subsidy funds for low and moderate income housing programs would be available, as needed, throughout the twenty-year development period.
2. That the migration of population into the city would maintain the desired balance of low to upper income groups.
3. That McKissick's financial backers would be equally motivated toward social welfare objectives and would agree to profit cutbacks.
4. That low-income residents will all want to participate actively in housing development.

The absence of any one of these factors could crucially affect the development process, and the overall character of Soul City. The following sections briefly review the probable alternative patterns of development and the implications for Soul City as they relate to the town's original goals and objectives.

1. Inadequate subsidies to support low-income housing.

I have stressed throughout this study that in planning the development of low-income housing, the prime developer must establish considerable political rapport at all levels of the HUD bureaucracy to insure the easy flow of funds to support his housing programs. Conceivably, if this is done (and subsidy funds have been appropriated by Congress), McKissick should experience no serious curtailment of funds to the project.

Furthermore, because the prime developer out of necessity is required to get the total town guaranteed under the provisions of the New Communities Act of 1968 (Title IV), HUD will be forced to insure that it does its part in making Soul City fail-safe.

Nevertheless, there is the possibility that despite "good political connections," subsidies may not be available when needed. Conditions in the national economy, a shift in national policies or priorities, the war in Southeast Asia, etc., are all external factors that might cause a drying-up of federal subsidies for housing.

To examine the alternatives open to McKissick, given this occurrence, I shall assume that all the other assumptions, goals, objectives and factors posited in the first model are fixed, with only the subsidy

factor as a variable. The following probable scenario seems most likely:

- a. McKissick would still rely on professional developers (Types I and III) in the early years for efficiency, speed, and quick sale of land. The professional non-profit developer (Type IV) would be eliminated because of his dependence on federal subsidies.
- b. Housing could be produced only at market rates in early years, automatically excluding low-income families. Professional sub-developers are likely to be attracted more favorably to a middle-income market, largely because of higher profit potential (both in rental tenure and in profit margins on the sale of higher priced houses), and a perceived minimization of risks.
- c. Market rate housing would remain predominant even in middle and advanced periods of development. However, because McKissick will want to try to further the goals of economic heterogeneity in population, he may utilize his growing profits in these years to "subsidize" some low-income units. It is not likely that the amount of funds that the prime developer will deploy for such purposes will be sufficient to house any significant number of the low-income market. Furthermore, such "subsidies" can only be one-shot ventures (gross write-down in land cost, interest-free loans, etc), that may not sufficiently reach the lower levels of that target market. (Under federal programs subsidies continue for the full economic life of the housing, whereas McKissick will leave Soul City in twenty years.

The social and physical implications of such a development pattern are momentous. What in effect one visualizes is another Reston or Columbia -- a planned middle class suburban community with a very minute population of low- and moderate-income families. (Some will argue that new technology and industrialized housing systems may, over the twenty-year period, reduce construction cost substantially, so as to be affordable by low-income families. This may be a possibility, but evidence to date seems to suggest that industrialized techniques, while increasing the speed of housing production, will not significantly lower the price of housing to poor families without subsidies.)

The question I cannot completely resolve in my mind is whether or not such an alternative pattern of development can be termed a "failure" as it relates to Soul City goals. There is a reasonably valid argument that can be asserted, that it is a good thing to establish the town with a solid middle class population. By doing so, more jobs will be created as industries seek to take advantage of this middle-class labor supply. Although manufacturing jobs will be available to the poor (a given assumption), the introduction of more sophisticated and higher paying jobs could, in the long run, be advantageous to the total region in furthering the goals of upward economic mobility. Furthermore, as the poor increases his income from the initial low skill jobs, he may on his own seek to improve his housing environment despite the fact that Soul City is not "open to him." The long-range net effect is an improved physical environment.

If this argument is valid, presumably McKissick Enterprises can take some consolation. But this would seem to be primarily in terms of satisfying economic goals. Socially, the pattern of development describes a situation where "class" conflicts are actually heightened - i.e., while low-income families will be economically better off, communication between socio-economic groups will be almost non-existent since low-income families will be commuters or "outsiders," who will have to exert unusual effort and ingenuity to gain access to the few available units of housing inside the town.

In terms of McKissick's own personal obligation to his national constituency, it is not expected that he would suffer much loss in

prestige. Presumably, he can always argue that "external" factors prevented the development of low-income housing, rather than negligence or failure on his part to push such a program.

2. The probability of an unbalanced economic population mix.

The alternative pattern of development above indicates a large homogeneous middle-class population due to lack of subsidies. In effect this is contrary to Soul City goals of an economically diverse population, but the developer is absolved since he may have no control over the external factors that precipitated it. However, given internal factors of location, attractiveness, and marketing, this alternative purports to deal with the possibility of a large influx of one socio-economic group as opposed to another (specifically, the attraction of more low-income families than there are housing units to support).

Given the fact that Soul City is located in a regionally depressed area, there is a strong possibility that a new town (publicized as it is now currently being done as a place for advancement of disenfranchised groups) will appear to be an "oasis" for the poor populations in the regional area. Quite likely, the projected 4,500 units of low-income housing will be insufficient. (We are assuming again that subsidies are now available.)

The problem is whether or not McKissick will be forced into the position of turning away large numbers of poor families. One answer is that the prime developer is not directly responsible for the inflow of residents. The sub-developers, as owners of the housing, usually will engage in the screening of applicants. Thus, given a large demand for low-income units in Soul City, I would project the following:

a. In early stages professional sub-developers (Types I, III and IV) can be expected to set high requirements for applicants seeking to minimize their risks. Presumably they would choose those tenants who came closest to satisfying middle-class traits (i.e., upward mobility, economic stability, life style, etc.).

b. In middle and later years, professionals would maintain these patterns of screening. Conceivably as indigenous developers become involved, they may be more lenient (i.e. setting somewhat different standards) although some objectivity will be sacrificed since friends and relatives of the community developers may get first priority.

These projections would seem to indicate that in cases of large demand, only those low-income residents who are upwardly mobile, industrious, or with "connections" will gain access to Soul City. The "marginal" poor (the elderly, the indigent, the social outcast, etc.), precisely the group in need of most help, may be denied access to the housing and services available in Soul City.

In all likelihood, McKissick may be held accountable if he supports the above policy. As a champion of civil rights, critics and skeptics at the national and regional level are certain to question whether or not Soul City had really solved the problem of providing the "hopeless" poor with opportunity, or had merely made it easier for a segment of "poor" people who would have advanced anyway without Soul City. (McKissick may wince at such charges, since he has levelled the same criticism at other social welfare programs aided by the federal government.) He may choose to take the criticisms and suffer some loss in prestige, or he may look for other alternatives. One such alternative would be central control of housing sales, funded by the sub-developers, but carried out by an independent (McKissick directed) sales staff. The sub-developers, for their part, would be relieved of this responsibility, while McKissick would gain the opportunity to coordinate screening of applicants. Another side benefit

to coordination of sales is that all residents would receive the same "sales pitch" regarding the opportunities and limitations of Soul City, thus reducing the chance of misunderstandings and misconceptions that may be inherent in numerous independent sales staff representing each sub-developer. In any case, however, McKissick will be confronted with screening applicants, and the contingent factor of discriminating against some of them. At best, he will be able to control or "balance" the composition of the low-income (and high-income) population, which may be reasonable for an "experimental" town.

There is a counter argument that challenges the validity of assuming a large influx of poor residents. The argument is that the mere inertial effort of seeking and processing an application will discourage all but the most active of the low-income population. Most of the other poor will exert no effort to gain access. Furthermore, certain cultural characteristics work against the large migration. The fact that a significant number of rural poor pay little or nothing for housing may mean that they may be unwilling to pay the 20% to 25% of their newly increased income (assume that they want new jobs) for housing. Thus, the working of the market and the process of "natural selection" make the question of an overflow of low-income families a moot one.

The argument above assumes that the majority of the poor are apathetic, docile, and lacking the initiative to improve their circumstances. This may well have been true as short a time ago as five years. But even McKissick's assumptions about the political savvy of the population in rural southern communities would seem to refute the notions about apathy.



(See Chapter Two.) In Warren County, where 67% of the population is black and poor, activists, organizers and a plethora of federal welfare programs have resulted in increasing the activism of a significant segment of that community. Given similar political awakenings in surrounding counties, it may be a gross mistake to assume that a goodly portion of the poor will not show considerable interest in Soul City.

### 3. McKissick Enterprises relationship to investors.

In the original model, we assumed that McKissick was entirely free to deploy the profits accruing to the corporation in socially beneficial ventures. This automatically meant lower profit margins, which his investors may or may not wish to adopt as a feasible strategy. The willingness of the financial backers is largely determined by their motivations for investment in the project. Private investors obviously invest funds for some stipulated rate of return, but given the social overtones of this venture, what may have been a 30% return may be reduced to 10% to insure success of social welfare goals. Thus, critical to McKissick's selection criteria for investors is the degree of social motivation of each investor, since only those so motivated may be easily persuaded to accept a lower return. (The whole concept of "selecting" investors may seem ludicrous to the prime developers, given their present difficulty in securing adequate financial backing -- they may be prone not to be too discriminating!)

Assuming that McKissick does not discriminate in his choice of financial backers, these likely developments might occur:

a. Early years of development would proceed much as described in the original proposed model. (Professional developers, fast development, minimal community involvement.)

b. Middle or later years would proceed with use of professional sub-developers primarily. Community developers in smaller numbers may be created but receive little if any support by prime developers. (Presumably, investors may be pleased with the efficiency and higher profits of the professionals -- but as a token gesture might allow a few community developers to "grope" through a few projects, by giving funds as payment of political debt to keep the community placated.)

c. Aside from token participation by community developers, residents of low-income housing built by professionals may have little input into management and control issues, if the prime developer backed by his investors perceives that such rights and privileges curtail maximum profits due to inefficiencies.

McKissick stands to lose in social terms, but gains considerably in terms of the financial or business aspects of the project. It may be that all the desired low-income units are built, but they may be little more than shelters. To cross his backers, McKissick runs the risk of being eliminated by them, which may be as embarrassing as the criticism he is sure to receive from social critics. Furthermore, to risk being eliminated would insure the outcome projected above. Seemingly, the only recourse left to him is persuasion and utilization of his political prestige as a stick to force compliance. The best device, in the long run, is the initial selection of backers whose social welfare motivations coincide with the aims of Soul City.

#### 4. Reluctant participation by community in housing development.

We have assumed up to this point that the furtherance of social goals related to housing hinged on a strategy of direct involvement of community people in all phases of housing development. The strategy of community

participation has become popular in the country over the past five years, and is grounded in the theory that people desire to have more direct control over those things that affect their daily lives. Thus, in Soul City the assumption is made that housing development is responsive to the poor only if they can become intimately involved with its development. What if this assumption is wrong or overplayed?

It is quite conceivable that, given all of the most favorable conditions for development of housing, low-income families may desire no significant amount of involvement with the process of development if they perceive that their physical (and social) needs are being adequately met by utilization of traditional development patterns. By the time McKissick Enterprises seeks indigenous developers, they may find few groups, if any, wanting to become involved or wishing to allocate the required time. Even those residents that "recognize" the value of active community participation may further recognize that part-time involvement on top of full-time employment on a job would take away time from engagement in other less cumbersome activities in Soul City.

McKissick may choose to ignore the paucity of community groups interested in engaging in housing development. But the danger is that such a situation may reflect only a temporary enchantment by residents with the new town, that may backfire in later years when the newness will have worn off. However, it cannot be denied that, for the most part, the large middle class that resides in United States suburban communities seems to be quite satisfied with their housing and seemingly exert no serious efforts to radically change that environment. Thus, it is possible that large professional sub-developers may adequately satisfy the housing needs of the poor.

I am not convinced that McKissick should not try to alter this tendency to apathy. In the sense that Soul City is an experimental town, the developers may need to try out ideas for community involvement, since they may have applicability in other sections of the country, even if not apparently desired in Soul City. Rather than waiting for community people to volunteer, the prime developer may have to become a proselytizer of his own goals, possibly even going beyond the Soul City area to recruit the interested groups.

My final point goes back to the issue of Floyd McKissick's national prestige. Because he seeks solutions to major national problems in the Soul City project, he can ill afford to be taken in by seductive profit projections or apparent apathy. Failure to actively pursue widely-held social goals may appear to some in the national public as a sell-out to traditionalism and the dollar.

#### VI. CONCLUSION

Of the five possible futures offered, I'm inclined to hope that something resembling the first model is finally implemented, for it seems to satisfy most of the objectives. In reality, some aspect of all the probable futures will occur. Subsidies may never be available in abundance throughout the period. However, it is also unlikely that they will be non-existent for any significant length of time. Predicting residential population mix to effect some "optimum" balance may be impossible to fine-tune through screening, but this may be the only feasible device to get some semblance of congruency. Financial backers, even the most

liberal, will be unable to plow back into social projects enough money to adequately meet Soul City's needs, although I submit that even the most conservative investor (by virtue of his investment in the Soul City project) will allow some profits to be deployed. Finally, McKissick is not likely to relax his emphasis on social goals to any significant degree, largely because his years of investment in building a national constituency of advocates for the poor will far exceed the probable financial gains inherent in a wholly profit-orientation (which he could have pursued in a less "visible" fashion).

Despite these and possibly numerous other outcomes to housing implementation, it is not probable that any single factor will occur in any extreme form that would result in total destruction of the concept. The net effect will be some gradual dilution of the overall objective. I.e., Objective #3 calling for one-third low-income housing may end up as one-fifth low-income; or Objective #1 calling for an essentially open housing environment accessible to all families may technically be inoperable due to implicit screening of applicants.

Nevertheless, I believe it is apparent that the prime developer's awareness of crucial factors of development will go a long way in maximizing the fit of goals and objectives to the final result.

McKissick Enterprises, in my opinion, has undertaken a tremendous task in moving into the area of city-building. The opportunity for making a significant physical and social contribution to the country are within the realm of possibility. The neophyte character of the organization means that much of what they do will probably be fresh and innovative,

simply because they are not duty-bound by traditional practices. But it is precisely because they are new to the development idiom that their chances of failing are greater than their chances of success. In addition to inexperience, they are bringing to the project the two-fold mission of profit and social welfare motivations, a seemingly difficult balancing act that will require considerable skill in reconciling. It is hoped therefore that such a study, if ever read by McKissick Enterprises' staff members, can serve as an extra set of "eyes," identifying those road-blocks, opportunities, strategies, and issues that may not, as yet, have been recognized by the existing staff, with the intention that early assessment and cognizance of these elements may lead to positive evaluation of where successes are evident and failures are likely to occur.

FOOTNOTES, BIBLIOGRAPHY, APPENDICES

FOOTNOTES :

CHAPTER ONE

1. Numerous articles have been written in recent years on new towns as a strategy for urban growth; Typical among these is the following:  
Eichler, Edward P.-- "Why New Communities" in Bernard Frieden and William Nash, eds.-- Shaping an Urban Future -- M.I.T.-- 1969 p.p. 95-114
2. Funnys and Shiffman--"The Imperative Of De-ghettoization"--  
Social Work--April,1967--p.p.5-11  
Kain, J. F. and Persky, J. J.--"Alternatives To The Gilded Ghetto"-- Public Interest No. 10--  
Winter Issue, 1969
3. Mayer, Albert--" It's Not Just The Cities"-- series- Architectural Record-- June,1969 p.p.5- 11, September,1969 p.p. 171-182, November,1969 p.p. 139-146 and January, 1970 p.p. 105-110  
  
( Anthony Downs makes a different prediction for future urban growth placing less emphasis on new towns.)  
Downs, Anthony--"Alternative Forms Of Future Urban Growth In The United States"--AIP Journal-- January, 1970--p.p. 3- 11
4. Galantay, Ervin --"Black New Towns: The Fourth Alternative"  
Progressive Architecture --August, 1968 p.p. 126-131
5. The New Communities Act Of 1968--Title IV-- Housing and Urban Development Act of 1968--(the government guarantees loans to private developers for land acquisition and development of new communities and towns.)
6. "Floyd McKissick Is Planning A New Town"-- City, October, 1969 p.p. 38-39
7. Evidence of the changing mood of blacks was clear in the writings of Lomax, Baldwin, and Bennett in the days preceding the cry of "black power".  
  
Baldwin, James-- The Fire Next Time-- New York- Dial Press-1963  
  
Bennett, Lerone- The Negro Mood And Other Essays-- Chicago- Johnson Publishing Co.--1964  
  
Lomax, Louis-- The Negro Revolt-- New York- New American Library--1963



8. This refers to the march in April, 1966 of James Meridith (first black to attend Univ. of Mississippi) from Memphis to Jackson, Mississippi to protest racism and to demonstrate that blacks need not fear for their lives in Mississippi. Meridith was subsequently shot after completing only one-third of this journey, creating national attention and outright rage among many blacks. Blacks flocked to Mississippi to complete the march to Jackson; among them was Stokely Carmichael chairman of SNCC, who first uttered the now popular cry of "black power" for all blacks.
9. Carmichael, Stokely and Hamilton, Charles V.-Black Power: the Politics Of Liberation In America-New York--Vintage Books--1967
10. It is generally acknowledged that organizations like the NAACP have not yet adopted the strategy of separation or black power. For a historical review of changing perspectives of blacks and their relationship to the larger society;  
Fullinwider, S.P.-- The Mind And Mood Of Black America--The Dorsey Press--1969
11. McKissick summarizes his views on social and economic development in his recent book which is primarily a review of the black man's legal status in America.  
McKissick, Floyd B.-- Three- Fifths Of A Man- New York MacMillan- 1969
12. Data on Soul City was taken from,--"A Proposal To Develop Soul City"-- McKissick Enterprises, Inc.-- April, 1969

## CHAPTER TWO

1. Section 701: Comprehensive Planning Assistance--Title VII of the 1954 Housing Act, which authorizes funds for public bodies to foster sound community, regional, and statewide planning.
2. Interview with Floyd B. McKissick and Froncell Tolbert of McKissick Enterprises, Inc.-- New York- November 8, 1969
3. Interview-- with McKissick, Tolbert, Gordon Carey and Duncan McNeil of McKissick Enterprises, Inc.- February 16, 1970
4. Operation- Uplift; Human Resources for Warren County--1966  
OEO- survey of social and manpower needs for the Warren County area.
5. Interview- McKissick and Tolbert-- New York- March 9, 1970

6. A Proposal For Development Funds For Soul City-- March 14, 1970, submitted to the Department of Housing and Urban Development- McKissick Enterprises, Inc.
7. The Soul City Economic Model-- revised April 4, 1970- McKissick Enterprises, Inc.

### CHAPTER THREE

1. Economic Base Study Of Soul City, North Carolina -- Hammer, Greene, Siler Associates- Washington, D.C.-December, 1969
2. This information can be gotten from federal regulations on specific housing programs. One such source: FHA Minimum Property Standards For Multi-Family Dwellings- Dept. of Housing And Urban Development.
3. Coble, Wesley and Taylor, Daniel-- Low-Income Housing Study; Chapel Hill- Orange County-Dept. of City and Regional Planning- UNC-(unpublished student paper)--1969

### CHAPTER FOUR

1. I have reference to standard theories on economic rent as put forth by economists such as Alonso, Thompson and others.
2. Interview- Floyd McKissick - New York- March 9, 1970

### CHAPTER FIVE

1. Interview- McKissick staffers. The discussion of sub-developers occurred indirectly and informally during the period when the staff was trying to arrive at a reasonable set of objectives for housijg. ( February 16, 1970)
2. The bulk of information on sub-developers was obtained through interviews with specific developers of each type. To some extent the results of these interviews were supplemented by information obtained from existing publications. The intent

was to observe the practices of each type and to infer some very general conclusions related to the mode of operation and motivations of a total class of such developers. The approach in all probability is not the best way to scholarly analyze the characteristics of housing producers. Nevertheless, given the time constraint, and the general context of this study, the insights gained from this method seem reasonable in pointing up at least the gross differences among the potential developer types. The interviews were with the following:

Type I-- Merchant Builders-- H.A.DeCosta-- H.A.DeCOSTA Co.  
Charleston,S.C.

John Thommason- Thommason Construction  
Co.--Charlotte,N.C.

Jon Taylor-- Ervin Construction Co.  
Charlotte, N.C.

Type III-Housing Development Co.- Sheldon Baskin- First Realty  
Boston, Mass.

Denis Blackett--Housing Innovations  
Boston, Mass.

Type IV- Major Non-Profit Foundations-- Pat Alvis-- Foundation  
For Cooperative Housing  
Stamford, Connecticut

Type V- Indigenous Community Developers- william Clement (architect)  
Ebenezer-Brown-Emmanuel- Charleston,  
S. C.

George Leake- Little Rock Development  
Corporation--Charlotte, N.C.

3. Kaiser Commission-- A Decent Home: The Report of the President's  
Committee on Urban Housing --1968 - p.p. 150-155

Eichler and Kaplan-- The Community Builders- Univ. of Calif.  
Press-1969--p.p.20-21

4. Ibid-- Kaiser-- p.153-- the statistical data given in the text  
indicates merchant builders' general production  
pattern.

5. Kaiser--op. cit. p.p. 154-156

6. From my own experience living in the Charlotte area, it was becoming increasingly difficult for small builders and individuals to acquire land (residential) that had not already been optioned to the Ervin firm. The effect of so dominant a corporation was to kill off most small competitors in the Charlotte area. Companies like Thommason survived by building housing at the very top economic levels of the housing market, and in areas quite removed from the urban fringe of the city.
7. Eichler and Kaplan-op. cit. --p.p.46-47
8. Ibid--p. 46
9. Kaiser-- op. cit.---p.p. 129-134
10. Interview with Duncan McNeil-- Soul City-- March 7,1970
11. Data taken from the North Carolina Census indicate that Warren County lost, between 1960 and 1968, almost 4400 residents. Of this number, the largest percentage (70%) were in the age range of 19-to-34 years (presumably the most mobile segment of the population).
12. Like most states, North Carolina requires licensing and bonding of all contractors engaged in building construction in the state.
13. Kaiser--op. cit.---p.p. 117-118
14. Syndications In Perspective--1968-- published case study-- Harvard Business School. This paper gives an excellent review of the real estate failures and swindles that occurred during the boom period of the 1920's.
15. In interviews with both Baskin of First Realty and Blackett of Housing Innovations, the profit motivation was never denigrated or played down.
16. Kargman is the holder of four academic degrees. He has written numerous articles on the merits of providing a workable national policy for housing moderate income families and was instrumental in influencing the legislation of 221(d)(3) housing in 1961.

17. Gantt, Harvey, B. - The 221(d)(3) Application Process: Two Case Studies -- 1969 - unpublished student paper.  
( study concluded that experienced developers of housing encountered less resistance from the federal bureacracy than inexperienced counterparts, thus they are likely to get faster servicing and committments on their projects)
18. Friedman, Laurence, M. -- Government And Slum Housing -- Rand McNally-1968  
(an excellent historical analysis of private and public efforts to bring about decent housing for the poor.)
19. From my own experience in the South, there is some justification to the allegations of minority groups, that local public officials, financiers, and realtors do not actively push federal programs for housing, if that housing program represented a threat to existing social customs (i.e. integrated housing racially). Thus, even the local federal official administering the program may not push for maximum utilization.
20. Kaiser -- op. cit. -- Appendix G -- p.p. 241-244
21. Gantt -- op. cit.
22. The nature of programs like 221(d)(3) and 236 require stringent review and cost certification by FHA, which may be difficult to carry out in programs involving volunteer or self-help labor.
23. Kaiser -- op. cit. -- p. 61
24. Section 10(a) -- Housing Act of 1949 as amended.
25. Section 204 -- Housing and Urban Development Act of 1968
26. All of the information on grants, loans, and contributions by the Federal Housing Authority were taken from U.S. Housing Act of 1937 and subsequent amendments.
27. Friedman -- op. cit. -- chapters 3, 4, & 5

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