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Pre-publication Announcement

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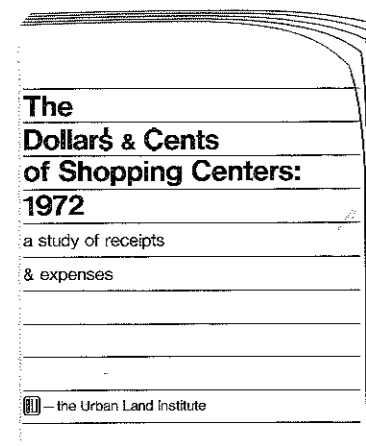
Utilizing computer techniques and organized for convenience, *The Dollars & Cents of Shopping Centers: 1972* is arranged by type of center into meaningful break-outs: geographical areas, age groups, and tenant classifications.

The book also contains five new supplementary sections: shopping center financing; operating income; composition of rent, minimum rent and overage rent; cash available after debt service; and sale of utilities to tenants.

This unique reference work pre-

sents analyses of the dollar figures for receipts and expenses in shopping center operating results. A report and analysis is made of the operating balance—the amount remaining after operating expenses are subtracted from gross income—the key benchmark to successful performance in shopping center management.

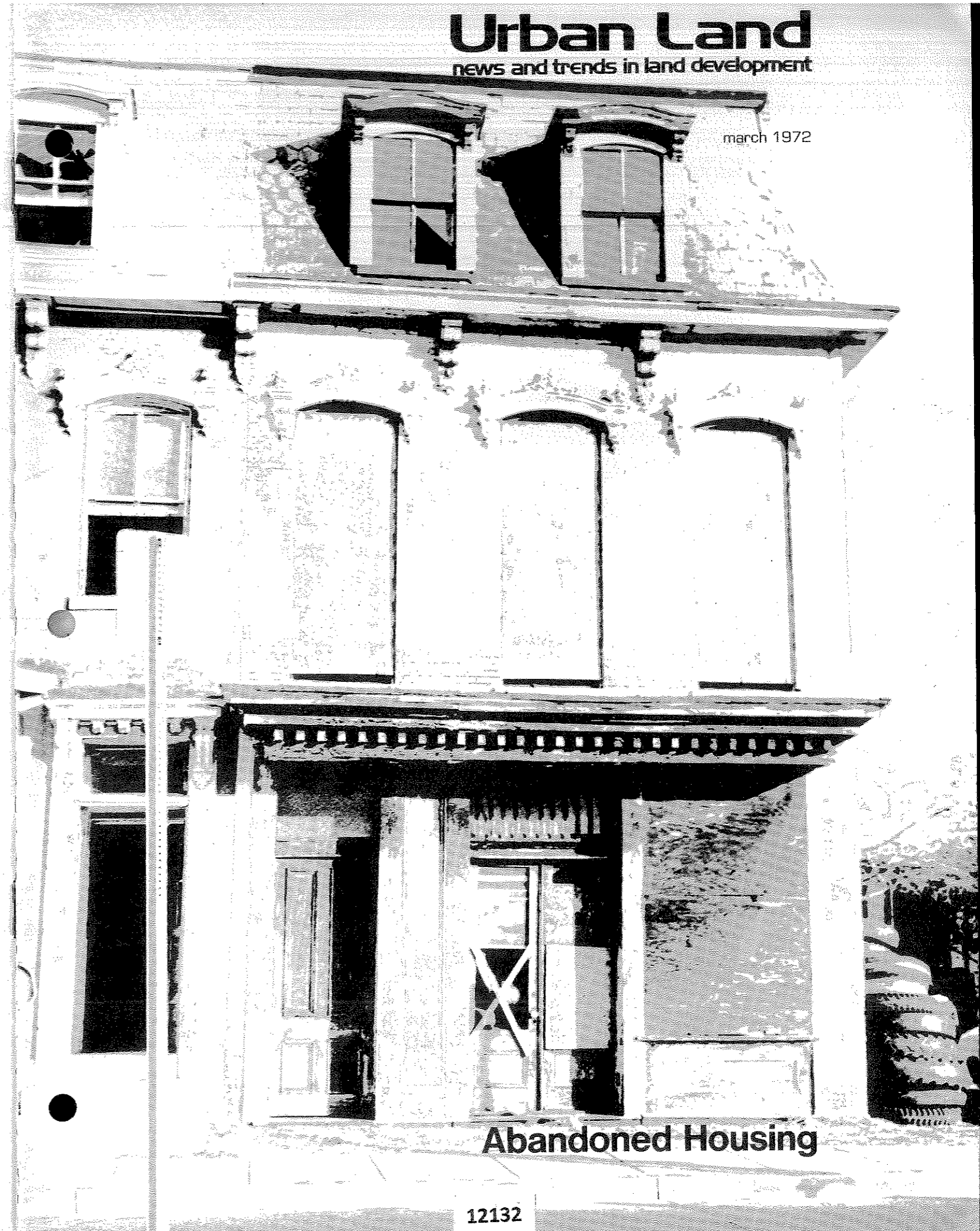
*The Dollars & Cents of Shopping Centers: 1972* will be available on or about March 15. Order now for prompt delivery. \$22.50—ULI members; \$30—nonmembers.



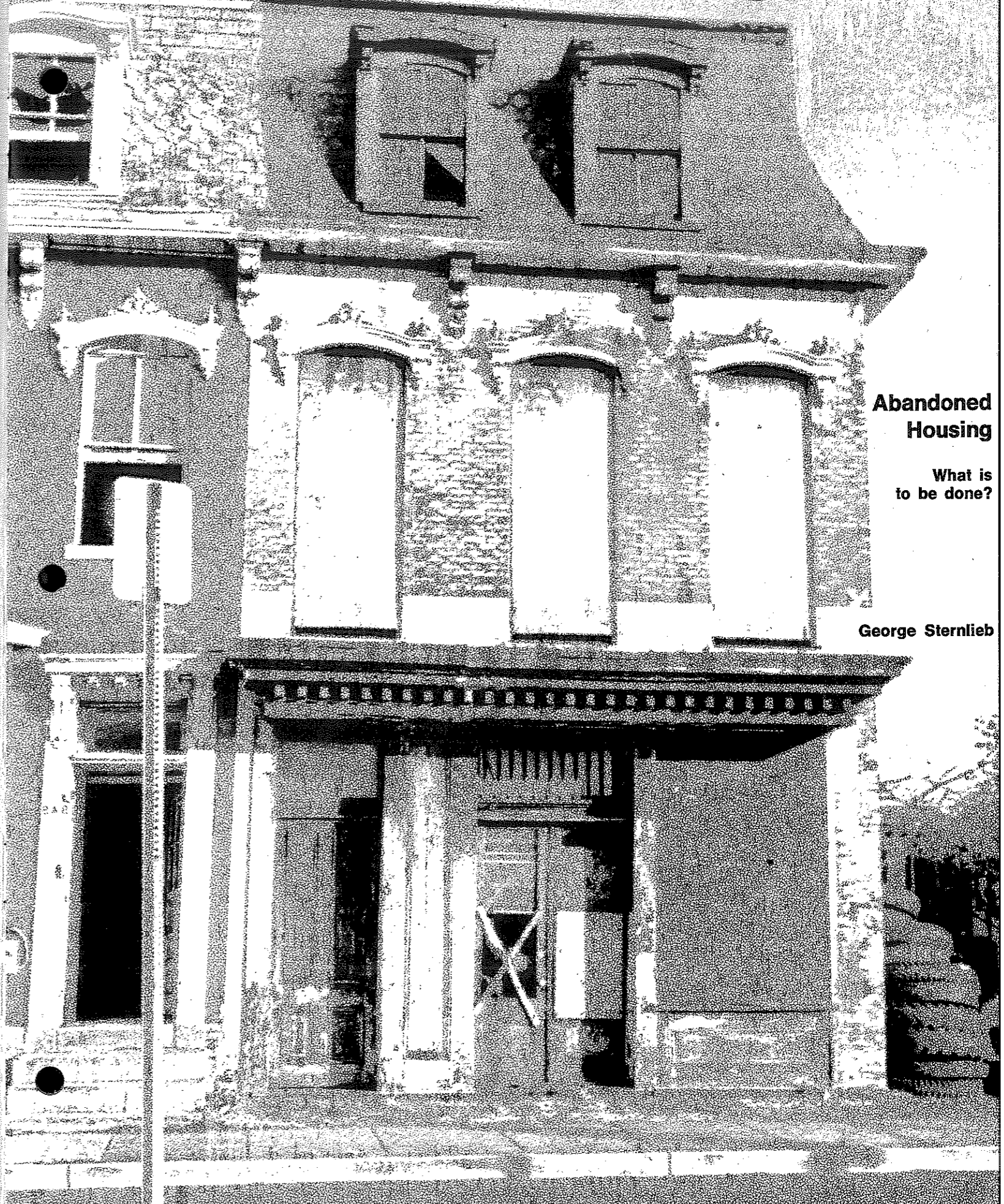
**The Dollars & Cents of Shopping Centers: 1972**

a study of receipts & expenses

— the Urban Land Institute



**Abandoned Housing**



**Abandoned Housing**

What is to be done?

George Sternlieb

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Correction: The map which appeared on page 5 of January *Urban Land* incorrectly keyed the degree of planning in the two New Jersey communities of Radburn and Glen Rock. The key symbols should be exchanged for the two communities to indicate Radburn is "Highly Planned, Peripheral" and Glen Rock is "Least Planned."

Credits: Photographs in this issue were provided by the City of St. Louis, and Beverly Fox and Karin A. Pick of the *Urban Land* staff.

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# Abandoned Housing - Who owns these buildings? - Aban

It has been twenty-five years since the end of World War II and the beginnings of national mobilization on the plight of the cities, a period marked by substantial expenditures of funds and energy for that purpose. The basic shape and dimension of the changes in our way of life whose symptoms are the cities' decay have, however, eluded definition.

New programs, both in their inception and design, have been much more the complements of the failures of their predecessors than thought-through strategies of action. In turn, the gap between the through-put of governmental programs and their objectives has been seen much more as a function of the inadequacy of programs, the failure of administrative mechanisms, the shortcomings of particular individuals, than of much more basic factors.

The problem of the core cities is not merely one of age, of inadequate housing, of minority group concentration, of the flight of the middle class; rather it is one of function.

What is the role of the central city, both presently and in the future? It is to this question which our attention must be directed. The minute-to-minute fire fighting which has characterized our efforts is certainly understandable in terms of the drama and urgency of the human problems of the poor. However, unless stop-gap efforts are coupled with an overall strategy for the future, it serves more to inhibit than to cure, more to obscure than to clarify the future.

The epitome of this change in function in the central city is the new and unique phenomenon of abandoned housing within a tight market. We have had abandonments before; cer-

tainly they were far from a unique phenomenon in the midst of the financial catastrophe of the 1930s. But this was as a function of a momentary aberrant, of an economic dislocation which passed. The new phenomenon of abandonment is much more widespread, and I would suggest is not reversible. It marks the end of one of the prime functions of the central city; that of providing a staging ground for floods of new immigrants, a place which provided them jobs—very poor ones—and housing far less adequate than is presently the case. It provided a place to adjust to the new American norm and in turn the city flourished as a center of cheap labor. The Southern migration, and its equivalent from the Caribbean, are far from unique. The population which has arrived in our central cities is probably as well, if as badly, prepared as its predecessors.

The city itself, however, has changed very markedly in its capacity to serve these individuals and forward them up the ladder toward the middle class. The concentration of low-skilled entry jobs, which once characterized the cities' economic base, is substantially a thing of the past.

The movement of the white middle class away from the city has been joined by that of their minority group brethren. All this is occurring at the same time that the flight of in-migrants to the older core areas has slowed down very substantially. What is occurring is a partial vacuum in the hard core slum areas. The size of the abandonment phenomenon will be quantified later in this paper—suffice it to say here that it is growing remorselessly.

Now this can be thought of as a very positive happening. And if it were

the worst of the slums that were being abandoned, one could view it as a healthy sign that the basic market mechanisms were at work, that filtering down had finally produced a residue of housing which was no longer worthy of the market. Unfortunately, however, this is not the case. Abandonment has a dynamic of its own. We still do not fully comprehend the mechanisms that are at work here. It is obvious, however, that this is a contagious phenomenon; the abandoned structure acts as a focal point of neighborhood decay, functioning as a very convenient clubhouse for drunks, neighborhood gangs, and drug addicts. Otherwise sound housing in the immediate area begins to be affected and it in turn goes downhill.

The phenomenon is increasing substantially. Projections of its scale vary. Dr. Frank Kristof estimates that in New York City somewhere on the order of 100,000 housing units are vacant in the midst of the worst housing shortage since the late forties. The study of my colleague, Bill Grigsby, in Baltimore indicates that 4,000 units are similarly affected. The estimate for Philadelphia, based on analyses conducted at the University of Pennsylvania, is approximately 20,000 vacant units. These numbers have their equivalent in St. Louis, Cleveland, and too many other places.

The questions we need to answer are:

- Who owns these buildings?
- Who lived in them?
- Why are they vacated?
- What are the dynamics of abandonment?
- Is the process reversible?



We know very little about the phenomenon of abandoned structures. The reality has outrun the scholarly apparatus. There has been little research done on this situation, and even the very definition of the phenomenon is far from precise. Typically, the phrase refers to buildings which are vacant of tenantry. Commonly this is coupled with the virtual disappearances of the owner either *de jure* or *de facto*. But abandonment is a process, a reflection of a much deeper seated and extensive phenomenon—the disinvestment of private capital in core cities. The absolute number of abandoned structures is much less important than the process—and the state of mind which has produced them.

It results in a series of actions in which the properties in question are permitted to degenerate until, despite the need for housing, they are essentially unlivable. As we will note later in more detail, by the time the process reaches its terminus, there is little that can be done with the shell. For the purposes of policy making therefore, it is essential that the process be reversed before its conclusion. Why is this process occurring?

## Causes for Abandonment

When I first studied the abandonment problem in Newark, N.J. in 1965, there was approximately a five to six percent vacancy rate in the community as a whole, and much more than that in the core area where most of the abandonments were localized. The vacant structures which dotted the core area could be viewed as a positive sign that the filtering down process, that is, the development of new and better housing occasioning a

# Abandoned Housing - Who lived in them? - Abandoned Ho

series of shifts of families with each successive shift moving the particular household into better accommodations, is leaving behind it a residue of structures which are no longer competitive within the market. The abandoned structures, therefore, could be viewed as a very positive token of housing betterment. However, this orientation is no longer satisfactory. Good housing and substantial shells which are much needed are being swept away by abandonment. The process currently is something much more than the "normal market" forces could engender.

## Area and Infrastructure Decline

In a study currently being conducted by the author, *The Housing of Welfare Recipients*, (Rutgers 1972), the question of whether welfarites would be interested in measures leading to the owning of their present apartments was asked of a probability sampling of 400 of them. Of those who responded in the affirmative, however, more than half answered that they would not be interested in any apartment or home ownership that involved staying in the same neighborhood.

Similarly, in a later context the respondents were asked a series of questions about housing problems. The great majority of volunteered responses involved area problems, particularly those of crime and drugs.

Does the abandoned structure therefore represent more than the abandonment of bricks and mortar, perhaps the decay of the whole area? with the building merely an eruption above a plain of desolation?

Certainly there is considerable truth in this statement. To use it as a com-

plete denial of the efficacy of physical rehabilitation, however, is probably a drastic oversimplification.

While we wait for that halcyon day in which the state of the art, both in terms of the social sciences as well as the administrative effort, permits a complete integration of the social services and governmental intervention, we better keep moving. One of the things, prevalent in the "zones of abandonment" is a failure of confidence in their future. The belief, voiced by some academics as well as administrators, that there is no point in putting money into poor areas becomes a self-fulfilling prophecy.

Housing rehabilitation and investment must be viewed as much as a psychological mechanism as a physical improvement approach.

The importance of improved housing from the viewpoint of the family needs little elaboration. Of equal importance, however, is the fact that of all governmental dollar inputs, it is probably housing investment which has the greatest degree of visual impact. As such its psychological value should not be underestimated.

## Weakness in Property Holding Mechanism

One of the most satisfying figments of folk lore in our time is the portrait of the slum landlord. A popular vision is that of the central city's slums essentially existing as a fiefdom for a small group of large owners. The latter in turn grow very fat indeed on the high rents and low input which their tenants and buildings endure.

I have called it a satisfying illusion because it has permitted us to believe that all that is required in low income housing is a repartitioning of an al-

ready adequate rent pie. Whether through code enforcement, rent controls, or any of a host of other mechanisms, the problem of good maintenance could be resolved by squeezing some of the excess profits out of the landlord's hands. This process would still leave enough of a residue to maintain his self-interests in the longevity and satisfactory quality of the structures in question.

This bit of folklore may have had considerable validity a decade or two ago. It has little relationship to the realities currently. A strong thesis can be made that much of the problems of the low income private housing stock in the central core stem from the disappearance of the large scale operator who, if nothing more, at least had the professional and technical capacity to maintain—whether the willingness was there or not. In our own investigations of housing economics the process of abandonment is more a tribute to the inadequacies of scale and professionalism of owners than it is of a merciless professionalism.

## The Elderly

Perhaps, the weakest of the core housing owners are the typically elderly white remnants of earlier immigrant groups left behind in the core; the Italian widow, the Jew who didn't make it to the suburbs, the elderly Polish social security recipient. Their capacity and interest in reinvestment is minimal. Frequently structures which are well on the road to abandonment are actually owned free and clear by such individuals. Their horror at the very thought of assuming a mortgage even if one were available for the purposes of rehabilitation is a

tribute to the fact that one of their major life goals is finally to own a building without a drain of funds going "to the bank."

## Small Scale Absentees

Many of the absentee owners, particularly in minority tenanted areas, are relatively small holders, owning perhaps two to a half-dozen parcels. Their early dreams of substantial profits have disappeared. Indeed some of the property holders are owners by inheritance rather than by design. They have little confidence and decreasing interests in the maintenance and upkeep of the parcels. What is required is a take-out mechanism; that is a purchase or resale methodology which will permit such structures to move into more interested and perhaps stronger ownership patterns.



## Ethnic Minority Owners

The third category of owner that I would refer to is the increasing number of minority owners, usually resident. The problem here is that typically their acquisition procedures, because of weaknesses in the financing structures, involve an intermediary speculator who purchases a structure for cash at perhaps the \$10,000 or \$12,000 level. Because he has good credit, this may involve no more than a \$2,000 or \$3,000 down payment with the balance being secured through institutional financing. The speculator in turn resells to a local resident interested in a purchase of a home. A pattern which is fairly common is one in which the new purchaser makes a very nominal cash down payment sometimes less than \$1,000. In turn, however, he becomes involved in a very substantial purchase money mortgage to the seller.

In some of the cases which we have observed, these purchase money mortgages on parcels which initially cost no more than \$12,000, to the seller involve as much as \$18,000 to \$20,000. The cash flow burdens involved in this kind of pattern need little elaboration. Suffice it to say they frequently end up in abandonment.

## Financing

The structure age, the decaying area characteristics, the generally low income, to say nothing of ethnic characteristics of local inhabitants, all conspire against securing institutionalized financing. It is evident that without banks formally instituting so called "red line areas," areas in which no financing is available, that the rules of the game calling for appropriate security and the belief in the value of

collateral involve consideration of a number of areas and housing types as beyond investment. This in turn means that new buyers are involved in the pattern described earlier of high cost, short term, purchase money mortgages, and that, further, those owners who are interested and willing to make reinvestments in their parcels are not able to do so through conventional mortgaging channels.

Note that the great bulk of multiple family residential structure rehabilitation has been done by the recasting of the mortgage. Under normal circumstances, assume a mortgage of X dollars which has been paid down to half of X, the owner in most areas can return to his bank and recast the mortgage for the original amount or perhaps even more than that particularly in the context of investing the additional proceeds in rehabilitating his premises. This provides long-term relatively low interest rate resources for the owner. Contrast this with the situation in core areas. Most banks, if they have mortgage outstanding on the parcels, as noted in the appendix, are most anxious to get out from under. Rather than permitting the recasting of the mortgage in an increased amount for rehabilitation, they are interested in its termination. (G. Sternlieb, *The Urban Housing Dilemma*, N.Y.C. 1971.)

Even given owner willingness, therefore, the resources frequently are not at hand. While as will be noted later, there have been a number of governmental interventions both proposed and implemented in this area, much requires to be done.

## What Is To Be Done?

The abandoned structure is symbolic of the decay of the low income private housing market. Of all of the symptoms of urban blight, it is perhaps

# Using - Why are they vacated? - Abandoned Housing



the most acute. As such, it must be viewed not as a phenomenon in and of itself but rather as the nadir of a national urban housing problem. There are three basic targets that are required:

1. *Old housing plus new money is adequate housing. Old housing without new money must decay.*

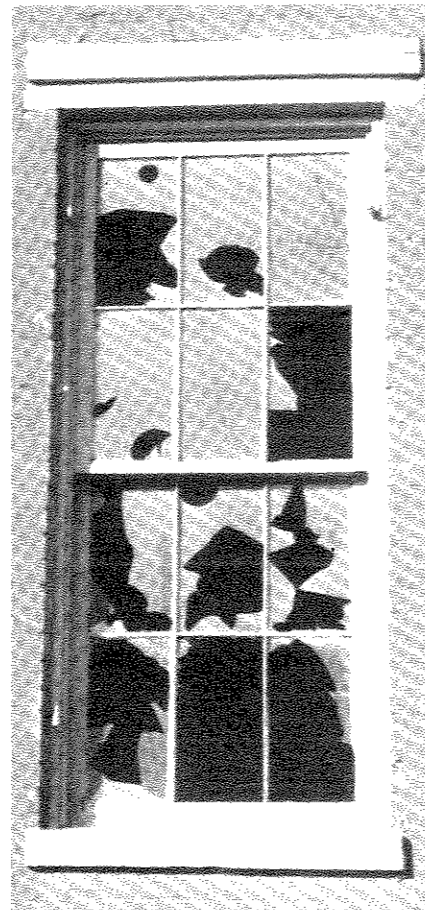
Housing will decay more slowly if it is occupied by elderly childless individuals. Its pace of degeneration will be accelerated if more youthful people, particularly with many children, utilize it, but regardless of the pace, it will ultimately end up on the discard heap unless fresh money is introduced.

The process of abandonment must be halted at its inception. This means that in areas peripheral to hard core blight, confidence in the market, confidence in the area, and confidence in

the style of life possible within the city must be restored. These are major undertakings. They are what urban renewal and model cities and all the other elements of federal, urban policy are about. Our assignment here, however, is focused on one of the several facets, but far from the least, of physical inputs. These must be secured; otherwise, the process of abandonment will accelerate.

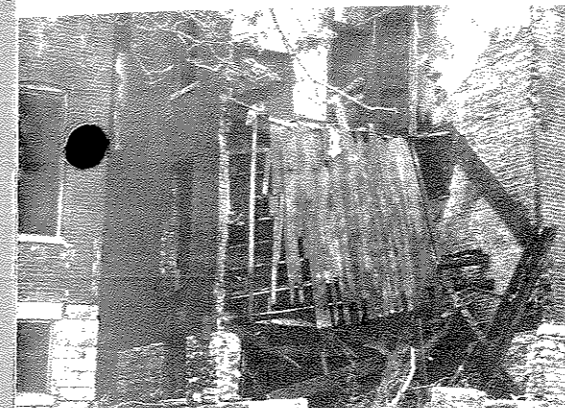
In order to insure the slowing down of abandonment, there must be:

- Generously termed and implemented funding for cosmetic rehabilitation.
- An improved financing and take-out mechanism for property transfers between owners who want out and potential owners, particularly resident owners, who are interested in staying in.
- The development of operating



and maintenance expertise and infrastructure in these areas. One of the very real problems of genuinely interested owners is not only the high cost, but the lack of availability of qualified repair people.

- The provision of a total level of municipal services which will preserve the area. Not least of these is a much more intensive crime prevention activity. While in this paper little additional reference will be made on this point, its absence here should not be seen in any way as indicative of its lack of importance.



2. *The development of an early warning system.*

This is the most difficult and perhaps the most essential element if we wish to halt the process of decay and abandonment before it has proceeded so far as to lead to the demise of the structure. Current knowledge of social indicators is dreadfully limited. Intensive research on the dynamics of area degeneration, of what causes slums, and the epitome of slums—the abandoned structure—require intensive study. Much of the activity in this sector has essentially been a snapshot at a moment of time: a census, a model cities' application, an urban renewal-induced inspection of housing, and the like. What has been lacking is something in the nature of a dynamic ongoing continuous reevaluation of high risk areas.

More on this point will be included later. Certainly, however, one easily implemented, though far from perfect, tool is very tight observation of tax delinquency rolls. These are engendered as part of the city's financing structures, and as such they involve little in the way of additional labor and costs. In many cases they serve as an early warning of parcels that are "in trouble."

3. *A demolition program that makes sense.*

In the words of a housing official in Philadelphia who was contacted in the cause of this research, "the problem with demolition is that we take down a dirty old building and generate a dirty old vacant lot." We have yet to develop the state of the art competent to deal with this very clear cut problem. Demolition of structures which are beyond rehabilitation is absolutely

essential. Federal funding of the demolition program is quite adequate now.

The problem, however, is what do we do with a 20 foot by 100 foot lot in the middle of the core area? The answer currently within the state of the art is "very little."

In Baltimore, for example, where the typical structure pattern is one of two-story, masonry row housing, the impact of demolishing a structure within the row has had disastrous consequences on its immediate abutters. The vacant lot becomes a garbage heap and source of decay for the entire neighborhood. Any stroller in New York's East Side where a number of Old Law tenements have been demolished will observe the same phenomenon. There does not seem to be any fence so high as to inhibit this kind of deterioration.

The Philadelphia vest pocket park program has made some headway in this regard, and certainly it should be looked into in more detail. The costs of operating small scale recreational areas in most cities, however, has precluded their development. I would think that this is an area that should fall within the aegis of the research and development end of HUD and that a number of modular formats should and *must* be evolved.

## Evaluating Present Tools

The institutional financing market has substantially deserted the areas in which abandonment is localized. The odds are high that what has happened in New York City could be replicated in any major city in the United States.

Economically sound rehabilitation requires long term financing. This in turn necessitates a belief in the economic viability of both the structure

and an area not only in terms of its current status, but through the length of the venture. This basic level of confidence has disappeared. In its absence the necessity for government guarantees and direct lending has evolved.

There are a number of programs significant to this discussion. The two principle ones which will be discussed are the 312 and 116 programs, and the utilization of the 235-236 provisions. Before this, however, a more comprehensive overview of federal activity in rehabilitation is called for.

## Federal Rehabilitation

As of June 30, 1970 there was a total of 637 urban renewal projects or Neighborhood Development Program areas, approved for execution, which involved rehabilitation. These involved a grand total of 121,980 residential structures. In terms of dwelling units the total figure was 276,224. Under the urban renewal program there were 84,950 of these structures. Of these, approximately 10,000 structures involving approximately 32,000 dwelling units have been completed. The rest are in various stages of the approval or physical process.

Similarly the NDP program residential work load as of June 30, 1970, involved 37,000 buildings with approximately 54,000 dwelling units. Roughly a quarter of these had been completed with the great bulk of the balance not yet started.

As of the same date, there were 228 Title I projects in planning which involved property rehabilitation. This involved 42,000 residential structures with slightly less than two units average per structure.

There is obviously a long and arduous task ahead. However, there is

# What are the dynamics of abandonment? - Abandon

some indication that the pipeline phenomenon which effects all massive programs is at last beginning to deliver. It should be noted in this regard, for those unfamiliar with the difficulties of generating administrative know-how both in the field and on the part of approving authorities, the process is much lengthier and more arduous than is sometimes casually assumed. Programs are deemed faulty or lacking based on the exigencies of the problems to which they are addressed, without adequate comprehension of the lengthy period of time required for appropriate individuals to familiarize themselves with their utilization.

## The 312 Program

The 312 program which involves long term financing for dwelling units within code enforcement or renewal areas, partakes of this. The program which got off the ground in 1965, by mid-1966 was writing mortgages at approximately the \$300,000 a month level. By 1967 it had risen to \$1 million a month, by 1969 to \$2 million, by 1970 it was in the \$3-4 million monthly provision. Indeed, as of August 31, 1970, there were over \$97 million in mortgages outstanding covering over 25,000 dwelling units. (Slightly over 15,000 mortgages.)

For the small parcel owners these loans provide a unique source of rehabilitation funds.

In addition, for resident owners who qualify under the statute, there is provision for refinancing extant mortgages. Approximately a third of the total funding has involved such refinancing. This is very significant. Unless there is a refinancing provision with cheaper money available, the

loan is essentially an add-on. The total cash-flow required, therefore, to service the loan indentures on the parcel as well as basic maintenance is significantly increased. Even with the generous interest requirements and longevity of the 312 indenture, this involves either increased rents or an increased strain on the budget of the home owner.

The 312 program was the essential corollary of code enforcement. Together with the grant-in-aid program it provides the fiscal wherewithal to make it financially feasible for owners to bring their buildings up to code. Unfortunately, these requirements often involve levels of expenditure which are very high. This results in a building which is bearing a level of mortgaging far above its resale price within the market context of the neighborhood, regardless of the improvements which have been made. This has occasioned some level of consumer resistance in the utilization of the loans.

## Standards

One of the greatest problems in securing and upgrading housing quality is the question of what standards should be required. Public policy here is caught between the necessity of physical improvements which will survive the longevity of the mortgage, and the reality that frequently these improvements involve an expenditure of funds far in excess of either the market value of the parcel or the consumer satisfaction secured from this investment. In addition, many owners who would be interested in securing funds for less drastic rehabilitation shrink away from the level of indenture required to support FHA stand-



ards, regardless of the level of interest rates required.

It is very difficult to administer the FHA standards code. At the very least, however, it involves significant finite physical achievements. Cosmetic renovation from an administrative point of view does not even offer the latter. There has not been adequate effort addressed to the question of standards for cosmetic renovation rather



than rehabilitation. For this reason, while the necessity of such a standard and financing to insure its achievement is acknowledged in the field, as yet there has been no implementation of such activity.

This tends to be further confused by the rhetoric of the left which suggests that rehabilitation to less than FHA standards is condemning the poor to very inadequate facilities. Unfortunately, upholding these standards as a symbol of all the virtues condemns the great bulk of the poor to living in completely untouched, unrenovated facilities.

In addition, a very significant level of cost understatement tends to get involved. In order to make a complete rehabilitation to FHA standards feasible from an economic point of view, the longevity of mortgages is far beyond the level at which society in all probability will want to maintain the facilities in question. A 30-year mortgage given in the year 1971, for example, brings us to the year 2001! It is difficult to believe that a New York City five story walk-up tenement, regardless of how gilded it may be, is worthy of this type of appraisal.

The realities of practice in code enforcement have been far different than statutory requirements in many areas. Code enforcement is simply not feasible without adequate financing mechanisms. The private financing market will not provide the wherewithal for the required improvements; many of the owners are either incapable or unwilling to interject their own funds in order to meet code standards.

In other areas where codes were implemented, they resulted in significant increases in the rents of already



hard-pressed tenants. Therefore, the extant mortgage roll-over provisions of 312, given the low level of amortization and interest requirement under the provisions of the law, enable a larger debt burden to be carried at a similar cash flow requirement, reducing the necessity for rent increases.

Note the virtues of the package of code enforcement, expertise, and financing, which at least conceptually if not always realistically are available under the urban renewal programs with concentrated code enforcement and the 312 program. It is very clear from experience in the field that it is difficult to implement multi-pronged programs which typically fall under the domain of a number of administrators, but within this problem area there is no question that at long last we are beginning to offer successfully a broad-based attack upon the problems of residential blight. The 1970 appropriation under the 312 program was approximately \$45 million. This provided a program level of \$42 million. The equivalent data for 1971 involves a program level of approxi-

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mately \$50 million on a slightly smaller appropriation base. (It should be noted that the 312 loan program benefits from a flow of amortization funds which have been engendered over the course of the program's implementation.)

The 312 program has a proven administrative framework; it has engendered substantial familiarity with its implementation in the field. It makes good sense. I would suggest that it could very well serve as the core of enlarged activity. Rather than instituting a new program, we should take advantage of the 312 experience and broaden it. The following elements are required:

### 1. Broaden the geographic areas for which loans are available.

Currently under the program, loans are typically available only within federally aided program sites. This should be broadened. From the very inception of the concept of gray areas nearly two decades ago, our conceptualization of blighted areas or areas of incipient blight have run after the facts of life. As a consequence areas which could have been sustained with relatively minor levels of investment have been permitted to decline until their regeneration will require very, very significant resources. We do not fully understand the mechanics of blight, but certainly the phenomenon is so very widespread as to require reconceptualization. Blight from the owner's point of view may be much more a state of mind initially than of a reality. But given a negative outlook on the future, the enormously costly process of degeneration starts much earlier than I think any of the experts in the field have ever appreciated. The

312 program, which involves relatively small amounts of funds per unit, may indeed make much more sense at the very early stages of blight than much more significant investments at a later period.

### 2. The question of code standard.

The Office of Research and Technology of HUD should immediately institute a number of carefully controlled experiments in less-than-code-standard rehabilitation.

The administrative perils of this proposal are horrendous. Let me make that very clear. The necessity of its development, however, is equally pressing. It may very well be that we should have a step-series of code requirements, perhaps as a function of area or perhaps as a function of the age or configuration of the particular structures. It is very easy to decry this as a concession to evil. The cost of this puritanism, however, is immobility, and that neither society nor the occupants of decaying structures can afford.

### 3. Mortgage recasting.

Presently under the 312 provisions only landlords who qualify under certain income and residence standards are permitted the recasting of their mortgages. For this reason much of the 312 funding involves add-on mortgages with a concomitant increase in the cash flow requirements of the parcel. As already noted, these involve either a greater strain upon the owner or increases in rents. Unless the latter are forthcoming, the program tends to be stymied.

The owner faced with code enforcement with a limited rent horizon simply will not make the investment but rather will walk away from the

parcel. Since at the moment we have no administrative frame-work to replace this owner we better keep him in business.

Again, the administrative problems of such mortgage recasting are obvious. Purchase money mortgages in slum areas frequently involve a significant degree of water. The parcel that could have been bought for \$12,000 cash is bought for \$18,000 on paper. Can we take this inflated mortgage and pay it off in government dollars? This obviously imposes a very substantial problem both of morality and of honesty.

This problem can be met, however, with appropriate sales assessment ratios, appraisals of comparable properties, and the like. If a reasonably fast administrative procedure can be worked out by local municipalities it may be entirely appropriate to institute condemnation proceedings for structures which do not meet code standard and whose inflated mortgage holders are not willing to accept a discounted price. Since the appropriate level of code enforcement activity and judicial action would have been taken the parcel would be essentially thrown into bankruptcy. This would permit its recapitalization at an appropriate level.

### Utilization of the 235-236 Program

In a number of cities there has been significant use of the interest supplement plan to foster complete rehabilitation. In Baltimore, for example, currently some 1400 units are being rehabilitated under federal programs. The procedure involves the Housing Authority acquiring the structures, fixing them up, and either selling or in

turn using them for purposes of public housing.

The problem with this approach, which has also been proposed for New York City, is that the rehabilitation must be up to public housing standards. This in Baltimore has involved costs up to \$15,000 per unit. According to Charles Noon, Director of Baltimore's Neighborhood Development program, private investors could probably do a functionally equivalent rehabilitation for as little as \$9,000 or \$10,000.

One inhibitor is the fact that for many of the parcels there are not enough private buyers even within the cost context of the 235-236 legislation. A much larger subsidy is required for private investors to operate the structures successfully. The local community, therefore, is faced with the decline in its tax rolls as the structures remain within the public housing inventory. It should be noted that approximately two-thirds of the structures in the Baltimore case are the results of tax foreclosures.

Sooner or later the federal government must come to grips with the barrier between its pledge of good housing for everyone and the reality of costs. Even 235 and 236, useful and important as they are, leave a very large economic gap.

### Federal Aid

#### 1. The early warning system.

The suggestion made earlier for use of tax delinquency rolls to identify actual or potential abandonments could be facilitated by HUD.

Unfortunately the pace of abandonment is sometimes so fast as to occur before tax delinquency. As a rough

indicator, however, it is probably the best tool at hand.

In a number of cities which have been contacted in the course of research on this problem, the implementation of such an approach is not fully understood. It might very well behoove HUD to develop a series of methodologies to be implemented by municipalities on a standardized base.

The physical inspection and notation of either abandoned or badly run-down parcels is actually undertaken by a number of authorities in most municipalities. These run the gamut from Model Cities personnel to the local policemen on the beat. It would be quite feasible perhaps to formalize this kind of approach, possibly in using the post office delivery people to provide more extensive coverage on a bi-annual level. Again, HUD should provide some optimum format for this activity.

#### 2. Foreclosure proceedings.

There is a very considerable range of tax foreclosure proceedings utilized by U.S. municipalities. These range from one to four or more years before foreclosure proceedings can be instituted. Not uncommonly, the latter in turn may involve as much as a year of court proceedings before clear title can be secured. In the interim the parcels are obviously run down very severely, and not uncommonly end up beyond recall.

In Boston the city must wait five years after the initial tax delinquency before foreclosing. The partial results of a recent survey done there on 178 tax delinquent parcels speak for themselves. Only 36 of these could be definitely rehabilitated, for another 82

there are some possibilities for successful rehabilitation.

Obviously, this is a local responsibility. Rather, however, than having each of the several municipalities invent an approach through a trial-and-error base for this problem, again it might be appropriate for HUD to develop some model legislation to be implemented at the option of local municipalities.

#### 3. The straw man ordinance.

The phrase used above has reference to the capacity of the municipality to bring suit for code violation not only against the owner of record, who may be simply a straw man, but also against a previous owner. I think this might prevent the kind of sale which I observed in a recent study of New York: in a number of cases owners of troubled parcels would find vagrants on the Bowery, turn over the structure to them, and actually pay the vagrant a trifling sum in order to avoid future legal liabilities.

### Proposed Remedies

The basic concept of the low-income housing market is one in which the incomes derived from properties are adequate both to service those properties and to keep the owners in business; this concept has in turn engendered a variety of punitive measures to insure maintenance. Unfortunately, in many cases these have backfired.

The impacts of code enforcement without a realistic view of the market has been touched on before. It may be appropriate here, however, to indicate some of the experiences in Chicago along this line. According to Judge Kral of Chicago's Housing Court

# Housing - Who owns these buildings? - Abandoned H

a program of concentrated code enforcement was instituted as part of the Model Cities program. This involved the owner being presented with a choice of either fixing up the parcel in question or having it demolished. The economics of the situation are illustrated by the fact that as many as 4,000 units in a single year were demolished under the program before it was halted.

## Emergency Repair Program

New York City has pioneered a program of having the city provide emergency repairs. If a tenant reports a health impairing violation, the city makes efforts to make the landlord to remedy the situation. If suitable action is not forthcoming from this source, the city undertakes the responsibility for the repairs and in turn presents the landlord with a lien against the structure. The logic and need of such a program is undeniable. The results, however, in a great many cases have been the landlord walking away from the parcel in question and its subsequent demise.

## Rent Escrow Programs

Rent escrow programs have been instituted in a number of cities for parcels which do not meet code standard. In this program, rents are collected from the tenants, and held by the municipality or a subsidiary authority. The rents in turn serve as the basis for rehabilitation financing. The concept is that when the structure again meets standard its rents revert to the owner. Unfortunately, again the flow of funds typically is not found adequate to service the costs of required repairs. The results frequently have been the abandon-

ment of the structure by the private owner and the inheritance by the city of yet another parcel.

## The City As Owner

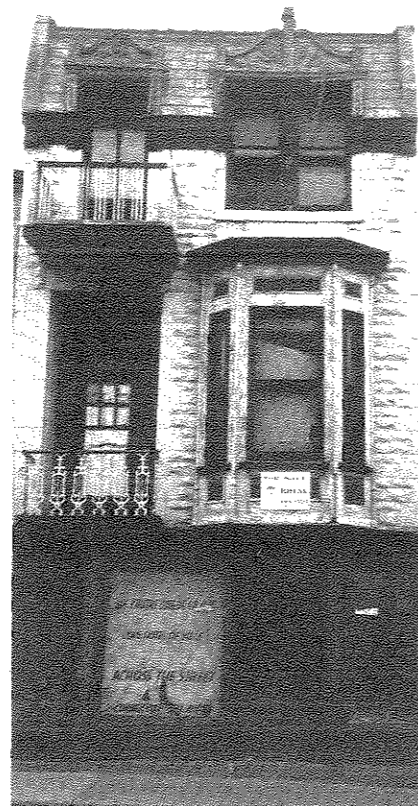
As the result of these punitive acts against the private market, cities are inheriting increasing numbers of parcels. Unfortunately, there is little in the way of a track record to indicate that municipalities are very much better operators than private owners. The cost of maintenance in the structures which have been examined under this program, particularly in New York, are very high; the delivery of housing services is far from adequate. A new administrative apparatus obviously is going to be required; again it may behoove HUD to provide something in the nature of pilot programs with which to explore alternatives.

## Securing Local Involvement

The action areas discussed below are important in themselves. They may be even more so in insuring the survival both of improvements and area. This requires local involvement. It is much more important than merely as an opportunity for "make work." A building's survival is dependent on good will and attention by owners, operators, tenants and neighbors.

## Development of Repair and Maintenance Services

Frequently owners, even with the best intentions, find it most difficult to secure adequate repair and services in core areas. The faulty heating system, which might have been repaired for a trifling expenditure, if not cured, may lead to the abandon-



ment of yet another building. Lack of adequate repair facilities is far from confined to the central city—it is the backbone of much suburban conversation.

The common reality is accentuated, however, in the central city by the typical age of structure which is so prevalent there. Older structures suffer from all of the geriatric diseases: faulty plumbing, heating, and roofing requirements. In the New York study mentioned earlier, expenditures upon these areas were far higher as a proportion of rents and even in terms of absolute dollars for older, poorer structures than they were for newer, more substantially built ones.

The difficulties in securing repair action in slum areas are caused by a complex of reasons. Not the least of them is fear of crime. An example of this was a wildcat strike carried out several years ago by the installation and repair men of a major New York City utility company. The purpose of the strike was to protest the practice of dispatching single installers to certain core areas. The installers and repairmen felt that, based on experience with mugging and other forms of violence, this was too dangerous. The

ultimate resolution of the strike involved the company sending out two-men teams to such areas with concomitant doubling of labor costs. This same type of affliction and cost increment obviously effects other repair provisions in the central city.

## Need for Keeping Parcels Occupied

In a series of interviews with municipal housing authorities in major cities there was one constant observation: the need to keep tenants in structures or else run the risk of them being vandalized beyond repair. This was confirmed by core area landlords in New York City who expressed a similar fear. The statement is frequently made by the latter that if a parcel is vacant for more than a week, all too commonly the owner will discover that the heating apparatus has disappeared, pipes may have been removed from the wall, and the level of rehabilitation required will be well beyond the scope of the market.

One of the necessities, therefore, is the development of renovation proceedings which involve a minimal dislocation of present tenants. The fiasco of instant rehabilitation in New York should not detract from the necessity of developing more adequate mechanisms.

## Rehabilitation

The Department of Housing and Urban Development is presently funding "Project Rehabilitation." This is an effort to develop a large scale rehabilitation industry, to secure know-how on the problems of feasibility of rehabilitation and to provide a model for future activity in this sphere. It is very clear that this type of large scale activity is an absolute requirement. In

many areas, however, it must and should be coupled with the involvement of local community groups in the rehabilitation procedures. It is far from easy.

In some ways rehabilitation requires much more in the way of skilled jack-of-all-trades input in order for it to be economically viable than is true of new construction. Fitting to extant structures which, as a function of their age, are askew and out of square, requires much more in the way of manual input and skill than is true of new construction. The utilization, therefore, of such activity as a training ground for large numbers of central city dwellers is a very expensive one.

There has been some experience in this regard in terms of the Roxbury rehabilitation effort in the Boston area, and in Newark.

In the Newark experience, the costs of rehabilitation were increased by approximately \$2,000 per unit through the use of local workers in housing units which averaged approximately \$13,000 in costs. (This includes approximately \$5,000 in acquisition costs.) The figure is far from a horrendous one, and it may be a relatively modest contribution toward generating the kinds of ongoing expertise which will be required in the future, as well as providing core employment opportunity. The use of local residents in rehabilitation is closely connected with the next factor whose importance is difficult to exaggerate.

## Maintenance And Operation

The financial difficulties of public housing have brought to the fore the problems of maintenance and operating costs. Public housing units typically are built to very, very high stand-

ards. As such, the maintenance and operating costs they must endure are minimized. The federal government assumes all of the capital costs. Labor taxes are minimized through the requirement that the host municipality charge no more than 10 percent of the shelter rent in lieu of taxes.

Contrast this with the typical, relatively small structure which must be rehabilitated. Unless the heating plant is completely revived it tends to be relatively archaic and inefficient, with much higher fuel costs. The very age of the structure, as pointed out earlier, generates much higher costs of operating. Typically, full real estate taxes are involved. (In the New York study cited previously, real estate taxes, depending upon the calibre of the structure, are anywhere from 17 to 28 percent of contract rent, or approximately 15 to 25 percent of gross shelter rent—from one and a half to two and a half times the equivalent for the public housing unit.)

It is little wonder then that, given limited rent paying capacity on the part of tenants in core areas where abandonments are localized, there is considerable difficulty in making both ends meet much less in generating the wherewithal for additional investment. Older, smaller structures are very frail vehicles, regardless of the level of rehabilitation which they may have enjoyed. As such, adequate maintenance is an ongoing necessity.

If this level of service is to be provided, something in the nature of centralized repair and maintenance facilities must be secured. Again, an appropriate demonstration program on the part of HUD involving the development of alternative approaches might be advisable.



# Housing - Abandoned Housing - Abandoned Housing.



I cannot stress too strongly here that we must broaden the state of this art. The phenomenon of abandonment is not transient. It will deepen and increase. What will be required to deal with it is a whole armory of weapons and they must be developed. Abandonment is an immediate emergency, and that should not be forgotten, but that emergency will be with us for many years. Unless we make the investment now in securing added know-how, we will be no better equipped in the future than we are presently.

## Tenurial Forms

What is the future of private entrepreneurs in the low income housing market? This is a very pertinent question for the future of the structures. The entrepreneurial function—the optimization between the resources available to a parcel and investments in that parcel—should not be forgotten. Similarly, the screening of tenantry and management control of the building as a whole are very important functions which must be at hand, even given the provision of enabling activity on maintenance and financing.

There are two forms of ownership which should be discussed here. The first is absentee ownership, substantially involved through the hope of profitable investment. The situation obviously varies very considerably from city to city. There are a significant number of places, however, with New York and perhaps Chicago leading, where absentee owners are essentially withdrawing their investments.

Indeed the statement can be made quite strongly that if the market were somewhat stronger, so much so that

there were alternative buyers in the scene, this march would become a race. The problems of the variance in tenant and landlord ethnic background, of poor versus rich, of area decay, obviously shadow the shape of the housing market to come. It is future expectation as much as present yield that determines landlord behavior. When the former becomes highly questionable, even though current yields may be adequate, there is little incentive for long term investment.

What is required, therefore, are alternative forms of ownership for those absentee owners who want to get out of the area; in essence, a take-out mechanism.

## Resident Ownership

For many Americans of modest income, the only housing purchase which makes economic sense is that of an older property in the central city. When, as in the case of a Boston three-decker, a Newark six-family house, or the Chicago equivalent, the housing purchase includes income producing property, a resident owner can make excellent economic sense of a parcel which for an absentee owner involves much too high a level of investment for the return potential.

This form of ownership is growing rapidly. Unfortunately it grows within a market context which typically involves high purchase money mortgages, the exploitation of relatively innocent owners by high pressure repair services, and a concomitant high failure rate. Would it be possible for the government to facilitate these transfers by providing an appropriate financing mechanism? The recent criticisms of some of the 235-236 exploitations

should not be permitted to cloak both the potential and the necessity for such transfer approaches.

## Low-Income Cooperatives Or Nonprofit Corporation Holdings

Both of these approaches have been espoused quite vigorously in the housing literature in the last several years. Unfortunately, neither of them has an adequate track record, particularly in terms of older parcels, which permit any generalization of the success or failure that is incumbent within the form. There is no question, however, that older parcels particularly require very close level of involvement in order to insure their survival. To the degree that a local group can provide this, such ownership has considerable promise. Again, it behooves HUD to attempt a number of demonstration approaches to test the feasibility of these forms of tenure.

## Summary

The problem of abandonment of structures is a reflection of the decline in the private housing market in core areas. The problem must be attacked both in its inception and in terms of its results. The former requires a revitalization of the private housing market so as to provide both stimulus and wherewithal for owner investment. The 312 program and the grant-in-aid program are most successful first steps in this procedure. In order to meet the challenge of abandonment, they must be broadened in terms of their funding and in terms of the qualification requirements.

The results of abandonment—the vacant boarded up structures which are beginning to dot our cities in increasing numbers—must be attacked

through much more rigorous action. The combination of the public housing turnkey approach plus 235-236 funding provides the wherewithal for massive rehabilitation. The costs are high; this should not be underestimated. The costs of do-nothingness are even higher.

Once a parcel is rehabilitated we have the problem of its ownership and management. For this, a variety of alternative forms of tenure are going to be required. These will involve the fostering of resident landlords, the development of alternative ownership methods such as low income co-ops and local community groups as owner-operators, coupled with the provision of efficient maintenance services.

Pervading this entire area is the question of what is the function of core residential areas. The great waves of migration from the South and from Puerto Rico have ebbed and are substantially bypassing many of their historical focal points. Middle class oriented minority group members, within the limitations of their pockets, are moving out of the older core areas. At the same time the relative youth of central city inhabitants, coupled with a high rate of household formation, is generating a nearly equivalent demand. This demand is further fostered by the lack of new housing construction and with it the slowing-down of the filtering process.

When there is an acceleration of new housing development, and with it a rejuvenation of the filtering down process, more in the way of partial vacuums—in need and demand—for core housing will be engendered. But this is a long time off. The great gap between present housing demands and needs augmented by household

formation, as against the level of housing construction, indicates that the time is far distant when the abandoned structure can be seen as a tribute to the appropriate workings of the supply/demand nexus. Until that time, the buildings are needed. There is no alternative. In addition, the process of abandonment, while in part caused by area characteristics, in turn provokes a degeneration of the same area. It is difficult to envision any definition of appropriate environment which could include proximity to a shell of a house vacated by all but intruders.

The question of municipal provision of services touched on earlier is obviously even broader than the problem of abandonments. Several years ago, for example, in conducting a study of Newark, we had occasion to contrast garbage collection procedures in core residential areas with those in suburban garden apartment developments. The latter, for which developers must typically secure variances, not uncommonly involve garbage pick-up as much as five times a week for dwelling units occupied by at most 20 small families to the acre. Contrast this with the Newark core scene where garbage collection is conducted only twice a week, and too frequently in areas which have 60 large families to the acre. The situation in terms of schools, policing, and the like parallels this imbalance.

The largest single expenditure by owners typically is local taxes. And certainly one of the most significant growth areas in expenditures is these very same taxes. Despite this absolute level of costs and its growth, the provision of services is faltering.

In order to provide adequate housing at relatively low rentals, some form of tax concession must be made. We have the sad example of the bankrupt attempting to bootstrap themselves. The utilization of the local public housing authority as the rehabilitator of abandoned structures utilizing the 235-236 mechanism as well as the turnkey provisions of the law is a most encouraging development. It flies in the face, however, of the local municipality's need for resources. Therefore, in the older city, one of the principal objections to public housing is the fiscal imbalance that it tends to generate.

The need for increased protection services in core areas, voiced by core residents and reported earlier in the study of welfare recipients can only be met by more in the way of expenditures.

Where is the money to come from? We must have an improved physical housing shell. Unless, however, this is coupled with an improved infrastructure, it can serve at best as only a momentary inspiration for the better life. □

Dr. Sternlieb is Professor of Urban and Regional Planning and director of the Center for Urban Policy Research at Rutgers University.

He has written numerous books on urban housing. These include: *Tenement Landlord* (Rutgers University Press 1969), *Aspects of the Abandoned House Problem* (Rutgers University Press 1970), and *Newark Housing Costs and Housing Restraints* (Rutgers University Press 1970). Under the aegis of the New York City Housing Development Administration, Dr. Sternlieb recently completed a book entitled, *The Urban Housing Dilemma* (Housing Development Administration, N.Y.C. 1971). These books are available from the Center for Urban Policy Research at Rutgers.

*Abandoned Housing: What is to be Done?* is based on a paper by Dr. Sternlieb submitted to the Subcommittee on Housing, the Committee on Banking and Currency, House of Representatives (Washington, D.C. 1971).

**Wesley  
A.  
Kuenemann**

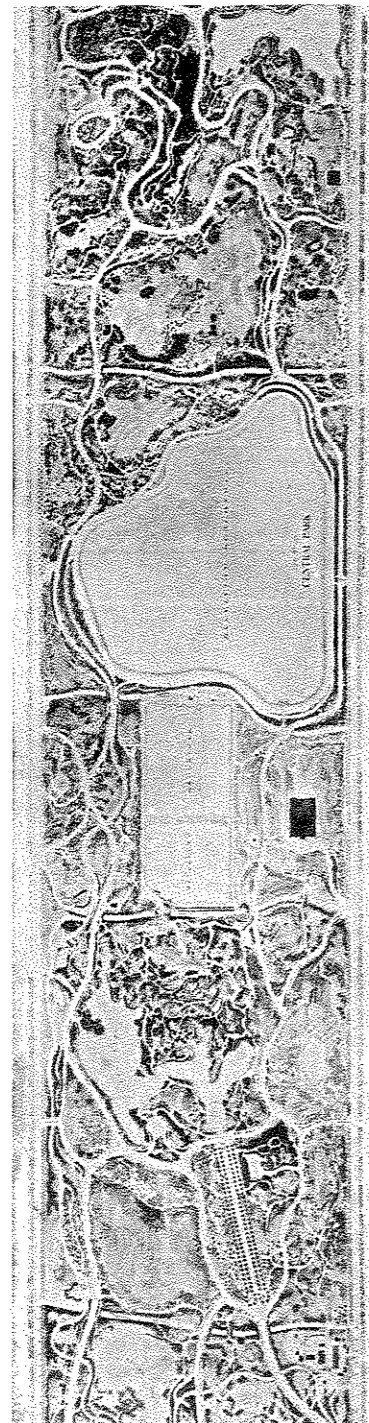


Wesley A. Kuenemann, Executive Group member of the Industrial Council of ULI-the Urban Land Institute, died December 2, 1971 of a heart attack in Houston.

Mr. Kuenemann retired as manager of area development for Houston Lighting & Power Company in August 1971 after 31 years of service. He organized the Houston Lighting & Power Company's Area Development Program and was directly responsible for locating in excess of 100 industrial, commercial, and service organizations in the service region of Houston Lighting & Power Company.

Mr. Kuenemann was a member of the Houston Engineering & Scientific Society, the American Society for Metals, Texas Industrial Development Council, and the Southern Industrial Development Commission. Active in community affairs, he served as a member of the candidate selection committee for University Place City Council offices, president of West University Lion's Club, and president of the El Paso 20-30 Club. He served as Industrial Committee member and chairman of the Chamber of Commerce Organization in Houston.

**In  
Print**



**Civilizing American Cities. A selection of Frederick Law Olmsted's Writings on City Landscapes.** Edited by S. B. Sutton. The MIT Press, Cambridge, Massachusetts. 310 pp. \$12.50.

To those of you who have grown weary of pompous platitudes about "the people" and "planning with people": be of good cheer. We now have at hand extracts of the writings of a famous landscape architect whose philosophy and recommendations for public parks contains more practical, useful, and imaginative insight into the shaping of an environment for the use of its population than most contemporary tracts on social uplift.

Listen, for example, to these considerations for the health, happiness, and safety of people, written 80 to 100 years ago by Frederick Law Olmsted:

"The time should be expected when the toiling population of Chicago, *relieved from work at an early hour on the last of the week*, will be carried to the South Park at the cost of a few cents."

"The distinction between grounds to be used by day only, and grounds to be open night and day, needs also to be considered. It is impossible to make grounds in the midst of large towns which offer numerous places of complete obscurity, safe places of resort after nightfall."

"It offers to those coming by rail, in public carriages, or on foot, a means of traveling through nearly all parts of the Park quietly, agreeably, and without fatigue, . . . This will be of great value to invalids, convalescents, and mothers with children in arms."

On the other hand, Olmsted could be—and was—as tough as an oak knot when it came to analyzing prof-

its from a beer garden in a park, the dollar cost of an error in judgment (not his) in Central Park New York City, or the increase in land values created by an adjoining park.

In his lifetime, Olmsted designed 17 major public parks, and many smaller public and private open areas. His perception of the integrated aspects of horticulture, transportation, recreation, health, design, financing, and geography of public spaces was unexcelled, and spelled out in fluent, elegant, persuasive prose. In the 1870s he was keenly aware of the great exodus from farm to city, and the exploitation of our minerals and forests. He pleaded for trees to be planted and maintained as "permanent furniture of the city."

Olmsted's writings emphasize his understanding of urban spaces and argues valiantly—sometimes, though not frequently enough, effectively—against their abuse. He opposed the ever-popular grid system and opportunistic site selection based on political (or often not even that) considerations.

In short, Olmsted is just as refreshing and relevant today for open space planners and administrators as he was for the much less sophisticated planners and politicians of the 19th century. "We come," he wrote, "to the question: what accommodations for recreation can we provide which shall be so agreeable and so accessible as to be efficiently attractive to the great body of citizens, and which, while giving decided gratification, shall also cause those who resort to them for pleasure to subject themselves, for the time being, to conditions strongly counteractive to the special enervating conditions of the town?"

It's a good question, even today.

S. H. K.

**Jesse  
R.  
Barnet**



Jesse R. Barnet of Washington, D.C. has joined the ULI staff as the Development Director. He will be responsible for the fund-raising program of the Urban Land Research Foundation, a nonprofit corporation established in December 1970 to provide the contemporary land developer and urban planner with vital research findings on the use, planning, financing, and development of land.

Barnet formerly was Associate Director of Development for Georgetown University. He had the responsibility for the organization, coordination, and direction of a \$51.3 million, five-year capital development program for the university. Previously he was Executive Director of the Foundation for Independent Junior Colleges of Virginia, where he directed fund-raising programs to secure annual financial aid for the organization's member colleges. He was also involved in fund raising for the Corcoran Gallery of Art in Washington, D.C. and the United Givers Fund of the National Capital Area.

A native of Albany, New York, Barnet graduated from the State University of New York at Albany. Subsequently he enrolled in both the John F. Kennedy Graduate School of Public Administration and the Graduate School of Education at Harvard University. He received his A.M. in teaching from Harvard in 1954.

**ULI  
Future  
Meetings**

**1972**

May 23-25  
Inn on the Park  
Toronto, Canada

October 23-25  
Hotel del Coronado  
Coronado, California

**1973**

April 27 - May 4  
Alameda Plaza Hotel  
and Plaza Inn  
Kansas City, Missouri

October 22-26  
Sahara Tahoe Hotel  
Lake Tahoe, Nevada

